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VOL. 5

PART 3

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

IN EIGHT VOLUMES

VOLUME III

Schedule 3—METALS AND MANUFACTURES OF
Schedule 4—WOOD AND MANUFACTURES OF
Schedule 5—SUGAR, MOLASSES, AND MANUFACTURES OF
Schedule 6—TOBACCO AND MANUFACTURES OF

Revised and Indexed



WASHINGTON
GOVERNMENT PRINTING OFFICE

1922

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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 3.

METALS AND MANUFACTURES OF.

DIGEST OF INFORMATION RELATING TO MINERALS.

STATEMENT OF HERBERT W. SMITH, WASHINGTON, D. C., REPRESENTING THE AMERICAN MINING CONGRESS.

Mr. SMITH. My name is Herbert W. Smith, 841 Munsey Building, Washington, D. C. I serve as chief of the division of mineral tariffs of the American Mining Congress. I am here to suggest certain revisions for the consideration of the committee and certain changes in the schedules of H. R. 7456 which affect the mining industry. It will be necessary to touch briefly on all the different paragraphs which affect the 27 different minerals; and to conserve the time of the committee I have prepared for your reference a statistical chart giving the present tariff classification; the imports from foreign countries of the materials produced by these industries, based on prewar, war-time, and present figures; the countries from which imported; the labor cost per diem in those respective countries; the relative trade balance of those countries with the United States; their present exchange rates; the nature and extent of ore deposits, foreign and in the United States; the cost of production abroad and here; the prevailing prices for the commodities, prewar, war-time, and present; the annual production of the United States, prewar, war-time, and present; the States in which produced, showing the localization of production; the number of people dependent on the industry for support; the approximate investment in the industry; the present condition of the industry, and the particular problem it is facing wherefore it needs a tariff; the probable relative percentage of mineral that will be consumed under a correct tariff, the tariff which has been requested by the industry for its protection, and the tariff recommended in H. R. 7456.

Senator LA FOLLETTE. Will you give the sources of your information with regard to foreign production?

Mr. SMITH. Yes. This chart gives these statistics on the following materials: Antimony, arsenic, asbestos, barytes, bismuth, cadmium, chromite, feldspar, fluorspar, graphite, gypsum, kaolin, lead, lime, manganese, magnesite, marble, mica, molybdenum, monazite and thorium, pyrites, pumice, potash, quicksilver, talc, tungsten, and zinc.

I shall not offer this for the record, because in my work with the Ways and Means Committee a great deal of this material has been submitted to the committee, and it is of record in different form. I offer it for the use of the members of this committee, and if you wish to make it a part of the record you may do so.

Senator SMOOT. You better put it in the record.

Senator WATSON. Yes; because that appears to be a very valuable statement.

Senator SMOOT. I have examined it, Mr. Smith, and I think it ought to go into the record. You handed me one of those charts the other day.

Senator WATSON. Are you satisfied with the rates?

Mr. SMITH. Yes, on the whole. As to those in connection with which the issues involved have been carefully considered and adjudged satisfactorily by the rates fixed by the Ways and Means Committee, as far as possible I shall not take it up for discussion.

On arsenic, in Schedule 1, paragraph 1, the committee has recommended a duty of 25 per cent ad valorem—on arsenic acid, arsenious acid, or white arsenic.

The production of arsenic in this country was greatly accelerated by the cutting off of imports during the war, and both our by-product production from domestic smelters and our production from original arsenious ores were increased. The development of the original arsenious ores is the permanent and most valuable portion of the development. In western Nevada and eastern California, which produce the arsenious ores, millions of tons have been opened up and are of a commercial grade suitable to refining for the arsenic alone.

Heretofore the production of arsenic in this country has been a by-product smelter production, and a large volume of it still is.

The rate of 25 per cent ad valorem has two disadvantages: First, it has the disadvantage that an ad valorem rate always has, that it offers least protection when needed most; and, second, with the particular problem that the industry is facing now it would not give the industry under present conditions the protection that it needs to carry it over until times get back more nearly to normal.

An amendment is therefore suggested to paragraph 1, Schedule 1, lines 19 and 20. We suggest the following amendment:

Line 20, paragraph 1, Schedule 1, following the comma after the word "arsenic," insert "— cents per pound."

I do not suggest the rate per pound to the committee, but it will range between 3 to 5 cents, depending on the decision of the committee following its investigation of the subject. It should not be less than 3 cents per pound, and more than 5 cents a pound is not needed.

On barytes the Ways and Means Committee recommended a rate of \$4 per ton on crude barytes ore and \$7.50 on ground or manufactured.

Senator WATSON. What paragraph is that?

Mr. SMITH. Schedule 1, paragraph 64.

I suggest for the earnest consideration of the committee the presentation which was made to you by the Hon. Marion E. Rhodes, of Missouri, who is thoroughly conversant with the barytes problem, and the rates which he suggested for your consideration.

Bismuth, which is now and always has been on the free list (par. 1523), is a by-product smelter production, which was accelerated by the war and the continuance of which is vitally necessary not only chemically but for the reason that, being a by-product production, if the price is not permitted to reach a point where it is worth while to save the bismuth it will not be produced. If the material is not entirely lost, it goes off into the furnace slag, and the cost which is assigned to bismuth production as a by-product of smelting is always merely the cost of the last operation, the cost of converting it. There is no charge against it for mining, no charge against it for concentration, no charge against it for ore treatment.

Whenever the price of bismuth drops below the cost of the last process, not only is that portion of the industry lost, but that material is irrevocably lost also.

It is suggested, therefore, for the consideration of the committee, that bismuth be removed from the free list and placed in the metal schedule carrying a rate of 25 cents per pound.

Cadmium is a similar metal produced similarly by by-product production in smelting, and is also lost wherever the price is not sufficient to warrant the last process of manufacture. It is suggested, also, for the consideration of the committee, that cadmium be included in the metal schedule at a rate of 25 cents per pound.

I might say that neither bismuth nor cadmium was a mooted point before the Ways and Means Committee. This issue was brought before the committee too late for its consideration, and it is here presented for the first time. Briefs on these two metals will be filed with your committee.

On graphite the committee has indicated a rate of 10 per cent ad valorem, which has the same disadvantage that I have already spoken of as to ad valorem rates; and from the work that I have done on these mineral tariffs I only feel that I can unqualifiedly indorse the recommendations that have been made to you by the graphite producers for the protection of their product. The protection that they ask for is fully justified and will result, within, I suppose, 5 to 10 years, in an improvement even greater in the manufacturing graphite industry than would otherwise follow, because of the greater facility of use of the American graphite after the trade practice has once become accustomed to it.

Senator SMOOT. The producers have a number of suggestions. The last one wanted a rate on lump of 3 cents and on flake 6 cents.

Mr. SMITH. I would say that the lowest rate that the committee should consider which would offer any inducement to engage in graphite production was the rate recommended by Mr. Herbert Johnson. It was an ad valorem rate, having the disadvantages that ad valorem rates have. There appeared before you also Mr. Sharp, who recommended the rates in the original graphite bill. Those are adequate with the exception of the rate on amorphous graphite, which is not included therein.

Senator SMOOT. Mr. Sharp wanted 1 cent on flake graphite.

Mr. SMITH. The rates that Mr. Weed has recommended to you are particularly applicable to his portion of the flake-graphite industry. They also cover the amorphous industry of which I spoke.

It is probable that Mr. Weed's rates are arranged to mesh in together better than any of the other rates that have been suggested. Compared from a standpoint of relative highness there are differences both ways, especially when you include the 35 per cent ad valorem rate.

A side issue has come up with regard to the lead schedule which does not affect the lead schedule itself, but affects the manufacture of lead. That is paragraph 320, electric storage batteries.

Electric storage batteries are made up in their component materials of greatest weight and greatest value entirely of lead in the form of lead oxides and lead bars. Electric storage batteries have heretofore been in the basket class of the metal schedule. This time they ask for special consideration as a separate issue, and they were placed in a separate paragraph.

Senator WATSON. What paragraph?

Mr. SMITH. Electric storage batteries and parts thereof, paragraph 320, page 51. [Reading:]

Electric storage batteries and parts thereof, storage battery plates, and storage battery plate material, wholly or partly manufactured, all the foregoing not specially provided for, 30 per centum ad valorem.

The storage-battery manufacturers will petition your committee for an increase in that rate to 40 per cent ad valorem, for the reason that with the duties provided on lead, which are no more than adequate to protect the lead industry, in fact they are not sufficient to protect it in the present status of business, the basic part of a storage battery could come into this country in the form of busbars, which would bear, as a storage-battery part, a rate of 30 per cent ad valorem, which would be less than the duty on the same material if it were classified as pig lead.

That is, this schedule offers opportunity not only for false entry and misrepresentation in importing by simply a slightly different description of two articles that are very similar, but it offers opportunity for bringing it in in that way and then marking it "manufactures" of lead, which bear relatively a greater duty, and it puts the storage-battery manufacturers at a disadvantage which a rate of 40 per cent would take care of.

That is rather a detailed problem. If there are any questions that the committee wish to ask on that particular matter I should be glad to go into it.

Senator CURTIS. Have you a memorandum that you can leave with the committee? I notice that you are reading from some memorandum.

Mr. SMITH. No, sir. These are just odd memoranda that I have covering a list of the subjects I must take up with the committee to-day. The storage-battery people will file with your committee a brief covering the detailed issues fully.

On the question of manganese, that matter has been exhaustively gone into by your committee as it was by the Ways and Means Committee, and the rates on manganese were finally arrived at by the Ways and Means Committee after they had very vigorously trimmed down the original request. It was the feeling of the committee when the rates were finally arranged that they had cut them to the bone.

I wish to submit for the interested observation of the committee some maps on manganese production and manganese reserves in this country which have been prepared from data which we have accumulated in the past few years.

In the discussion of the manganese issue expressions were used such as "no deposits of manganese ore" and "no shipments of manganese ore except an occasional carload," which did not adequately represent the real situation.

This map [exhibiting] gives the production of manganese for 1918 from the following States: Alabama, Arizona, Arkansas, California, Colorado, Georgia, Minnesota, Montana, Nevada, New Mexico, Tennessee, Texas, Utah, Virginia, Wisconsin, and scattering States—showing a production for that year of 305,869 tons shipped to market and used, and 1,386,301 tons of ferruginous manganese; so that in 1919 the United States produced more high-grade manganese than any other country in the world except Brazil, which produced 350,000 tons.

Counting the ferruginous manganese, the total of manganese ores produced in the United States was greater than the combined production of all the rest of the world for 1918.

Together with that is a map of potential manganese-ore reserves from the same States, which has been assembled from the consensus of engineering statements from engineers who have been in charge of the properties and engineers who have investigated these properties on an independent basis. It does not bear the same authenticity as a Government report, but it has been honestly assembled, and the information in it has been vouched for as accurately as is at all possible.

On the question of manganese and ferromanganese you raised the point yesterday, Senator Smoot, with regard to the dividing line; and you are quite right in saying that the dividing line is difficult of administration. They have set an arbitrary point of 45 per cent of manganese as the split between spiegeleisen and ferromanganese. That is not where the split occurs.

In the manufacture of alloys of manganese and iron there is manufactured a manganese pig iron which contains varying percentages of manganese, running from 1 per cent up to 10 or 12, depending upon the grade of the ore. The manganese contained in that type of pig is of equal value in furnace use, depending on the amount of the material that is in it. When you go up to 23 per cent of manganese you have the top limit of spiegel.

Senator SMOOT. Thirty per cent, is it not?

Mr. SMITH. I may be incorrect on that, but I have looked it up quite recently. The ranges on commercial grades with which I am familiar are from 18 to 23 per cent. Then there is a product of 80 per cent. Eighty per cent is the standard grade for ferro. During the war it was reduced to 70 per cent, so that our furnaces could be speeded up.

In the relative cost of manufacture you can take a ferruginous manganese ore and make a manganese pig; you can take a high-grade ferruginous manganese ore and make spiegel, or you can take a low-grade ferruginous manganese ore and by adding a little manganese make spiegel. But to make 80 per cent ferro requires at least 40 per cent manganese ore.

You know, metallurgically, that when you build an alloy up to this point your losses increase tremendously.

I would suggest for the consideration of the committee, therefore, that this 45 per cent arbitrary line be moved to 30 per cent, as you suggest, as being the top limit of spiegel.

Senator CURTIS. Have you verified your figures? Why not make it what it ought to be—23 per cent, if that is the figure? Why can not you and Senator Smoot agree as to whether you are right or he is right?

Senator SMOOT. He is perfectly satisfied to take 30 per cent.

Senator CURTIS. If that is not the correct figure—

Senator SMOOT. I am quite satisfied that you will find it is 30 per cent, up to 30 per cent.

Mr. SMITH. There would be no grades between those two points of 23 and 80 per cent manufactured.

Senator SMOOT. Could you tell me what the real cost is for converting manganese ore into ferromanganese?

Mr. SMITH. Prewar costs on conversion were around thirty to forty dollars per ton of ferro, that is up to between 1914 and 1915.

Senator SMOOT. You mean ferromanganese, 80 per cent?

Mr. SMITH. Yes, sir; 80 per cent ferro.

Senator SMOOT. How many tons of ore did that take? Take the average of high grade, beginning with 40 per cent.

Mr. SMITH. It takes about 2½ tons of manganese ore, 40 to 50 per cent ore, to make 1 ton of 80 per cent ferro.

Senator SMOOT. That is what I wanted to get at, the conversion cost.

Mr. SMITH. The ratio is 110 units of manganese to 80 units of ferro.

Senator SMOOT. That is true. They ask for \$15 difference, you know.

Mr. SMITH. Yes, sir.

Senator SMOOT. I will figure it out. I agree with you as to the percentages. I will figure it out later.

Mr. SMITH. These costs on the manufacture of ferro are a little bit difficult to give, because there are no independent producers of ferro operating. The latest costs on ferro were around \$65 per ton.

Senator SMOOT. I mean what it actually costs in labor to convert 2½ tons of manganese ore into 1 ton of ferromanganese.

Mr. SMITH. That is the ratio that we would have to figure on.

Senator CURTIS. I wanted to ask you one question. I notice in running over your figures as to the cost of labor in the production of magnesite that in Austria it is 62 cents a day. The testimony before our committee last January was from the American company which owns Austrian mines, to the effect that they had to pay their labor \$1 a day.

Mr. SMITH. There has been a marked depreciation in exchange since then. This is my memory of it, but I can not verify it, that there was also testimony introduced to show that there were a great many women employed in the mining industry in Austria which means a lower wage level than \$1 per day.

On pyrites the industry requests on cuprous and cupriferosus or iron pyrites \$4 per ton. Pyrites is on the free list (par. 1663); and we recommend for the earnest consideration of the committee the inclusion of it in Schedule 3 or Schedule 2, whichever would be the proper classification, at the rate suggested.

On quicksilver a slight adjustment between the rate as suggested of 35 cents per pound and the rate provided in the chemical schedule will be necessary, because the rate now provided was introduced on the floor of the House too late for the rates in the chemical schedule to be altered in conformity with it. It is a difference of about 3 per cent ad valorem on the basis of American valuation.

On zinc we recommend for the consideration of the committee the changes suggested by Mr. Ruhl and the other gentlemen who appeared before you, one of which changes is due to a similar circumstance to the one I suggested, namely, the inclusion of the temporary provision as a permanent provision late in the consideration of the bill.

Senator SMOOT. Mr. Ruhl wanted the temporary provision made permanent?

Mr. SMITH. Yes; but there were two temporary provisions. One was made permanent, and one of them was not, which leaves a disparity there which should be adjusted.

On tin there has never been a duty before because in the consideration of other tariff bills we have never had a tin-smelting industry in

the United States. During the war three tin smelters started in operation using Bolivian ore, and the representative of one of those smelters appeared before the Ways and Means Committee and requested a duty on block tin and said he was willing, if it was the wish of the committee, to have included a duty on tin in ore. The rate asked for on tin in ore was 6 cents per pound and on block and pig tin 10 cents per pound, making a differential of 4 cents on the block tin. It was the conclusion of the committee that inasmuch as there was no tin ore in this country or no prospects of any, only the duty on the block tin should be provided. This was recommended at a rate of 2 cents per pound in paragraph 386.

We suggest for the consideration of the committee the revision of that to 4 cents per pound. It would still be no more than the rate of about 10 to 15 per cent ad valorem at the lowest market price of tin over a great many years; and this is an industry that is well worthy of fostering in this country. It represents an immense investment and is the only true development of the tin industry that we can have—that is, by smelting the Bolivian and South American ores—and these smelters, unless they are adequately protected, will surely have to give up this operation because they can not compete without protection with Straits tin. For a new industry the rate which they are asking is very reasonable indeed.

Witnesses have been before this committee on the schedules for aluminum with the allegation that the aluminum industry was a monopoly that was vicious and had affected the aluminum industry adversely. The mining industry has no complaint against the aluminum industry so far as its being a monopoly is concerned, either in the purchase of its raw material or the sale of its finished metal. There is no reserve of essential raw material which is as abundant in this country or in any country as the raw material of aluminum—bauxite. There are literally billions of tons of it in the United States, and the possibility of the control of the supply of this raw material would be absurd. It could not be done. We must determine whether we are going to foster competition in the aluminum business between the existing aluminum industry in this country and foreign imports or whether we are going to foster the foreign imports and not the domestic industry in this country.

There have been developed on the Pacific coast within the last two years immense aluminum industries which will use the water power on the coast rivers, particularly the Klamath River of Oregon, in the production of aluminum in large quantities from bauxite.

The development of aluminum in this country has resulted in a reduction in prices from \$8 per pound in 1889 to 25 cents per pound price of aluminum to-day. Protection of the aluminum industry by tariff will mean lower prices, rather than higher, because, as the prior statement of prices shows, aluminum prices are dependent entirely on quantity of production, the larger the possible production in this country the lower the possible price to the consumer. This has always been the record of the industry.

It was therefore recommended that aluminum be returned to the Payne-Aldrich basis of 7 cents per pound on block and pig and 11 cents per pound on sheets and strips. However, the committee finally decided on 5 cents a pound on the block and pig and 9 cents for strips, which, in view of the state of the industry and the fact that

it represents but from 16½ to 20 per cent ad valorem, is certainly as low a rate as the industry could stand.

My time is exhausted. I shall not give the committee any general observations on the tariff.

Senator CURTIS. If you want to close now and the members of the committee want to ask you questions, of course—

Mr. SMITH. I am at the service of the committee at any time.

The CHAIRMAN. You may print any statement you desire, Mr. Smith, as a part of your remarks.

Senator WALSH. I have been, unfortunately, out of the room during your excellent presentation of the subject. Did you discuss graphite?

Mr. SMITH. Yes, sir.

Senator WALSH. If you come here on Monday I would like to ask you some questions on that subject, because I have letters from certain men protesting against this proposed duty.

(The chart and maps referred to and submitted by the witness were filed with the committee.)

DIGEST OF INFORMATION ON MINERAL TARIFFS.

(Compiled by the tariff division of the American Mining Congress.)

ANTIMONY.

Present tariff classification:

Prepared—

Schedule C.

Paragraph 144.

Rate, 25 per cent ad valorem.

Unit of measure, short ton.

Ore—

Free list.

Paragraph 396.

Unit of measure, short ton.

Tariff proposed in H. R. 7456:

Schedule 3.

Paragraph 376.

Rate, 1½ cents per pound on antimony as regulus or metal.

Imports from foreign countries:

Prewar, 7,528 (1914).

War time, 15,233 (1918).

Present (latest available data), 10,143 (1920).

Imported from:

China.

Mexico.

Labor cost per diem:

China, 45 cents.

Mexico, \$1.10.

Relative trade balance of these countries with the United States:

China—creditor.

Mexico—debtor.

Present exchange rates of these countries with the United States:

China, 1 tael=71 cents.

Mexico, 1 peso=51 cents.

Nature and extent of ore deposits:

Foreign—

China—large and cheaply mined.

Mexican antimonial lead an important source.

United States—Large resources; antimonial lead stibnite deposits not developed.

ANTIMONY—continued.

Cost of production:

Foreign, 4½ cents per pound.

United States, 14 cents per pound.

Prevailing prices:

Prewar, 7 cents per pound.

War time, 21 cents per pound.

Present (latest available data), 6½ cents per pound.

Annual production in United States:

Prewar, 2,705 short tons.

War time, 24,377 short tons.

Present (latest available data), 3,963 short tons (estimated).

States in which produced: Alaska, Arizona, California, Colorado, Idaho, New Mexico, Utah.

Number of people dependent on this industry for support: 11,000.

Approximate investment in this industry: \$10,000,000.

Present condition in this industry and particular problem it is facing: Low Chinese and Mexican labor costs.

Probable relative percentage of mineral that will be consumed under correct tariff:

Foreign, 40 per cent.

United States, 60 per cent.

Tariff necessary to protect industry:

10 cents per pound upon antimony salts and sulphuret.

10 cents per pound on antimony as regulus or metal or matte containing antimony, or in antimonial lead.

8 cents per pound antimony content in antimonial ores.

ARSENIC.

Present tariff classification:

Free list.

Paragraph 403.

Unit of measure, short tons.

ARSENIC—continued.

- Tariff proposed in H. R. 7456:*
Schedule 1.
Paragraph 1.
Rate, 25 per cent ad valorem on arsenic acid, arsenious acid or white arsenic.
- Imports from foreign countries:
 Prewar, 1,594 (1914).
 War time, 1,847 (1918).
 Present (latest available data), 4,000 (1920).
- Imported from:
 Canada.
 Mexico.
- Labor cost per diem:
 Canada, \$2.50.
 Mexico, \$1.10.
- Relative trade balance of these countries with the United States:
 Canada—debtor.
 Mexico—debtor.
- Present exchange rates of these countries with the United States:
 Canada, \$1=89 cents.
 Mexico, 1 peso=51 cents.
- Nature and extent of ore deposits:
 Foreign—
 Canada—by-product from cobalt ores.
 Mexico—smelter by-product.
 United States—Large resources unassociated with other minerals and also as a by-product.
- Cost of production:
 Foreign, 6 cents per pound.
 United States, 11 cents per pound.
- Prevailing prices:
 Prewar, 14 cents.
 War time, 12 cents.
 Present (latest available data), 10 cents.
- Annual production in United States:
 Prewar, 4,670 (1914).
 War time, 6,323 (1918).
 Present (latest available data), 6,000 (1920).
- States in which produced: California, Colorado, Montana, Nevada, Utah, Washington.
- Number of people dependent on this industry for support: 1,500.
- Approximate investment in this industry: \$5,000,000.
- Present condition in this industry and particular problem it is facing wherefore it needs tariff: Operating, but not extending, due to lower foreign costs jeopardizing investment.
- Probable relative percentage of mineral that will be consumed under correct tariff:
 Foreign, 25 per cent.
 United States, 75 per cent.
- Tariff necessary to protect industry: 5 cents per pound of As_2O_3 (white arsenic).

ASBESTOS.

- Present tariff classification:
 Manufactured—
 Schedule N.
 Paragraph 367.
 Rate, 20 per cent ad valorem.
 Unit of measure, short tons.
 Unmanufactured—
 Free list.
 Paragraph 406.
 Unit of measure, short tons.
- Tariff proposed in H. R. 7456:*
Schedule 14.
Paragraph 1401.
Rate, paper, millboard made of long fiber, electrical papers, not exceeding 0.05 inch in thickness, 8 cents per pound; made of other fibers, 1½ cents per pound; sheets and plates, 1-3½ cents per square foot; wick and rope, 18-56 cents per pound; yarn, 32 cents-\$1.68 per pound; textile fabrics, 42 cents-\$1.40 per pound; all other manufactures, 20 per cent ad valorem.
- Imports from foreign countries:
 Prewar, none.
 War time, 134,108 (1917).
 Present (latest data), 135,861 (1919).
- Imported from:
 Canada.
 South Africa.
 England (manufactured).
- Labor cost per diem:
 Canada, \$2.50.
 Africa, \$0.50.
- Relative trade balance of these countries with the United States: Canada—debtor.
- Present exchange rates of these countries with the United States: Canada, \$1=89 cents.
- Nature and extent of ore deposits:
 Foreign—
 Canada—Large low-grade deposits extensively developed.
 South Africa—Both high and low grade deposits not so well developed.
 United States—Large but undeveloped, need large capital investment.
- Cost of production:
 Foreign, 25 cents per pound.
 United States, 37 cents per pound.
- Prevailing prices:
 Prewar, \$300 per ton (1914).
 War time, \$1,800 per ton (1917).
 Present (latest available data), \$2,000 per ton (1920).
- Annual production in United States:
 Prewar, 1,479.
 War time, 1,683.
 Present (latest available data), 1,500.
- States in which produced: Arizona, California, Georgia, Maryland, New Mexico, Oregon, Vermont.

ASBESTOS—continued.

Number of people dependent on this industry for support: 100,000 (including manufacturers.)

Approximate investment in this industry: \$25,000,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: Protection of manufacturer necessary to develop ore deposits for this market. No tariff asked on raw asbestos.

Probable relative percentage of mineral that will be consumed under correct tariff:

Foreign, 95 per cent raw, 25 per cent manufactured.

United States, 5 per cent raw, 75 per cent manufactured.

Tariff necessary to protect industry:

Paper: 5 cents per pound, paper millboard and articles manufactured therefrom; 10 cents per pound, paper millboard manufactured from long-fiber asbestos, and electrical papers not exceeding 0.005 inch in thickness.

Sheets: $\frac{1}{4}$ cents per square foot, asbestos in plates, with hydraulic cement not over $\frac{1}{4}$ inch in thickness; $\frac{2}{4}$ cents per square foot over $\frac{1}{4}$ inch but not over $\frac{1}{2}$ inch; 5 cents per square foot over $\frac{1}{2}$ inch but not over $\frac{3}{4}$ inch; 6 cents per square foot corrugated or otherwise not flat. 50 per cent ad valorem in addition.

BARYTES.

Present tariff classification:

Schedule A.

Paragraph 51.

Rate, 15-20 per cent ad valorem.

Unit of measure, short tons.

Tariff proposed in H. R. 7456:

Schedule 1.

Paragraph 64.

Rate, $\frac{3}{4}$ per ton on crude barytes ore; \$1.50 per ton ground or manufactured; 1 cent per pound precipitated barium sulphate.

Imports from foreign countries:

Prewar, 24,243 (1914).

War time, none.

Present (latest available data), 10,000 (estimated, 1920).

Imported from: Germany.

Labor cost per diem: Germany, 78 cents.

Relative trade balance of these countries with the United States: Germany—debtor.

Present exchange rates of these countries with the United States: Germany, 1 mark= $\frac{1}{4}$ cents.

BARYTES—continued.

Nature and extent of ore deposits:

Foreign—German deposits large.

United States—Large deposits both developed and undeveloped in South and Middle West.

Cost of production:

Foreign, \$1.50-\$3.75.

United States, \$7.97.

Prevailing prices:

Prewar, \$3.37 f. o. b. mine.

War time, \$8.02 f. o. b. mine.

Present (latest available data), \$10-\$11.25 f. o. b. mine.

Annual production in United States:

Prewar, 52,747 (1914).

War time, 155,368 (1918).

Present (latest available data), 180,000 (1920).

States in which produced: Georgia, Illinois, Maryland, Missouri, North Carolina, South Carolina, Tennessee, Virginia (18 other States, making 26 in all).

Number of people dependent on this industry for support: 22,000.

Approximate investment in this industry: \$15,000,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: Operating but not extending. Investment jeopardized by low German costs and unfair German competition.

Probable relative percentage of mineral that will be consumed under correct tariff:

Foreign, 20 per cent.

United States, 80 per cent.

Tariff necessary to protect industry:

Barytes, crude, $\frac{1}{4}$ cent per pound.

Barytes, ground, $\frac{1}{4}$ cents per pound.

Barium sulphide, $\frac{1}{4}$ cents per pound.

Barium carbonate, 2 cents per pound.

Barium binoxide, 2 cents per pound.

Barium sulphate, 2 cents per pound.

Barium chloride, $\frac{2}{4}$ cents per pound.

Barium lithopone, $\frac{2}{4}$ cents per pound.

Barium nitrate, 5 cents per pound.

Barium peroxide, 8 cents per pound.

All other barium compounds, 25 per cent ad valorem.

BISMUTH.

Present tariff classification:

Free list.

Paragraph 418.

Unit of measure, long tons.

Tariff proposed in H. R. 7456:

Free list.

Paragraph 1523.

Imports from foreign countries:

Prewar, 133,190 (1914).

War time, 75,611 (1918).

Present (latest available data), 72,771 (1920).

BISMUTH—continued.

Imported from:
 England.
 South America (Bolivia).
 Labor cost per diem:
 England, \$2.
 Bolivia, \$1.25.
 Relative trade balance of these countries with the United States:
 England—debtor.
 Bolivia—creditor.
 Present exchange rates of these countries with the United States:
 England, £1=\$3.83.
 Bolivia, 1 boliviano=33 cents.
 Nature and extent of ore deposits:
 Foreign—England refines Australian and Tasmanian ores cheaply; Bolivia refines own ores.
 United States—Recovered as by-product of smelting, in quantities ample for domestic needs when market justifies.
 Cost of production:
 Foreign, \$0.75-\$1.10 per pound.
 United States, \$1.75-\$2.14 per pound.
 Prevailing prices:
 Prewar, \$2.05 per pound (1913).
 War time, \$3.50 per pound (1918).
 Present (latest available data), \$1.35 per pound (1921).
 Annual production in United States:
 Prewar, 213,554 (1913).
 War time, 318,187 (1917).
 Present (latest available data), 269,834 (1920).
 States in which produced: Colorado, Utah, California, Idaho, Missouri, Kansas.
 Number of people dependent on this industry for support: Included in employees of smelting industries.
 Approximate investment in this industry: Included in investments in smelting industries.
 Present condition in this industry and particular problem it is facing wherefore it needs tariff: This valuable metal contained in complex ores should be protected so its recovery is economically possible.
 Probable relative percentage of mineral that will be consumed under correct tariff:
 Foreign, 25 per cent.
 United States, 75 per cent.
 Tariff necessary to protect industry: 25 cents per pound.

CADMIUM.

Present tariff classification:
 Free list.
 Paragraph 439.
 Rate, free.
 Unit of measure, pounds.
 Tariff proposed in H. R. 7456:
 Free list.
 Paragraph 1539.

CADMIUM—continued.

Imports from foreign countries:
 Prewar, 1,543 (1914).
 War time, none (1918).
 Imported from:
 Germany.
 England.
 Labor cost per diem:
 Germany, \$0.78.
 England, \$2.
 Relative trade balance of those countries with the United States:
 Germany—debtor.
 England—debtor.
 Present exchange rates of those countries with the United States:
 Germany, 1 mark=1½ cents.
 England, £1=\$3.83.
 Nature and extent of ore deposits:
 Foreign—
 Prior to 1907 Germany sole producer.
 England produces less than Germany.
 United States—
 By-product; recovery newly undertaken since 1916; quantity recoverable sufficient for needs.
 Cost of production:
 Foreign, 75 cents per pound.
 United States, \$1-\$1.69 per pound.
 Prevailing prices:
 Prewar, 89 cents per pound (1914).
 War time, \$1.48 per pound (1918).
 Present (latest available data), \$0.75-\$1 per pound (1921).
 Annual production in United States:
 Prewar, 54,198 (1913).
 War time, 207,408 (1917).
 Present (latest available data), 129,283 (1920).
 States in which produced: Colorado, Utah, California, Ohio, Illinois, Delaware.
 Number of people dependent on this industry for support: Included in employees of smelting industries.
 Approximate investment: Included in investments in smelting industries.
 Present condition in this industry and particular problem it is facing: Cadmium recovery an intricate metallurgical process developed during war which should be fostered and continued.
 Probable relative percentage of mineral that will be consumed under correct tariff:
 Foreign, 20 per cent.
 United States, 80 per cent.
 Tariff requested to protect industry: 25 cents per pound.

CHROMITE.

Present tariff classification:
 Free list.
 Paragraph 102.
 Unit of measure, long tons.

CHROMITE—continued.

Tariff proposed in H. R. 7456:
Free list.
Paragraph 1544.
 Imports from foreign countries:
 Prewar, 80,736.
 War time, 100,142.
 Present (latest data), 61,404.
 Imported from:
 New Caledonia.
 Rhodesia.
 Canada.
 Costa Rica.
 Cuba.
 Labor cost per diem:
 New Caledonia, convict labor.
 Rhodesia, 75 cents.
 Canada, \$2.50.
 Costa Rica, \$1.25.
 Cuba, \$2.
 Relative trade balance of these countries with the United States:
 New Caledonia—creditor.
 Rhodesia—creditor.
 Canada—debtor.
 Costa Rica—creditor.
 Cuba—creditor.
 Present exchange rates of these countries with the United States:
 New Caledonia, 1 franc=7 cents.
 Rhodesia, £1=\$3.83.
 Canada, \$1=89 cents.
 Nature and extent of ore deposits:
 Foreign—
 Rhodesia and Caledonia, extensive.
 Canada, scattered.
 United States—Extensive but undeveloped.
 Cost of production:
 Foreign, \$14 per ton.
 United States, \$45 per ton.
 Prevailing prices:
 Prewar, \$14.75.
 War time, \$47.99.
 Present (latest available data), \$37.50-\$42.50.
 Annual production in United States:
 Prewar, 591 (long tons).
 War time, 82,430.
 Present (latest available data), 3,900.
 States in which produced: California, Colorado, Maryland, Oregon, Pennsylvania, Wyoming.
 Number of people dependent on this industry for support: 2,500.
 Approximate investment in this industry: \$4,500,000.
 Present condition in this industry and particular problem it is facing wherefore it needs tariff: Completely collapsed.
 Probable relative percentage of mineral that will be consumed under correct tariff:
 Foreign, 60 per cent.
 United States, 40 per cent.

CHROMITE—continued.

Tariff necessary to protect industry:
 Ore, 60 cents per unit Cr_2O_3 .
 Refractories, 65 cents per unit Cr_2O_3 .
 Ferrochrome, $1\frac{1}{2}$ cents per pound Cr content.
 Salts, 90 cents per unit Cr.
 FELDSPAR.
 Present tariff classification:
 Not listed.
 Rate, free.
 Unit of measure, short tons.
Tariff proposed in H. R. 7456:
Schedule 2.
Paragraph 207.
 Rate, \$1 per ton; clays or earths not specially provided for.
 Imports from foreign countries:
 Prewar, 18,060 (1914).
 War time, 19,488 (1916).
 Present (latest available data), 20,232 (1918).
 Imported from: Canada.
 Labor cost per diem: Canada, \$2.50.
 Relative trade balance of these countries with the United States: Canada—debtor.
 Present exchange rates of these countries with the United States: Canada, \$1=89 cents.
 Nature and extent of ore deposits:
 Foreign—Extensive deposits.
 United States—Large, valuable deposits; should be more largely developed.
 Cost of production:
 Foreign, \$3.25.
 United States, \$5.15.
 Prevailing prices:
 Prewar, \$3.46 (1915).
 War time, \$3.40 (1917).
 Present (latest available data), \$8.50 (1918).
 Annual production in United States:
 Prewar, none.
 War time, 126,715 long tons.
 Present (latest available data), 88,498 long tons.
 States in which produced: California, Connecticut, Georgia, Maine, Maryland, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Vermont, Virginia.
 Number of people dependent on this industry for support: 7,500.
 Approximate investment in this industry: \$5,000,000.
 Present condition in this industry and particular problem it is facing wherefore it needs tariff: Large development, but primitive operations due to instability of market.
 Probable relative percentage of mineral that will be consumed under correct tariff:
 Foreign, 20 per cent.
 United States, 80 per cent.

FELDSPAR—continued.

Tariff necessary to protect industry: \$2 per ton crude; \$6 per ton ground or manufactured.

FLUORSPAR.

Present tariff classification:

Not listed.

Rate, free.

Unit of measure, short tons.

Tariff proposed in H. R. 7456:

Schedule 2.

Paragraph 207.

Rate, \$5 per ton: Provided, That 1 year after the passage of this act duty on fluorspar shall be \$4 per ton.

Imports from foreign countries:

Prewar, 22,682 (1913).

War time, 13,616 (1917).

Present (latest available data), 20,000 (1920).

Imported from:

England.

Canada.

Labor cost per diem:

England, \$2.

Canada, \$2.50.

Relative trade balance of these countries with the United States:

England—debtor.

Canada—debtor.

Present exchange rates of these countries with the United States:

England, £1=\$3.83.

Canada, \$1=89 cents.

Nature and extent of ore deposits:

Foreign—Large tonnage comes in as ballast.

United States—Large tonnage, good grade, widely distributed. Superior to foreign.

Cost of production:

Foreign, \$7.

United States, \$13.50.

Prevailing prices:

Prewar, \$6.37 (1913).

War time, \$10.45 (1917).

Present (latest available data), \$25 (1920).

Annual production in United States:

Prewar, 115,580 short tons (1913).

War time, 218,228 short tons (1917).

Present (latest data), 280,000 short tons (1920).

States in which produced: Arizona, Colorado, Illinois, Kentucky, Nevada, New Hampshire, New Mexico, Tennessee, Utah, Washington.

Number of people dependent on this industry for support: 8,500.

Approximate investment in this industry: \$16,000,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: Large development, but could be greatly increased if protected.

FLUORSPAR—continued.

Probable relative percentage of mineral that will be consumed under correct tariff:

Foreign, 10 per cent.

United States, 90 per cent.

Tariff necessary to protect industry: \$6 per ton on grade of 80 per cent CaF₂ or better.

GRAPHITE.

Present tariff classification:

Free list.

Paragraph 579.

Unit of measure, short tons.

Tariff proposed in H. R. 7456:

Schedule 2.

Paragraph 211.

Rate, 10 per cent ad valorem.

Imports from foreign countries:

Prewar, 21,990 (1914).

War time, 19,498 (1918).

Present (latest available data), 32,500 (1920).

Imported from:

Ceylon.

Austria.

Madagascar.

Labor cost per diem:

Ceylon, 24 cents.

Austria, 42 cents.

Madagascar, 32 cents.

Relative trade balance of these countries with the United States:

Ceylon—creditor.

Austria—debtor.

Madagascar—creditor.

Present exchange rates of these countries with the United States:

Ceylon, £1=\$3.38.

Austria, 1 krone=½ cent.

Madagascar, 1 franc=74 cents.

Nature and extent of ore deposits:

Foreign—Many years of development of large deposits gives them great advantage.

United States—Large reserves of all grades; development primitive; needs stabilized market.

Cost of production:

Foreign, 6 cents per pound.

United States, 10 cents per pound.

Prevailing prices:

Prewar, 5½ to 8 cents per pound.

War time, 10 to 17½ cents per pound.

Present (latest available data), 4 cents per pound (Madagascar flake).

Annual production in United States:

Prewar, 5,000 tons.

War time, 13,593 (1916).

Present (latest available data), 167,879 (1917).

States in which produced: Alabama, Colorado, Montana, New York, Pennsylvania, Texas.

Number of people dependent on this industry for support: 2,500.

GRAPHITE—continued.

Approximate investment in this industry: \$7,500,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: Only two mines in the United States in operation and each of these on part time.

Probable relative percentage of mineral that will be consumed under correct tariff:

Foreign, 45 per cent.
United States, 55 per cent.

Tariff necessary to protect industry:

Ore under 50 per cent graphite content, 1 cent per pound.

Ore over 50 per cent graphite content, 2 cents per pound.

Lump and chip, 3 cents per pound.

Flake graphitic content, 6 cents per pound.

Manufactured graphite products, graphitic content, 5 cents per pound and 20 per cent ad valorem.

GYPSUM.

Present tariff classification:

Schedule B.

Paragraph 74.

Rate, 30 cents per ton.

Unit of measure, short tons.

Tariff proposed in H. R. 7456:

Schedule 2.

Paragraph 205.

Rate, crude, 25 cents per ton; ground or calcined, \$1.40 per ton; white Portland cement, 8 cents per hundredweight; Keene's cement, \$3.50-\$14 per ton.

Imports from foreign countries:

Prewar, 369,214 (1914).

War time, 240,269 (1917).

Present (latest available data), 300,000 (estimated 1920).

Imported from Canada.

Labor cost per diem: Canada, \$2.50.

Relative trade balance of these countries with the United States: Canada—debtor.

Present exchange rates of these countries with the United States: Canada, \$1=89 cents.

Nature and extent of ore deposits:

Foreign—Old, well-established deposits, well developed.

United States—Resources vast; development progressing rapidly.

Cost of production:

Foreign, \$1.

United States, \$2.

Prevailing prices:

Prewar, \$1.75.

War time, \$2.74.

Present (latest available data), \$2.15.

Annual production in United States:

Prewar, 2,476,465 (1914).

War time, 2,696,226 (1917).

Present (latest available data), 2,340,000 (1919).

GYPSUM—continued.

States in which produced: Alaska, California, Illinois, Iowa, Michigan, Minnesota, Nevada, New York, Oklahoma, Utah, Washington, Wisconsin.

Number of people dependent on this industry for support: 8,000.

Approximate investment in this industry: \$17,000,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: Operations expanded greatly during the war; need protection to continue.

Probable relative percentage of mineral that will be consumed under correct tariff:

Foreign, 10 per cent.

United States, 90 per cent.

Tariff necessary to protect industry: Crude gypsum, 50 cents per ton. Compensatory duties on advanced stages of manufactures.

KAOLIN (WHITE CHINA CLAY).

Present tariff classification:

Schedule B.

Paragraph 76.

Rate, \$1.25 per ton.

Unit of measure, short tons.

Tariff proposed in H. R. 7456:

Schedule 2.

Paragraph 207.

Rate, \$2.50 per ton.

Imports from foreign countries:

Prewar, 328,038 (1914).

War time, 241,029 (1917).

Present (latest available data), 180,592 (1919).

Imported from: England.

Labor cost per diem: England, \$2.

Relative trade balance of these countries with the United States: England—debtor.

Present exchange rates of these countries with the United States: England, £1=\$3.83.

Nature and extent of ore deposits:

Foreign—Old, established development; high-grade material.

United States—Immense reserves high-grade material; development growing rapidly.

Cost of production:

Foreign, \$10.

United States, \$16.

Prevailing prices:

Prewar, \$5.88 (1914).

War time, \$5.46 (1917).

Present (latest available data), \$10.88 (1919).

Annual production in United States:

Prewar, 34,191 (1914).

War time, 31,885 (1917).

Present (latest available data), 39,000 (1919).

KAOLIN—continued.

States in which produced: California, Delaware, Florida, Georgia, Missouri, North Carolina, Pennsylvania, South Carolina, Texas, Utah.

Number of people dependent on this industry for support: 10,000.

Approximate investment in this industry: \$12,000,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: Business had large development recent years. Protection will give opportunity to use better refining methods and develop industry.

Probable relative percentage of mineral that will be consumed under correct tariff:

Foreign, 50 per cent.

United States, 50 per cent.

Tariff necessary to protect industry: \$9 per ton.

LEAD.

Present tariff classification:

Schedule C.

Paragraphs 152 and 153.

Rate, ore $\frac{3}{4}$ cent per pound, metal 25 per cent ad valorem.

Tariff proposed in H. R. 7456:

Schedule 3.

Paragraph 388.

Rate, lead in ores and mattes, $1\frac{1}{2}$ cents per pound; bullion, pigs, bars, scrap, etc., $2\frac{1}{2}$ cents per pound; sheets, pipe, shot, wire, etc., $2\frac{1}{2}$ cents per pound.

Imports from foreign countries:

Prewar, 11,452 (average, 1910-1915).

War time, 7,781 (average, 1916-1918).

Present (latest data), 158,802 (yearly rate Sept.-Dec., 1920).

Imported from:

Mexico.

Spain.

Australia.

Germany.

Canada.

South America.

Labor cost per diem:

Mexico, \$1.10.

Spain, 98 cents.

Germany, 78 cents.

Canada, \$2.50.

South America, \$1.25 (average).

Relative trade balance of these countries with the United States:

Mexico—debtor.

Spain—debtor.

Germany—debtor.

Canada—debtor.

South America—creditor.

Present exchange rates of these countries with the United States:

Mexico, 1 peso=51 cents.

Spain, 1 peseta=14 cents.

Germany, 1 mark=1 cent.

Canada, \$1=93 cents.

Australia, £1=\$3.83.

LEAD—continued.

Nature and extent of ore deposits:

Foreign—Old, well-established industry.

United States—Mammoth deposits, well developed.

Cost of production:

Foreign, 4 cents pound.

United States, 6 cents pound.

Prevailing prices:

Prewar, \$4.37 (average, 1910-1915).

War time, \$7.69 (average, 1916-1918).

Present (latest data), \$4 (Feb. 25, 1921).

Annual production in United States:

Prewar, 457,500 (average, 1910-1915).

War time, 567,300 (average, 1916-1918).

Present (latest data), 430,000 (yearly rate).

States in which produced: Arizona, Arkansas, California, Colorado, Idaho, Illinois, Kansas, Missouri, Montana, New Mexico, Oklahoma, Tennessee, Utah, Washington, Wisconsin.

Number of people dependent on this industry for support: 300,000.

Approximate investment in this industry: \$400,000,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: 40-50 per cent of properties closed down. Practically all operations solely to keep organization together in hope of relief. Low foreign wage and ocean freight.

Probable percentage of mineral that will be consumed under correct tariff:

Foreign, 20 per cent.

United States, 80 per cent.

Tariff necessary to protect industry:

2 cents per pound on lead in ores, copper matte, etc.

$2\frac{1}{2}$ cents per pound on dross, bullion, pigs, bars, etc.

$2\frac{1}{2}$ cents per pound on sheets, pipe, shot, glazier's wire, etc.

3 cents per pound on white lead pigments.

LIME.

Present tariff classification:

Schedule B.

Paragraph 73.

Rate, 5 per cent ad valorem.

Unit of measure, short tons.

Tariff proposed in H. R. 7456:

Schedule 2.

Paragraph 204.

Rate, limestone, 5 cents per hundredweight; lime, 10 cents per hundredweight; hydrated lime, 12 cents per hundredweight.

Imports from foreign countries:

Prewar, 3,455 (1914).

War time, 7,353 (1917).

Present (latest available data), 6,650 (1918).

LIME—continued.

Imported from: Canada.
 Labor cost per diem: Canada, \$2.50.
 Relative trade balance of these countries with the United States: Canada—debtor.
 Present exchange rates with the United States: Canada, \$1=89 cents.
 Nature and extent of ore deposits:
 Foreign—Common mineral, widely distributed.
 United States—Common mineral, widely distributed.
 Cost of production:
 Foreign, \$6.50 ton.
 United States, \$8 ton.
 Prevailing prices:
 Prewar, \$3.92 (1914).
 War time, \$6.29 (1917).
 Present (latest available data), \$8.36 (1918).
 Annual production in United States:
 Prewar, 3,380,928 (1914).
 War time, 3,786,364 (1917).
 Present (latest available data), 3,206,016 (1918).
 States in which produced: Arizona, California, Colorado, Kansas, Massachusetts, Michigan, Montana, New Mexico, Ohio, Pennsylvania, Tennessee, Washington, West Virginia, and others.
 Number of people dependent on this industry for support, 16,000.
 Approximate investment in this industry, \$30,000,000.
 Present condition in this industry and particular problem it is facing wherefore it needs tariff: Canadian competition offers special problem to border States industry to be corrected by tariff.
 Probable relative percentage of mineral that will be consumed under correct tariff:
 Foreign, $\frac{1}{4}$ per cent.
 United States, 99 $\frac{3}{4}$ per cent.
 Tariff necessary to protect industry:
 Quicklime, bulk, 30 cents per 100 pounds; 50 cents per 100 pounds on quicklime in cooorage.
 Hydrated, 40 cents per 100 pounds.
 Pulverized, \$1 per ton bulk, \$1.50 sacked.

MANGANESE.

Present tariff classification:
 Free list.
 Paragraph 540.
 Unit of measure, short tons.
 Tariff proposed in H. R. 7456:
 Schedule 3.
 Paragraph 302.
 Rate 1 cent per pound on metallic manganese contained in ore; 2 $\frac{1}{2}$ cents per pound on manganese contained in ferromanganese.

MANGANESE—continued.

Imports from foreign countries:
 Prewar, 283,294.
 War time, 491,303.
 Present (latest available data), 333,344.
 Imported from:
 India.
 Russia.
 Brazil.
 Cuba.
 Labor cost per diem:
 India, 24 cents.
 Brazil, \$1.
 Cuba, \$1.25.
 Relative trade balance of these countries with the United States:
 India—creditor.
 Russia—debtor.
 Brazil—creditor.
 Cuba—creditor.
 Present exchange rates of these countries with the United States:
 India, £1=\$3.83.
 Brazil, 1 milreis=14 cents.
 Cuba, 1 peso=\$1.
 Nature and extent of ore deposits:
 Foreign—Old established, well-developed deposits.
 United States—Immense reserves, development just begun. Increased 3,000 per cent during the war.
 Cost of production:
 Foreign, \$ $\frac{1}{2}$ per ton.
 United States, \$35 per ton.
 Prevailing prices:
 Prewar, \$10.39.
 War time, \$35.
 Present (latest available data), \$18.
 Annual production in United States:
 Prewar, 2,635.
 War time, 305,869.
 Present (latest available data), 58,243 (1919).
 States in which produced: Arizona, Arkansas, California, Colorado, Georgia, Minnesota, Montana, Nevada, New Mexico, Oregon, Tennessee, Texas, Utah, Vermont, Virginia, West Virginia.
 Number of people dependent on this industry for support: 7,500.
 Approximate investment in this industry: \$15,000,000.
 Present condition in this industry and particular problem it is facing wherefore it needs tariff: Operating about 5 per cent of capacity. Possibilities under protection enormous.
 Probable relative percentage of mineral that will be consumed under correct tariff:
 Foreign, 55 per cent.
 United States, 45 per cent.

MANGANESE—continued.

Tariff necessary to protect industry:
Ores, 40 cents per unit of manganese content.
Ferro, \$1 per unit of manganese content.

MAGNESITE.

Present tariff classification:
Schedule B and free list.
Paragraphs 71 and 539.
Rate, 10 per cent ad valorem.
Unit of measure, short tons.
Tariff proposed in H. R. 7456:
Schedule 1.
Paragraph 47.
Rate, crude or ground, $\frac{1}{2}$ cent per pound; dead burned or grained.

Imports from foreign countries:
Prewar, 135,170.
War time, 24,481.
Present (latest available data), 15,852.

Imported from:

Austria.
Canada.
Greece.
Mexico.
Venezuela.

Labor cost per diem:

Austria, \$0.62.
Canada, \$2.60.
Greece, \$1.85.
Mexico, \$1.10.
Venezuela, \$1.25.

Relative trade balance of these countries with the United States:

Austria—debtor.
Canada—debtor.
Greece—debtor.
Mexico—debtor.
Venezuela—debtor.

Present exchange rates of these countries with the United States:

Austria, 1 krone= $\frac{1}{2}$ cent.
Canada, \$1=89 cents.
Greece, 1 drachma=12 cents.
Mexico, 1 peso=51 cents.

Nature and extent of ore deposits:

Foreign—Large deposits in Austria; principal source of imports.
United States—Large high-grade deposits in California and Washington. Immense resources.

Cost of production:

Foreign, \$10–\$12.50 per ton.
United States, \$18–\$24 per ton.

Prevailing prices:

Prewar, \$15.20–\$15.72.
War time, \$49.10.
Present (latest data), \$30–\$35 (crude), \$50–\$60 (alc).

Annual production in United States:

Prewar, 11,293.
War time, 231,605.
Present (latest data), 164,696.

States in which produced: California, Washington.

MAGNESITE--continued.

Number of people dependent on this industry for support: 3,000.
Approximate investment in this industry: \$13,000,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: Completely shut down, due to foreign competition.

Probable relative percentage of mineral that will be consumed under correct tariff:

Foreign, 20 per cent.
United States, 80 per cent.

Tariff necessary to protect industry:

Ore, $\frac{1}{2}$ cent per pound.
Calcined, $\frac{3}{4}$ cent per pound.
Brick, $\frac{1}{2}$ cent per pound.

MARBLE.

Present tariff classification:

Schedule B.
Paragraphs 97 and 98.
Rate, 50 cents per cubic foot.
Unit of measure, blocks, cubic feet; slabs, linear feet.

Tariff proposed in H. R. 7456:

Schedule 2.
Paragraph 233.
Rate, 40 per cent ad valorem.

Imports from foreign countries:

Prewar, blocks, 643,446 cubic feet (1913); slabs, 275,888 linear feet.
War time, blocks, 267,250 cubic feet (1917); slabs, 124,935 linear feet.
Present (latest data), blocks, 479,691 cubic feet (1920).

Imported from:

Italy.
France.
Mexico.
Belgium.

Labor cost per diem:

Italy, \$1.76.
France, \$1.12.
Mexico, \$1.10.
Belgium, \$1.80.

Relative trade balance of these countries with the United States:

Italy—debtor.
France—debtor.
Mexico—debtor.
Belgium—debtor.

Present exchange rates of these countries with the United States:

Italy, 1 lira=4 cents.
France, 1 franc=7 cents.
Mexico, 1 peso=51 cents.
Belgium, 1 franc=7 cents.

Nature and extent of ore deposits:

Foreign—Italy main source of imports; deposits large and well developed.

United States—Deposits large and high grade; can successfully compete with Italian if protected.

MARBLE—Continued.

Cost of production:

Foreign, \$1.50 per cubic foot.

United States, \$2.83 per cubic foot.

Prevailing prices:

Prewar, \$2.20 per cubic foot.

War time, \$3.85 per cubic foot.

Present (latest available data), \$3 per cubic foot.

Annual production in United States:

Prewar, 3,461,997 cubic feet (1914).

War time, 3,575,670 cubic feet (1918).

Present (latest data), 4,678,000 cubic feet (1920).

States in which produced: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Georgia, Maryland, Massachusetts, Michigan, Missouri, New Mexico, New York, North Carolina, Oregon, Pennsylvania, Tennessee, Texas, Vermont, Virginia, Washington.

Number of people dependent on this industry for support: 15,000.

Approximate investment in this industry, \$32,000,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: Operating, but needs protection to justify increased investment by assured continuous operation.

Probable relative percentage of mineral that will be consumed under correct tariff:

Foreign, 15 per cent.

United States, 85 per cent.

Tariff necessary to protect industry:

Marble, onyx, and breccias and limestones susceptible of polish, in blocks, \$1 per cubic foot.

Slabs less than 1 inch in thickness, 8 cents per linear foot; over 1 inch, 10 cents per linear foot; over 1½ inches, 12½ cents per linear foot; over 2 inches, \$1 per cubic foot; 2 cents per foot additional if rubbed.

Finished marble, 75 per cent ad valorem.

MICA.

Present tariff classification:

Schedule B.

Paragraph 77.

Rate, 4 cents per pound and 25 per cent ad valorem.

Unit of measure, pounds.

Tariff proposed in H. R. 7456:

Schedule 2.

Paragraph 208.

Rate, unmanufactured or rough trimmed, 4 cents per pound and 17 per cent ad valorem; cut, trimmed, and manufactured, 10 cents per pound and 17 per cent ad valorem; ground, 4 cents per pound and 20 per cent ad valorem.

MICA—continued.

Imports from foreign countries:

Prewar, sheet, 260,880 pounds; scrap, and ground, 404,848 pounds.

War time, sheet, 741,429 pounds; scrap and ground, 11,587 pounds.

Present (latest available data), sheet, 1,375,927 pounds; scrap and ground, 62 pounds.

Imported from:

India.

Canada.

Germany.

Brazil.

Labor cost per diem:

India, 24 cents.

Canada, \$2.50.

Germany, \$0.78.

Brazil, \$1.25.

Relative trade balance of these countries with the United States:

India—creditor.

Canada—debtor.

Germany—debtor.

Brazil—creditor.

Present exchange rates of these countries with the United States:

India, £1=\$3.83.

Canada, \$1=89 cents.

Germany, 1 mark=1 cent.

Brazil, 1 milreis=14 cents.

Nature and extent of ore deposits:

Foreign—Industry old and well developed; deposits large. Low-paid labor in India.

United States—Large, both high and medium grades. Development primitive; with protection can be made great industry.

Cost of production:

Foreign, sheet, 15 cents per pound; scrap, \$25 per ton.

United States, sheet, 40 cents per pound; scrap, \$100 per ton.

Prevailing prices:

Prewar, sheet, 25 cents per pound; scrap, \$82 per ton.

War time, sheet, 60 cents per pound; scrap, \$122 per ton.

Present (latest available data), sheet, 40 cents per pound; scrap, \$60 per ton.

Annual production in United States:

Prewar, sheet, 556,933 pounds; scrap, 3,730 short tons.

War time, sheet, 1,644,200 pounds; scrap, 2,292 short tons.

Present (latest available data), sheet, 1,500,000 pounds; scrap, 1,800 short tons.

States in which produced: Alabama, Colorado, Georgia, Idaho, New Hampshire, New Mexico, North Carolina, South Carolina, South Dakota, and Virginia.

MICA—continued.

Number of people dependent on this industry for support: 5,000.

Approximate investment in this industry: \$5,000,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: Sustained production, growing despite handicap of foreign competition. Protection imperative to interest investment.

Probable relative percentage of mineral that will be consumed under correct tariff:

Foreign, 35 per cent.

United States, 65 per cent.

Tariff necessary to protect industry:

Crude, sheet, 30 cents per pound and 60 per cent ad valorem.

Cut or knife trimmed and all manufactured or manufactures thereof, 50 cents per pound and 60 per cent ad valorem.

Phonograph disks, 20 cents each and 60 per cent ad valorem.

Scrap, 2 cents per pound and 25 per cent ad valorem.

Ground, 4 cents per pound and 30 per cent ad valorem.

MOLYBDENUM.

Present tariff classification:

Schedule C.

Paragraph 102.

Rate, 20-25 per cent ad valorem on ferromolybdenum.

Tariff proposed in H. R. 7456:

Schedule 3.

Paragraph 302.

Rate, ore or concentrates, 75 cents per pound on metallic molybdenum contained therein; metallic molybdenum compounds and alloys, \$1.25 per pound on metallic molybdenum contained.

Imports from foreign countries:

War time, 178,222 pounds.

Present (latest data), 106,743 pounds.

Imported from:

Canada.

Australia.

Norway.

Japan.

Peru.

Labor cost per diem:

Canada, \$3.50.

Australia, \$3.

Norway, \$1.

Japan, 67 cents.

Peru, \$1.25.

Relative trade balance of these countries with the United States:

Canada—debtor.

Australia—debtor.

Norway—debtor.

Japan—creditor.

Peru—creditor.

MOLYBDENUM—continued.

Present exchange rates of these countries with the United States:

Canada, \$1=89 cents.

Australia, £1=\$3.83.

Norway, 1 krone=18 cents.

Japan, 1 yen=49 cents.

Peru, 1 libra=\$4.73.

Nature and extent of ore deposits:

Foreign—Norway deposits large; reduced by hydroelectric power.

United States—Largest and most important deposits in the world.

Cost of production:

Foreign, sheet, 50 cents per pound MoS_2 .

United States, sheet, 95 cents per pound MoS_2 .

Prevailing prices:

Prewar, none.

War time, concentrates, \$1.45 per pound MoS_2 ; ferromolybdenum, \$4.50 (1917).

Present (latest available data), concentrates, 75 cents per pound MoS_2 ; ferromolybdenum \$2.25 (1920).

Annual production in United States:

Prewar, 1,297 pounds MoS_2 .

War time, 861,637 pounds MoS_2 .

States in which produced: Alaska, Arizona, Colorado, Maine, New Mexico, Texas, and Wyoming.

Number of people dependent on this industry for support: 1,000.

Approximate investment in this industry: \$6,500,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: While in expensive development stage and conducting educational campaign to increase use, needs protection from foreign low costs.

Probable relative percentage of mineral that will be consumed under correct tariff:

Foreign, 20 per cent.

United States, 80 per cent.

Tariff necessary to protect industry: 50 cents per pound of MoS_2 in ores and concentrates; \$1 per pound of Mo contained in ferromolybdenum, calcium molybdate, and all other alloys and compounds of molybdenum, including molybdenum stick.

MONAZITE AND THORIUM.

Present tariff classification:

Schedule C.

Paragraph 154.

Rate, 25 per cent ad valorem.

Unit of measure, pounds.

Tariff proposed in H. R. 7456:

Free list.

Paragraph 1616.

MONAZITE AND THORIUM—continued.

Imports from foreign countries:

Prewar, monazite, 1,873,971 (1915);
thorium, 101,927.

War time, monazite, 5,828,270 (1917);
thorium, 1,188.

Present (latest available data), monazite, 632,568 (1919); thorium, 3,307.

Imported from:

Brazil.
India.

Labor cost per diem:

Brazil, \$1.25.
India, 24 cents.

Relative trade balance of these countries with the United States:

Brazil—creditor.
India—creditor.

Present exchange rates of these countries with the United States:

Brazil, 1 milreis=14 cents.
India, 1 rupee=28½ cents.

Nature and extent of ore deposits:

Foreign—Deposits of Brazil and India in large beds of seacoast sand, so labor cost is especially low.

United States—Deposits large and high grade, but must be concentrated.

Cost of production:

Foreign, monazite, 6 cents per pound; thorium, \$4.

United States, monazite, 21 cents per pound; thorium, \$7.

Prevailing prices:

Prewar, monazite, 12 cents per pound (1905); thorium, \$8.53.

War time, monazite, 6½ cents per pound (1917); thorium, \$8.

Present (latest available data), monazite, 7½ cents per pound (1919); thorium, \$3.75.

Annual production in United States:

Prewar, 1,344,418 (1905).

War time, 23,000 (1917).

Present, none (1920).

States in which produced: Florida, Idaho, North Carolina, South Carolina.

Number of people dependent on this industry for support: 250.

Approximate investment in this industry: \$50,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: Removal of protection in 1909 and 1913 ruined this industry; can be again built up under protection.

Probable relative percentage of mineral that will be consumed under correct tariff:

Foreign, 25 per cent.

United States, 75 per cent.

MONAZITE AND THORIUM—continued.

Tariff necessary to protect industry:

15 cents per pound on monazite sand.
\$3 per pound on thorium nitrate.
\$2 per pound on gas mantle scrap.

PYRITES.

Present tariff classification:

Free list.
Paragraph 617.
Unit of measure, long tons.

Tariff proposed in H. R. 7456:

Free list.
Paragraph 1663.

Imports from foreign countries:

Prewar, 1,026,617.
War time, 496,792.
Present (latest data), 388,973.

Imported from:

Spain.
Canada.
Portugal.

Labor cost per diem:

Spain, 78 cents.
Canada, \$3.
Portugal, 85 cents.

Relative trade balance of these countries with the United States:

Spain—debtor.
Canada—debtor.
Portugal—debtor.

Present exchange rates with United States:

Spain, 1 peseta=14 cents.
Canada, \$1=89 cents.
Portugal, 1 escudo=21 cents.

Nature and extent of ore deposits:

Foreign—Spanish deposits principal competitor, mined as by-product of copper and sold regardless of mining cost.

United States—Large and high grade, with valuable by-products capable of immense expansion and development.

Cost of production:

Foreign—Spanish cost can be estimated at zero, as they sell for cost of freight.

United States—11 cents per unit.

Prevailing prices:

Prewar, 9½ cents per unit of sulphur.
War time, 25 cents to 33 cents.
Present (latest available data), 12 to 16 cents.

Annual production in United States:

Prewar, 336,662.
War time, 460,494.
Present (latest available data), 380,000.

States in which produced: California, Georgia, New York, North Carolina, South Carolina, Utah, Virginia.

PYRITES—continued.

Number of people dependent on this industry for support: 5,000.

Approximate investment in this industry: \$10,000,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: Spanish mines will dump pyrites here for cost of freight as ballast. Protection against this dumping urgent.

Probable relative percentage of mineral that will be consumed under correct tariff:

Foreign, 30 per cent.

United States, 70 per cent.

Tariff necessary to protect industry: 10 cents per unit of sulphur contained in cuprous, cupriferosus, or iron pyrites in recoverable quantity.

PUMICE.

Present tariff classification:

Schedule B.

Paragraph 75.

Rates, 5 per cent ad valorem.

Unit of measure, short tons.

Tariff proposed in H. R. 7456:

Schedule 2.

Paragraph 206.

Rate—Valued at less than \$15 per ton, 0.2 cents per pound; valued above \$15 per ton, 0.3 cents per pound; manufactured, 0.55 cents per pound; manufactures of pumice stone, 26 per cent ad valorem.

Imports from foreign countries:

Prewar, unmanufactured, 5,558 (1913).

War time, unmanufactured, 3,900 (1918).

Imported from: Italy.

Labor cost per diem: Italy, \$1.76.

Relative trade balance of these countries with the United States: Italy—debtor.

Present exchange rates of these countries with the United States: Italy, 1 lira=4 cents.

Nature and extent of ore deposits:

Foreign—Italian pumice a lava deposit that must be ground.

United States—Both ash and lump pumice of United States satisfactorily replace Italian material.

Cost of production:

Foreign, \$13.50 per ton.

United States, \$39.94 f. o. b. New York.

Prevailing prices:

Prewar, \$8 (1913) at Italian ports.

War time, not available.

Present (latest available data), \$13.50 (1920) at Italian ports.

PUMICE—continued.

Annual production in United States:

Prewar, 27,591 tons (1914).

War time, 35,293 tons (1917).

Present (latest available data).

States in which produced: Arizona, California, Colorado, Idaho, Kansas, Nebraska, Nevada, New Mexico, Oregon, Utah, Washington.

Number of people dependent on this industry for support: 1,200.

Approximate investment in this industry: \$5,000,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: Sale of domestic pumice made possible by war. If industry is protected can continue to supply domestic markets ultimately at lower cost than Italian.

Probable relative percentage of mineral that will be consumed under correct tariff:

Foreign, 25 per cent.

United States, 75 per cent.

Tariff necessary to protect industry: Unmanufactured pumice stone, manufactured pumice stone, or manufactures of pumice, 1 cent per pound.

POTASH.

Present tariff classification:

Free list.

Paragraph 580.

Unit of measure, short tons.

Tariff proposed in H. R. 7456:

Free list.

Paragraph 1635.

Rate, 2½ cents per pound on contained potassium oxide for a period of 2 years; 2 cents per pound for the third year; 1½ cents per pound for the fourth year; 1 cent per pound for the fifth year; thereafter, free.

Imports from foreign countries:

Prewar, 207,089.

War time, 7,957.

Present (latest data), 40,629.

Imported from:

Germany.

France.

Labor cost per diem:

Germany, 78 cents.

France, \$1.12.

Relative trade balance of these countries with the United States:

Germany—debtor.

France—debtor.

Present exchange rates of these countries with the United States:

Germany, 1 mark=1 cent.

France, 1 franc=7 cents.

POTASH—continued.

Nature and extent of ore deposits:
 Foreign—German potash has monopolized all markets for years and is now trying to regain its domination.
 United States—Reserves enormous enough to supply United States for generations if protected in development.

Cost of production:
 Foreign, \$1 per unit K₂O.
 United States, \$1.75 per unit K₂O.

Prevailing prices:
 Prewar, \$1 per unit K₂O.
 War time, \$6 per unit K₂O.
 Present (latest available data), \$2 per unit K₂O.

Annual production in United States:
 Prewar, nil.
 War time, 54,803.
 Present (latest available data), 36,899.

States in which produced: California, Colorado, Nebraska, New Jersey, Utah.

Number of people dependent on this industry for support: 15,000.

Approximate investment in this industry: \$45,000,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: Industry developed from nothing to present size during war. Unless protected will disappear. One of the key industries.

Probable relative percentage of mineral that will be consumed under correct tariff:
 Foreign, 40 per cent.
 United States, 60 per cent.

Tariff necessary to protect industry, 50 cents per unit K₂O.

QUICKSILVER.

Present tariff classification:
 Schedule C.
 Paragraph 159.
 Rates, 10 per cent ad valorem.
 Unit of measure, 75-pound flasks.

Tariff proposed in H. R. 7456:
 Schedule 3.
 Paragraph 383.
 Rate, 35 cents per pound.

Imports from foreign countries:
 Prewar, 8,198.
 War time, 6,719.
 Present (latest available data), 16,800 (1920).

Imported from:
 Spain.
 Italy.
 Austria.

Labor cost per diem:
 Spain, 78 cents.
 Italy, \$1.76.
 Austria, 62 cents.

QUICKSILVER—continued.

Relative trade balance of these countries with the United States:
 Spain—debtor.
 Italy—debtor.
 Austria—debtor.

Present exchange rates of these countries with the United States:
 Spain, 1 peseta=14 cents.
 Italy, 1 lira=4 cents.
 Austria, 1 krone=½ cent.

Nature and extent of ore deposits:
 Foreign—Spanish and Italian deposits largely Government monopolies. Imports of quicksilver into these countries are embargoed.
 United States—Deposits large. Grade of ore compels extensive refining. Operations possible with protection.

Cost of production:
 Foreign, \$30 per flask.
 United States, \$75 per flask.

Prevailing prices:
 Prewar, \$48.35 (1913).
 War time, \$123.47 (1918).
 Present (latest available data), \$40 (1920).

Annual production in United States:
 Prewar, 16,548 flasks.
 War time, 32,833 flasks.
 Present (latest available data), 21,348 flasks.

States in which produced: Arizona, California, Idaho, Nevada, Oregon, Texas.

Number of people dependent on this industry for support: 4,500.

Approximate investment in this industry: \$8,500,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: Italian and Spanish Government monopolies have broken our market by dumping. Our quicksilver industry closed and imports 2,000 flasks per month.

Probable relative percentage of mineral that will be consumed under correct tariff:
 Foreign, 45 per cent.
 United States, 55 per cent.

Tariff necessary to protect industry:
 Quicksilver, 50 cents per pound.
 Manufactured mercurial products, 50 cents per pound of mercury content and 33½ per cent ad valorem.

TALC.

Present tariff classification:
 Schedule A.
 Paragraph 69.
 Rates, 15 per cent ad valorem.
 Unit of measure, short ton.

TALC—continued.

*Tariff proposed in H. R. 7456:**Schedule 2.**Paragraph 209.*

Rate, crude, ½ cent per pound; ground, ½ cent per pound; cut or sawed, 1 cent per pound; manufactures not decorated, 25 per cent ad valorem; manufactures, decorated, 30 per cent ad valorem.

Imports from foreign countries:

Prewar, 18,882 (1916).

War time, 14,169 (1918).

Present (latest available data), 24,000 (1920).

Imported from:

Canada.

Italy.

France.

England (as merchant for Provinces).

Labor cost per diem:

Canada, \$3.

Italy, \$1.76.

France, \$1.12.

England, 75 cents (average).

Relative trade balance of these countries with the United States:

Canada—debtor.

Italy—debtor.

France—debtor.

England—debtor.

Present exchange rates of these countries with the United States:

Canada, \$1=89 cents.

Italy, 1 lira=4 cents.

France, 1 franc=7 cents.

England, £1=\$3.83.

Nature and extent of ore deposits:

Foreign—70 per cent from Canada; high-grade deposits cheaply mined. Established industry.

United States—Large domestic resources discovered and developed during war. Able to supply our needs.

Cost of production:

Foreign, \$12.25 per ton (crude).

United States, \$17.50 per ton (crude).

Prevailing prices:

Prewar, \$9.51 per ton (1916).

War time, \$10.91 per ton (1918).

Present (latest available data), \$20 per ton (1920).

Annual production in United States:

Prewar, 193,309 tons (1916).

War time, 191,477 tons (1918).

Present (latest data), 213,000 tons (1920).

States in which produced: California, Georgia, Maryland, Massachusetts, New Jersey, New York, North Carolina, Pennsylvania, Vermont.

Number of people dependent on this industry for support: 7,500.

Approximate investment in this industry: \$8,575,000.

TALC—continued.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: Canadian competition most serious. When talc is dumped here, domestic market is broken.

Probable relative percentage of mineral that will be consumed under correct tariff:

Foreign, 10 per cent.

United States, 90 per cent.

Tariff necessary to protect industry: Talc, steatite, soapstone, and French chalk, crude and unground, ½ cent per pound; washed, powdered, or pulverized, 1 cent per pound; cut or sawed or in the form of blanks, cubes, or crayons, 2 cents per pound. (The rates in the Fordney bill.)

TUNGSTEN.

Present tariff classification:

Ferro—

Schedule C.

Paragraph 102.

Rates, 20 per cent ad valorem.

Unit of measure, short ton.

*Tariff proposed in H. R. 7456:**Schedule 3.**Paragraph 302.*

Rate, ore or concentrates, 45 cents per pound metallic tungsten contained; ferrotungsten, metallic tungsten, tungsten powder, and all other compounds, 72 cents per pound on tungsten contained, plus 15 per cent ad valorem.

Ore—

Free list.

Paragraph 633.

Imports from foreign countries:

Prewar, 1,530 (1913).

War time, 11,750 (1918).

Present (latest available data), 4,320 (1920).

Imported from:

China.

Burma.

Bolivia.

Labor cost per diem:

China, 45 cents.

Burma, 40 cents.

Bolivia, 90 cents.

Relative trade balance of these countries with the United States:

China—creditor.

Burma—creditor.

Bolivia—creditor.

Present exchange rates of these countries with the United States:

China, 1 tacl=71 cents.

Burma, 1 rupee=38 cents.

Bolivia, 1 boliviano=33 cents.

TUNGSTEN—continued.

Nature and extent of ore deposits:

Foreign—Surface deposits, hand labor at a few cents per day; before the war Germany monopolized tungsten refining.

United States—Extensive; enormous growth during war freed United States from German domination.

Cost of production:

Foreign, \$2.50 to \$10 per unit.

United States, \$17 per unit WO₃.

Prevailing prices:

Prewar, \$7.32 (1913).

War time, \$30 and as high as \$92.50.

Present (latest available data), \$2.75 (1921).

Annual production in United States:

Prewar, 1,537 (1913).

War time, 6,144 (1917).

Present (latest available data), none (1920).

States in which produced: Alaska, Arizona, California, Colorado, Idaho, Montana, Nevada, New York, Oregon, South Dakota, Washington.

Number of people dependent on this industry for support: 8,500.

Approximate investment in this industry: \$15,500,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: Stabilized prices by protection against wide ranges foreign prices under dumping methods now used will permit operation of this key industry.

Probable relative percentage of mineral that will be consumed under correct tariff:

Foreign, 25 per cent.

United States, 75 per cent:

Tariff necessary to protect industry:

On ores, \$9 per unit WO₃ contained therein.

On tungsten contained in ferrotungsten, tungsten metal, tungsten powder, and tungsten compounds, 90 cents per pound of tungsten contained therein; on high-speed tungsten tool steel and all alloy steels containing tungsten, 65 per cent ad valorem.

ZINC.

Present tariff classification:

Schedule A.

Paragraph 61.

Rate, 10-15 per cent.

Unit of measure, short tons.

Schedule C.

Paragraphs 162, 163.

Rate, 10 and 15 per cent.

Tariff proposed in H. R. 7456:

Schedule 3.

Paragraph 390.

ZINC—continued.

Tariff proposed in H. R. 7456—Contd.

Rate: Ore containing less than 10 per cent of zinc, free; 10 per cent or more and less than 20 per cent, $\frac{1}{2}$ cent per pound on zinc contained, 20 per cent or more or less than 25 per cent, 1 cent per pound; 25 per cent or more, $1\frac{1}{2}$ cents per pound; blocks, pigs, dust, $1\frac{1}{2}$ cents per pound; sheets, $1\frac{1}{2}$ cents per pound; sheets, coated or plated, $1\frac{1}{2}$ cents per pound; scrap, 1 cent per pound: Provided, That two years after enactment of this act rates shall be: Blocks, pigs, and scrap, 2 cents per pound; sheets, plate, or other forms, $2\frac{1}{2}$ cents per pound.

Imports from foreign countries:

Ore (average)—

Prewar, 61,348.

War time, 199,261.

Present (latest available data), 53,510.

Slab zinc (average) -

Prewar, 5,941.

War time, 420.

Present (latest available data), 2,590.

Imported from:

Mexico.

Belgium.

Germany.

Australia.

Labor cost per diem:

Mexico, \$1.10.

Belgium, \$1.44.

Germany, 78 cents.

Australia, \$3.

Relative trade balances of these countries with the United States:

Mexico—debtor.

Belgium—debtor.

Germany—debtor.

Australia—debtor.

Present exchange rates of these countries with the United States:

Mexico, 1 peso=51 cents.

Belgium, 1 franc=7 cents.

Germany, 1 mark= $1\frac{1}{2}$ cents.

Australia, £1=\$3.83.

Nature and extent of ore deposits:

Foreign—Mexican and Australian deposits immense; Belgian and German refiners export finished zinc.

United States—Deposits large, rich, and adequate for all domestic purposes and for export.

Cost of production:

Foreign, 5 cents per pound zinc.

United States, $7\frac{1}{2}$ cents per pound zinc.

Prevailing prices:

Prewar, \$6.03 per pound (average).

War time, \$12.22 per pound (average).

Present (latest available data), \$5.20 per pound (average).

ZINC—continued.

Annual production in United States:

Prewar, 332,916.

War time, 668,515 (1916-17).

Present (latest data), 464,000.

States in which produced: Arizona, Colorado, Idaho, Illinois, Kansas, Missouri, Montana, New Jersey, New Mexico, Oklahoma, Pennsylvania, Tennessee, Utah, West Virginia, Wisconsin.

Number of people dependent on this industry for support: 100,000.

Approximate investment in this industry: \$300,000,000.

Present condition in this industry and particular problem it is facing wherefore it needs tariff: More than 75 per cent of all operations closed down; higher American labor costs and 8-hour day and higher freight; foreign zinc is being dumped here.

ZINC—continued.

Probable relative percentage of mineral that will be consumed under correct tariff:

Foreign, 10 per cent.

United States, 90 per cent.

Tariff necessary to protect industry:

Ores less than 10 per cent zinc, free.

Ores over 10 per cent and less than 25 per cent, 1½ cents per pound on zinc content.

Ores and drosses containing more than 25 per cent metallic zinc, 2 cents per pound on zinc content.

Blocks, pigs, or slabs, old and worn-out zinc, fit only to be remanufactured, 2½ cents per pound.

Zinc oxide, pigment, containing zinc, not containing lead, dry, 2½ cents per pound.

Sheets, plates, or otherwise fabricated zinc dust, 3½ cents per pound.

PIG IRON AND SCRAP STEEL.

[Paragraph 301.]

STATEMENT OF JOHN W. LOGAN, SECRETARY ALAN WOOD IRON & STEEL CO., PHILADELPHIA, PA.

Mr. LOGAN. Mr. Chairman, I appear as representing the Alan Wood Iron & Steel Co., of Philadelphia, with reference to paragraph 301 of H. R. 7456, which calls for an equal duty of a dollar and a quarter on pig iron and on scrap.

Senator SMOOT. Do you want to read your brief?

Mr. LOGAN. No; I am just using it as a matter of reference. We ask that the duty on pig iron be the same as that contained in the Payne-Aldrich bill, which was \$2.50 per ton, and that there be a differential on the duty on scrap, and that it should be at least \$1.50 a ton less than the pig iron. The pig iron, of course, is a manufactured product, and scrap comes from manufactures from the tearing down of buildings that have been replaced on account of obsolescence or otherwise. Why they should be put on the same basis of duty we can not quite conceive.

Senator McLEAN. What is the difference in the value?

Mr. LOGAN. Well, that varies very much. The value of scrap is very largely speculative. In other words, a number of years ago this condition arose: One of the railroads—I have forgotten which one it was—had contracted at a very low price for rails. The market changed and they sold scrap rails to the maker of their rails for more money than they were paying for the new rails.

Senator DILLINGHAM. Is scrap iron very largely imported?

Mr. LOGAN. No; very little of it is imported.

Senator McLEAN. That changes conditions. Other things being equal—

Mr. LOGAN. Other things being equal, scrap will sell for about two-thirds the price of pig iron.

In explanation of our request for a duty of \$2.50 on pig iron, I want to make the following statement: We are located in eastern Pennsylvania, about 15 miles from Philadelphia. One factor of cost which enters into the manufacture of pig iron is transportation. Now, I know you gentlemen have nothing to do with transportation rates, but it is an element of cost, and to illustrate what the effect is in our location—and it applies to practically all the furnaces in eastern Pennsylvania—I will just state this: In 1914 pig iron was sold, delivered in eastern Pennsylvania, for \$14 a ton. At that time the transportation charges represented about 50 per cent of that selling price. To-day pig iron is selling from \$19 to \$20 a ton, and 70 per cent of that selling price represents transportation. Now, that seems rather startling, but the fact is that you have two tons of ore to haul from Lake Superior; it is hauled by rail to the head of the lake, hauled down the lake, and then from the foot of the lake to our locality. You have a ton and six-tenths of coal that you have to haul from western Pennsylvania. You have half a ton of limestone and the freight outbound on your iron.

Altogether, in making 1 ton of pig iron there are about 6 tons of material handled, and the fact is to-day over 70 per cent of the selling price represents transportation. In other words, the transportation charge in Pennsylvania to-day on a ton of pig iron is greater than we sold the pig iron for in 1914; and it is also greater than the selling price to-day of basic pig iron in Belgium. That basic pig iron in Belgium can be brought to Philadelphia cheaper than pig iron can be brought from Pittsburgh to Philadelphia. You see we are hit on the high cost of our raw materials and foreign competition we have due to low ocean freights, and we feel that that justifies our asking for a rate of \$2.50 per ton, as provided in the Payne-Aldrich bill, which we think is fair and reasonable.

Senator Smoot. You want your brief recorded in full. Mr. Logan?

Mr. Logan. Yes, sir; it is very short. There are three other items that I wish to mention. The first is calcined magnesite, which appears under paragraph 47; the second is fluorspar, which appears under paragraph 207; and the third is ferromanganese, which appears under paragraph 302. These are all raw materials to us, and we have no suggestions to offer, because it is not in our line of business to manufacture those materials. We do not object to any reasonable tariff on them, but we do feel that the rates proposed in the House bill are entirely high.

BRIEF OF JOHN W. LOGAN, REPRESENTING ALAN WOOD IRON & STEEL CO., PHILADELPHIA.

The Alan Wood Iron & Steel Co. respectfully submits that it is a corporation organized under the laws of the State of Pennsylvania, with general offices in Philadelphia, and with blast furnaces at Swedelund, Pa.; open-hearth steel plant, blooming mill, and plate mill at Ivy Rock, Pa.; and sheet mills at Conshohocken, Pa. All the plants of the company are located near together in the Schuylkill Valley and about 15 miles from Philadelphia. Among the raw materials which we use are iron ore, steel scrap, fuel, limestone, ferromanganese, magnesite, and fluorspar. From these raw materials we manufacture and sell pig iron, steel billets, steel plates, and steel sheets.

We respectfully protest against paragraph 301 as submitted in H. R. 7450, calling for an equal duty of \$1.25 per ton on pig iron and steel scrap.

Pig iron is a manufactured product carrying in its cost a heavy proportion of labor charges, including not only the actual furnace labor, but the labor

involved in mining and transporting the ore, coal (used in the form of coke), and limestone.

Scrap steel is used in the manufacture of open-hearth ingot steel in conjunction with pig iron. It comes either as a manufacturing waste from plants making steel products, or from the tearing down, on account of age or obsolescence, of steel structures. But little labor is involved in its preparation.

To place two materials of such essentially different characteristics on the same basis of tariff duty is, we believe, wrong. We respectfully submit that there should be a differential in the duties on these two materials, and feel that this differential should be not less than \$1.50 per gross ton in favor of pig iron.

Blast furnaces manufacturing pig iron located on or near the Atlantic seaboard (as ours are) are subjected much more severely to European competition than are those located further inland. Our costs are higher, due to the longer hauls and higher transportation charges on our raw materials. Low water transportation rates facilitate delivery of European iron and steel to Eastern seaboard markets, the ocean freight being frequently less than the cost of hauling from even Pittsburgh to the same points. On account of its character and adaptability as ship ballast pig iron is often carried across the Atlantic for comparatively trivial rates.

The Iron Trade Review of August 4, 1921, quotes Belgian basic pig iron at 175 francs per metric ton, which is equivalent to \$13.30 per ton. This price is for finished pig iron which can be delivered at the Atlantic seaboard for not over \$5 additional. We are compelled to pay for transportation charges alone on the materials required for the manufacture of 1 ton of pig iron (without figuring in at all the cost of the materials themselves, or the cost of labor and manufacture), a few cents per ton more than the Belgian price for the finished article.

In our appearance before the Committee on Ways and Means of the House of Representatives we asked for the reenactment of the duty on pig iron contained in the tariff act of 1909, which duty had proven, by several years trial, to be fair and equitable, both as affording reasonable protection to the interests involved and considered as a means of revenue to the Government. This duty was \$2.50 per ton.

Under the circumstances as above outlined, we feel our requests are fair and just. We consequently urge your committee to recommend the reenactment of a duty on pig iron of not less than \$2.50 per ton. And that the duty on steel scrap should be at least \$1.50 per ton less than the duty on pig iron.

Leaving to other steel companies who have appeared, or expect to appear, before your committee with respect to duties on calcined magnesite, fluorspar, and ferromanganese the presentation of specific arguments and recommendations, we desire to record our protest against the rates proposed as being very much too high. We are not opposed to any reasonable protective duties on our raw materials, but the suggested duties on the three materials above referred to are so unprecedented that we feel we must protest. They are entirely out of line with the duties on various forms of finished steel contained in this bill, which duties we believe to be just and reasonable.

SILICON.

[Paragraph 302.]

STATEMENT OF HAROLD H. BURTON, CLEVELAND, OHIO.

Senator SMOOT. As I understand it, Mr. Burton, you speak for Mr. Day and Mr. Root?

Mr. BURTON. That is correct.

Senator SMOOT. And all on paragraph 302?

Mr. BURTON. Yes, sir. I represent Dr. Aladar Pacz, of Cleveland, and also the General Aluminum & Brass Manufacturing Co., of Detroit, and Mr. J. W. Knapp, of the Precision Die Casting Co., of Syracuse, N. Y.

We are urging an amendment to paragraph 302 of the Fordney bill.

The effect of this amendment is simply to keep free from duty, as it is now, silicon, which contains 5 per cent less of iron, as contrasted with ferrosilicon, to which the paragraph principally relates.

Senator SMOOT. This bill provides, "Ferrosilicon containing 8 per cent or more silicon and less than 30 per cent, 2½ cents per pound on the silicon contained therein." What ferrosilicon do you have reference to?

Mr. BURTON. I have reference to that mentioned in about five or six lines below that. It begins at line 11, on page 40, you will notice.

Senator SMOOT. "Ferrosilicon containing 8 per cent or more silicon, and less than 30 per cent, 2½ cents per pound on the silicon contained therein." Is that the one you are complaining of?

Mr. BURTON. No, sir. The bill continues: "Containing 30 per cent or more of silicon and less than 60 per cent, 2½ cents per pound on the silicon contained therein; containing 60 per cent or more of silicon and less than 80 per cent, 3½ cents per pound on the silicon contained therein; containing 80 per cent or more of silicon and less than 90 per cent, 4 cents per pound on the silicon contained therein."

Then there is this next sentence: "Containing 90 per cent or more of silicon and silicon metal, 8 cents per pound on the silicon contained therein."

Senator McLEAN. What do you want that changed to?

Mr. BURTON. Amend that by striking out from paragraph 302 the words "and silicon metal" immediately following the words "90 per cent or more of silicon," in line 20, on page 40, and by inserting in paragraph 302, after the word "therein," in line 22, on page 40, the words: "*Provided, however,* That the silicon containing 5 or less per cent of iron shall be classified as silicon metal, and that no duty shall be imposed upon it or upon its silicon content."

That grade of silicon is entirely distinct from the ferrosilicon spoken of in the rest of the paragraph. That grade of silicon is not used in any way in the manufacture of steel. All of the ferrosilicon referred to in the paragraph is used solely for the manufacture of steel.

Senator McLEAN. What is it used for?

Mr. BURTON. It is used in the making of a new alloy of silicon and aluminum, an Alpac alloy, which has been discovered by Dr. Pacz, whom I represent here, and which alloy is being developed by the General Aluminum & Brass Manufacturing Co., of Detroit.

Senator McLEAN. What is that used for?

Mr. BURTON. The new alloy is the alloy which has been sought for years in the aluminum industry and substitutes 15 per cent of silicon where there before has been copper in aluminum. The present No. 12 aluminum is 92 per cent aluminum and 8 per cent copper. This new Alpac alloy is 85 per cent aluminum and 15 per cent silicon.

Senator McLEAN. What do you use it for when you get it made?

Mr. BURTON. We use it for practically everything for which aluminum is now being made.

Senator McLEAN. Is it a cheaper substitute?

Mr. BURTON. It is from 10 to 30 per cent cheaper. It is also 10 per cent lighter.

Senator WATSON. What is the name of the gentleman whom you say you represent?

Mr. BURTON. Dr. Pacz. He has been for 15 years one of the scientific staff of the General Electric Co., at Cleveland, Ohio.

Senator WATSON. Did he originally have a patent on some process for manufacturing ferrosilicon?

Mr. BURTON. No, sir.

Senator WATSON. Did not somebody have such a patent? A patent on the manufacture of some sort of alloy?

Mr. BURTON. He has a patent on this Alpac alloy.

Senator WATSON. Has not that patent expired?

Mr. BURTON. No, sir; it was just granted on the 16th of this month. It is a new patent. These companies that are operating have been operating up until the last few days under the application for the patent.

Senator WATSON. Do these people whom you represent actually do a manufacturing business?

Mr. BURTON. The General Aluminum & Brass Co., of Detroit, does; yes, sir.

Senator WATSON. And you represent them?

Mr. BURTON. I represent them and also Dr. Pacz.

Senator WATSON. Have you really purchased any silicon?

Mr. BURTON. We have now in this country 150 tons.

Senator WATSON. Where do you buy that?

Mr. BURTON. That was bought in France and in Switzerland. It came in under the present law duty free.

Senator WATSON. Had not that been manufactured in the United States? Did you have to go to France to get it?

Mr. BURTON. Yes; that was the trouble. Dr. Pacz is an American citizen and has been for years. Before going to France after completing his investigation he tried to obtain it in this country. He located three ferrosilicon plants at Niagara Falls; the Carborundum Co., which is understood to be a subsidiary of the Aluminum Co. of America—

Senator WATSON. That is at Niagara Falls?

Mr. BURTON. Yes, sir. The Electro-Metallurgical Co. and the United States Ferro Alloy Co. Each one of those companies produce ferrosilicon, but they had never produced this grade of silicon. Dr. Pacz endeavored to obtain some from them. The Aluminum Co. of America became interested in his invention and for some time negotiated with a view to obtaining control of it. Those negotiations were not successful, however, but during those negotiations he obtained silicon from the Carborundum Co. in 500-pound lots. However, it did not prove to be satisfactory and he has not been able to use it. About the same time he applied to the Electro-Metallurgical Co. and they referred him to the Carborundum Co. He also went to the third company, and they negotiated for his patent but did not supply him with the metal. We reinvestigated those conditions there in July of this year. At this time each one of the companies has produced a slight amount of this metal, but they have not been able to obtain a test on it which has satisfied us that it would be satisfactory. They offered that metal, which they make there, at 15 to 17 cents per pound. It is now being bought by the General Aluminum & Brass Manufacturing Co. at 14 cents

per pound from abroad. That difference is slight, and they say they will be able to eliminate that.

Senator WATSON. Does this patent cover the process of combining silicon and aluminum?

Mr. BURTON. Yes, sir.

Senator WATSON. What effect would it have if that patent were granted to him and we gave you the tariff you want here?

Mr. BURTON. Let me point out the fact that we do not want a tariff; we just want it free.

Senator WATSON. You want free trade?

Mr. BURTON. We want free trade on the element for which we have created a market, which is the only market there is for it in the world.

Senator SMOOT. There may be other markets created. This is the way I understand what you want—I do not know whether I have got your wording exactly right, and that is the reason I am stating it—beginning on line 20, page 40, the way your amendment would read would be this: "Containing 90 per cent or more silicon, 8 cents per pound on the silicon contained therein, provided that silicon containing 5 per cent of iron shall be classified as silicon metal and that no duty shall be imposed upon it."

Mr. BURTON. Yes, sir.

Senator SMOOT. In other words, you want it to come in free?

Mr. BURTON. Yes, sir; as it is now.

Senator WATSON. Let me ask you this broad question: Has the Metallurgische Gesellschaft anything to do with this patent?

Mr. BURTON. They have nothing to do with the American patent. They are producing this now under Dr. Pacz's European patent in Germany, but he is not permitting importation into the United States. There is no possibility of that getting into the United States. The way it will come into competition with aluminum in the United States will be through the production here in the United States.

Senator SMOOT. In other words, if there is 5 per cent iron in it, you want it to come in free?

Mr. BURTON. Yes; five or less, because we are the only one that make use of that here. So far as the silicon that is being imported is concerned, it would raise the price of it from 14 to 22 cents. The result of that would be to put this Alpax on a par with or make it more expensive than aluminum, and although it is a better alloy, it would meet with hard competition from the Aluminum Co. of America and would be unable, in the face of that slight differential against it, to build up the infant industry which is producing a better alloy. Therefore, there would be no revenue from it because it would cut out the importation.

As for the companies producing it here, if those companies actually need an 8-cent differential, then, of course, they will have to sell it at 22 cents per pound themselves, and there will be no market for Alpax and no market for the silicon.

This is produced not by labor but by water power. It is not a question of protecting American labor; it is a question of protecting competition of ideas. The importance of this to us is that we are now bringing before the country an improved alloy which we regard as one which will supersede to some extent copper and brass, more

expensive elements, and supersede to some extent iron and steel, which are heavier and not so well adapted to some of the uses to which they are put as would be this lighter and stronger alloy. It seems to me that the only effect of this tariff would be to raise the price of the new alloy to such an extent that it would push it off the American market.

Senator WATSON. You say there is no labor involved in this?

Mr. BURTON. No; no labor.

Senator WATSON. That is, you mean the labor involved is a negligible quantity?

Mr. BURTON. In the production of the silicon it is really negligible, because it is a water-power production from silica or sand to this high-grade silicon.

Senator SMOOT. Is there anything else?

Mr. BURTON. There is just one more point. In developing this process and commercializing it, as these companies are doing, they naturally did so relying on the tariff situation as it then stood. When they started this was on the free list. There seems to be no reason why a commodity for which they created the only market should not remain on the free list. These parties prepared a brief which I would like to have permission to file.

Senator DILLINGHAM. Has this new alloy any trade name?

Mr. BURTON. It is called Alpax, meaning peace in the aluminum industry.

BRIEF OF HAROLD H. BURTON, CLEVELAND, OHIO.

The following parties respectfully submit this brief:

Dr. Aladar Pacz, director of scientific research, Alpax Research Laboratories, 1133 East One hundred and fifty-second Street, Cleveland, Ohio, inventor of Alpax process and owner of Alpax patents on silicon-aluminum alloys.

Hon. William L. Day, Cleveland, Ohio, formerly judge of United States District Court for Northern District of Ohio, associated with Dr. Pacz in development of silicon-aluminum alloys.

Thomas E. Monks, Cleveland, Ohio, vice president of the Guardian Savings & Trust Co.; interested in development of Alpax alloys.

J. W. Knapp, of Precision Die Castings Co., Syracuse, N. Y., part owner of Alpax die-casting license.

Frank C. Root, president of the General Aluminum & Brass Manufacturing Co., of Detroit, Mich., which company is owner of Alpax sand-casting license.

PRESENT TARIFF.

The present tariff law places an ad valorem duty of 15 per cent on ferrosilicon. There is no duty on any grade of ferrosilicon that contains 5 or less per cent of iron. Such a grade of silicon would be more properly classified as silicon metal, and is so referred to in this brief.

PROPOSED TARIFF.

Paragraph 302 of the Fordney tariff bill (H. R. 7456) proposes the following duties for ferrosilicon and silicon metal (without regard to its percentage of iron):

" • • • ferrosilicon containing 8 per cent or more of silicon and less than 30 per cent, 2½ cents per pound on the silicon contained therein; containing 30 per cent or more of silicon and less than 60 per cent, 2½ cents per pound on the silicon contained therein; containing 60 per cent or more of silicon and less than 80 per cent, 3½ cents per pound on the silicon contained therein; containing

80 per cent or more of silicon and less than 90 per cent, 4 cents per pound on the silicon contained therein, containing 90 per cent or more of silicon and silicon metal, 8 cents per pound on the silicon contained therein; * * * ferrosilicon, * * * and all alloys used in the manufacture of steel not specially provided for, 30 per cent ad valorem."

Paragraph 302 as a whole evidences an apparent intent to cover only alloys used commercially in the manufacture of steel. The above-quoted language, however, actually goes further. "Ferrosilicon" (or more properly, "silicon metal") that contains 5 or less per cent of iron is not now and never has been used commercially in the manufacture of steel. Nor is it conceivable that silicon metal with 5 or less per cent of iron will ever be used in the manufacture of steel. Such a use of it would require the elimination of the iron from ferrosilicon and then the immediate restoration of the iron when making the steel. Until 1919 no commercial use whatever had been discovered for a grade of silicon containing 5 or less per cent of iron. Up to that time the language now used in the Fordney bill would have done neither harm nor good in so far as that language included that grade of silicon.

Since 1919 one of the country's leading scientists, for 15 years on the technical staff of the General Electric Co., has discovered a grain-refining process for transforming a hitherto brittle and useless silicon-aluminum alloy into a new form of alloy known as Alpac. The name of this inventor is Dr. Aladar Pacz, a citizen of Cleveland Heights, Ohio. His broad underlying United States patent on this alloy was formally issued to him on August 16, 1921. This new form of alloy has remarkable physical properties and high commercial value, as more fully stated below. The manufacture of Alpac is an infant industry undertaking to compete with commercial aluminum, and in some cases with products of copper, brass, cast iron, or even steel. It requires for its manufacture silicon metal containing 5 or less per cent of iron, and it affords the only known commercial use for that grade of silicon. Silicon of that grade is not now and never has been produced in this country, except in insignificant quantities. Therefore there is no existing production of it to be protected.

The market for that grade of silicon accordingly depends solely upon the market for the above-named silicon-aluminum alloy, Alpac. It is now being manufactured, among other places, in France and in Switzerland, and it is being purchased at approximately 14 cents per pound by the General Aluminum & Brass Manufacturing Co., which is the principal present licensee under the United States Alpac patent above mentioned. The language of the Fordney bill would place a duty of 8 cents per pound on this grade of silicon, raising its price to 22 cents per pound. If it is contended that domestic silicon producers will require this tariff to produce silicon of this grade, nothing will be accomplished by the tariff, because this silicon at 22 cents per pound will artificially raise the price of Alpac so high as effectively to hamper or prevent its commercial introduction. For the same reason this tariff will cut off the sole United States market for imported silicon of this grade. The tariff provision accordingly would raise no revenue, would foster no silicon industry, and would accomplish nothing more than deprive the country of a new, improved, and cheaper alloy. It would compel United States manufacturers to use the inferior and more costly present grade of commercial aluminum while other countries could use Alpac.

This would be using the tariff neither for revenue nor for the protection of a new industry. It would be using the tariff for the artificial protection of well-intrenched producers of an inferior product which should be transferred to other than its present uses. It would not be protection against the cheaper foreign production of the same commodity. It would be protection against the cheaper domestic production of a better commodity, manufactured in part from a foreign material nowhere commercially produced in this country, and, judging from the tariff rate, impossible of production at any marketable price.

It is hoped by the owners of Alpac that the required grade of silicon can be produced in this country at less than 22 cents per pound. If it can be produced for less than 22 cents per pound the tariff should be less than 8 cents per pound. It has been hopefully suggested, but not demonstrated, that domestic silicon producers can profitably produce it for 14 to 15 cents per pound. If so, there should be no tariff which would artificially force the price of imported silicon above that price. There can be no reason for overprotection except to unduly force up the price of Alpac. There can be no reason for thus unduly forcing

up the price of Alpac except either to reap an undue profit upon the silicon or to force Alpac out of competition with inferior commercial aluminum.

Looking still deeper, there appears to be no good ground for a substantial protective tariff on this grade of silicon. It is produced from silica or sand by the use of a reducing agent and the application of electric current derived from water power. The silica or sand is available here equally as well as in Europe. The electrical current and reducing agents are available here equally as well as there. There therefore appears to exist no element of American labor cost and no substantial element of increased cost of any kind which would not be offset by the cost of transatlantic transportation. There accordingly appear to be no substantial reasons for a lack of competition by American silicon producers unless it be their intellectual inability or moral unwillingness to enter the field. None of us will concede the intellectual inability. We can see no reason for moral unwillingness to compete unless it be a desire artificially to preserve a substantial monopoly for allied interests controlling an inferior product which the new Alpac alloy might force into different channels of use. We therefore can see no good reason why our Government should use the present language of the Fordney bill to extend the steel alloy tariff over the grade of silicon required for the manufacture of Alpac. Such an extension would yield no revenue and would afford no protection to any existing industry. The proposed rate of 8 cents per pound would afford unrequired protection to a possible source of supply in America, and this source, by a continuation of its previous failure to supply this product, could substantially shut off the introduction and development in this country of a new and valuable alloy in competition with an inferior and more expensive alloy which has long been on the market.

RECOMMENDED AMENDMENT.

To meet the above situation the following amendment is suggested to the Fordney bill, which has been passed by the House of Representatives, has been read twice in the Senate, and is now referred to the Senate Committee on Finance:

"Amend by striking out from paragraph 302 the words 'and silicon metal' immediately following the words '90 per cent or more of silicon,' in line 20, on page 40, and by inserting in paragraph 302, after the word 'therein,' in line 22, on page 40, the words: 'Provided, however, That silicon containing 5 or less per cent of iron shall be classified as silicon metal, and that no duty shall be imposed upon it or upon its silicon content.'"

DR. ALADAR PACZ.

Dr. Pacz, the inventor of Alpac, is a native of Hungary. He came to the United States as a doctor of science in 1905. Since 1906 he has resided in Cleveland, Ohio, and its vicinity. Since 1912 he has been a naturalized citizen of the United States.

From 1906 to 1920 he served as one of the leaders on the scientific staff of the National Lamp Works of the General Electric Co., at Cleveland. During that time he made a number of scientific discoveries of the greatest practical value. Among these may be mentioned his discovery in 1907 of a new process for the manufacture of pressed tungsten filaments, which has proved to be the most efficient process of its kind and which was a forerunner of the drawn wire, now universally in use.

In 1914 he also discovered the "nonsag" tungsten wire, which is of great importance in the manufacture of coiled filament incandescent electric lamps. This wire has been the only means of making this type of lamps efficient and is now universally used. This wire also made possible the development of kenotron and plotron tubes, which were of great value to the United States and its allies in wireless telegraphy during the war.

In about 1919 he became much interested in the development of metallic alloys and discovered an important improvement in aluminum alloys, which was patented in the name of the General Electric Co. These alloys were somewhat out of the regular line of development of the General Electric Co., and since that

date it has permitted Dr. Pacz, while doing some work for it, to maintain and operate on its property his private laboratories. Here he has devoted himself almost exclusively to the development of alloys.

Shortly after beginning his independent work he discovered a so-called grain-refining process, which has solved a problem in aluminum alloys which had been studied unsuccessfully by the aluminum industry for a number of years.

Aluminum and silicon are the two elements most commonly occurring in the crust of the earth. All technical efforts directed toward the combination of these elements had failed to be of any commercial value, because the resulting alloy had little tensile strength and elongation with high brittleness.

By means of the new grain-refining process Dr. Pacz created Alpac. This is a silicon-aluminum alloy, containing approximately 85 per cent of aluminum and 15 per cent of silicon.

ALPAC.

The above-mentioned silicon-aluminum alloy, named Alpac, is of the greatest commercial value. Among other things, as compared with No. 12 aluminum now in general use, Alpac is 10 per cent lighter, has 50 per cent greater tensile strength, has between 300 and 400 per cent greater ductility, and is from 10 per cent to 30 per cent cheaper. It has a resistance to chemical influences higher than all known aluminum alloys and has the highest heat conductivity of them all. Its coefficient of expansion is the lowest of all known aluminum alloys. It has a tensile strength of 28,000 to 32,000 pounds per square inch and an elongation of 5 to 11 per cent in sand castings without heat treatment. It has a resistance to corrosion equal to that of pure aluminum and greater than that of its alloys. It has an electrical conductivity 75 per cent of that of pure aluminum. It has a lower shrinkage in casting than any known alloy of aluminum, its shrinkage being the same as that of cast iron. It is the only nonporous aluminum alloy. Its casting qualities are excellent and are superior to those of the aluminum alloys now in use.

Upon this invention Dr. Pacz has expended and is expending his entire personal resources. His patent on the alloy has already been issued in the United States and in Canada, and his applications are pending in all civilized countries. His United States patent is No. 1,387,900 issued to him August 16, 1921.

Licenses have been issued by him to the General Aluminum & Brass Manufacturing Co., of Detroit, Mich., for sand castings, and to J. W. Knapp and E. N. Dollin, of the Precision Die Castings Co., of Syracuse, N. Y., for die castings. The alloy is now being used in the United States, particularly in the casting of automobile parts. Commercial development under the pending patent applications is also progressing rapidly abroad, but the United States is being reserved for domestic manufacturers. A great variety of successful castings have been made, all with it the use of chills. Among castings successfully made may be mentioned automobile crank cases, gear housings, radiator parts, and many other light parts, wheels, etc., as well as a grand-piano frame, which latter casting is of a size never before successfully attempted with an aluminum alloy. It is also being rolled successfully into sheets.

ATTEMPTS TO OBTAIN REQUIRED SILICON IN THE UNITED STATES.

In 1920, after completing the discovery of his grain-refining process which insured the commercial success of his silicon-aluminum alloy, Dr. Pacz first endeavored to locate in the United States immediately available supplies of silicon containing 5 or less per cent of iron. He succeeded in locating three ferrosilicon producers, all in the vicinity of Niagara Falls, N. Y. The Carborundum Co., understood to be affiliated with substantially the same interests as controlled the Aluminum Co. of America; the Electro-Metallurgical Co., understood to be a subsidiary of the Union Carbide Co.; and the United States Ferro Alloys Co. The latter company referred the matter to the Carborundum Co. The Carborundum Co. and the Aluminum Co. of America displayed an active interest in the new invention, and for some time negotiations were conducted with a view to the acquirement by the latter company of a substantial interest in the invention. These negotiations did not come to a successful conclusion, but Dr. Pacz obtained delivery in 500-pound lots of the silicon available

at the Carborundum Co. for the manufacture of Alpac. After repeated tests this silicon proved unreliable and of thoroughly unsatisfactory quality for the purpose. The Electro-Metallurgical Co. also conducted negotiations for the acquirement of the invention. The negotiations, however, were not successful and Dr. Pacz was unsuccessful in obtaining silicon for his purposes. He then personally investigated sources of supply abroad and located satisfactory sources in France and Switzerland, from which he has since obtained his supplies of silica and found the same satisfactory.

In July, 1921, in response to inquiries from the Niagara Falls district, Mr. F. C. Root, president of the General Aluminum & Brass Manufacturing Co., which then held a sand-casting license for Alpac, reinvestigated the sources of supply from each of the above-named companies at Niagara Falls. In each case the companies recognized the demand for the required grade of silicon to be a new proposition, and in at least two cases it was made plain that the supply of that grade of silicon could not be given with the same equipment and the same methods of production then in use for lower grades of silicon. Each of the companies stated that up to that time they had made only small quantities of the required metal, the Carborundum Co. about a carload, the United States Ferro Alloys Co. a few barrels, and the Electro-Metallurgical Co. a small quantity. Quotations for a future supply of the metal varied from 15 cents to 17 cents per pound with indications of lower prices upon increases of production.

FERROMANGANESE.

[Paragraph 392.]

STATEMENT OF WILLIAM DETTE, REPRESENTING CROCKER BROS., NEW YORK, N. Y.

Mr. DETTE. I represent the Crocker Bros. We ask to be heard in opposition to the rate proposed on ferromanganese in paragraph 302.

May I read from this manuscript?

Senator SMOOT. If you will leave it with the committee, it will not be necessary. You may simply state what you want, and that will do just as well.

Mr. DETTE. It is hardly in shape to present as a brief.

Manganese ores have always been admitted free. The domestic supplies are limited, inferior in quality, and far from consuming points.

Senator SMOOT. You want that free now?

Mr. DETTE. Yes; except possibly for revenue.

Even under the stimulus of war necessity and high prices domestic production furnished only a small part of our total needs, and that only by a sacrifice in quality of the smelted product.

Senator LA FOLLETTE. What is the total consumption?

Mr. DETTE. About 300,000 tons, I should say, normally.

It is safe to say that the steel trade must depend for all time on foreign ores or foreign ferromanganese for at least 90 per cent of its requirements. The proposed duty of 1 cent per pound content, or about \$11.20 per long ton on average ores, would be merely a subsidy to one or two ore producers. We recommend that manganese ores be taxed not more than \$1 per ton for ores containing 45 per cent manganese and over.

Senator LA FOLLETTE. Did you state that during the war period we produced only a negligible quantity of manganese ore?

Mr. DETTE. Of ore, yes.

Senator LA FOLLETTE. I have a memorandum here which states that we produced 306,000 tons of manganese ore.

Mr. DETTE. In 1918.

Senator LA FOLLETTE. I understood you to say just now that our total consumption was 300,000 tons.

Mr. DETTE. The total consumption of ferromanganese.

Senator LA FOLLETTE. Oh, that is the extract?

Mr. DETTE. Yes. That is the smelted product; that is, as it is used in the steel trade.

Senator LA FOLLETTE. Then, the 306,000 tons we produced, if it was 35 per cent ore, would be 35 per cent ferromanganese?

Mr. DETTE. Well, you could not make 80 per cent ferromanganese of 35 per cent ore.

During the war period, the standard of ferromanganese was reduced to 70 per cent. Of course, the 35 per cent ore mined in this country was probably mixed with the richer ores brought from abroad.

We contend that ferromanganese is improperly classified.

Senator JONES. I do not believe you have given clearly the information which the Senator from Wisconsin wanted.

Do I understand that your ferromanganese can be gotten only from ores of 70 per cent or above in purity?

Mr. DETTE. Eighty per cent ferromanganese, which is the standard, can be made only from about 45 to 50 per cent manganese ore. During the war the ore we got in this country was not rich enough to make 80 per cent.

Senator SMOOT. Our manganese ores, for instance in California, run about 35 per cent?

Mr. DETTE. Thirty-five or forty per cent.

Senator SMOOT. They are rich enough to smelt?

Mr. DETTE. Well, if they run to 45 per cent, yes; but they have always mixed them with richer ores from outside.

Senator JONES. The Senator wanted to get at the tonnage produced in this country during the war, and the amount imported. If you consider it on the basis of ore running as high in percentage as you now mention, it seems to me your information does not accord with that which the Senator has.

Senator SMOOT. The average of American production is 40 per cent.

Senator JONES. I may say that the matter was gone into fully by the Committee on Mines and Mining during the war.

Mr. DETTE. In the period 1914 to 1918, inclusive—a period of five years—the imports were 2,294,875 tons, or 82.8 per cent. The production in the United States was 478,996 tons, or 17.2 per cent, so that the greater part of the United States production was in 1918. The total in five years was 478,000; and in 1918, 306,000 tons.

We contend that ferromanganese is improperly classified. It should be included in paragraph 301 with pig iron, iron kintledge, spiegel-eisen, and so on. It is not a ferro alloy in the sense of other alloys in paragraph 302, which are made either by the electric furnace or thermit processes, and which are added to special steels for the properties conferred by the metals, such as tungsten, chrome, etc.

Ferromanganese is used in steel making mainly as a deoxidizer and recarburizer. Any improvement in strength or rolling quali-

ties obtained by its addition is incidental, and not the main reason for its use. Its purpose is to free the molten metal from oxygen and to restore the required amount of carbon. Ferromanganese is a product of the blast furnace, made by smelting manganese ores in a coke-fired blast furnace, the same as pig iron. There is no difference in furnace construction or equipment. There is no difference in operation, except that more fuel is required and more limestone for fluxing. The product is cast in a bed and is broken into lumps instead of being cast in pigs, as this is the most convenient form for use. Otherwise, there is no difference between making pig iron and ferromanganese.

Commercial ferromanganese contains about 80 per cent manganese and from 5 to 7 per cent carbon; the balance being iron, a small percentage of silicon, sulphur, and phosphorus. It is always sold by the gross ton, as is pig iron, and never by the pound, as are the electric-furnace ferro-alloys.

The classification in the Fordney bill is misleading, inasmuch as it includes ferromanganese with manganese metal and thermit products, whose values depend on a low carbon content.

Standard ferromanganese always contains 5 to 7 per cent carbon. It can not be made in a blast furnace with any lower carbon, and it is this carbon content which makes it valuable as a recarburizer.

For these reasons we recommend that it be restored to its proper place in paragraph 301 with pig iron and other blast-furnace products.

The rate of $2\frac{1}{2}$ cents per pound on manganese content, reduced to the proper gross ton equivalent, is \$39.42.

From 1903 to 1916 the highest annual average price of ferromanganese was \$61.27 in 1907, the year of the Russian-Japanese war. The lowest average annual price was \$32.41 in 1904. In 1914 the average price was \$43.61, and for the 10 years preceding the average price was about \$47.50. The price to-day is about \$65. The proposed duty, therefore, is 80 per cent of the prewar price, or 60 per cent of the present price. In addition, the duty is misleading and confusing when stated in cents per pound on a tonnage product, which is a raw material to most steel makers. The effect of this duty would be to increase greatly the cost of ferromanganese to American steel makers.

The United States Steel Corporation, and perhaps one or two of its larger competitors, might make their own ferromanganese, but the great body of about 250 steel-melting plants in the United States, which always buy ferro in the markets, would be taxed to create a monopoly for one or two domestic merchant producers. The smaller independent steel makers, already at a disadvantage as compared with their larger competitors, would be further burdened, and by reason of increased costs would be absolutely barred from export markets.

The interests of these independent manufacturers require the restraining influence of foreign competition to prevent a repetition of the unreasonable prices which prevailed on this product when competition was temporarily reduced. The rates in the present bill are not only high but are not proportionate. It requires about 2.2 tons of 50 per cent ore to make 1 ton of ferromanganese, or about

110 units of manganese in the ore, making 80 units in a ton of ferromanganese.

Thus, at the present rates of \$11.20 on ore, the tax on the ore to make 1 ton of ferromanganese is \$24.04, while the finished product is taxed \$39.42.

One dollar per ton on ore and \$2 on ferromanganese would be fair and approximately proportionate.

BRIEF OF WILLIAM DETTE, REPRESENTING CROCKER BROS., NEW YORK, N. Y.

We respectfully protest against the rates of duty carried by the Fordney bill on manganese ores and ferromanganese and against the imposition of any excessive duties on these commodities.

It is the purpose of this brief to show: 1. That the proposed duties on manganese ores are unnecessary, uneconomic, and opposed to the public interest. 2. That American producers of ferromanganese do not need the protection of a tariff duty; that a high duty would impose a burden on many for the benefit of few; that such a duty would be prejudicial to public interest. 3. That if any duties are imposed, such duties in order to produce revenue and to prevent discrimination should be reasonable specific duties levied proportionately upon manganese ores and ferromanganese.

MANGANESE ORES.

Manganese ores are those containing more than 35 per cent manganese. Commercially, ores with less than 45 per cent manganese are not used for making standard ferromanganese. Manganiferous ores—that is, ores with 10 per cent to 35 per cent manganese and the low-grade manganese ores—are generally used for the manufacture of spiegeleisen and high manganese pig iron.

United States ores.—Reserves of high-grade manganese ores are limited and are located far from points of consumption. The proven reserves probably do not exceed 800,000 tons. The cost of mining and transportation is too high to render them economically available. The best domestic ores are inferior in quality to foreign ores. Their use, therefore, must wait until the development of steelworks in the Rocky Mountain and Pacific slope States creates a natural market for them.

Foreign ores.—The largest reserves of manganese ores are found in Russia (Caucasus), India, Brazil, and Cuba, in the order named. The known reserves of these countries exceed 133,000,000 tons. Mining costs are low, and, owing to the natural movements of world trade, costs of transportation to consuming countries also are low.

Ores to make ferromanganese should be high in manganese and low in silica. The average analysis of foreign and domestic ores in a dry state is as follows:

Ores.	Manga- nese.	Silica.	Phos- phorus.	Iron.
Brazilian.....	46.81	5.00	0.091	4.80
Indian.....	31.60	6.52	.095	5.89
Russian.....	50.00	10.25	.17	1.25
United States.....	40.75	12.21	.087	3.38

The average prewar price of manganese ores was \$8 to \$10 per ton c. i. f. Atlantic ports. The present price (Sept. 1, 1921) is 22½ cents per unit, or from \$10 to \$12 per ton.

Total consumption of manganese ores in the United States, domestic production, and importations.

Tariff period.	Total consumption.	Domestic production Mn. 35 per cent and over.	Per cent of total.	Importations Mn. 45 per cent and over.	Per cent of total.
Dingley bill, free:	<i>Tons.</i>	<i>Tons.</i>		<i>Gross tons.</i>	
1903.....	118,881	2,825	1.9	140,056	98.1
1904.....	111,665	3,146	2.8	108,519	97.2
1905.....	291,151	4,118	1.5	287,033	98.5
1906.....	224,181	6,921	3.0	217,260	97.0
1907.....	214,623	5,604	2.6	209,021	97.4
1908.....	184,317	6,144	3.3	178,203	96.7
Total.....	1,118,850	28,758	2.5	1,120,092	97.5
Payne-Aldrich bill, free:					
1909.....	214,309	1,541	.7	212,763	99.3
1910.....	241,600	2,258	.9	242,348	99.1
1911.....	179,309	2,457	1.4	176,852	98.6
1912.....	302,325	1,664	.5	300,661	99.5
1913.....	349,138	4,044	1.1	345,090	98.9
Total.....	1,289,687	11,971	.9	1,277,716	99.1
Underwood bill, free:					
1914.....	285,929	2,635	.9	283,294	99.1
1915.....	323,584	9,613	2.9	313,971	97.1
1916.....	607,795	31,474	5.1	576,321	94.9
1917.....	759,377	129,403	17.0	629,974	83.0
1918.....	797,172	305,889	38.4	491,283	61.6
1919.....	388,656	5,322	14.2	383,334	98.8
1920.....	701,000	94,000	13.4	607,000	86.6
Total.....	3,863,537	628,318	16.3	3,235,219	83.7

Manganese ores have been admitted free in the United States since 1872, nearly 50 years. They are also admitted free by nearly all other countries. It is significant that none of the great steel-producing countries—United States, Great Britain, Germany, or France—have any extensive manganese-ore deposits within their own boundaries. They must all depend on imported ores. Considering the natural movements of world trade and the position of the United States as a creditor nation, it is fair to assume that the United States will always be in as favorable a position for securing cheap ores as any other country.

No important bodies of manganese ores have been discovered in the United States in the past 50 years, although the leading ore-mining and steel companies have sought them continuously. Even the stimulus of war necessity failed to develop supplies of adequate quantity or satisfactory quality. We must always look to foreign ores for from 90 to 95 per cent of our needs. Any high duty on manganese ores will therefore restrict the manufacture of manganese alloys in the United States and increase the cost of making steel here.

We recommend that manganese ores be admitted free, or if a duty be needed for revenue then not more than \$1 per gross ton.

FERROMANGANESE.

Ferromanganese of the usual standard commercial grade is a metallic compound composed of manganese, 78 to 82 per cent; carbon, 5 to 7 per cent; silicon, 0.50 to 1 per cent; sulphur, under 0.03 per cent; phosphorus, 0.10 to 0.30 per cent; iron, 8 to 10 per cent.

Ferromanganese is used in steel making mainly as a deoxidizing and recarburizing agent. It is added to the molten metal in the ladle, after the melt has been tapped from the Bessemer converter or the open-hearth furnace. At this stage of manufacture practically all of the carbon has been eliminated from the steel, but the molten metal retains much oxygen. Ferromanganese at the same time removes this oxygen and raises the carbon to the desired limit. It also removes some sulphur and adds to the strength of the steel as well as improving its working properties, but, as stated before, the main function is deoxidization and recarburization. Under present conditions of manufacture no steel can be made without ferromanganese, and there is no known

substitute for it. About 96 per cent of all the products of manganese are used in steel making.

Ferromanganese is made by smelting manganese ores in a blast furnace, using coke as fuel. The furnace is the usual type of pig-iron furnace. There is no difference in construction or equipment. There is no difference in operation, except that more fuel is required and more limestone for fluxing. It is quite common practice to make pig iron, spiegeleisen, and ferromanganese in the same furnace, and to change from one product to another as market requirements, ore stocks, or operating conditions render expedient. Ferromanganese is cast in a bed and broken into lumps, instead of being cast in pigs, this being the most convenient form for use. Otherwise, there is no difference between making pig iron and ferromanganese.

The cost of making ferromanganese in the United States and in England is substantially the same, and has been so for many years.

Labor represents a very small percentage of the total cost. Normally British labor is cheaper, but this is largely offset by larger furnaces in the United States and greater output per man employed.

Coke is better and cheaper in the United States.

Ores are derived from the same sources, and are approximately the same.

The present prices for the material and fuel elements in making ferromanganese in the United States and in England are given below. English figures are converted into United States currency at rate of \$3.70 per pound sterling.

Indian manganese ore, 48/50 per cent manganese:

C. i. f. Atlantic seaboard United States..... \$0.225 per unit.

C. i. f. United Kingdom ports, 1s. 2d..... .216 per unit.

Furnace coke:

F. o. b. ovens Pennsylvania..... \$2.75 to \$3.00 per ton.

F. o. b. ovens Yorkshire, England, 30s..... 5.55 per ton.

That there is little difference in costs of production in the two countries is well evidenced by the fact that the leading steel interest in the United States has made ferromanganese for its own use for more than 20 years. Considerable quantities have been made also by other producers.

Relation between domestic production and importations, grouped by tariff periods.

Tariff year period.	Consumption.	Domestic production.	Per cent of total.	Importation.	Per cent of total.	Average import value per ton.
Duty \$4:	<i>Gross tons.</i>	<i>Gross tons.</i>		<i>Gross tons.</i>		
1903.....	77,479	55,931	48.4	41,518	53.6	\$40.94
1904.....	76,890	57,076	72.3	21,814	27.7	32.41
1905.....	115,027	62,186	54.0	52,841	46.0	35.67
1906.....	139,879	55,530	39.7	84,359	60.3	58.72
1907.....	143,318	55,918	39.0	87,400	61.0	61.27
1908.....	85,266	40,642	47.5	44,624	52.5	41.70
Total.....	639,859	307,303	48.3	332,556	51.7	47.14
Duty \$2.50:						
1909.....	171,143	82,209	48.0	88,934	52.0	38.19
1910.....	185,654	71,376	38.4	114,278	61.6	37.99
1911.....	154,745	74,482	48.1	80,263	51.9	37.56
1912.....	224,515	125,378	55.8	99,137	44.2	39.41
1913.....	247,565	119,495	48.3	128,070	51.7	44.37
Total.....	983,622	472,940	48.8	510,682	51.2	39.74
Duty free:						
1914.....	189,080	105,083	56.1	82,997	43.9	44.61
1915.....	204,784	149,521	73.0	55,263	27.0	60.32
1916.....	312,490	221,532	70.9	90,958	29.1	101.62
1917.....	302,294	260,126	86.1	42,168	13.9	135.08
1918.....	359,933	353,027	92.2	6,906	1.8	159.04
1919.....	218,379	185,357	84.8	33,022	15.2	129.72
1920 ¹	329,000	270,000	82.8	59,000	18.0	128.00
Total.....	1,915,730	1,525,645	79.6	390,085	20.4	108.34

¹ 1920 partly estimated.

The values given above are the import value at foreign shipping port. Freight, insurance, duty, and delivery cost to customer must be added to obtain American market value.

Comparison of the market prices in England and the United States.

	British.		Ameri- can.		British.		Ameri- can.
	Home.	Export.			Home.	Export.	
1913:				1917:			
Average.....	\$57.75	\$52.21	\$57.87	Average.....	\$118.89	\$274.95	\$309.17
High.....	66.86	55.93	65.00	High.....	118.99	380.24	400.00
Low.....	51.07	46.20	47.00	Low.....	118.80	161.79	175.00
1914:				1918:			
Average.....	48.44	40.44	55.80	Average.....	120.00	260.71	250.00
High.....	59.60	43.61	111.00	High.....	126.08	283.47	250.00
Low.....	43.80	40.13	37.50	Low.....	112.87	236.12	250.00
1915:				1919:			
Average.....	80.43	(¹)	91.21	Average.....	92.09	102.36	137.24
High.....	95.71	(¹)	107.50	High.....	111.44	195.00	230.00
Low.....	53.51	(¹)	68.00	Low.....	87.75	83.49	110.00
1916:				1920 (6 months):			
Average.....	116.50	164.55	164.12	Average.....	125.41	142.56	183.46
High.....	119.19	169.82	175.00	High.....	146.15	177.75	225.00
Low.....	95.60	153.32	115.40	Low.....	103.80	109.15	137.50

¹ No figures given.

At the present time ferromanganese is quoted at about \$65 per ton for both foreign and domestic product, showing the tendency to return to normal values and usual avenues of supply.

The importance of ferromanganese to the steel industry has already been shown, since no steel can be made without it. The steel industry as a whole, and including the employees of mining and transportation companies owned and operated by steel producers, employs about 1,500,000 men. All of the merchant ferromanganese used in the United States could be produced in furnaces employing from 1,500 to 2,000 men.

The capital investment in the steel business of the United States is difficult to estimate, since there are many small producers whose statements do not appear in the financial manuals. Considering only steel makers whose financial status can easily be determined, the capital investment, which is the excess of assets over uncapitalized liabilities, amounts to about \$4,500,000,000. This investment may be divided into three general groups: 1. United States Steel Corporation, with an investment of about \$2,000,000,000. 2. Eleven of the larger independent steel companies, with an investment of about \$1,000,000,000. 3. About 160 small independent steel companies, with an aggregate investment of about \$1,100,000,000, and in addition to this group 10 or more large manufacturing enterprises who make steel for their own use but are not commercial producers, with an investment of about \$400,000,000.

The Steel Corporation manufactures its own ferromanganese. Some of the larger independents occasionally make ferromanganese and could easily cooperate to do so. The third group, and the largest in point of numbers, must always purchase ferromanganese in the open market, as must also about 100 small steel makers not included in above figures.

We have shown that there is no reason why ferromanganese can not be made here as cheaply as abroad. The facilities for manufacture exist wherever there is a blast furnace. The United States in this respect is in exactly the same position as other steel-producing countries, and in time of national necessity our production could be increased as rapidly as needed.

The rate proposed in the Fordney bill of 2½ cents per pound on manganese contained in ferromanganese amounts to \$39.42 per gross ton. The proposed tax of 1 cent per pound on manganese contained in ores (figuring that 2.2 tons of 50 per cent ore are required to make 1 ton of ferromanganese) would impose a duty of \$24.04 on the ore required for 1 ton of ferromanganese. This would give an advantage of approximately \$15 per ton to the United States Steel Corporation and other large producers. The great independent group, which always purchases in the open market, whose costs by reason of their size are always higher than those of the great companies, would thus be burdened with this extra cost, placing them at a serious disadvantage and tending in times of depression to the creation of a monopoly. The interest of these independent manufacturers requires the restraining influence of foreign competition to prevent a repetition of the unreasonable prices which prevailed when this competition was temporarily reduced. The proposed rates are not only too high but, as shown above, are not proportionate.

We recommend that ferromanganese be admitted free, or if a duty is necessary for revenue purposes that same shall not exceed \$2.50 per gross ton. We further recommend restoring ferromanganese to its proper classification with pig iron and spiegeleisen in paragraph 301.

In the testimony before the Committee on Ways and Means of the House of Representatives and before the Finance Committee of the Senate various statements were made which were misleading. We wish to correct some of these statements, particularly those appearing in the brief submitted to your committee by the Lavingo Furnace Co., E. E. Marshall, American Manganese Manufacturing Co., and Southern Manganese Co.:

Capital investment in ferromanganese production.—The claim was made in the brief submitted to the House Ways and Means Committee that heavy capital (approximately \$10,000,000) has been invested in the production of ferromanganese and that this investment is threatened by foreign competition.

This investment was made at the time of unheard of high prices, ferromanganese ranging from \$250 to \$400 per ton. It was not an altruistic move but a commercial one, that we believe yielded huge profits. The subsequent abandonment of ferromanganese production by some furnaces was a logical recognition that war conditions had ended. The return of these furnaces to pig-iron production is similar to the change of the great steel companies from munitions work to ordinary commercial products. To ask the public to assume a tax burden of approximately \$14,000,000 per annum on the entire steel trade, or \$7,000,000 on the independent trade, for the benefit of two producers with a total investment (figured at war time prices) of less than \$10,000,000 is patently absurd.

Competition with British sellers.—In both the original briefs submitted to the Ways and Means Committee and in the combined brief submitted to the Senate Finance Committee reference is made to unfair methods practiced by foreign producers and particular reference to an alleged British pool, which it is stated here at various times reduced prices in the United States to below the cost of production "with the avowed purpose of destroying the industry in America."

Reference to the table of comparative prices previously shown herein demonstrates that the prices have been approximately the same in both British and American markets and that ferromanganese has been freely sold without discrimination by the British makers. They continued to do so during the war in substantial quantities, as is also shown by reference to the table of consumption, production, and imports of ferromanganese for the period from 1914 to 1920, inclusive. There was no embargo established by the British Government on the exportation of ferromanganese, but said exportation was licensed only to consumers who would give a signed undertaking that the steel made from this ferromanganese would not go into enemy hands.

In the brief submitted to your committee by the American manganese producers reference is made to quotations appearing in *The Iron and Coal Trades Review of England* under date of August 12, 1921, quoting prices on British ferromanganese as follows: 78/80 per cent for home consumption, £18 per ton; 76/80 per cent for export, £14 per ton; followed by the conclusions drawn by these gentlemen, as follows: "It is perfectly evident, therefore, that the members of the British pool are resorting again to their pernicious habit of dumping in this country to destroy the ferromanganese industry, in this case the difference being £4 sterling per ton lower than they will sell consumers in their own country."

The conclusion drawn is unwarranted, misleading, and deceptive. The true facts are as follows: British ferromanganese is freely quoted for export to all other countries than the United States at £14 per ton. No quotations have been made by us and no sales made by us at less than \$65 c. i. f., which is the equivalent of £18, and so far as we know no quotations have been made by the representatives of other British producers at less than this figure. The reason for this is obvious. The antidumping provision of the emergency tariff act might possibly be invoked against any seller who offered ferromanganese at less than the open quoted price for home consumption in British markets. The strict observance by the British makers and their representatives in the United States of the intent of the emergency tariff act has in effect prevented American steel makers from purchasing ferromanganese at as low figures as their competitors in Canada, Mexico, Japan, France, Germany, and other steel-producing countries are able to purchase. The injury to the American steel trade is evident, and the only benefit accrues to American ferromanganese producers who are unwilling to meet the competitive figures prevailing in the leading markets of the world. At the same time that British producers are refusing to quote low prices in the American markets certain German makers, by reason of the depreciation of the mark in the United States and its higher value in Germany, are able to quote prices approximately \$15 per ton below the British and American market without any

danger of coming within any provisions of the antidumping section of the emergency tariff law.

We wish further to state that the British trade-paper quotations referred to are merely nominal and do not represent actual business. The entire steel trade of Great Britain has been paralyzed by the coal strike and is to-day operating at less than 10 per cent of capacity. One month ago the production of steel in Great Britain was only about 1 per cent capacity. At such a time trade-paper quotations do not represent a market, because a market does not exist. It may be assumed that the future British prices will follow the same course as in the past and that a resumption of home demand will witness substantially the same quotations for home consumption and for export, allowing always for the usual and natural differential between the retail lots constituting home-market sales and the larger wholesale quantities in which the commodity is exported.

We quote again from the brief of the American manganese producers as follows: "The dominating factor of the foreign producers is the British pool, whose avowed purpose is to reclaim the American trade and to drive the American maker out of business by unfair competition. This unfair competition has already been brought to the attention of the United States Government and is in process of investigation by the Federal Trade Commission."

This complaint was brought before the Federal Trade Commission in 1910, presumably by the same gentlemen who have asked for unreasonably high duties on ferromanganese. After an investigation by the Federal Trade Commission covering a period of two years and including a complete and thorough examination of the records of sales, shipments, and prices by the respondents, the examiner for the Federal Trade Commission sitting in this case has recently rendered his report to the commission, concluding same with the following paragraphs:

"22. There is not a scintilla of evidence that the respondents or their principals commonly or systematically imported and sold ferromanganese in the United States at prices substantially less than the actual market value of ferromanganese in England.

"23. There is no evidence that the importing and selling of ferromanganese by the respondents or their principals into the United States was done with any intent to injure the industry of manufacturing ferromanganese in the United States, and there are no facts and circumstances proven from which such intent can logically or legally be inferred.

"CONCLUSION.

"From the foregoing findings as to the facts, the examiner holds that the respondents were not guilty of using any unfair methods of competition in commerce as charged in the complaint and that there is no proof of any violation of section 5 of an act of Congress approved September 26, 1914, entitled 'An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes.'"

The reference to this proceeding by these gentlemen, before a finding was made or final decision rendered, in an attempt to influence legislation, speaks for itself.

In the original brief submitted by the American manganese producers to the House Committee on Ways and Means they requested that the rate be made specific and asked for a duty of 2 cents per pound, at the same time asking that ores be retained on the free list. In their latest brief submitted to your committee, and doubtless influenced by the pronounced opposition of witnesses from the steel trade, they recede from this position and request a 25 per cent ad valorem duty with free ores.

Such a duty can not be justified by differences in cost of production, since all evidence tends to show that costs are substantially the same. The British manufacturer is and must always remain at a disadvantage to the extent of the ocean freight, and to this degree the American manufacturer is automatically protected. If the costs of the American producers are so high as to require protection to this degree, it is an admission on their part of ineptitude in manufacture or of inflated capital charges, high salaries, and other excessive overhead costs which unduly burden the production cost. It has never been the policy of the United States Government to subsidize incompetence or to indemnify against the penalties of commercial errors.

STATEMENT OF RADOLIFFE ROMEYN, VICE PRESIDENT AMERICAN MANGANESE MANUFACTURING CO., PHILADELPHIA, PA.

The CHAIRMAN. Please state for the record where you reside.

Mr. ROMEYN. I am vice-president of the American Manganese Manufacturing Co., with offices in Philadelphia.

The CHAIRMAN. What is your business?

Mr. ROMEYN. We are independent manufacturers of ferromanganese.

The **CHAIRMAN.** Will you proceed briefly to state your views to the committee.

Mr. ROMEYN. I just want to bring out three points about the ferromanganese proposition, and it will only take five minutes:

In connection with the duty on ferromanganese you have three alternatives. The first one is to leave ferromanganese where it is, on the free list. And if you do that, the industry will be entirely wiped out.

We have been in the business for seven years. An attempt was made yesterday in the testimony more or less to give the impression that this was not a very large industry in this country, or that the industry was not adequate to supply the demand. We employ about 1,000 men. We have our own coal mines, we have our own railroad, and we make our own coke, and our pay rolls amount up to from \$700,000 to \$1,000,000 a year. We have paid to the railroads alone in freight in the last four years \$1,250,000. Our plant is appraised at over \$4,000,000, and our inventories amount to \$2,500,000.

The **CHAIRMAN.** Where is your plant?

Mr. ROMEYN. Our plant is in the heart of the coke region near Connellsville. We are located at Dunbar, Pa.

The **CHAIRMAN.** How many men do you employ?

Mr. ROMEYN. From 700 to 1,000. We have produced ferromanganese that has entered into the manufacture of 4,500,000 tons of steel. I also represent Edward E. Marshall, who is an independent producer of ferromanganese, and who has made ferromanganese that entered into the production of 8,500,000 tons of steel. His pay rolls in 1917 were \$500,000, and in 1918 they were \$1,000,000. I have not got the figures that show the revenue he paid to the railroads.

Enough of that. If we do not get any duty on ferromanganese and it remains on the free list, we will have to go out of business in the next six months. Our operations for the last seven years up to date, due to British competition, have shown a loss of \$380,000, and we are at the point to-day, gentlemen, where we are going out of business before this year is over, if we do not get protection. It is up to you gentlemen to decide.

Senator SMOOT. How about the manganese-ore situation?

Mr. ROMEYN. It does not affect us. I will get to that in a moment.

You have two alternatives. You either can have a duty on ferromanganese or you can have it on the ore and ferromanganese, as suggested in the tariff. If you have the duty on ferromanganese, and leave the ore on the free list, we will have to have an ad valorem duty of 25 per cent or a specific duty of not less than \$15 a ton.

The steel people yesterday said that they were in favor of a specific duty on ferromanganese, and suggested it be the same as on pig iron, or about \$2.50 a ton. Our greatest competitor is England. Before the war they had all the business in this country; since 1914 we have been producing it, and we were of great assistance to the steel companies during the war, because they could not get English ferro. Their business in this country is only 40 per cent of their total production. Our business is with 50 per cent of the steel makers in

this country, because the steel corporation makes their own. The English can afford to sell away below their cost of production for a year or two in order to get this market back. They are doing it to-day, and they are going to do everything possible to get us out of business.

Senator WALSH. You say your production is 50 per cent of the consumption?

Mr. ROMEYN. Yes, sir; because the steel corporation makes their own. We have adequate facilities in ferromanganese to supply the demand, eliminating the British entirely.

Senator WALSH. Well, leaving out the Steel Corporation, who make their own, your production is enough to take care of all the consumption?

Mr. ROMEYN. Yes, sir. In 1913 and 1914 the average price of ferromanganese was a little over \$60 a gross ton; to-day it is about \$65. We will take the prowar price as a conservative estimate. If ferromanganese at \$60 is imported and sold by the British here, they get an additional revenue of \$15, or 25 per cent, by virtue of exchange. Therefore I say that we must have a duty, on a conservative basis, 25 per cent ad valorem or a specific duty of \$15.

If you have a \$15 specific duty—assuming you do not have any duty on the ore—the United States Steel Corporation would not be affected, and they would have that advantage. But if you have a specific duty of \$15 it means an increase to the steel companies in the United States of only \$2,250,000 a year, gentlemen, and that is nothing—absolutely nothing. The annual steel business in this country amounts to two and a half billions of dollars, and all we want to protect this industry is a duty that will raise the cost to the steel consumer \$2,250,000 a year. That is my second point.

My third point is this: We are satisfied with an adequate specific duty or an ad valorem duty on ferromanganese, with free ore; we are also satisfied with the bill as written. The bill as written means a duty of \$39.42 a ton on ferromanganese. Out of that duty \$24.64 goes to the ore people. The duty on imported ore would be paid by the ferromanganese producer. The price of domestic ore would be raised correspondingly. Therefore the advantage we get out of the present duty as written amounts to only \$14.78 a ton. That corresponds very closely to a specific duty of \$15 a ton, which I have asked for. Gentlemen, that duty of \$39.42 a ton amounts to less than 30 cents a ton increase in the cost of steel, and if you figure the production and consumption of ferromanganese as 300,000 tons a year you have only increased the present cost of ferromanganese to the steel consumer \$8,000,000 or \$9,000,000 a year, and when we consider the millions and millions of dollars that go into the steel business that figure is not to be considered at all.

The CHAIRMAN. There are a number of duties on other materials that would run it up, as testified yesterday, to \$25,000,000.

Mr. ROMEYN. Yes, sir; quite right. We do not know anything about the other alloys. We make ferromanganese and nothing else, and ferromanganese is the biggest item and involves the largest amount of capital. Moreover, it is the most essential industry. You can not make steel in this country without it. If we have no ferromanganese industry in this country and we have a sudden war, you can not turn to making ferromanganese immediately. It takes time

to get ore; it takes six weeks to ship ore from India and from the Caucasus, to say nothing of getting it from the mines to the docks, and would take months to get the mining operations going in this country.

Senator WALSH. How about the imports of ferromanganese at the present time?

Mr. ROMEYN. Imports of ferromanganese? We are glad to sell ferromanganese in competition with the foreign producers to-day at 100 per cent loss in order to get money to meet our pay rolls.

Senator WALSH. You have not reduced your rates of wages to your help?

Mr. ROMEYN. I am glad you asked me that. Our men have voluntarily taken the largest cut of any men in the steel business in the United States to-day, and our common labor is working at 22 cents an hour.

Senator WALSH. What was it two years ago?

Mr. ROMEYN. It corresponds to the iron and steel wages, which were 46 cents, and were cut down corresponding to everybody else, and our men are taking that because they know the situation and they are trying to keep going until we can get some action down here.

Gentlemen, that is all I have to say.

Senator WALSH. Is that on account of imports?

Mr. ROMEYN. It is on account of the operations of the British pool.

Senator WATSON. You mean by that that the imports of ferromanganese are greatly increasing at this time?

Mr. ROMEYN. Ferromanganese imports have always taken the business away from us; they always undersell us.

Senator SMOOT. The reason you have not sold as much ferromanganese is that the steel industry is only operating at about 20 per cent; that is the real reason that you can not sell at all, is it not?

Mr. ROMEYN. That is the reason this year. We have not made a pound this year. But I have not included this year's figures. I have taken them from 1914 to 1920.

Senator WALSH. Normally you employ from 750 to a thousand men. How many employees have you to-day?

Mr. ROMEYN. To-day we have 300 men.

Senator McLEAN. You have only spoken about two companies—yours and one other. What does the entire industry amount to?

Mr. ROMEYN. There are four companies in the business to-day. During the war there were 10. The other people have been forced out of it.

Senator McLEAN. There are only four to-day?

Mr. ROMEYN. Yes. We had enough surplus money to keep running, and now we have eaten all of that up and we are about to close down.

Senator McLEAN. As I understand it, the two companies represent what percentage of the total product?

Mr. ROMEYN. The two companies I mentioned represent about 30 per cent of the production.

Senator McLEAN. Only about 30 per cent?

Mr. ROMEYN. Mr. Howard, representing the Lavino Furnace Co., who will testify next, are the largest producers. They produce about 50 per cent of the domestic production, excluding the Steel Corporation.

Senator McLEAN. Then, together, you represent 70 or 80 per cent.
Mr. Romeyn. Yes, sir.

Senator Smoot. And that is without the United States Steel Corporation, they making their own?

Senator McLEAN. You supply, I suppose, the smaller steel men?

Mr. Romeyn. We supply the men who testified here yesterday, sir—all the large steel companies excepting the United States Steel Corporation. We have spent \$1,000,000 in equipment to make ferromanganese in our plant alone. We can make ferromanganese to-day cheaper than any of these steel companies who were here and testified yesterday that ferromanganese can be made in any blast furnace. It can not be made in any blast furnace.

Senator McLEAN. They said if this tariff were left on they would be compelled to manufacture their own ferromanganese, and they would not buy it of you.

Mr. Romeyn. All right; if you leave that tariff on, it will suit us. We will make ferromanganese cheaper than they can do it, and we will sell it to them. We are perfectly willing to accept the present tariff.

STATEMENT OF JOHN HOWARD, GENERAL MANAGER LAVINO FURNACE CO., PHILADELPHIA, PA.

The CHAIRMAN. Are you the other speaker referred to by Mr. Romeyn?

Mr. Howard. I am the other speaker on the producers' side.

The CHAIRMAN. Mr. Howard, will you state for the record your occupation or business?

Mr. Howard. I am general manager of the Lavino Furnace Co.

The CHAIRMAN. Where is that located?

Mr. Howard. We have offices in Philadelphia.

The CHAIRMAN. Where is your furnace?

Mr. Howard. Our furnaces are at Lebanon, Pa.; Marietta, Pa.; Sheridan, Pa.; and Lynchburg, Va.

The CHAIRMAN. We want those things for the record. How many men are employed by your several concerns?

Mr. Howard. Just now?

The CHAIRMAN. In ordinary times.

Mr. Howard. About 600.

The CHAIRMAN. And how many just now?

Mr. Howard. Nine. We have a watchman on day and night at each one of the plants and a couple of men besides.

We are going to file a brief and state why we want a duty. I was hoping yesterday that I would be able to present our views while the opponents of the bill presented theirs on the same day.

The CHAIRMAN. It is practically the same thing.

Mr. Howard. May I refer to a man who testified at the close of yesterday's meeting?

The CHAIRMAN. Yes.

Mr. Howard. No one asked the gentleman who he was or who he represented. I would like to tell you.

The CHAIRMAN. What was his name and whom did he represent?

Mr. Howard. It was Mr. Dotte, representing Crocker Bros. He is neither a producer nor a consumer of ferromanganese. He was simply an importer, and for months this firm has been sending out

propaganda to all the different steel people asking them to oppose this proposed duty on ferromanganese.

Senator SMOOT. He did not conceal that. I understood that he was an importer. There was not any doubt about that.

Mr. HOWARD. I was sitting close, and I did not hear him say he was an importer.

Senator SMOOT. I have him down here as an importer.

Mr. HOWARD. You got it and I did not. He recommended a slight duty on the ore and a slight duty of about \$2 a ton on the ferro.

It is self-evident that as he is an agent of the British producers that he was not going to recommend a duty that would be satisfactory for the American industry.

The CHAIRMAN. I think the committee fully realizes that.

Mr. HOWARD. I hope so.

Senator WATSON. We all know that.

Mr. HOWARD. He made a statement asking that ferromanganese be put back along with pig iron, and I have listened to a good deal of testimony in regard to ferromanganese and was pleased to note that the Ways and Means Committee finally cut it out of paragraph 301 and put it where it belonged.

Senator SMOOT. Will you tell the committee where spiegeleisen ends and where ferromanganese begins? What is the difference between the manufacture of one as against the other?

Mr. HOWARD. In one case we use an iron ore containing manganese and in the other case we use manganese ore.

Senator SMOOT. I am speaking as to the actual labor that is involved. What is the difference? Do you not think there would be some little trouble in arriving at the tax to be imposed?

Mr. HOWARD. On the line of demarcation?

Senator SMOOT. Yes.

Mr. HOWARD. Yes; I do. I mention that in our brief.

Senator SMOOT. You do mention it in the brief?

Mr. HOWARD. Yes, sir.

Senator SMOOT. Nobody has yet mentioned it, and I thought I would ask you. On the one they gave \$1.25 and on ferromanganese containing more than 1 per cent of carbon they gave 2½ cents per pound on the metallic manganese contained therein.

Mr. HOWARD. That is contained manganese?

Senator SMOOT. Yes. I would like to have you, if you can, explain to me how it is going to be administered?

Mr. HOWARD. In what way?

Senator SMOOT. By the customs officials.

Mr. HOWARD. They have put a line of demarcation, have they not?

Senator SMOOT. They have not here. They say anything containing more than 1 per cent of carbon, and the same identical thing with the ferromanganese. Where are you going to divide it, that is what I want to know, for administrative purposes, and I thought maybe you could tell. You are a manufacturer of it, and I would like to know.

Mr. HOWARD. The bill carries 45 per cent.

Senator SMOOT. Yes; I know that. But the rates of duty are entirely different. In the past they have been the same. Therefore there has been no trouble in the administration of that, because they have been under the same paragraph.

Senator SMOOT. Now they are separated. Supposing you were the administrative officer to impose these duties, how would you tell it under these two sections?

Mr. HOWARD. They would have to be analyzed; the metal would be analyzed.

Senator SMOOT. That is exactly where it will be difficult. Not only will the one have to be analyzed, but both—not for the amount of carbon, but as to whether one is spiegeleisen or ferromanganese.

Senator WALSH. Mr. Romeyn would like to answer that.

Senator SMOOT. I do not care who answers it.

Mr. ROMEYN. It is a very important thing with us. We claim that the line of demarcation as now made in your tariff bill is not in accordance with the customs of the trade. We want the line of demarcation of spiegeleisen and ferromanganese instead of being 45 per cent to be 23 per cent. It could be 16 to 18 or 18 to 22 per cent. Eighteen to 22 is the standard grade for spiegeleisen. If it is 45 per cent it is not spiegeleisen; although that line of demarcation was taken during the war by the War Industries Board. It is ferromanganese at 45 per cent, and not spiegeleisen; spiegeleisen is 18 to 22; anything above 22 per cent is ferromanganese, and we have asked that you change the bill.

Senator SMOOT. Can you tell me why there should be a difference in that case of only \$1.25 and in the other, as provided in paragraph 203, you asked that you have free ore and a duty on ferromanganese of \$15 a ton?

Mr. HOWARD. You want to know why there should be that difference?

Senator SMOOT. Yes. Spiegeleisen, \$1.25; and ferromanganese, the former witness said that even if they had free ore it would want \$15 per ton protection—in one case \$1.25 and in the other \$15. Please tell the committee why you want that \$13.75 increase?

Mr. HOWARD. They are two different things. Spiegeleisen is from iron ore containing manganese; ferromanganese is made from manganese ore which contains just enough iron to hold the manganese from going down into powder.

Senator SMOOT. Your process in the two is very similar?

Mr. HOWARD. Except that the losses on ferromanganese are very much greater. In the blast furnace for making spiegeleisen you do not lose any iron; every bit of iron you put in the top will come out at the bottom. But in making ferromanganese you can have as high as 50 per cent loss of manganese if the furnace is not run properly.

Senator SMOOT. You can have, but you do not have?

Mr. HOWARD. Some of them did, Senator.

Senator SMOOT. Some of them did, but they are not doing that to-day, because you would not be in business if you did.

Mr. HOWARD. No.

Senator SMOOT. Therefore, why mention that thing?

Mr. HOWARD. Well, they are two different products. If you want to get back at the real reason, ferromanganese has always been wrongly classified; it is an alloy.

Senator SMOOT. For duty purposes, you say?

Mr. HOWARD. Yes.

Senator SMOOT. That is, they have not had enough duty upon it?
Mr. HOWARD. No; it has not been classified with ferrophosphorus and ferrosilicon.

Senator SMOOT. The reason for that is the mode of handling it?
Mr. HOWARD. No; it is a blast-furnace product.

Senator SMOOT. I know it is. There is not any doubt about that. But it has always been held to be very cheaply handled as compared with the other ferro products.

Mr. HOWARD. It may have been held so, but it really is not so. It is a ferro alloy and should have been classed with the other alloys. But there was no industry in this country prior to the war.

Senator SMOOT. Spiegeleisen is a mixture of iron and manganese?

Mr. HOWARD. Yes; and silicon and carbon.

Senator SMOOT. Up to 30 per cent it is spiegeleisen?

Mr. HOWARD. Recognized as that in the trade.

Senator SMOOT. Up to that point it is exactly the same and so is ferromanganese a mixture of manganese and iron. Now, why the difference of \$1.25 in the one case and \$15 in another? I think the committee wants to know that.

Mr. HOWARD. It is for protection, Senator.

Senator SMOOT. I know it is for protection, of course. But why the necessity of the difference? Is spiegeleisen duty of \$1.25 too low or is the \$15 duty on ferromanganese too high?

Mr. HOWARD. The spiegeleisen can be made from ores that can be mined in this country and are accessible with light freights the same as iron ores. Ferromanganese hardly can be made in the same way.

Senator SMOOT. In other words, you have got to have foreign manganese ore to make your ferromanganese?

Mr. HOWARD. We do not have to have it. I am an operating man. I used thousands of tons of domestic ore during the war when I could get them. I have used manganese ores from nearly all parts of the world.

Senator SMOOT. The reason you can not make it is because you can not get manganese ore enough?

Mr. HOWARD. Right now there is no demand for ferromanganese.

Senator SMOOT. How has it been in the past?

Mr. HOWARD. We never could get enough domestic ore to satisfy our requirements.

Senator SMOOT. And that is the reason. Therefore, the reason is not because of the difference in cost of producing it?

Mr. HOWARD. The difference in the cost of producing ferro with domestic instead of imported ores comes in with losses. Domestic ores are nearly always high in silica, and if you have a high silica ore you have an enormous slag volume with resultant increase of manganese losses.

Senator McCUMBER. Does it cost \$13 more to produce one than the other? That is simple.

Mr. HOWARD. Does it cost \$13 more?

Senator SMOOT. \$13.75.

Senator McCUMBER. Does it cost \$13.75 more per ton to produce ferromanganese than it costs to produce the spiegeleisen?

Mr. ROMEYN. Yes; it does.

Senator McCUMBER. I want to know if it does?

Mr. **ROMEYN**. Yes, sir; manganiferous ore is used to make spiegel-eisen. When manganiferous ore is smelted you can get a production of 200 tons a day.

Ferromanganese is made from manganese ore which is an entirely different ore. When you use manganese ore in a blast furnace, you can not get a production of more than 70 tons a day out of the same furnace. Ferromanganese costs more to make because your labor charges are four times as large while your production is reduced to one-third.

Senator **SMOOT**. The only difference is the percentage of manganese in the product. It is spiegeleisen up to 30 per cent, is it not—so recognized by the Government of the United States?

Mr. **ROMEYN**. To 23 per cent.

Senator **SMOOT**. Thirty per cent is what it is.

Mr. **ROMEYN**. All right.

Senator **SMOOT**. Now there is 15 per cent difference there, and you mean to say that the difference in the loss and the difference between the 15 per cent would make \$13.75?

Mr. **ROMEYN**. When you get to 23 per cent; you jump immediately to 80 per cent. There is no midway. You do not make ferromanganese of all those grades in between.

Senator **SMOOT**. If it was 60 per cent it would only be twice 30 per cent.

Senator **McCUMBER**. If it cost \$13 a ton or more difference a ton between the two in actual cost?

Mr. **HOWARD**. I would like to quote here from a brief filed in the Ways and Means Committee by the steel men themselves, referring to this same subject:

We further state that ferromanganese is a blast-furnace product like pig iron, but the manufacture of ferromanganese requires about three times as much coke, about four times the labor cost, while the output of the furnace is about one-third that of pig iron and the cost of ferromanganese above the manganese ore charge.

Senator **SMOOT**. There is no doubt in my mind but what it costs more than pig iron, because of losses and everything else. But I am speaking now of spiegeleisen. I want to know that. I want to protect the ore producer, and I want to protect the ferromanganese manufacturer. But I do not want it put all in one place, and that is why I have tried to get this information. I can not see where that difference of \$13.75 comes in. If you have got it in your brief, I will not say another word, because I would examine your brief.

Mr. **ROMEYN**. We will submit that brief this afternoon and the figures in it will show that.

Mr. **HOWARD**. I brought out the contention of the importers that this was always on the free list or carried a low rate, and it should be free now. We want to state that in times past when the other bills were framed there was no one who came here and asked for a duty on ferromanganese. There was no industry except what was produced by the United States Steel Corporation and possibly by the Bethlehem Steel Co. That is why we are now asking for a duty.

They say that ferromanganese can be made in any blast furnace that makes pig iron. That is true, if you do not care what it costs. One of these importers secured a blast furnace in Pennsylvania and tried to make ferromanganese. He did not succeed in making a ton, although he hired an expert.

We simply want to bring out that in the equipment of our plants to produce ferromanganese we have the ability to produce it cheap enough so that the American steel producers will not have to worry and try to make it themselves.

The question was asked here of Mr. Romeyn about no ferromanganese coming into this country at this time. I have here a memorandum for an order of 200,000 pounds that was placed by the United States Navy Department in July 20, 1921, that was taken by an agent of the English ferro at a price lower than we quoted, although we quoted more than \$15 below our cost.

This shows that the English are again striving to secure the American market and are selling below cost to-day. I was told yesterday by the president of one of the largest steel producers that he could buy English ferro at \$54 a ton. We can buy foreign ore as cheaply as they can and our cost of manufacture is not a great deal higher. So we know they are using the same methods they used prior to the war to discourage American production. And since they consume only about 60 per cent of their total production of ferromanganese at home, they can afford for a time to sell here below their cost in order to stifle the domestic production.

Ferromanganese can not be made at any such price to-day, and the steel producers have in their mind that they will get the same price they did prior to the war. But if this American industry is put out of business the British will quickly jump their price to recoup their losses and the American steel makers will have to pay the bill.

Senator SMOOT. What was your quotation?

Mr. HOWARD. Our quotation on it was \$0.0375 cent a pound as against their \$0.0332 cent.

I want to indorse what Mr. Romeyn stated in his request for a duty.

The CHAIRMAN. You concur in his statement?

Mr. HOWARD. Yes, sir.

Mr. ROMEYN. Mr. Chairman, I represent Mr. Edward E. Marshall, and I testified. But since I have been sitting down I understood Senator Smoot's question, and if you will give me one minute I will answer the question. You asked why spiegeleisen only required \$1.25 and ferromanganese \$15 a ton. The answer is this: Spiegeleisen is not an imported article. The American Manganese Manufacturing Co., of which I am vice president, owned a manganiferous ore mine in the Cuyuna Range containing 100,000 tons of manganese ore, and we make spiegeleisen. There is no need for a duty on spiegeleisen. There is no competition. Spiegeleisen is made in this country and nobody can compete. Ferromanganese is imported.

Senator SMOOT. Now you have told just exactly what I wanted you to tell.

Mr. ROMEYN. Just one more point: Where a witness gets up and says there is 100,000,000 tons of manganiferous or manganese ores of 5 to 35 per cent manganese—that may be true, but you can not make ferromanganese out of ore.

Senator SMOOT. We are not going to legislate on it. I will tell you that.

BRIEF OF THE AMERICAN MANUFACTURERS OF FERROMANGANESE.

Lavino Furnace Co.—Plants located at Sheridan, Pa., Lebanon, Pa., Marietta, Pa., Rousens, Va.

E. E. Marshall.—Plants located at Harrisburg, Pa., Newport, Pa.

American Manganese Manufacturing Co.—Plants located at Dunbar, Pa.

Southern Manganese Corporation.—Plant located at Anniston, Ala.

In a communication from the Senate Committee on Finance, under date of July 21, 1921, we were advised that in order to avoid duplication of arguments and suggestions relative to any tariff item that one representative be agreed upon to present their views.

We take it that this applies likewise to the brief, and in order to save the time of the committee we are submitting but one brief, signed by the above independent ferromanganese producers who are interested in the tariff, setting forth a general appeal.

These manufacturers are all independent producers, and while it was not easy to collect the views of each individual manufacturer, we have condensed the same into the smallest possible space in order to comply with the request of the committee, and have tried to omit any repetition of our testimony or our brief which was filed with the Ways and Means Committee.

DESCRIPTION OF FERROMANGANESE.

Ferromanganese is an alloy of manganese with iron, used for deoxidizing, scavenging, and hardening steel. Ferromanganese has in previous bills been improperly classified, chiefly because there was no ferromanganese industry in this country to request for proper classification. Ferromanganese is truly a finished product. It is used by the steel man to complete his operation on the purification of pig iron, but he does not have to refine the ferromanganese in any way. He takes nothing out of it nor does he add anything to it.

This alloy in former tariffs has been classed along with what may be called raw materials in schedule 3, but the Ways and Means Committee of the present Congress recognized the fact that it was a distinct alloy, and put it where it rightfully belongs.

As this is a steel-producing country and we must have a steel industry in order to make any progress, and to protect ourselves in time of need, it is also clear that to maintain the steel industry we must also have a ferromanganese industry. This was very clearly demonstrated in the Great War, when the supply from abroad was suddenly cut off from this country. As steel requires protection, it is self-evident that ferromanganese equally deserves protection.

Unless the American producers of ferromanganese are given proper protection at this time, they must go out of business and sacrifice the furnace plants they have equipped for this product, entailing the loss of millions of dollars to the owners, loss of earnings to the American employees, and loss to the country of a vitally essential industry.

Wars such as the recent one break out suddenly, but an industry like the ferromanganese industry can not be developed overnight nor are the ores available on short notice.

Shortly after the outbreak of the European War and before this country entered it there was practically no ferromanganese available for steel makers in this country outside of that produced by the United States Steel Corporation for their own use, so that the foreign producers could not continue to supply the needs of this country in addition to the European requirements. Therefore it was only through the acquisition of furnace plants and knowledge of where to secure suitable manganese ore in the foreign ore markets by the American ferromanganese producer that the industry was developed here to meet the situation.

For the proper protection of the country we should be independent of any other country for our supply of ferromanganese on account of its vital necessity in the production of steel.

To be in accordance with the custom of the trade, we recommend to have the wording in paragraph 301, lines 5, 6, and 7, page 39 of tariff bill II. R. 7456, Schedule 3, "Metals and manufactures of," which now reads:

"*Provided*, That spiegeleisen for the purposes of this act shall be an iron manganese alloy containing less than 45 per cent of manganese."

changed so that it shall read:

"*Provided*, That spiegeleisen for the purposes of this act shall be an iron manganese alloy containing less than 30 per cent of manganese."

and to have the wording in paragraph 302, lines 19, 20, and 21, page 39 of tariff bill H. R. 7456, Schedule 3, "Metals and manufactures of," which now reads:

"Provided, That ferromanganese for the purposes of this act shall be such iron-manganese alloys as contain 45 per cent or more of manganese."

changed so that it shall read:

"Provided, That ferromanganese for the purposes of this act shall be such iron-manganese alloys as contain 30 per cent or more of manganese."

This line of demarcation, having 44 per cent in manganese as the limit for spiegel-eisen, is not in accord with the custom of the trade, as the standard grade of spiegel-eisen is that testing from 18 to 22 per cent in manganese, although metal analyzing up to 30 per cent manganese is classed as spiegel-eisen. By placing the maximum limit on spiegel-eisen at 44 per cent manganese content, it appears that some oversight was made, in view of the intention to give protection to the ferromanganese industry, and to correct the error the duty on ferromanganese should be applied on all metal containing over 30 per cent of manganese. It should be clearly understood, however, that metal containing 44 per cent in manganese should not be classed or considered as spiegel-eisen.

Enormous quantities of manganiferous and ferruginous manganese ore exist in this country; therefore spiegel-eisen does not need protection, whereas ferromanganese does. This will explain why a protective duty on ferromanganese is necessary and not necessary on spiegel-eisen.

Due to our experience during the war, when we were unable to maintain an adequate ore supply for our furnaces, we became convinced that there was not a sufficient supply of domestic ore (a fact strongly supported by the independent steel interest in their testimony before the Finance Committee).

It is the consensus of opinion on the part of the steel interests and the American ferromanganese manufacturers, based on actual experience in the past, that high-grade manganese ore of the quality necessary for the manufacture of ferromanganese does not exist in sufficient quantity or quality in the United States to support the ferromanganese industry, and even such small quantities as may be available occur in remote districts, principally in the Western States, from where the railroad transportation charges per ton alone to bring the ore to the Eastern States (where practically all the ferromanganese is manufactured and consumed), are in excess of the price per ton at which high-grade foreign manganese ore can be landed at our eastern seaboard ports.

In other words, it is the contention of the independent steel interests and the American ferromanganese manufacturers that a duty of no less than 100 per cent on manganese ore will be necessary to afford any kind of protection to a few mining interests in the Western States who are laboring under the belief that with protection they will be able to produce and market high-grade manganese ore for the manufacture of ferromanganese.

Even were we to assume that a certain tonnage of high-grade manganese ore could be produced in the Western States, as was claimed by certain engineers and property owners who appeared before your committee, nothing short of an exorbitant duty on manganese ore would afford them sufficient protection to enable these western mines to compete, since the American ferromanganese manufacturers will always be able to obtain their supplies of manganese ore in the foreign markets of the world at a lower price delivered at their plants on the eastern seaboard notwithstanding the duty they would have to pay thereon, as the railroad freight charges from the producing points in the West on domestic ore to eastern points would exceed the duty that would have to be paid on imported manganese ore.

It seems to us that a duty on manganese ore will not serve the purpose desired, viz, to protect the domestic miner, but only burdens the steel industry with a higher cost on ferromanganese, since the ferromanganese makers would naturally have to include in their cost of production the duty they would have to pay on the manganese ore.

The market price for high-grade foreign manganese ore to-day, delivered f. o. b. cars eastern seaports, is between 20 and 25 cents per unit, which, calculated on an ore containing 50 units of manganese, is equivalent to from \$10 to \$12.50 per gross ton. On the other hand, the railroad freight rates on manganese ore from California common points, from the Butte and Phillipsburg, Mont., district and from the Batesville, Ark., district (where limited quantities of high-grade domestic manganese ore are reported to exist) to eastern consuming points (say, Pittsburgh district) amount to \$18.66, \$14.18, and \$16.02, respectively, per gross ton.

The above-mentioned market price for foreign high-grade manganese ore averaging 50 per cent and over in metallic manganese of from 20 to 25 cents per unit may be considered as a normal price and not a price necessarily due to the present depressed state of business. The average price of foreign high-grade ores over a period of 10 years

prior to the war did not exceed 25 cents per unit, or \$12.50 per gross ton delivered Atlantic seaboard.

It is obvious from this comparison that unless a duty of over 100 per cent is placed on manganese ore that no domestic ore will be produced.

At the hearings before the subcommittee on metals of the Ways and Means Committee the question was asked of a representative of the United States Steel Corporation whether they thought there was sufficient ore in this country to take care of the requirements. In replying he stated the best answer to that question is that the Steel Corporation purchased a manganese ore mine in Brazil within the past year, and their only regret was that they had not done so 10 years ago (the inference being that during the many years they had been purchasing the ore from Brazil they had paid enough in profits to the Brazilian mine owners to have paid for the mine). This is conclusive evidence that they concluded the ore did not exist in this country.

During the hearings before the Ways and Means Committee we asked for free manganese ore and a protective duty on ferromanganese. However, even though we knew the ore did not exist in quantity in this country, if Congress wished to impose a duty on ore for revenue purposes we were satisfied if they put on a compensatory duty on ferromanganese.

In filing this brief with the Senate Finance Committee we do not presume to know what form the final bill will take, but we are still convinced there is not an adequate domestic ore supply and that manganese ore should remain on the free list, and urge that a duty be imposed on ferromanganese of 25 per cent ad valorem, based on the American valuation. It must be borne in mind, however, that should your committee recommend a duty on manganese ore that there must necessarily be an adequate compensatory duty on ferromanganese, adhering to ratio specified in the H. R. bill 7456.

The unfair methods practiced by the foreign producers in the past leads us to conclude that only an exorbitant specific duty would afford the American industry adequate protection. It is for this reason that we should have an adequate ad valorem duty, with the added advantages of the American valuation plan to meet the situation.

As the result of pernicious propaganda on the part of the American agents of the English ferromanganese producers the question has arisen as to why, when former tariff bills did not carry a higher duty than \$4 a ton it should now be necessary to impose a duty that would protect the manufacture of ferromanganese. We would like to again emphasize the fact that in former years there were no independent makers of ferromanganese in this country and consequently there was no industry that needed protection as there is at this time.

In the copy of the Iron and Coal Trades Review, the leading iron and steel trade journal of England, issue of August 12, 1921, there appears on page 217 quotations on British-made ferromanganese, as follows: 78 to 80 per cent "for home consumption," £18 per ton; "for export," £14 per ton.

It is therefore perfectly evident that the British pool is again resorting to their pernicious habit of dumping in this country to destroy the ferromanganese industry, in this case the differential being £4 sterling per ton lower than they will sell consumers in their own country.

The steel interests admit that ferromanganese is one of the chief constituents and essential in the manufacture of steel, and it is therefore highly important that the United States should have its own ferromanganese industry by proper protection and that we should not be dependent on other countries for the supply of this most essential article.

The steel interests, as evidenced by their testimony before the Finance Committee, were not opposed to a duty on ferromanganese. They, however, oppose the high rate of duty of 2½ cents per pound on the metallic contents, as proposed by the Ways and Means Committee, on the basis that it would add too much to the cost of their steel. The proposed duty on ferromanganese is necessarily high because it is burdened with a duty of 1 cent per pound on the metallic manganese in the ore.

The duty proposed in bill H. R. 7456 on ferromanganese carries protection to both manganese ore and ferromanganese in the proportion of about two-thirds for the ore and one-third for ferromanganese, therefore it is evident that if ore is permitted to remain on the free list and an ad valorem duty of 25 per cent imposed on ferromanganese that about 68 per cent of the high duty objected to by the steel producer will be eliminated and the necessary protection can be accorded to ferromanganese.

It would hardly be consistent for the steel interests to request that their own industry be protected and deny adequate protection to the ferromanganese industry. They assume that ferromanganese would cost them less if a small duty or no duty is placed on the product, overlooking the fact that unless a duty giving adequate protection is

granted the American industry will cease to exist and they will have to pay the foreign producer an amount equivalent to the duty that would be necessary to protect the industry in this country. With the American industry out of the way the British producers would be able to fix the price for American consumption, as has been their practice in the past.

We contend that the position of the American steel producer would not be changed, for in one case he pays a price for his ferromanganese which includes protection for the American industry, and on the other hand, with no duty, he will pay the same amount to the foreign producer to sustain a foreign industry.

The dominating factor of the foreign producers is the British pool, whose avowed purpose is to reclaim the American trade and to drive the American maker out of business by unfair competition. This unfair competition has already been brought to the attention of the United States Government and is in process of investigation by the Federal Trade Commission.

The American producers of ferromanganese have at present ample furnace capacity to supply all the independent steel makers in this country even under war-time consumption.

The table given below will show the production over a period of only four of the producers, and as the output was governed by what was sold it is only fair to say that this tonnage would have been materially increased had the demand been sufficient.

If the steel makers' memory were not so short, and if they would adhere to actual facts, we feel sure they would all plead for protection for a ferromanganese industry. Just one illustration: When the war broke out the foreign supply was curtailed and stocks here rapidly diminished, so that there threatened a famine in ferromanganese. The result was that the price of the small amount of ferromanganese available jumped to unheard of prices and threatened a shutdown of practically every independent steel plant in the country. Shortly after this the American ferromanganese producer came to their rescue, and by gradually increasing the production the price was brought down to a reasonable war-time level and remained there.

In conclusion, if the ferromanganese industry is permitted to survive by reason of an adequate duty, then the steel producers would not be subjected to any undue hardship and the great United States—the largest producer of steel in the world—by fostering a ferromanganese industry of its own would not be dependent on foreign countries for its supply of this vitally important element.

Production of American ferromanganese.

	1915	1916	1917	1918	1919	1920	1921	Total.
Lavino Furnace Co.....		8,514	32,622	35,421	22,493	59,737	8,382	167,169
F. E. Marshall.....			9,603	32,108	2,249	19,900		63,860
American Manganese Manufacturing Co.....	10,059	2,892		2,291	9,345	9,991		34,580
Iroquois Furnace.....		7,684	19,771	17,312		17,529		62,096
Total.....	10,059	19,090	61,996	87,134	34,067	106,657	8,382	327,705

The above represents the tonnage of ferromanganese produced exclusive of that produced by the United States Steel Corporation and other steel companies, and does not include the production of several other companies who operated during the war but went out of business immediately after the armistice was signed.

MANGANESE AND MANGANESE ORE.

[Paragraph 302.]

STATEMENT OF A. C. DINKEY, PRESIDENT OF THE MIDVALE STEEL & ORDNANCE CO., NEW YORK, N. Y.

The CHAIRMAN. Mr. Dinkey, will you proceed to address the committee?

Mr. DINKEY. I want to address the committee on manganese and manganese ore.

Senator LA FOLLETTE. What are your initials?

Mr. DINKEY. A. C.

Senator LA FOLLETTE. And your post-office address?

Mr. DINKEY. No. 14 Wall Street, New York.

Senator LA FOLLETTE. And your official relation to the Midvale company?

Mr. DINKEY. President.

Senator LA FOLLETTE. How long have you been president of that company, Mr. Dinkey?

Mr. DINKEY. Not quite six years.

The CHAIRMAN. You have been associated with the company how long?

Mr. DINKEY. Since it was formed, about six years.

The CHAIRMAN. And prior to that—

Mr. DINKEY. I was with the Carnegie Steel Co.

The CHAIRMAN. You have been all your life in the steel business? That is the point I want to bring out. You are an expert and are thoroughly familiar with it?

Mr. DINKEY. Thirteen years president of the Carnegie Steel Co., and before that I was its manager.

Senator LA FOLLETTE. How long were you president of the Carnegie company?

Mr. DINKEY. Thirteen years.

Senator LA FOLLETTE. You passed from the presidency of that company to the presidency of this company?

Mr. DINKEY. To the presidency of the Midvale company.

Senator LA FOLLETTE. So that accounts for about 20 years of your life?

The CHAIRMAN. How long have you been in the steel business?

Mr. DINKEY. About 30 years. I started at the Homestead Steel Works, in minor positions, through the Homestead Steel Works to manager of the works, and then president of the company.

The CHAIRMAN. You worked yourself up to the head of the company by a knowledge of the industry?

Mr. DINKEY. Yes, sir. The outstanding facts with respect to manganese ore and ferromanganese are that its use is absolutely necessary in the production of steel. You can make no steel without manganese. There are only three districts in the world with deposits of sufficient size to support the production of ore on anything like the scale commensurate with the needs of the industry, and these three places are India, Russia, and Brazil. Why the Lord put it so far from the iron I do not know.

The CHAIRMAN. There was not room enough for everything.

Mr. DINKEY. Within the borders of the United States no prospect has been found, even under the spur of war necessity, which it is reasonable to suppose will support a mining operation on an economic basis either as to quantity, quality, or cost.

That ore from India, Russia, and Brazil can be laid down at Atlantic ports for about \$12 per ton. Approximately this sum must be paid for railway freight alone from such small manganese-ore mines as there are in the United States to the chief domestic consuming point of such ore.

That the foreign steel industry—that is, England, Germany, France, and Belgium—draws its supply of manganese ore from these same far-off fields, the costs to them being about the same as to steel producers in the United States.

The present House bill would add about 30 cents per ton to the cost of all steel ingots produced in the United States. The folly of doing this while expecting the neutral markets of the world to absorb from 15 to 20 per cent of the finished steel output of this country, on a competitive basis, is apparent.

Senator LA FOLLETTE. You export about 15 to 20 per cent of your product?

Mr. DINKEY. We have exported as much as 15 per cent. At the present time we are exporting very little.

Senator SIMMONS. When you say "we have" you refer to the industry at large?

Mr. DINKEY. No; I am speaking of the Midvale Steel & Ordnance Co., but we are one of the group that organized under the Webb bill so as to get an exporting house that would have some strength and power and sufficient funds to establish themselves.

Senator SIMMONS. And that group exports from 15 to 20 per cent?

Mr. DINKEY. Ten per cent, the whole group.

Senator SIMMONS. What was it you said about 15 to 20 per cent?

Mr. DINKEY. We expect the steel industry to export 10 to 20 per cent now.

Senator SIMMONS. Not that it has been doing it?

Mr. DINKEY. Not that it has been done. They have exported nearly 15 per cent.

Senator SIMMONS. How much are you exporting now?

Mr. DINKEY. I should say it might be 5 or 6 per cent.

The CHAIRMAN. That is dependent on political and other matters settling down in other countries?

Mr. DINKEY. In other countries. We now have a sales organization which is planted in every neutral market in the world seeking all kinds of orders, just as they seek here, glad to accept the small ones, which are handled on a different basis from the large ones.

We have a collecting organization that has been put together at great expense, and they are doing some business even under the stress of conditions as they exist to-day.

Senator SIMMONS. Do you make your own ferromanganese?

Mr. DINKEY. We are making it now. We were forced to it during the war.

Senator SIMMONS. How many big concerns in that group make their own ferromanganese?

Mr. DINKEY. The Bethlehem Steel Co. and ourselves I think are the only two independents. I think Jones & Laughlin have made it at some time.

Senator SIMMONS. And the United States Steel Corporation?

Mr. DINKEY. The United States Steel Corporation has always made it for about 20 years, perhaps longer.

The United States Steel Corporation would be less disadvantaged than all the other steel producers in this country. The Steel Corporation makes its own ferromanganese almost entirely out of imported manganese ore. All other domestic steel producers generally buy their ferromanganese, either because they do not use ferromanganese in sufficient quantities to justify a blast furnace operation, or because they do not have the necessary facilities.

The much higher duty proposed for ferromanganese than for manganese ore would have this effect:

Every ton of ferromanganese used by the Steel Corporation would cost it, in duties, \$23.65 per ton. All other domestic steel producers would pay \$39.42 per ton in duty; that is, the duty on ferromanganese.

There is a difference of about \$16. We ask for free ore and a compensating duty on ferromanganese, something similar to the compensating duty you have on pig iron, and suggest \$2.50 per ton.

Senator SIMMONS. You say you ask for free ore and a compensating duty on ferromanganese. A compensating duty for what, if you have free ore?

Mr. DINKEY. It is to compensate the maker of ferromanganese in this country as against a maker in England about the same sum of money as represents the difference in labor cost here and in England. That is what I mean by compensating.

Senator SMOOT. On the same basis as iron?

Mr. DINKEY. On the same basis as iron.

Senator SMOOT. Can you tell me what success they are making in producing manganese in Cuba?

Mr. DINKEY. Yes, sir. In the early days of manganese production, our first source of supply nearby was Virginia. That was practically exhausted. There is nothing left there except small deposits pretty widely scattered.

Senator SMOOT. Pockets?

Mr. DINKEY. Yes, sir. The next near at hand supply was Cuba, and that has been running almost ever since, and there are still some deposits that are workable in Cuba. The Bethlehem Steel Co. draw a good deal of their supply from Cuba.

Senator SMOOT. About one-twentieth of the importations come from Cuba, and I was wondering whether they were going to increase or decrease.

Mr. DINKEY. I think they will continuously decrease. I think the quantity that is there is pretty well known and its location for cheap production is pretty well known. Are there any more questions on manganese?

[No response.]

Just a few general remarks about the situation of our industry.

We normally, based on our natural capacity to manufacture, employ about 40,000 men.

Senator SIMMONS. I want to ask a question or two.

The CHAIRMAN. I would like Mr. Dinkey to continue his statement about the situation of the industry before he is interrupted. It is a very important point.

Mr. DINKEY. We did employ about 40,000 men. To-day we are running about 11,000. The conditions, as you can easily imagine, are very distressing at nearly all points. This company owns one of the most favorably situated ore mines in Minnesota. You probably all know the name of it. It is the Mahoning mine. Since the Mahoning mine started to ship it has never failed to ship except this year. She has shipped this year about 350,000 tons. Our normal output is about two and a half to three million. The mine is doing nothing.

We have a very valuable mine in Michigan known as the Penn at Vulcan. That has shipped not a pound this year and will ship none.

Senator SIMMONS. You are referring to ore?

Mr. DINKEY. Yes, sir.

Senator CALDER. What has it shipped before?

Mr. DINKEY. Three hundred and fifty thousand tons. It is a deep mine.

The CHAIRMAN. It employs about 700 men, and they have all been out of work this year and will continue out of work so far as that mine is concerned?

Mr. DINKEY. Except that that mine we are treating a little differently. It is running under slow production and piling the ore. The reason to move us in that direction is that it is an isolated district. The men have no place to go. There is no other industry there. It is on a bleak range in the northern peninsula of Michigan; and rather than throw the organization away—because they would have to go away—we are running just as slowly as we know how and piling the ore.

Senator SMOOT. Giving them enough to eat?

Mr. DINKEY. Yes, sir.

Senator LA FOLLETTE. What were you paying common labor by the hour at the high point during the war?

Mr. DINKEY. Forty-two cents.

Senator LA FOLLETTE. The same as the other companies?

Mr. DINKEY. Yes, sir. They are generally alike.

Senator LA FOLLETTE. What are you paying now?

Mr. DINKEY. Twenty-five cents. That rate went into effect in the middle of August, the 15th of August.

Senator LA FOLLETTE. What were you paying before the war?

Mr. DINKEY. Depending upon how far you go back. Right near the war, it was about 20 cents.

Senator LA FOLLETTE. Back of that?

Mr. DINKEY. Before we got into the war, when the war was started, about 20 cents. Before that, 17½ cents.

Senator LA FOLLETTE. How long had it stood at 17½ cents?

Mr. DINKEY. \$1.75 was the common rate for four or five years, and then it moved to \$2 and that was the common rate for three or four years.

Senator LA FOLLETTE. For example, what were you paying about the time you took the presidency of the Carnegie Steel Co.?

Mr. DINKEY. \$1.20.

Senator LA FOLLETTE. That would be per hour?

Mr. DINKEY. Twelve cents per hour.

The CHAIRMAN. That was 20 years ago?

Mr. DINKEY. Twenty years ago.

Senator LA FOLLETTE. How long did the wages continue at that figure?

Mr. DINKEY. They moved up very slowly, 12½, 15, 16½, 17—

Senator LA FOLLETTE. Until you got within a few years of the war?

Mr. DINKEY. Yes, sir.

Senator LA FOLLETTE. And then they were about 17 for five or six years along in there?

Mr. DINKEY. Yes, sir.

Senator LA FOLLETTE. And then when the European war came on, but before we went in, they had moved up to about 20 cents?

Mr. DINKEY. Yes, sir; and in the height of it, after we got in, they went to about 42 cents.

Senator LA FOLLETTE. I suppose when we take the wage of the common labor all the other wages are relative to that, are they not?

Mr. DINKEY. Yes, sir. In ordinary steel work, if you will state the common labor rate I can nearly reproduce the whole scale for you, including mechanics and steel workers and handy men. It goes by gradations all the way through the works.

Senator LA FOLLETTE. Will you furnish a table that will show to the committee the scale of wages paid in the different departments?

Mr. DINKEY. Yes, sir; I shall be glad to do that. It is hard to interpret, because it is on a tonnage basis. Suppose I put it in earnings?

Senator LA FOLLETTE. Per month or per hour. Earnings per hour would probably be better; and give the number of hours of work per day.

Senator SIMMONS. You own mines and mine your own ore?

Mr. DINKEY. Yes, sir; one of the largest, a splendid mine—

Senator SIMMONS. You do not think there ought to be any protection on ore. You do not buy any ore. You have a mine out of which you get your ore?

Mr. DINKEY. Yes, sir.

Senator SIMMONS. And you do not think you need any protection. You do not sell any ore, do you?

Mr. DINKEY. Only incidentally. We do not offer ore for sale.

Senator SIMMONS. Suppose you did not own that mine and somebody else owned it who had no factory. He would have to sell that ore in competition with this ore which you said came in here in large quantities from India, Brazil and Russia, would he not?

Mr. DINKEY. That is what he would.

Senator SIMMONS. He employs common labor just as you do; does he not?

Mr. DINKEY. Yes; but he has not—

Senator SIMMONS. Why do you think you ought to have protection against that sort of labor, when the man who owns this mine but has no factory as you have, who is not a manufacturer as you are, should have no protection as to his labor?

Mr. DINKEY. I want to go back and have you realize that what I said in the beginning is the real state of facts. That manganese ore—

Senator SIMMONS. I want you to get down to this point. You are asking protection in the interests of American labor.

Mr. DINKEY. I am holding it to manganese ore. Let us discuss it from that standpoint.

Senator SIMMONS. There are some people in this country that are producing manganese ore that do not own a factory and consume their own ore as you do. They sell it. They employ American labor, just as you employ American labor. If your proposition carries with this committee, will they not be unprotected as against this cheap India labor that you spoke of a little while ago?

Mr. DINKEY. You have got to go back to this. Whether I am telling the truth or not you can very quickly determine.

Senator SIMMONS. I am not doubting that you are telling the truth, but you are not recognizing the principle that you invoke in behalf of your labor.

Mr. DINKEY. A principle can not be applied to a thing that is impracticable. There are no manganese deposits in the United States commensurate with the needs of manganese ore. There are none.

Senator SIMMONS. There are some that are being worked by people who do not own factories.

Mr. DINKEY. Not at all. The ore does not exist. How are you going to apply a principle to a thing of that kind?

Senator SIMMONS. Do you mean to say that there is nobody in this country producing manganese ore that does not himself manufacture that ore?

Mr. DINKEY. No. No one is producing ore except an incidental carload or two. There is no one producing ore and manufacturing manganese in any relation at all to the industry; none.

Senator SIMMONS. I would like very much, then, for you to give me the amount of manganese ore that is produced in this country by persons that do not manufacture that ore into manganese.

Mr. DINKEY. There is practically none.

Senator SIMMONS. You state that there is none?

Mr. DINKEY. Practically none.

Senator SIMMONS. Very well.

Mr. DINKEY. Just a minute. There is a map in the back of this book—

The CHAIRMAN. Are you going to have this book printed?

Mr. DINKEY. Yes, sir; I am going to submit it. Here [indicating] is where the manganese is produced, and there [indicating] is where it is used. There is nobody making ferromanganese. They tried it in Montana, and, of course, they quit it. Their freight rate is \$12.60 to Pittsburgh.

Senator SIMMONS. I understand you to mean that the steel manufacturers, or rather the big steel manufacturers, have practically bought up all the manganese ore mines in this country?

Mr. DINKEY. There is no big steel manufacturer that owns one of these mines.

Senator SIMMONS. I thought you said you owned one of these mines.

Mr. DINKEY. I am talking about iron ore.

Senator SIMMONS. I am talking about manganese. I thought you said you produced it from your own mines.

Mr. DINKEY. Oh, no. I was talking about iron ore when I spoke about the big Mahoning mine.

Senator WALSH. To what extent has your business depreciated due to importations in recent months? You say it is in very bad shape and its mines are closed up.

Mr. DINKEY. Oh, yes.

Senator WALSH. To what extent?

Mr. DINKEY. There are almost no importations.

Senator WALSH. It is due entirely to world conditions?

Mr. DINKEY. To world conditions; certainly.

Senator WALSH. There is no demand for goods and very limited purchasing power on the part of the people?

Mr. DINKEY. Yes, sir. They are conditions that I can not analyze completely, even to myself.

Senator WALSH. So the present conditions in your trade, at least, could not be traceable to importations of commodities which are produced—

Mr. DINKEY. No, sir. We have before us some threatened importations, but they have nothing to do with the business conditions.

Senator SIMMONS. You do not own your manganese ore, then?

Mr. DINKEY. No, sir. We do not own any manganese ore, and no big steel concern owns any of this manganese ore.

Senator SIMMONS. Does not the United States Steel Corporation own its manganese ore?

Mr. DINKEY. It owns foreign deposits in Brazil.

Senator SIMMONS. But owns none in this country?

Mr. DINKEY. No, sir. They might own some incidentally, but I am sure they are not operating.

The CHAIRMAN. Is there anything else?

Mr. DINKEY. Nothing else.

(A copy of the brief referred to by the witness was submitted by him to each member of the committee.)

STATEMENT OF GEORGE H. CROSBY, DISCOVERER AND EXPLORER OF MINERALS, DULUTH, MINN.

The CHAIRMAN. Mr. Crosby, you reside in Duluth, Minn.?

Mr. CROSBY. Yes, sir.

The CHAIRMAN. What is your business?

Mr. CROSBY. I am a discoverer and explorer of minerals.

The CHAIRMAN. What do you desire to address yourself to in connection with this bill?

Mr. CROSBY. Manganese-bearing ore.

The CHAIRMAN. Are you repeating what has already been stated to the committee?

Mr. CROSBY. There has been nobody on manganese-bearing ore. There are two men here on the producing manganese-ore industry—Mr. Charles W. Potts and myself.

The CHAIRMAN. You may proceed.

Mr. CROSBY. In order to get myself properly before the committee, I will state that I am a discoverer and explorer of minerals on the Minnesota, Michigan, and Wisconsin ranges and elsewhere. By exploring is meant the proving of tonnages and grades to determine its merchantability, by the use of power-driven churn and diamond drills. I have had an experience of over a quarter of a century and am one of the pioneers of the Mesabi and Cuyuna Ranges. The Mesabi is an iron-ore bearing range; the Cuyuna Range is known as an iron range, but a considerable portion of the ore from this district carries manganese and has been of considerable economic importance for its manganese content in steel making.

Since the discovery of the Cuyuna iron and manganese range there has been about 2,800 holes drilled, differing in depth from 60 to 1,000 feet. Of those 2,800 holes I have personally drilled 700. I have drilled something like 20 properties. Eight of those properties have become producers of manganese-bearing ore and helped to furnish the manganese that was used in the steel manufacture during the war period.

During the year 1918 there were 860,000 tons of this material shipped from the Cuyuna Range to the steel industry in this country and used in the manufacture of steel; and, in addition to that, there were 305,000 tons of what we call high-grade manganese ore running 40 per cent or better. This higher grade of manganese came from different localities, more especially from Butte and Phillipsburg, Mont., and from Virginia and Arkansas. The balance of the tonnage was distributed over a large area, and about 30 States were represented.

It has been stated by witnesses here—and I simply am amazed at the statements they have made—that there are no reserve tonnages of manganese ore in this country. As a matter of fact, we will prove to you in a brief that will be presented by Mr. Charles W. Potts, based upon Government reports and reports of producers of this material, who have made explorations of their deposits and measured the tonnages and the grades, etc., that there are 36,000,000 tons of ferruginous manganese ore in reserve; that there are over 20,000,000 tons of high-grade manganese ore that run over 40 per cent ready to be mined and shipped to the steel manufacturers.

I do not believe it is necessary for me to dwell upon where the manganese that has been used up to 1914 came from, because you are all familiar with that. But I will state that most of it came from Brazil, the Caucasus, and India. It is true that this ore has been the chief source of supply that steel makers have used generally in the manufacture of steel. It comes, perhaps, in larger deposits. However, the grade is no higher than our best domestic ores.

The domestic-ore producers rose to the emergency during the war and filled a demand that would have been quite impossible to have filled otherwise.

I personally spent, in trying to produce for war purposes, \$1,450,000 in the development of mines in Minnesota, and I wish to state that this money will be almost a total loss to me unless the producers of manganese ore in this country are protected.

I have read the report of the Tariff Commission on the subject of manganese-ore reserves and know the tonnages of manganese-bearing ores and the grades that have been accredited to this range by the United States Geological Survey, series 121. Based on the knowledge I have of the Cuyuna Range, gained through years of experience, these estimates do not fully represent either the actual tonnages or the proper classification of grades of this district.

According to the reports issued by the Geological Survey, there are only 13,628,000 tons of manganese-bearing ore, containing 5 to 35 per cent manganese, in the district. No figures are given for any additional reserve in prospect. This report seriously minimizes the importance of manganese-bearing ores of the Cuyuna Range, for the following reasons:

That the actual tonnage is greater than claimed. There were 24 mines on the Cuyuna Range that were producing or preparing to produce manganese-bearing ore in 1918. I can name two out of this group that contain more ore than the Geological Survey says exists in the whole district. The Sagamore contains 11,000,000 tons; the Ida May, 4,000,000. The proved tonnage of Cuyuna Range is 36,000,000 tons. This constitutes the actual tonnage of manganese-bearing ores included in the classification of ferruginous manganese

ores and manganiferous iron ores containing 5 to 35 per cent manganese, of which the balance of the mineral constituent is iron ore.

A fact generally overlooked by the Geological Survey and the Bureau of Mines, that is to say, they take it into consideration, but when they present their totals of reserves they do not mention it, is that 5 per cent manganese ore, if it were contained with rock, would be of little avail as a mineral, but is quite valuable if it is contained with iron ore. For instance, where manganese ore in the Cuyuna Range has 5 per cent manganese it has a constituent mineral which contains 50 to 55 per cent iron ore. Therefore, it becomes commercial in that way, and it is used in making high manganese pig.

The Government report minimizes the importance of the ores of the Cuyuna Range by ignoring the probable ore. There is an additional tonnage of probable ore not capable of definite calculation, but of certain existence, which would undoubtedly increase the reserve tonnages to approximately 50,000,000 tons.

The Government report minimizes the importance of the Cuyuna Range, in that it does not take cognizance of the vast area of partly developed ore bodies contiguous to proven deposits.

In addition to the 50,000,000 actual and probable tons of manganese ores, there are a great many properties on which diamond drilling has been done and on which merchantable grades of manganese-bearing ore have been found, but owing to the lack of demand for these ores at this time exploration has not been continued to the point where tonnages could be measured. The 50,000,000 tons above considered represent only those properties that have been quite thoroughly drilled in the heart of the Cuyuna Range, which is confined within a rectangle seven miles wide and eight miles long. There is an area many times as great as the area described above which is all within the proven manganese formation and which has not been drilled because of the fact that it is away from the railroads and because there has not been sufficient demand to warrant thorough development. However, this has been proven by the discovery of the ore at different points throughout the area described above. The Cuyuna Range, in my opinion, has great possibilities for the discovery of additional large tonnages of manganese-bearing ore. If it were thoroughly drilled it would undoubtedly add greatly to the reserve ore bodies actually proven. Upwards of \$7,000,000 have been spent in development on this range, and at the present time there are only two mines operating against 24 during 1918 under war demand. Unless manganese ore has a protective tariff, the domestic mine owners and operators will be obliged to abandon their properties, as they can not compete with cheap mining costs of ores from Brazil, India, and Russia because of difference in labor costs.

It has been pointed out that the ores of the Cuyuna Range, containing comparatively small percentage of manganese—about 10 per cent, and the balance of the metal content, approximately 40 per cent iron—are not to be classed as low-grade manganese ores in the same sense that an ore containing 10 per cent manganese without the presence of iron ore would be so classified.

It has been proven by a great many examples that the manganese content of these ores is capable of utilization in the manufacture of

steel. This practice has been followed under two different methods, the first one comprises the manufacture of a manganese alloy known as spiegeleisen, which normally contains about 20 per cent manganese and 75 per cent iron and 5 per cent carbon. This alloy is used in the Bessemer process of steel making and can be made out of manganese-bearing ore where the total metallic content of the manganese is 12 per cent or better. Approximately 25 per cent of the 30,000,000 tons, or 9,000,000 tons of the manganese-bearing ore of the Cuyuna Range, contains manganese 12 per cent or better.

The other 75 per cent of the manganese-bearing ores of the Cuyuna Range, 27,000,000 tons, contains approximately 7 per cent manganese. This is all capable of utilization in making high manganese pig iron. High manganese pig iron has also been used in steel making, thus eliminating the use of additional manganese to the steel bath at the time of the pouring in as large amounts as is now used where all the manganese is added in the form of 80 per cent ferromanganese.

This practice has been followed in European steel making; it has been followed by the Colorado Fuel & Iron Co. for a number of years, and I am reliably informed this practice was successfully employed by a number of steel companies during the war period. There are numerous publications tending to prove that this practice was entirely satisfactory and a steel of a better grade was produced than has been produced by the other practices.

This, then, proves that the manganese-bearing ores of the Cuyuna Range are a valuable source of a supply of domestic manganese and should be taken into account by the Government in estimating domestic reserves.

The average content of manganese in the 30,000,000 tons of manganese-bearing ores of the Cuyuna Range district of Minnesota is about 9 per cent. Thirty-six million tons of 9 per cent manganese-bearing ores is equivalent to approximately 5,000,000 tons of high-grade manganese ore containing 45 per cent manganese.

It is my opinion that a tariff on manganese ore would stimulate the exploration of manganese-bearing minerals that as yet are but slightly developed. And when this development has reached the proportions which would naturally be expected, America will learn that she has ample supplies of manganese ore to last as long as our vast supplies of iron ore, which, if the lower grades are utilized in the same ratio that the late Andrew Carnegie estimated, we will have both iron and manganese sufficient to last this country for 200 years.

There are 23 mines on the range that produce manganese ore, and out of that 23 mines of the Cuyuna Range there is not one running and producing ore to-day. Every one of them are closed down, and out of 39 mines on the range that produced manganese and iron ore, there are only 2 mines running. The condition is appalling.

I say this with all candor: I believe that if this industry was protected so that there would be a sale for the ore that this country is capable of producing 75 per cent of the manganese that is consumed in the steel-making trade of this country and would be able to do so for a great many years. There is no question in my mind about it. For instance, in Minnesota alone there has been explored up to this time only one-eighth of the actual proven formation, and

it covers an area of 30 miles square. At different points throughout the manganese-ore bearing district, which covers about eight times that area, there have been holes put down and manganese of a merchantable quality been discovered.

Senator McCUMBER. Mr. Crosby, may I ask a question just to get clear information? You get both the pig iron and the manganese from what we call iron ore, do you not?

Mr. CROSBY. No, sir; we get high manganese pig iron from ferrous manganese ore, not iron ore.

Senator McCUMBER. And a certain percentage of it will be pig iron and a certain percentage manganese?

Mr. CROSBY. You mean in the high manganese pig iron?

Senator McCUMBER. Yes.

Mr. CROSBY. Yes, sir.

Senator McCUMBER. Take the ore: Now, what per cent of it will be pig iron and what per cent of it, on the average, would be manganese?

Mr. CROSBY. It would not be separated; that would be called high manganese pig iron. It would be a homogeneous mass; it would be pig iron containing a percentage of manganese.

Senator McCUMBER. Very well, sir. That helps me. To harden the iron, to make steel of it, what per cent of the manganese is used?

Mr. CROSBY. When they are using 80 per cent ferromanganese they use about 15 pounds to the long ton in the bath, and it is put in lump form while the steel is in molten state.

Senator McCUMBER. What I am trying to get at is, whether when you extract the manganese from the ore, say a ton of ore, you get enough manganese out of that ton of ore to harden the pig iron that is in that ton of ore; whether it takes less or whether it takes more?

Mr. CROSBY. There would be a certain amount of manganese contained in the pig iron.

Senator SMOOR. I think the Senator wanted to know what the percentage of the bath in this 15 pounds that is put in is to the whole amount in the bath.

Mr. CROSBY. That would be the amount that would be added where no manganese was put in the original pig; that would be the total amount put in.

Senator McCUMBER. I do not know anything about the percentage in the 15, unless I would know how many pounds were in the bath.

Mr. CROSBY. It is a very small percentage, about three-fourths of 1 per cent of the whole.

Senator McCUMBER. If there is enough manganese in a ton of ore for all the hardening properties you will need in converting the ore into the ton of pig iron, and it is manganese pig iron, why is it necessary, if you have the protection upon the pig iron, to have any other protection on some of the contents of that same pig iron separate from the pig iron itself?

Mr. CROSBY. I would like to give you a little illustration in answer to that.

Senator McCUMBER. I would like to have it.

Mr. CROSBY. Standard grades of iron ore contain almost no manganese. The prevailing furnace practice consists in adding the

manganese at the time of pouring the steel. It is not added for hardening properties but for its purifying effect. If the prevailing practice utilized the manganese-bearing iron ore, we would need no tariff to protect it, but the steel manufacturer prefers to use the manganese ore coming from its foreign mines instead of our domestic supply. The protection of pig iron of \$1.25 per ton does not protect manganese ore or the makers of manganese alloy. That duty protects only the manufacturer of pig iron. Personally, I see no excuse for a tariff on pig iron except to benefit the steel people and for revenue. As a manganese-ore producer I am not concerned in the duty on pig iron, only in the duty on manganese ore and the manganese alloys.

The ore producer has no railroads, no boats, no blast furnaces, and no steel mills, so that the chance he has of making profit is on the sale of the ore; while many of the steel makers own their railroads, boats, blast furnaces, and steel manufacturing mills, and they can put profit on the manufactured article or on some other phase of the operations.

I would like to file a brief, as these are only notes. There are some things I would like to touch on.

Mr. CROSBY. In regard to the tariff on manganese ore, we would like to have the minimum grade placed at 20 per cent instead of 30 per cent as now in the Fordney tariff bill. If placed at 30 per cent it would permit Spanish ore to come in free as they have large quantities of the same character of ore that we have on the Cuyuna Range. This ore from Spain is mined with cheap labor and transportation and it would affect our industry.

The statements which are made in this brief with reference to the statistics in bulletins issued by the Geological Survey are not made with a desire to criticize any of the functions or personnel of this bureau, but they are simply in justice to our own industry to show the reasons why the statements are not a just basis for judging the manganese industry from the standpoint of possible tariff protection. We do not attempt to assign reasons for the disparity between our statements and those of the survey except with the possible suggestion that with the colossal task the survey has before it, its reports are as adequate and abreast of the times as it is possible with the appropriations at its disposal, and we offer our own statements as being of equal interest to the committee and of equal interest to the survey with the assurance that the survey consider these present-day statements with equal interest with the committee. [Reading:]

Three-fourths of the reserves of low-grade ferruginous manganese ores appear to be in the Cuyuna Range, Minn. Although many problems have been encountered in marketing these ores, they must be considered the most valuable source of manganese ore in the country. (Manganese and Manganiferous Ores in 1919, by H. A. C. Jenson, p. 96, issued by the United States Geological Survey.)

The action of the American Iron and Steel Institute in 1918 in urging all its members to reduce the grade of ferromanganese enabled the producers to maintain a relatively large production in 1919. The iron content of the ore and cheap transportation are decided advantages. The principal problems that have been encountered in the marketing of these ores appear to have been solved, and although 1919 was a very unfavorable year, under normal conditions these mines may be able to market large quantities of ore for some time to come. (Manganese and Manganiferous Ores in 1919, by H. A. C. Jenson, p. 113, issued by the United States Geological Survey.)

STATEMENT OF CHARLES W. POTTS, DEERWOOD, MINN.¹

The CHAIRMAN. You are a producer of manganese?

Mr. POTTS. Yes, sir.

The CHAIRMAN. Do the gentlemen who have already appeared represent you?

Mr. POTTS. No, sir; not at all or only in part. I represent to a certain extent the manganiferous-ore producers of Minnesota, which subject Mr. Crosby has just covered, and I also represent the producers of high-grade manganese ore in Arkansas and certain men from various States who are interested, who have invested money in the production or in preparing to produce manganese ore during the war. A number of them have been in communication with members of this committee from Indiana, Ohio, and various States.

The CHAIRMAN. What is your business?

Mr. POTTS. My business has been primarily the diamond drilling business, similar to Mr. Crosby's. But during the war time I was induced by Government requests and demands to enter the mining of manganese, and the companies I represent have spent about three-quarters of a million dollars in attempting to produce these manganese ores. Some ores have been produced.

I want to talk principally on the subject of manganese-ore reserves. I sat here yesterday and listened to 10 men talking of the various schedules affecting the steel industry. Most of them said that there were no deposits of manganese ore in this country.

I have spent a considerable amount of my time in the past few years in developing and in the exploration of manganese deposits. I am familiar with various districts in which manganese has been produced, and a few general figures I think will be of interest to you.

There are 30 States in the Union in which manganese ore is known to exist. About half of them have shipped manganese ore in quantities that have been of more or less importance, especially during the war period.

I heard a number of witnesses yesterday state that there were no deposits in this country. I would very much have appreciated if some one would have asked them on what information they made that statement.

Senator WALSH. Did they say there were no deposits or none produced?

Mr. POTTS. They said there were no deposits of any consequence.

Senator WALSH. Is there any produced?

Mr. POTTS. Yes, sir. In 1918 manganese-bearing ores were produced as follows: High-grade manganese ore containing more than 35 per cent manganese, 305,869 tons; manganese ore containing 10 to 35 per cent manganese, 916,163 tons; manganiferous ore, containing 5 to 10 per cent manganese, 470,138 tons. In 1919 there were produced 56,265 tons of high-grade manganese, and in 1920 there were 94,000 tons produced. The average yearly production of high-grade manganese ore in this country for the five-year period previous to 1914 was only 2,612 tons.

Senator SMOOT. There is not any question but what there are manganese ores in the United States in different parts of this country. The question arises as to whether there is enough manganese

¹ See reply of Geological Survey to portions of this statement, p. 2096.

in the ore to make it profitable to mine. If we put this price here at 10 cents a pound or \$200 a ton, there is not any question but what we could produce manganese as long as we would want it in this country from American manganese ore. The question is whether that is the proper thing to do. If you have anything to say as to the rates of duty that are imposed in this bill, whether too high or too low, the committee would like to know it, and to have you tell us why. That is what we want to know.

Senator LA FOLLETTE. And I, as one member of the committee, would like to know about these deposits. I do not take the word of the United States Steel Corporation and those who are interested in the Brazil mines that this industry can not be developed here in this country.

Senator SMOOT. It can not be.

Senator LA FOLLETTE. I want to know about it.

Mr. POTTS. May I answer Senator La Follette's question first? It will logically lead to answering yours.

Senator SMOOT. Yes.

Mr. POTTS. I can not criticize the gentlemen who yesterday said there were no deposits of manganese ore in this country if they relied upon the reports of the Tariff Commission and of the Geological Survey.

According to the report of the Tariff Commission, series No. 21, commencing at page 123 and extending to page 149, and the summary in that chapter on manganese, there were in this country in 1918 only 699,750 tons of high-grade manganese ore with an additional tonnage of 1,130,000. This statement I regard as incorrect. It does not state the situation with reference to the manganese reserves correctly. It does not take into consideration all the information contained in the reports of the Geological Survey, or the reports of the Bureau of Mines, the reports of the geological surveys of various States, nor the reports of engineers and geologists of note who have been writing articles and publishing the same in various magazines and technical journals for several years.

The Tariff Commission's report bases its estimates on the Geological Survey and various other publications, and at the end of the chapter there is a bibliography of documents from which the data are obtained. In this bibliography you will discover that a number of the reports on which the estimates are based are 5 or 6 years old. Those reports which were published five or six years ago are out of date as far as manganese-ore reserves in this country are concerned. There are other reports that bear dates of 1918 and 1919, and you might assume from the fact that those dates are rather recent that perhaps the estimate of ore, as shown in this list of reports, is correct, but if you examine the original reports you will find that the investigations upon which those reports were based were made several years previously. You will also find in that bibliography other reports bearing dates 1918 or 1919. They refer to reports in which investigations were made in those years, but if you read those reports you will find that they were reports made during the war period and that the engineers and geologists who made those reports stated and admitted that they were superficial and that they did not observe the degree of accuracy that is ordinarily required by mining companies.

A number of the references in the bibliography on page 149 are to publications of the Bureau of Mines and bear the dates 1918 and later. None of these publications, however, deal with ore reserves, and there is but little of their contents incorporated into the reports of the Tariff Commission. These reports contain interesting and valuable information, but in no instance do they give unfavorable data on the ore reserves, and in this respect they are irrelevant to the subject under discussion.

Important developments in the discovery of manganese ore and important adaptations and uses of domestic manganese ore were made in 1918 and later that have not been taken into account in the Tariff Commission's report; and without these contributions to the industry included, any statement or conclusion from such statements are inadequate and unfair to this infant industry.

Constituting a part of the total manganese-ore reserves of the United States is a report of the deposits of manganese ores in Arkansas. I went to see the geologist of the Geological Survey who examined the Arkansas district. The estimates of the manganese ore of the Batesville (Ark.) district was about 250,000 tons. He gave me the figures of his estimates of various properties. One of these was the property which we are operating. According to his estimate of a certain grade of ore there was only 2,000 tons on our property. Last year in a little over 60 days we mined 2,600 tons and got barely started.

We made some investigations by test pitting and sinking holes, and we found more ore on 17 acres of our land than he credited our whole 600 acres. From the data we have on our property I believe we have more ore on it than the report of the Geological Survey credits the whole Batesville district of Arkansas.

I am not criticizing the geologists of the Geological Survey nor questioning their integrity or their ability, but I do say that they did not have the opportunity to make thorough investigations during the hectic war days. They could not attain that degree of accuracy that is required by mining companies in the investigation of properties.

In order that you may realize that it is the custom of the companies that I represent to go into the details so that we understand exactly what we are doing with reference to development and exploration of mines, I have brought some of the maps which show the method we employ in investigating the mineral deposits of the properties in which we are financially interested.

THE CHAIRMAN. Are you a mining engineer?

MR. POTTS. I am not so employed. I do not so designate myself, although I have a university degree and an experience covering a period of 15 years in the mining business. I have done a certain amount of mining engineering in the States of Minnesota and Arkansas, but I have never signed my name as a mining engineer.

Each one of these colored areas on this map represents an area containing manganese ore. I might go through the following 12 pages. They would be similar. The work is accurate; we know what we are doing, and as an operator I know what we are talking about.

SENATOR SIMMONS. You are making these investigations with a view to investing capital?

Mr. POTTS. Yes. We did invest capital, and if we do not get a tariff we will be "busted."

Senator WALSH. How much money has been invested?

Mr. POTTS. \$750,000.

Senator WALSH. Has that stock all been sold?

Mr. POTTS. That is actual money that has been invested. It is not a stock-jobbing proposition.

Senator WATSON. Where did you invest it?

Mr. POTTS. In Minnesota and Arkansas.

Senator WALSH. What is the percentage of the ore?

Mr. POTTS. Of the ore?

Senator WALSH. Yes.

Mr. POTTS. In Arkansas the average of the high-grade ore from our properties is as follows: Manganese, 49.03; iron, 5.62; phosphorus, 0.165; silica, 4.89.

Senator WALSH. That is very high?

Mr. POTTS. Yes; that is very high. We have another grade that we call low-grade ore that runs 31 per cent in manganese and 18 in iron.

Senator WALSH. That can be used for spiegeleisen.

Mr. POTTS. For spiegeleisen and also in making high manganese pig iron. Before I finish talking of this matter of Government reports I would like to call your attention to a few other things.

Here is World Atlas of Commercial Geography. It was published this year, 1921. The ink is hardly dry. The data on which this report is based was compiled from information available in 1913.

The CHAIRMAN. What department issued that report?

Mr. POTTS. The Geological Survey.

The CHAIRMAN. Is that of great value?

Mr. POTTS. No, sir; except historically.

Senator McLEAN. Just what does that embrace?

Mr. POTTS. A compilation of the mineral resources of the world as known, up to and including 1913. Manganese is one of the minerals covered in this report.

The CHAIRMAN. Does that come from the Geological Survey direct or through the Department of the Interior?

Mr. POTTS. Through the Department of the Interior.

Senator WATSON. Is this the latest they have issued?

Mr. POTTS. I could not tell you that, Senator. They issue a great many.

Here is the last report issued on manganese and manganiferous ore reserves in the United States.

Senator WATSON. What is the date of that?

Mr. POTTS. April 6, 1921.

Senator DILLINGHAM. Is that the one you have been discussing?

Senator LA FOLLETTE. Is it based upon information that is old and out of date?

Mr. POTTS. Yes.

The CHAIRMAN. This last document you had in your hand is an ancient document, is it?

Mr. POTTS. Yes; it is all right; it is a desirable thing to have, but the point I am trying to make is that it is not up to date. There has been such a tremendous development in the manganese mining industry and in the methods of beneficiating manganese ores that any

report based upon information or investigation previous to 1918 is now obsolete and can not be depended upon.

The CHAIRMAN. Are those documents widely read and distributed to the public in search of knowledge on manganese?

Mr. POTTS. Yes; the reports of the Geological Survey are the basis for this report, Series 21, of the Tariff Commission.

The bibliography to which I take exception appears on pages 148 and 149 of this report.

Senator McCUMBER. How old is that?

Mr. POTTS. This, I think, is very new; in fact, the last report of the Tariff Commission on manganese.

Senator McCUMBER. How old is the data?

Mr. POTTS. That is, data I have given you? It is dated from 1915 to 1918, but the more recent data were based on investigations that were made previous to or on superficial investigations, or on subjects collateral to the subject of reserves.

The CHAIRMAN. How do they get rid of these documents if they are worthless?

Mr. POTTS. They are not worthless. They contain original data.

We have heard gentlemen here say that there are no manganese-ore deposits in this country. I believe that they think what they say is true, but they are mistaken.

According to the report of the Geological Survey in 1918, the Butte district of Montana contained 2,800 tons of high-grade manganese ore.

Senator LA FOLLETTE. You mean that is what the Geological Survey represented?

Mr. POTTS. That is what the geologists of the Geological Survey stated in their report.

In 1918 investigations were made by geologists of the Geological Survey in order that they might report on domestic reserves of manganese ore. Making up a part of that total of 679,750 tons was an estimate of 2,800 tons in the Butte district of Montana. In 1918 it was printed; in 1919 it was again printed; and in 1920 it was printed again; and on April 6, 1921, it was again printed, stating that there are only 2,800 tons of high-grade manganese ores in the Butte district of Montana. Since that time there has been 166,050 tons shipped from that district. The Government reports still say there are 2,800 tons there.

Senator SIMMONS. One hundred and sixty-six thousand and six hundred and fifty tons?

Mr. POTTS. One hundred and sixty-six thousand six hundred and fifty tons; yes, sir.

Senator LA FOLLETTE. What is your authority for that statement?

Mr. POTTS. Other reports of the Geological Survey.

Senator SMOOT. Was this manganese ore or was it manganiferous ore?

Mr. POTTS. That was manganese, and a considerable portion of it went to the companies represented by the gentlemen who testified yesterday.

Another portion of the Geological Survey reports of 1918, in describing the deposits in the Butte district, said that while no good basis exists for computing the exact tonnages, descriptions given by those who have had opportunity to observe them leave no room

for doubt that the aggregate amount of such bodies is very large. The gentlemen who made those statements in the descriptive part of their report totally ignored these large deposits of manganese when tabulating the total domestic reserves.

I do not want to take the time to read all the evidence I have here with reference to these reserves. I expect to file a brief which will contain a great deal more data than I am able to give you now.

Senator McLEAN. Are these reports equally accurate in respect of oil reserves?

Mr. POTTS. I could not tell you that, Senator.

Senator CURTIS. From what I hear, I think they are.

The CHAIRMAN. I have a theory that 60 or 70 per cent of the Government publications are worthless.

Senator SMOOT. We were told 12 years ago that there was only coal enough in the United States to last 28 years.

The CHAIRMAN. I know that large numbers of these pamphlets are returned to me with letters of indignation by constituents in Pennsylvania.

Senator SIMMONS. Your constituents in Pennsylvania were sticking mighty close to the Government reports, because they were trying to convince the committee that the manganese ores in this country are negligible.

Mr. POTTS. It is fortuitous for those who opposed a tariff on manganese ores that the reports of the Geological Survey are so much to their liking.

There are several things with reference to manganese reserves that I have not touched upon, and I shall not take the time to go into the various details.

Thus far I have discussed only the reserves of high-grade manganese ores. There are other forms of manganese ore used in the steel business besides the high-grade manganese. The reports of the Geological Survey mention these ores, but do not take them into consideration when they compile the totals of reserves nor in the estimate of the length of time the reserves will last the steel industry. They have made estimates of the number of years which they think the available domestic supply will last the steel industry, but these estimates are, to my mind, obviously belittled.

Besides the high-grade manganese ore, the supply of which is a great deal larger than the Geological Survey says it is, we have immense tonnages of ferruginous manganese ores. These are ores containing 10 to 35 per cent manganese, and the balance of their metallic content is iron ore. Iron ore and manganese are used in the steel business, and those ores can be used, and have been used, successfully, and there is no reason why they should not be used if it were not for the fact that the people who are opposing the tariff on manganese have their own selfish interests at heart, and their interests naturally mean more to them than our interests do.

It was brought out in yesterday's testimony that they own a large mine in Brazil. They own the largest available sources of manganese ore at the present time.

I am skipping over a great many points that I would like to cover, but I have not the time.

Senator SIMMONS. Do you know who the gentlemen were who testified so strongly on yesterday?

Mr. POTTS. Yes.

Senator SIMMONS. Did they represent, as a rule, companies that own foreign manganese ore?

Mr. POTTS. I could not say that any of the men who testified yesterday represent companies that own foreign manganese mines. The men who testified were largely representative of the so-called "independent" steel companies. The independent steel companies, however, are very closely associated with the Steel Corporation.

I heard the Mahoning mine mentioned yesterday by one of the witnesses, and it called to my mind the fact that practically all the big ore mines in the Minnesota iron-ore districts are owned jointly by the Steel Corporation and the independent companies. If the Steel Corporation does not want a tariff on manganese, it is almost a certainty that the independents will not want a tariff either.

Senator LA FOLLETTE. The United States Steel Corporation has the largest single deposit now available, has it not?

Mr. POTTS. Yes, sir. There may be other large deposits in Russia and India, but they are not now available.

It has been stated by those who oppose the tariff on manganese ore that the reserves are small, and that they will not last more than two or three years under normal requirements. It has been proved by investigations of various reserves—and by various reserves I mean high-grade manganese ore, ferruginous manganese ores and the manganiferous ores, and other grades of ore as they occur in mixtures of silica and in mixture with clay, that can be easily separated by washing processes—that our probable ore reserves will extend the period which the reserves will last the steel industry a great many years.

It has been proved, I think, by reports that have been issued, and I think I can submit a brief which will substantiate those facts.

Senator SIMMONS. With your knowledge, what do you think are the actual deposits of workable—commercially workable—manganese ore in this country?

Mr. POTTS. I think we have—I can not state this as an engineering fact, for obvious reasons, which I will explain—reserves amounting to 10,000,000 tons of high-grade manganese ore. We have approximately 20,000,000 tons of ferruginous manganese ore, containing from 10 to 35 per cent manganese; and we have approximately 36,000,000 tons of manganiferous iron ores. If those ores are all utilized in the steel business, as I think they can be, and as those ores have been used successfully in the past, our manganese reserves in this country will last as long as the iron ore reserves will last.

Senator LA FOLLETTE. When you say 10,000,000 tons, what grade do you mean?

Mr. POTTS. Approximately 42.5 per cent.

Senator LA FOLLETTE. That is high grade?

Mr. POTTS. That is considered high grade.

There is another point I want to cover, and that is the statement that has been frequently made of late, to the effect that our domestic high-grade manganese ores are so much inferior to foreign manganese ores.

Since 1918 most of the foreign ores have been coming in from Brazil. Eighty per cent of the ores from Brazil comes from the Morro da Mina mine owned by the Steel Corporation; and accord-

ing to the reports of the Geological Survey the Morro da Mina mine was so intensively worked in 1918 that the former grades, which were from 48 to 50 per cent, have fallen down to a point where now anything over 40 per cent is acceptable.

Senator SMOOT. Do you know the price of 1 pound of metallic manganese on the market?

Mr. POTTS. The last quotation I recall is 22 cents a unit.

Senator SMOOT. That would be 22 cents for 20 pounds?

Mr. POTTS. To be exact, 22 cents for 22.4 pounds; that is, 1 per cent of a long ton containing 2,240 pounds.

In reply to the question you asked in the earlier part of my testimony with reference to what I consider a reasonable duty on manganese ore, I desire to say that the schedule in the Fordney bill as approved by the House meets with my approval as being the correct duty to be imposed. This duty of 1 per cent per pound on the metallic content of manganese ore will enable the better class of properties to operate with only a reasonable amount of profit. Any reduction in this rate of duty would lessen the tonnage of ore that could be produced, since it would eliminate all but a very few of the 405 mines that were producing ore in 1918. If this duty of 1 per cent per pound on the metallic content is retained in the bill, the domestic mines will be able to supply from 50 to 75 per cent of the annual requirements during the first few years and eventually the domestic mines would be able to supply the entire yearly requirements. I believe it is a mistake, however, to put all ore containing less than 30 per cent manganese on the free list. All ore containing 15 per cent or more of manganese should be included in this schedule. Unless the manganese-bearing ores containing manganese down to 15 per cent are dutiable, it would enable the importers, by manipulation and mixing, to bring in vast quantities of foreign manganese, and thus evade the law. It is also important that the manganese alloys be protected, otherwise foreign manganese alloys would flood our markets; our independent ferromanganese furnace men could not be able to operate, neither would our mines be able to sell their ore.

Senator SMOOT. That is all I wanted to know.

Senator LA FOLLETTE. Have you any special or particular statement that you can make briefly?

Mr. POTTS. I would like to make a statement with reference to the development of our manganese industry as a source of protection in case of military emergency, but if you would rather, I can put that in my brief. I have a great deal to say on that subject, and it is very important.

The CHAIRMAN. That argument is brought up with everything that comes along.

Mr. POTTS. It is particularly important in the case of manganese. I know of no industry in which the domestic reserves are as important as in the case of manganese.

Senator SIMONS. I think from what the witness says that whatever brief he files will be likely to receive the careful consideration of the committee.

Mr. POTTS. I have a brief, but after hearing some of the witnesses on yesterday I want to make some changes.

The CHAIRMAN. Very well.

**BRIEF OF CHAS. W. POTTS, DEERWOOD, MINN., A PRODUCER OF MANGANESE ORE
IN MINNESOTA AND ARKANSAS.**

Manganese is a metal used in steel manufacturing, and is, next to iron and carbon, the most essential element. There are no known substitutes. It is primarily used as a refining reagent. About 15 pounds per long ton of steel is required.

Previous to the World War period America was the only great steel-producing country that did not produce its own ferromanganese alloys. Ninety-nine per cent of the ore used in this country came from foreign lands, was produced by cheap labor and transported at less cost per ton than domestic ore could be produced.

Deposits of manganese were known to exist in various States, but production was negligible until war conditions cut off foreign supplies. Americans were then urged by governmental departments to develop American deposits. Appeals were made upon patriotic grounds. Stimulation was sought through price control and threats (in impending legislation) to confiscate the properties of the operators if the maximum production was not speedily attained. Phenomenal results were obtained. Producers of manganese ores made sacrifices unexcelled in any other industry. Foreign ores and foreign alloys are now supplying our domestic requirements. Our mines are closed.

There are two classes of people primarily interested in this manganese schedule: (1) The producers of the ore, who desire the tariff; (2) the steel manufacturers, the owners of foreign mines, and the brokers of foreign ore and alloys, who are against it.

The public, pledged to protective tariff principles in the last election, is listening to the pleadings of the two sides. The producers have shown their potential resources and plead for the application of that principle "Live and let live" for the manganese industry. Many of those opposing the schedule represent industries once small but, under fostering protection of a tariff, the pride of the Nation.

Those interests opposing a duty on manganese advance many arguments. These arguments are largely based on an assumption that there are no adequate reserves of this ore in the United States. Part I of this paper is a discussion of the Tariff Commission's report on the subject "Manganese," which substantiates the charge against this erroneous assumption. Part II contains a general affirmative statement with reference to our domestic reserves, a discussion of manganese and military emergency, and other phases of the question, including a summary of reasons why manganese should be protected.

PART I.—TARIFF INFORMATION.

Answering the question, Does the report of the Tariff Commission in Tariff Information No. 21, 1920, state fully and correctly the facts relating to the grades, reserves, and economic importance of the domestic sources of manganese ore?

GENERAL STATEMENT.

The purpose of any report is to achieve a result of conservative accuracy. In the chapter "Manganese," series No. 21 of the report of the United States Tariff Commission for 1921, an obvious injustice has been done. The undersigned respectfully submits the proposition:

That there are so many inaccuracies in the statements, and the method of presenting data is so irregular in the above-named report, that it is unsafe for anyone seeking information relative to the manganese industry to accept the statements and reports therein contained as final and conclusive.

These inaccuracies and irregularities, if unchallenged or uncorrected, would undoubtedly lead to the erroneous assumption that there are not enough manganese-ore reserves in the United States to warrant a protective tariff.

It is the purpose of this brief to prove there are material and vital errors in the statements and conclusions in the chapter "Manganese" in the Tariff Commission's Report No. 21 which should disqualify it as an authoritative source of information, in support of which attention is called to the following disclosures:

1. A portion of the data on which that report is based, and to which references are made, is from reports published before 1918 and is now obsolete in many respects. (P. 3.)

2. A portion of the data on reserves on which that report is based is from publications dated in 1918 or later, but the information contained in some of those reports is compiled from investigations made several years previous and before the extensive development of manganese mining in 1918. (P. 4.)

3. A portion of the data from which the information is drawn was obtained by superficial investigations hurriedly made during the war period, and does not reflect that degree of accuracy required by operating mining companies. (Pp. 5 to 8.)

4. Some of the references in the bibliography bear the dates of 1918 or later, but these publications are irrelevant to the subject of ore reserves or the utilization of domestic ores for steel making. (P. 8.)

Important developments in the discovery of manganese ore and important adaptations and uses of domestic manganese ore were made in 1918 and later that have not been taken into account in the Tariff Commission's report; and without these contributions to the industry included, any statement or conclusions from such statements are inadequate and unfair to this infant industry.

5. The body of the report on the manganese situation is not fair to that industry for the reason that it is not accurate in the quotation of the authorities it cites or the method employed in presenting data. The inaccuracies are interwoven with reliable data in such a manner that close scrutiny is required by anyone not intimate with the subject to differentiate between sound and unsound conclusions, the effect of which is primordially inimical to the manganese industry of the United States. (Pp. 8 to 17.)

OBSELETE REPORTS.

A portion of the data on which the Tariff Commission's report is based and to which references are made is from reports published before 1918 and is now obsolete in material respects.

There are four references in the bibliography on pages 148 and 149 to publications dealing with domestic manganese-ore reserves which are identified as to point of time by the dates indicated. These publications are now five years old. They are as follows:

McCarty, E. P., Manganiferous iron ores of the Cuyuna Range, Eng. & Min. Journal, vol. 100, 1915.

Thomas, Kirby, Southern manganese mining not satisfactory, Mining & Eng. World, p. 853, 1915.

Hewett, D. F., Some manganese mines in Virginia and Maryland, U. S. Geo. Survey Bull., 640, 1916.

Eng. & Min. Journal, vol. 100, p. 543, 1915.

On the Cuyuna Range in 1915 there were only seven mines producing or preparing to produce manganiferous ore; in 1918 there were 23 mines producing or preparing to produce manganiferous ore and many other developments contemplated. In 1915 there was mined and shipped of manganiferous ore 42,973 tons; in 1918, 860,696 tons.

There were substantial discoveries of manganiferous ores in new fields and increased tonnages discovered in known deposits through diamond drilling. Much favorable information was also learned in regard to increased tonnage and improved grades through the development of the opened mines, and considerable information was gained relative to methods of beneficiating the ores by washing.

There is in addition to the 13,638,000 tons of manganiferous ore reported to the tax commission of Minnesota, on which taxes are paid, a large number of tracts of land on which manganiferous ore of merchantable grade has been discovered, but on account of insufficient market for these ores exploration has not been extended so as to determine the tonnage.

Southern manganese mining might not have been satisfactory in 1915 when 11,701 tons were mined, but there was much improvement in 1918 when 63,651 tons were mined. (All grades included in both years quoted.) In 1918 the State of Arkansas alone produced of all grades 16,904 tons from hand mining and hand washing, while 11 washing plants were being erected. Much was learned during this time in regard to grades and tonnages and methods of beneficiating the ores. Any report of 1915 for this district is now obsolete.

The comparison of the conditions that existed in 1915 and 1918 above discussed is still further illustrated in the mining development in Montana where in 1915 no ore was produced, whereas in 1918, 199,932 tons were produced. It is absurd to take the obsolete reports of the manganese industry of 1915 as a criterion of the industry in 1921.

OBSELETE DATA QUOTED IN RECENT REPORTS.

A portion of the data on manganese-ore reserves on which that report is based is from publications dated in 1918 or later, but much of the information contained in some of those reports is compiled from investigations made years previous and before the extensive development of manganese mining in 1918.

There are two reports cited in the bibliography dealing with domestic manganese reserves that bear the date of 1918 or later, viz:

Mineral Resources, U. S. Geological Survey Annual (1919?).

The Mineral Industry, G. A. Roush Annual (1919?).

The data used in Mineral Resources, 1919, are to a considerable extent taken from investigations previous to 1918, as the following list of authorities cited on pages 94 and 95 in Mineral Resources 1919, Part I, discloses:

- (1) Arkansas, western, June, 1916.
- (2) Alabama, certain districts, 1917.
- (3) Colorado, Leadville district, August, 1917.
- (4) Colorado, other districts, July, 1917.
- (5) Minnesota, Cuyuna Range, 1917.
- (6) Montana, Butte district, August, 1917.
- (7) Virginia, east side of valley, September, 1917.
- (8) Oklahoma, 1917.
- (9) Montana, other districts, August 1917.

The data on ore reserves cited in Mineral Industry by G. A. Roush are largely a recapitulation of the same data used in Mineral Resources. It is a noteworthy fact, however, that the author of the manganese chapter of Mineral Industry in several instances takes exceptions to the estimates of the geologists of the United States Geological Survey in such expressions as "too conservative;" "could be doubled and still conservative."

The great activity of manganese development was in the latter part of 1918. The Government's active stimulation of the industry did not take effect generally until May. The spectacular development largely followed in the succeeding five months. In many instances the status of ore deposits and development in 1917 was obsolete in October, 1918.

SUPERFICIAL INVESTIGATIONS HURRIEDLY MADE DURING THE WAR PERIOD.

A portion of the data from which the information is drawn was obtained by superficial investigations hurriedly made during the war period and does not reflect that degree of accuracy required by operating mining companies. This statement might appear severe were not its course somewhat abated through admissions by those persons who prepared the reports complained of, which are in part as follows:

E. C. Harder and D. F. Hewett, outstanding figures as geologists of the United States Geological Survey, have issued numerous able reports for that department on the manganese situation. Prominent among the reports on this subject is a paper presented at the September, 1919, meeting of the American Institute of Mining and Metallurgical Engineers and published in the transactions of that institute by permission of the Director of the United States Geological Survey.

In this report the Government geologists, on page 41, recite the difficulties encountered in collecting reliable data in the time available and admit that the accuracy is not as is required by operating mining companies.

The following is a very fair admission of the inadequacy of the estimates on reserves, and since it refers to investigations of this Geological Survey by the investigators themselves, it is important that it be quoted verbatim:

"Among the purposes of the field investigations of manganese deposits by the United States Geological Survey during the past three years, the attempt to estimate reserves has been fundamental. This part of the work was approached with a certain apprehension, for it was recognized that for most districts neither the extent of exploration nor time available for the work would permit the order of accuracy that most mining companies require as guides in operating. * * *

"Early in the investigations it was recognized that important geologic features of several types of deposits were obscure and that the estimates of quantity and grades might only indicate the order of magnitude. * * *

"Since a number of geologists have aided in the work and many types of deposits have been examined, complete uniformity of method and the same degree of accuracy in the estimates have not been attainable throughout. * * * In only a few deposits * * * have data necessary to calculate 'ore developed' * * * been obtainable.

"In several States * * * the estimates represent little more than the order of magnitude of minimum recoverable quantities."

Those who are so ardently opposing a tariff on manganese would make us believe that there was a unanimity of approval on the part of disinterested mining engineers and geologists in the estimates of domestic manganese deposits. This is not the case. For example, Marshall Haney, the author of the chapter Manganese in the 1919 annual of Mineral Industry, edited by G. A. Roush, of Lehigh University, says in a discussion of the manganese-ore reserves (p. 499) of Georgia, by the United States Geological Survey, "all estimates being very conservative." Again in a discussion of the Tennessee estimates (p. 456), he says: "This estimate was made by the United

States Geological Survey and is very conservative, in the opinion of the writer too conservative for the 120 promising deposits examined."

At another place (p. 452), in discussing the estimates of manganese in the mountain region of Virginia, he says: "The estimates could be doubled and still be conservative."

It is an outstanding fact that the Mineral Industry is a highly accredited publication and is accepted as entirely trustworthy by the mining profession. It is singular that the Tariff Commission's report should cite this authority as a reference, yet not take into account the context of the report.

In further support of the allegation that some of the data on ore reserves collected in 1918 were not accurate, reference is made to testimony before the Ways and Means Committee on February 14, 1921, which is in part as follows:

"Mr. Porrs. In our operations in Arkansas within the past year we have produced more manganese ore in the Batesville-Cushman district than any other mining company in that district. On one particular tract of land comprising about 600 acres I believe we have more high-grade ore than is credited to the whole district. * * *

"The Government report embodies an estimate of low-grade ore on a particular property which we are operating. This estimate is 2,000 tons. In a little over 60 days we took out 2,600 tons. * * *

"Mr. GARNER. And the estimate they made was 2,000 tons?"

"Mr. Porrs. Two thousand tons. And, gentlemen, we have just barely commenced. I believe there are a quarter of a million tons of low-grade ore on that particular property. * * *

"I should think that our actual operation should take precedence over the theoretical view and opinion of what the tonnage would be. Our own operations prove we have taken out more ore in 60 days than the Government engineers estimated on the whole property, and we barely got started."

Many other examples of a similar nature could be submitted, some showing even a ludicrous disparity between the tonnage estimated, by following certain restricted rules of calculations, and the tonnage developed by practical mining methods.

The deposits of domestic manganese ore at the time of these investigations by the United States Geological Survey did not lend themselves to easy estimate. The geologists in charge did not have the facilities or the time to make thorough investigations in those hectic war-period days, and, as has been admitted, there was not the degree of accuracy attained that is required by mining companies.

Let it be said that too much emphasis is being placed on the fact that reports of reserves are based in some instances on only a year or even a few months previous to the date of signing of the armistice, let us refer to the fact that in 1910 manganese had been reported in only 98 localities of the United States, whereas, by the end of 1918 manganese had been reported from 427 localities in the United States, and production had increased as follows:

Domestic production of manganese-bearing ore.

[From Manganese and Manganiferous Ores in 1918, Hewett, p. 628.]

Year.	35 per cent manganese ore.	10 to 35 per cent ferruginous manganese ore.	5 to 10 per cent manganiferous iron ore.
	Tons.	Tons.	Tons.
1910	2,258	41,260	19,841
1911	2,457	37,584	6,833
1912	1,664	40,883	10,654
1913	4,084	51,512	7,891
1914	2,635	91,666	6,599
1915	9,813	180,953	13,788
1916	31,474	453,853	89,447
1917	129,405	730,759	130,044
1918	335,869	916,163	252,615

REPORTS IRRELEVANT TO SUBJECT, MANGANESE RESERVES.

Some of the references in the bibliography bear the dates of 1918 or later, but these publications are irrelevant to the subject of ore reserves or the utilization of domestic ores for steel making.

A number of the references in the bibliography on page 149 are to publications of the Bureau of Mines and bear the dates 1918 and later. None of these publications,

however, deal with ore reserves, and there is but little of their contents incorporated into the reports of the Tariff Commission. These reports contain interesting and valuable information, but in no instance do they give unfavorable data on the ore reserves, and in this respect they are irrelevant to the subject under discussion.

The reports dealing with the cost of producing ferro-grade manganese ore are now obsolete, for conditions regarding labor have been changed. The bulletin describing the electric smelting of manganese ores is a valuable contribution to the subject, and this exposition on the subject offers valuable suggestions for the reduction of our domestic ores at points of production.

The object of this discussion is to point out the fact that while some of the references to the manganese industry are to publications that are not obsolete, they do not deal with the subject of domestic reserves in any way opposed to the contentions of the proponents of a tariff on manganese.

MINIMUM AND MAXIMUM ESTIMATES CONFUSED.

In the statements of the geologists of the United States Geological Survey, 1918, in the discussion of the estimates of reserve tonnages of domestic high-grade manganese ore, the authors, D. F. Hewett and E. C. Harder, say:

"The estimates represent little more than the order of magnitude of minimum recoverable quantities."

The Tariff Commission's report, Series No. 21, on page 141, under the caption "Reserves," states: "The amount of high-grade ore * * * in sight has been estimated at only 699,750 tons with 1,130,000 tons more in prospect."

There is a wide difference between describing the estimated tonnage as the least (minimum) that can be expected or the maximum (all, or only) to be expected. This quotation of the authority cited is inaccurate and without close scrutiny leads to the unsound conclusion that the only ore that can be expected is the minimum tonnage quoted.

ADMISSIONS OF LARGE DOMESTIC RESERVES OBFUSCATED.

On page 141, the opening sentence under the paragraph "Reserves" says: "Domestic reserves of manganese ore, exclusive of those of Butte, are sufficient for only a few years."

Farther down the page the report does admit that "there are large reserves in the Butte district, but to date there are no reliable figures as to the exact tonnage available. These deposits together with the Phillipsburg ores are the only ones in the United States which could serve as the basis for a permanent industry."

Then there is more ore than "only" the estimate quoted. The tonnages of these other ores, not included in the estimates, are admittedly of such larger quantities that they "are the only ones in the United States which could serve as a basis for a permanent industry."

Some favorable data are given on the Montana deposits but they are so interwoven with antithetical statements that the closest scrutiny is required to avoid the unsound conclusion that the United States has only a small tonnage of manganese ore.

COMPARISON OF FOREIGN AND DOMESTIC ORES.

Much comment has been made on the inferiority of the domestic high-grade ore as compared with the foreign high-grade ore in the Tariff Commission's report; yet these conclusions seem to be drawn with a total disregard to other statements relative to Brazilian ores, which comprise approximately 80 per cent of the total imported tonnage. Attention is called to page 133 of the Tariff Commission's report, to wit:

"The manganese resources of Brazil are said to be rapidly diminishing. * * * During the war the great Morro da Mina mine, Minas Geraes, was intensively worked, and the grade of ore has fallen off (from the old standard of 48 to 50 per cent) until now anything over 40 per cent is acceptable."

Manganese and Manganiferous Ores in 1919, by H. A. C. Jenison, of the United States Geological Survey, page 96, under the chapter caption "Classification of reserves," discussing domestic high-grade manganese reserves, says:

"The classification in the preceding table indicates as far as possible the use to which the ore may be put (referring to domestic ore containing 35 per cent or more

¹ Tables of Domestic Manganese Reserves, *ibid.*, pp. 91-95.

of manganese). The average manganese content of this first class of ore is about 40 per cent."

There is not much difference between the Brazilian ores that have fallen below the old standards until anything over 40 per cent is acceptable and our domestic high-grade ores "about 40 per cent," yet such facts are withheld in part or presented in such a manner that the closest scrutiny must be employed lest a perverted conclusion will be drawn.

It is a noteworthy fact that considerable prejudice has existed in the minds of some users of manganese against the utilization of domestic ores, on account of failure under prewar conditions of producers to fill orders of grades or tonnages sold by miners who were "farmers or greenhorns." This prejudice is disappearing and will eventually be obliterated, for many of the men who invested part of the \$15,000,000 in developing the manganese-ore industry under Government stimulation in war times are not "greenhorns," and they are making the fight of their lives to reopen the mines and produce the ore waiting now for the return of the idle miner. That the attitude of antipathy to the domestic producer has existed and is abating is disclosed in a statement of E. C. Harder and D. F. Hewett, of the Geological Survey, which is as follows:

"If some consumers have been reluctant to use the available high-grade, as well as low-grade, domestic ores, other consumers, advantageously situated, or with commendable enterprise, have proved conclusively that the problems of utilization of the domestic material are not as insuperable as was at first thought to be the case."³

RATIOS OF PRODUCTION QUOTED NOT MOST COMPREHENSIVE AVAILABLE.

It is hardly fair to stop at the comparison of war-time domestic production of manganese ore with war-time requirements, and use this ratio in comparing the possible domestic production of the future. The following comparisons are illuminating:

The average yearly production of domestic high-grade manganese ore was for the five years preceding the war period, 2,612 tons. In 1918 it was 305,689. This is an increase of 11,700 per cent. According to the conservative statements of the leading producers, production could have been doubled the following year if the foreign ores had been kept out and had the demand continued. It is admitted that the production of domestic ore in 1918 was about 33½ per cent of the domestic requirements.

In 1919 the total tonnage of domestic ore mined was 55,322 tons, the importation 333,344 tons. Our 1918 production was 78 per cent of this amount. In 1920 the total tonnage of domestic ore mined was 94,000 tons, the importation 606,937 tons. Our 1918 production would have been 43 per cent of this amount. The production of domestic manganese ore in 1918 was more than the average combined importation and domestic production of ore previous to the war period.

If the mines operating in 1918 and the mines then being developed had produced the amount they would be capable of producing, our domestic production would meet approximately more than half our present annual requirements. If the mining companies felt satisfied that their operations were secure from ruinous foreign competition, practically all our domestic requirements could be met by domestic production within a few years.

INFORMATION FROM RELIABLE SOURCES FAVORABLE TO GREATER TONNAGE OF RESERVES IS CLASSED AS "UNAUTHENTICATED" AND IS RELEGATED TO OBSCURE FOOTNOTES.

The following appears as a footnote on the bottom of page 147:

"It is stated by Anaconda Copper Mining Co. (letter May 5, 1919, in auxiliary file) that Butte could with reasonable certainty be counted on for 162,500 tons per year, which, added to 119,000 from Phillipsburg, would give a total of 281,500 tons, nearly equal to average total consumption manganese ores during the five years 1910 to 1914."

While these estimates of production are mentioned they are not given credence in the summary of domestic reserves.

The fact should not be overlooked that Montana is a new field in manganese mining and its deposits hardly touched yet. The annual production from that State shows: 1916, 6,418 tons; 1917, 61,109 tons; 1918, 199,932 tons. Since 1918 production has decreased, due to the large importation of foreign ores.

Another instance of valuable data being relegated to a footnote as unauthenticated, is illustrated in the following (bottom of p. 141):

¹ The Mineral Industry, Raush, 1919.

² Recent Studies of Domestic Manganese Deposits by E. C. Harder and D. F. Hewett, Transactions A. I. M. & M. E., p. 46.

"It should be said that in Montana (which State in 1918 produced over 60 per cent of the domestic total) the controlled mining practice of the large companies and the size of the deposits make it possible to mix high-grade Phillipsburg ore with lower-grade Butte ore and maintain a fair uniform grade of material."

The subject of grades in the body of the report closed the discussion on this subject by expressing the opinion as a finality that domestic ores are unsatisfactory because they are irregular in grades. No suggestion is made that they might be improved if the industry were permanently established.

The same improvements in grades and uniformity will be worked out in all producing fields whenever the industry is established on a stable basis.

FERRUGINOUS MANGANESE ORE, "MOST VALUABLE SOURCE OF MANGANESE ORE IN THE COUNTRY," IS IGNORED.

Failure to recognize modern classifications of manganese-bearing ores, and failure to differentiate between ores carrying a little less than 35 per cent manganese and those carrying only 5 per cent manganese, and failure to give averages, tends to minimize the importance of ferruginous manganese ore. No mention is made in the Tariff Commission's report of this grade of ores, yet they constitute a large portion of the 17,000,000 tons of actual reserves of 5 per cent to 35 per cent manganese.

The importance of these ores to the manganese industry is so great in their reserve-tonnage estimates that H. A. C. Jenison, in *Mineral Resources of the United States*, part 1, page 96, says:

"Three-fourths of the reserves of low-grade ferruginous manganese ores appear to be in the Cuyuna Range, Minnesota. Although many problems have been encountered in marketing these ores they must be considered the most valuable source of manganese ore in the country."

These ferruginous manganese ores contain manganese from 10 to 35 per cent and iron from 35 to 39 per cent. All the metallic content of the ore goes into the processes of steel making. In spite of their importance, the ferruginous manganese ores are confused with the lower grades and their existence is ignored by the Tariff Commission's report.

LACK OF PROPER EXPLANATION OF THE IRON CONTENT OF CERTAIN ORES RESULTS IN AN INJUSTICE TO THE MANGANESE RESERVES.

The iron content of the manganiferous iron ores and the ferruginous manganese ores is of great economic importance, yet no mention is made of that fact in the Tariff Commission's report.

Ninety-five per cent of the manganese ore used in this country is used in the steel business; that is, it is used with iron ore. Without mention of this fact, anyone who is not intimately acquainted with the subject might assume that the accredited 17,000,000 tons of low-grade ore—down to 5 per cent manganese—is of negligible importance. One might—as some have already done—assume that the Tariff Commission's report had been liberal to the interests of the manganese-ore producers by the inclusion of these low-grade ores in the list of possible sources of supply, but to fail to state the fact that the other constituent of these ores is iron rather than useless rock does an injustice to the subject of reserves and does not achieve the conservative accuracy that one expects in an unbiased report, such as the report of the Tariff Commission is assumed to be.

As a source of manganese to be used in certain practice in the manufacture of steel, an ore containing 5 per cent manganese and 50 per cent iron should not be classed as low-grade manganese ore, in the same sense that an ore in which the total metallic content is 5 per cent manganese, and no other metal, would be considered a low-grade manganese ore.

In the former instance, practically the entire metallic content of the ore is economically recoverable, whereas in the second instance the manganese ore would not be economically recoverable.

Any failure to differentiate this distinction as to so-called low-grade manganese ores amounts to an inaccuracy of a most serious character.

GOVERNMENT CALCULATED ESTIMATES CONTRASTED WITH THE FACTS.

The estimates of tonnage of domestic manganese-ore reserves in the report of the Tariff Commission, Series No. 21, are taken in most respects verbatim from the reports of the United States Geological Survey.

According to these reports the figure 699,750 represents the total tonnage of domestic high-grade manganese-ore reserves actually proved in 1918. This tonnage is still

being considered by the Survey and the Tariff Commission as the only authentic estimate.

The reports of the Geological Survey give the estimates of the various districts that go into the lists to make up this total.

Commercial estimates of ore bodies have repeatedly shown a much larger estimate than those of the Government. Apparently the Government geologists have approached the investigation of domestic reserves with pessimism. Reports of geologists in the geological departments of universities have claimed greater reserves than those in the Government reports. It is almost startling to know that the Government reports by their own data prove that their estimates of manganese reserves are inaccurate. One of the most glaring examples has to do with the estimates of reserve tonnages of high-grade manganese ore in the Butte district of Montana.

For the purpose of making clear the contrast of calculated high-grade manganese ore in the Butte (Mont.) district by the Geological Survey with its own informal admission of greater tonnage, supported by the statements of the owners and the incontrovertible evidence shown by production reports, the data have been set down in columnar arrangement:

GOVERNMENT ESTIMATES OF HIGH-GRADE MANGANESE ORE IN THE BUTTE DISTRICT OF MONTANA.

August, 1917: ⁴ Estimate of high-grade manganese ore proved in the Butte district, 2,800 tons. Estimate of additional reserves in prospect, none.

1918: The same estimates published as contained in the report of 1917.

1919: The same estimates published as contained in the report of 1917.

WHAT THE DISTRICT HAS DONE; WHAT THE OWNERS CLAIMED; WHAT THEY CLAIM NOW.

In 1917,⁴ according to a Government report, the size of the bodies of manganese ore in the Butte district are described thus: "Though no good basis exists for computing exact tonnages * * * the descriptions given by those who have had an opportunity to observe them leave no room for doubt that the aggregate amount of such bodies is very large. Such terms as 'abundant,' 'large quantity,' great 'quantities,' and one of the chief constituents of the gangue are commonly used by the authors of reports cited when mentioning this material. From * * * a consideration of the great total volume * * *, as described, the amount, * * * seems practically unlimited."

In a letter July 16, 1919,⁵ former Senator William A. Clark, of Montana, said, after describing the extent of the manganese ore averaging about 48 per cent in the Travona and the ancient lodes in the Butte district: "It would be very difficult to estimate the enormous quantities of ore these three mines contain. They would run into millions of tons. There are other large bodies of manganese ores in the Butte mining district, but on these I could not give you any definite information."

Albert J. Seligman, of the Butte Copper & Zinc Co., says: ⁶ "In 1917 we shipped a few tons; in 1918 we produced and shipped about 71,000 tons; and in 1920 we produced and shipped about 63,000 tons manganese ore * * *. We have large bodies of manganese already developed * * *. At the time of the armistice we were shipping about 450 tons a day. * * * We purchased a

⁴ Manganese at Butte, Montana, U. S. Geological Survey Bull. 690.

⁵ Hearings on General Tariff Revision 1921, Part V, pp. 3784, 3793.

⁶ Hearings on General Tariff Revision, 1921, Part V, pp. 3783, 3794.

mine called the Ophir adjoining us, and with this we can easily maintain a production of a thousand tons per day. * * * The Phillipsburg properties, I understand, were shipping a thousand tons a day just before the armistice was concluded * * *. We are satisfied that given a fair duty we can produce a very large proportion, if not all, the manganese that is required in the United States from the Butte and Phillipsburg districts for a long time to come * * * and in addition we have enormous bodies of lower grades running below 35 per cent which can be concentrated and which have been concentrated.

August, 1917: Estimate of high-grade manganese ore proved in the Butte district, 2,800 tons.

1920 and 1921: The same estimates published as contained in the report of 1917.

"It is stated⁷ by Anaconda Copper Mining Co. (letter May 5, 1919, in auxiliary file) that Butte could with reasonable certainty be counted on for 162,500 tons per year, which, added to 119,000 from Phillipsburg, would give a total of 281,500 tons, nearly equal to average total consumption manganese ores during the five years 1910 to 1914."

From 1918 to 1920, inclusive, the Butte district has actually produced 166,650 tons of high-grade manganese ore, the yearly production being as follows:

	Tons.
1918.....	^a 100,000
1919.....	^b 3,650
1920.....	^c 63,000

Sixty times as much ore has been taken out of the Butte district as the Government geologists conceded existed there, and, according to commercial estimates, there are several million tons of high-grade manganese ore still remaining.

It should be borne in mind that there are 426 other districts in the United States that are capable of producing manganese ore. All of these districts have been investigated and reported by the Geological Survey. There are reputable geologists who claim that there are other districts in the United States containing larger reserves than the Butte district and that they only require the stabilization of the manganese industry by a protective tariff to enable them to become producers of equal magnitude.

Which is to be given the greater credence, a Geological Survey's estimate of 2,800 tons, or the statements of the owners of the property who have already removed 166,650 tons and claim a million or more tons in reserve?

PART II.—WHAT ARE OUR DOMESTIC MANGANESE RESERVES?

It has now been proved that the estimates of the Geological Survey as to the reserve tonnages of manganese ore in the United States are inaccurate and that all of these inaccuracies tend to minimize the tonnage and importance of domestic grades. It has also been proved that the estimate of the period of time which these reserves would last this country is based only upon an estimate of high-grade ore which is belittled and that that estimate does not take into consideration lower grade manganese ores or the manganese ore associated with iron ore; nor does it take into consideration the metallurgical adaptability of all our ores in steel making.

Any attempt to make an estimate of the period of time which our domestic reserves would last the industry without taking into account all classes of reserves that are now available and all satisfactory metallurgical practice is unfair.

⁶ Manganese at Butte, Mont., U. S. Geological Survey Bull. 650.

⁷ Footnote, U. S. Tariff Commission Report, Series No. 21, p. 141.

⁸ Mineral Resources of the U. S., 1918, Part I, pp. 627, 643.

⁹ Special information from U. S. Geological Survey, Aug. 4, 1921.

¹⁰ Hearings on general tariff revision, 1921, Part V, pp. 3784, 3794.

To make an accurate estimate of the period of time which our reserves would last the steel industry contemplates a more thorough investigation of our domestic reserves than has yet been made, but research and collaboration are doing much at present to get a more correct estimate of these reserves.

Assuming that the estimates of the high-grade reserves by the Geological Survey have been uniform, and assuming that the disparity in these estimates with the tonnages that have subsequently been proved to exist are indices of the general disparity between the estimated and actual tonnages throughout the country, and taking into account the vast tonnages of metallic manganese available in low-grade ores and in ores that are mixed with iron, it is safe to assume that the manganese-ore reserves of the United States will last the steel industry as long as the present known high-grade deposits of iron ore will last the steel industry.

To personally and thoroughly investigate all of the properties in the United States is a colossal task for one individual and would involve a large expenditure of money and a long period of time. There has been collected, however, within the last few months sufficient data to prove that the tonnages of reserve ore is vastly in excess of Government estimates in practically every instance in which a check has been made. The following examples are quoted as indicating the basis for some of the assumptions:

(1) A mine in the Batesville district of Arkansas was credited with only 5,000 tons of high-grade manganese ore. Since that estimate was made a considerable amount of exploration work has been done by careful test pitting, and the owners claim they have proved 45,000 tons of high-grade manganese ore containing approximately 50 per cent metallic manganese. The owners also claim 175,000 tons of probable ore and 350,000 tons of possible ore as a result of their investigations. This information is transmitted by sworn statement, accompanied by blue prints.

(2) Another mine comprising 600 acres in the Batesville district of Arkansas was credited with 2,000 tons of ore of a certain grade, besides 10,000 tons of high-grade ore. Since that estimate was made, 2,600 tons of that certain grade of ore have been produced, and an additional tonnage has been disclosed in a continuous body of greater magnitude than was heretofore anticipated. Test pitting on a small area that had been badly worked over proved an additional tonnage of 13,000 tons. Calculations based upon the disclosures now made indicate a total tonnage on this particular property of approximately 2,500,000 tons, of which approximately 125,000 tons is high-grade manganese ore over 46 per cent metallic manganese.

The estimates of the Geological Survey of the deposits in the Batesville district of Arkansas on other properties show similar disparity as to actual tonnages. Several other examples could be given and many more illustrations obtained. The reports of the Geological Survey for the entire Batesville district estimates manganese reserves as follows: 100,000 tons of high-grade ore, with an additional reserve prospect of 160,000 tons, and a tonnage of 160,000 tons of ores containing 5 to 35 per cent manganese.

The sworn statement of a mining engineer, who is familiar with and who has operated in this district, claims that there is approximately 5,000,000 tons of ore containing 35 per cent or more of manganese in this district.

(3) The Geological Survey credits the Butte district of Montana with 2,800 tons of high-grade manganese ore. There are six properties that have produced this ore. A signed statement from the owners of one of these mines gives the tonnage of their property, as determined by the company's engineer, as follows: Developed ore, 198,000 tons; probable ore, 800,000 tons; possible ore, 840,000 tons, making a total of 1,850,000 tons of proven ore and additional ore in prospect, grade 37 per cent to 40 per cent.

(4) There are numerous instances in which the engineers for the War Minerals Relief Commission have admitted greater tonnages on specific properties than the tonnages admitted by the geologists of the Geological Survey for the whole district.

(5) In the case of the Cuyuna Range, in Minnesota, 25 properties are reported, in the Geological Survey's report, to have contained 13,628,000 tons of manganiferous ore in 1917. The manganese content of these ores is not listed in the tables, except that it is more than 5 per cent and less than 35 per cent. According to the estimates of a prominent explorer and developer of this range, a man who has put down approximately 700 drill holes in the district, there are approximately 36,000,000 tons of this grade of ore disclosed in this district, with an additional tonnage of ore in prospect bringing the amount to between fifty and sixty million tons, of which 25 per cent of the tonnage is ore carrying more than 12 per cent metallic manganese.

The writer has personally encountered manganese-bearing ores in drilling operations on 20 different 40-acre tracts, only two of which have been developed to point of production, but apparently there are just as good opportunities on any of the other 18 for the development of mines. It is also known that there are many properties on

which manganese ore has been discovered, but, owing to the paucity of drilling, definite tonnages have not been disclosed, and that these properties, together with the 18 above mentioned, are not taken into consideration in the estimates included in the 36,000,000 tons above referred to.

The above illustrations comprehend only a small amount of data now collected tending to show the greater tonnages of domestic manganese reserves than those admitted in the reports of the Geological Survey.

Investigations are now being made of the various deposits of manganese ore, and calculations are being compiled from all of the reports of the Geological Survey, Bureau of Mines, reports from the geological departments of the various States, technical reports from geologists and mining engineers of high repute, supplemented by the commercial reports of operating mining companies, and other authentic data. From the data already accumulated the evidence points toward a reserve tonnage of domestic manganese ore as follows:

	Tons.
High-grade manganese, 35 per cent and over.....	10,000,000
Ferruginous manganese, 10 to 35 per cent.....	20,000,000
Manganiferous iron ore, 5 to 10 per cent manganese.....	45,000,000

THE DEVELOPMENT OF OUR MANGANESE INDUSTRY IS DESIRABLE AS A PROTECTION IN CASE OF MILITARY EMERGENCY.

One important lesson has been learned in the part that the United States played in the conduct of the World War. That lesson was learned at great risk to our national honor. That lesson involves the necessity in time of peace of building up of those industries which supply all the accouterments of war of which this country has potential reserves in raw materials or possibilities of industrial development.

The attention of Congress has been called to a great many products of mine, of farm, of chemical plants, and of manufacturing industries that previous to our entrance into the World War had not been produced on a scale commensurate with our requirements, but which in times of national stress are of the greatest importance.

Chief among those metals which had not been produced in substantial quantities previous to the war period and on which so much depends in the prosecution of the war was manganese.

Early in 1917, before America entered into the war, the note of warning was sounded. We were told that manganese was an actual necessity in steel manufacture, that next to iron and carbon it is the most essential constituent of steel, that there is no known substitute, and that manganese must be had at any cost if we entered the war.

The statement of Dr. C. K. Leith, chairman of the committee on imports and exports of the Shipping Board, still rings in our ears. He earnestly said when describing the plight of the steel industry in its need for manganese, in 1918:

"There will be the greatest difficulty * * * in getting ships for that manganese. It is very doubtful now whether under the most favorable conditions it can be done this summer * * *. The shipping situation is so acute that it is beyond any other one in this country * * *. The Shipping Board, after going over all the figures, can not see ships in sight for the usual requirements of foreign manganese * * *. So far as manganese is concerned, it is not a case of simply following the normal developments of steel practice, but doing anything that is physically possible, regardless of cost."

The Secretary of the Interior, the Bureau of Mines, the Geological Survey, the various war boards, and various quasi Government committees cooperated in the plan to reduce the consumption, as far as steel practice would permit, and increase the supply of this essential metal--manganese. It was noteworthy that manganese was an outstanding requirement for the prosecution of the war.

Previous to the war days it was not supposed that America had reserves of manganese of any commercial importance. Less than 1 per cent of the requirements of the steel trade had been met from domestic sources.

Americans responded to the Government's call, sought out and produced more ore in the single year of 1918 than had previously been considered was in existence. American citizens sought out, located, and commenced mining operations on a vast number of deposits of manganese which had formerly not been known. From less than 100 known deposits previous to 1918, the latter part of that year saw 1,181 deposits. In the short period of a few months the production increased 11,700 per cent. The men who responded to the Government's call for manganese responded in the same spirit of patriotism and with the same sense of duty and obligation that men responded to the notification for registration for the selective draft; that loyal American citizens responded to the appeal of the Government for its citizenry to purchase thrift stamps and Government bonds.

Those who sought out and produced or prepared to produce manganese relied upon the tentative promises of the Government for protection of their investments in the same manner that they relied upon the Government's guaranties when they purchased Liberty bonds.

In no industry was there more remarkable accomplishment attained in the compliance with the Government's request than in the production of manganese ore. Yet, due to the short period of time that this industry thrived, it did not reach that stage of development where it would be able to compete with the pauper labor of foreign lands or the other disadvantages generally accompanying any other infant industry in normal competitive times. The industry can not survive without protection, and if it does not survive, not only will there be a great economic loss amounting to about \$15,000,000, but the mines will deteriorate, the shafts, the drifts, and the adits will cave in, the timbers will rot, the headframes and other structures will fall into decay, the mine buildings and the miners' homes will dilapidate into worthless and moldy shacks, habitations for bats, and the specter of what might have been a thriving industrial center, creating wealth and supporting a prosperous and contented community.

Those who responded to the Government's request in opening up the manganese mines made no profits. Their investments were not amortized, and without a protective tariff a great many of those who invested will be bankrupt. These men could not again respond to the Government's request for manganese should a military emergency again exist. Others who saw the failure of the Government to protect this industry would not yield to the importunities of the Government lest they also suffer the same fate. To rediscover and redevelop those mines, once they are completely abandoned, is a monumental task. If American citizens would not again take this chance, it would devolve upon the Government to rediscover and redevelop the manganese mines. This would likely prove as big a failure as the Government's attempt to develop the airplane. Millions would likely be expended and no results attained. The experience of the Government in developing an airplane industry is a reasonable criteria of what might be expected should the Government attempt to develop and mine manganese.

It has been stated by those who are opposed to a tariff on manganese ore that our reserves are small; that they would not last more than two or three years under normal domestic requirements; that whatever ore does exist in this country should be conserved for military emergency. But this argument is based upon a false premise. It has been based upon the assumption that we have no reserves. The authorities for that statement are the reports of the Geological Survey and the reports of the Tariff Commission.

It has been proved conclusively that the reports on which those conclusions are based are obsolete. It has been proved that the tonnage of high-grade ore is much greater than the tonnage (699,750 tons) the Geological Survey admits. Up-to-date investigations prove that the reserves of high-grade manganese ore are approximately 10,000,000 tons. Up-to-date investigations prove that the tonnage of ferruginous manganese ores are approximately 20,000,000 tons; that ores of this class contain 10 to 35 per cent manganese and sufficient iron ore to make the ores of this class highly advantageous in steel making. Up-to-date investigations prove that the Cuyuna Range of Minnesota, which it is admitted constitutes the greatest source of domestic manganese, has a vast tonnage of manganiferous iron ore; that all these ores are and have been satisfactorily used in steel manufacture.

Reports of the Geological Survey show that manganese is known to exist in 30 States and that there are vast quantities of low-grade ore that are capable of concentration or beneficiation. These ores are not contemplated in the above estimates. It is entirely reasonable to presume that if in the short period of time in which the manganese industry in this country thrived such immense tonnages should be disclosed of manganese-bearing minerals, that if the industry is by a protective tariff fostered and encouraged there will be an ample supply and there is no danger of early depletion. All the deductions and conclusions based on the theory of no reserves is based upon a false premise and is erroneous and unsound.

In case the United States should be so unfortunate that it would again be involved in war and supplies of foreign manganese should be again cut off from importation from foreign countries the plight of our country might be more serious than existed in 1918, for the condition that existed in 1918 developed slowly.

If some unfriendly nation should, after secretly and subtly preparing for war, make a sudden attack by sea and cut off our supplies of manganese ore from foreign countries, our steel industry might be in much more serious situation than has ever existed before.

Of what value would our vast resources of manganese ore be if locked in the inaccessible recesses of the earth, their location probably once known but then forgotten; without railroads or other means of transportation from those isolated places, without that definite knowledge of the ore bodies required by mining companies, without housing possibilities for their miners, without suitable equipment, and without organizations of men of experience to develop and mine those deposits?

There is no example more appropriate than that of the manganese industry where should be applied that time-proved adage "In time of peace prepare for war." There is no way in which our manganese reserves can be developed than to develop them. The advocacy of any other process is fatuous.

There seems to be but one reasonable course to pursue and that is to develop our own resources. Unbiased men who are familiar with the facts acknowledge this principle. Owen Street Payne, in an article entitled and advocating "Free Trade" in the *Annalist* of August 1, 1921, says:

"As long as there is war in the world it is recognized that each independent nation should have for its protection not only armies and navies but those industries which will build up and sustain the armies and navies and support the existence of the nation in case it should be cut off from outside supplies. Such essential industries should receive protection until they have reached a stage where they can sustain themselves; this, however, is not because of any inherent weakness in the principle of free trade but because of the backwardness of human civilization."

Floyd W. Parsons, in an article entitled "Everybody's Business" in the *Saturday Evening Post* of April 24, 1920, says:

"The position that all war mineral deposits should lie idle until a time of emergency arises is wholly absurd. One expert, who is an engineer and metallurgist, comments on this thought as follows: 'If we leave these deposits of valuable minerals locked in the recesses of our mountains, we are simply practicing the conservation of inertia. An entirely undeveloped natural resource in a time of national emergency is as useless to a nation as an entirely depleted one.'"

If the American people fully realized that their future safety was now being imperiled by the greed of those who have waxed strong in their accumulated billions during the last war, they would rise in their might and demand that the manganese industry should receive such protection as is necessary to safeguard the future of this country.

"Let us develop the resources of our land; call forth its powers; build up its institutions; promote all its great interests, and see whether or not we in our day and generation may not perform something worthy to be remembered." (Daniel Webster.)

ADAPTABILITY OF UTILIZATION OF MANGANIFEROUS ORES AS A SUBSTITUTE FOR HIGH-GRADE MANGANESE ORE IN OPEN-HEARTH STEEL PRACTICE.

The practice of using high manganese pig iron in the manufacture of steel, instead of using so much ferromanganese or spiegel Eisen, has been the custom in continental Europe for many years; this practice has been followed by the Colorado Fuel & Iron Co. for a number of years and was followed by a large number of steel plants during the war period. That it was pronounced a success by many of the operators who have followed this practice is a well-known fact.

In a paper by C. L. Kenney, jr., superintendent of No. 1 open hearth, South Works of the Illinois Steel Co., he discusses this practice. It is reported in the April (1919) Bulletin of the American Institute of Mining and Metallurgical Engineers. The paper is exceedingly technical, but the following quotations indicate his attitude with reference to the utilization of the manganiferous ores in making high manganese pig iron to be used in the open-hearth steel practice in place of high-grade alloys made from manganese ores:

"The steel industry will be confronted, year by year, with an ever-increasing need of meeting more difficult physical specifications * * *. Preeminent among the expedience stands the necessity for thorough deoxidation * * *. Can one logically assume that these demands are met * * * by the almost archaic method of hurriedly adding a few hundred pounds * * * (of ferromanganese) in the ladle and inevitably pouring the steel almost immediately? I am sure the answer is 'No.' * * * The alternative lies only in the use of these ores (manganiferous iron ores) by the blast furnace and the production therefrom of irons carrying high percentage of manganese.

"From the viewpoint of an exact scientific investigation * * * the conclusions drawn are substantiated by results attained by many others who have worked on a large scale among identical lines * * *. There will be found not only a material economy in manganese in the high percentage alloy derived from foreign ores, but a reasonable recovery from the domestic ores and the certainty of a more perfect final product."

SUMMARY OF REASONS WHY THERE SHOULD BE A TARIFF ON MANGANESE.

All of the arguments of a general nature favoring a protective tariff for any American industry apply to the manganese industry, viz:

First. The general advantages of building up home industries.

Second. The employment of American labor at good wages.

Third. The maintenance of high standards of living for American labor.

Fourth. Good dividends for American capital.

Fifth. The establishment of American industrial independence.

The development of our manganese industry is desirable as a protection in case of military emergency.

The payment of the obligation the Government owes the producers of manganese, as a result of its requests, demands, and promises for the development of this industry in the war period is highly important.

The protection of American capital expended in American enterprises is of more importance than American investment in foreign countries.

Stabilizing the industry in such a manner that great fluctuations of cost of raw products do not react so as to establish higher price levels of the finished product will be attained by the placing of a tariff on manganese.

The sum of money which the proposed tariff on manganese will bring into the United States Treasury is estimated to be three million to four million dollars per year.

The tariff on manganese will reopen the manganese mines, frequently found in isolated places, in agricultural communities, where such industries would be of great benefit in furnishing employment for labor and increasing markets for agricultural products.

That the present proposed schedule will add such a small burden to the steel industry that it is not appreciable when it reaches the pocketbook of the consumer.

That the duty of 1 cent per pound on the metallic content of manganese ore will place a burden of only 25 cents per ton on steel products, which amount is insignificant when compared to the duties placed on the same products for the benefit of the steel manufacturer.

That the duties paid on imported ores do not increase the difficulties of exporting products made from these ores, for the reason that such amounts are rebated when the manufactured products are exported.

That the mining and preparation of ore for blast-furnace use is essentially a manufacturing process, and has been so decided by the supreme courts of various States.

That as a manufacturing industry there should be no discrimination in the protection of labor engaged in the manganese industry as against the protection of labor in any other class of manufacturing.

There is no reason why the manganese industry and other industries supplying raw material to the steel industry should all be sacrificed so that the steel industry could make still greater profits. The better policy to follow is one that acknowledges the justice in that principle "Live and let live."

The position of those who advocate protective tariff principles as applied to their own industry and advocate free-trade arguments for those who are engaged in other industries is untenable.

TUNGSTEN ORE.

[Paragraph 302.]

STATEMENT OF NELSON FRANKLIN, RARE METALS ORE CO., DENVER, COLO.

Mr. FRANKLIN. Mr. Chairman and gentlemen of the committee, all the members of the committee who are now present, except Senator Walsh of Massachusetts, are perfectly familiar with this subject of tungsten and will require very little information, because I have appeared and others have appeared before the committee on two different occasions, and the printed records of those hearings are available.

The CHAIRMAN. What is your occupation, Mr. Franklin?

Mr. FRANKLIN. I am vice president of the Rare Metals Ore Co., a producer of tungsten ore in Colorado; and I am here representing not only ourselves, but I am authorized to represent practically all the producers in Colorado, California, Nevada, and Arizona.

The CHAIRMAN. Are you satisfied with the duty the House has put on tungsten?

Mr. FRANKLIN. I would like to have something to say about that, Senator, and I am not going to occupy much of your valuable time about it. I will be the only witness. I am the only one present of the group of producers that appeared before the committee at previous hearings.

The CHAIRMAN. We will be very glad to hear you, Mr. Franklin.

Mr. FRANKLIN. What was known as H. R. 4437 passed the House in August, 1919. That provided for a duty of \$10 per unit of tungstic trioxide, and compensatory duties on the manufactured products of tungsten. We had a hearing before the Senate Finance Committee in November, 1919, and one in January, 1920. Your committee amended the bill and provided for \$9 per unit, with a corresponding reduction in compensatory rates on the manufactured products, and favorably reported the bill to the Senate in March, 1920.

In the Fordney bill now under consideration, in paragraph 302, the duty is considerably reduced from that in H. R. 4437, as amended by your committee. The Ways and Means Committee, in order to conform to the method adopted in levying duties on all other minerals, changed the method on tungsten from the unit basis to the pound basis and have provided a duty of 45 cents per pound of metallic content of tungsten in the ore.

As tungsten ore is always sold commercially on the unit (20 pounds) basis and on the tungstic trioxide content, it is necessary to transpose that to the metallic content for comparison in rates, to make plain to you the testimony given at previous hearings. The rate of 45 cents per pound of metallic tungsten equals \$7.14 per unit of tungstic trioxide, as 20 pounds of tungstic trioxide equals 15.86 pounds of metallic tungsten.

The duties provided in paragraph 302 on the various intermediary manufactured products of tungsten are compensatory and based on the duty put on tungsten ore. The duties provided in paragraph 305 on tungsten steel and articles containing tungsten are compensatory and based on the duties provided on the various intermediary products of tungsten.

A duty of \$7.14 per unit of tungstic trioxide will not permit a maximum production from our present developed and equipped mines, as it will only permit the lower-cost mines to compete with Chinese ore, on the amount of duty provided, and then only for the reason that our domestic ore of ferberite and scheelite are of higher purity, carrying less deleterious elements than the Chinese ore of wolframite, are preferred by the trade, and command a little higher price.

A duty of \$7.14 per unit will not stimulate research and new development, and will not encourage in some instances the equipment of present known ore bodies, which were discovered and proven to be large ore bodies at about the time of the armistice.

If the industry is to be maintained at all and to a limited production, the rate provided is the absolute minimum. To mine the maximum production the rate provided in the Fordney bill must be raised to conform to H. R. 4437, as amended by your committee, and be placed at 57 cents per pound metallic tungsten, which equals \$9 per unit of tungstic trioxide.

At the previous hearings a number of manufacturers appeared in opposition to the bill H. R. 4437, but they have long since withdrawn their opposition for significant reasons, which I will now state:

The manufacturers in this country of ferrotungsten and tungsten powder have been able since the war to purchase imported ores on an equal basis with England, but have not been able to compete with England, and as a result all the ferrotungsten and tungsten powder consumed for over a year past in the United States has been imported from England, and the 30 or more plants which during the war manufactured these products are shut down.

The manufacturers in this country of high-speed steel, although being in a position to import ferrotungsten and tungsten powder at prices much below the domestic cost of production, are unable to compete against the Sheffield English manufacturers of high-speed steel and they are all shut down.

Only one appearance has been made before this committee at this hearing in opposition to the tariff on tungsten ore—Dr. Mathews, of the Crucible Steel Co., appeared on Thursday and asked that tungsten ore be placed on the free list. At the same time he suggests higher rates of duties than those provided on some of their products, in which request I have no objection if the duty provided is not sufficient. He, in fact, objects to a duty on any product which he calls raw material and which duty would increase his cost of production and interfere with export business, which on manufactured products of tungsten does not exist and statistics on exports prove it.

Tungsten ore, as it is mined from the ground, carries from one-half per cent of tungsten trioxide to higher percentages, none of which is usable or salable and requires concentration to the extent sometimes that it requires 200 tons of mined ore to make 1 ton of concentrate of 60 per cent (the standard grade) tungstic trioxide content. This operation requires a large and expensive plant of machinery, therefore the product is our finished product. On the contrary, when we buy a carload of raw steel from the Crucible Steel Co. it comes to us as their finished product, but it is entered on our warehouse books as raw steel and becomes a finished usable product for us when we make it into mine drills in our blacksmith and machine shops.

Dr. Mathews also said that another reason for asking that tungsten ore be placed on the free list was because it was an established industry.

I will prove to you gentlemen of the committee that tungsten mining was not an established industry in this country until the war period. I have a chart here furnished by the United States Geological Survey, giving the history of tungsten in the United States from the year 1900, when tungsten was first discovered in Boulder County, Colo. It shows for each year from 1900 to 1920, inclusive, the following: United States production, world production, United States imports, United States exports, United States low price, and United States high price. I will furnish your committee this chart for its information.

This chart will prove there was only an indifferent production of tungsten ore in this country prior to the war, and it was shown at previous hearings that the manufacture of the finished products of tungsten in this country was of no volume prior to the war, also that the small quantity of ore we produced was shipped to Germany and

we imported from Germany the finished products made from our own ore. The chart shows that the highest consumption of tungsten in this country prior to the war was in 1913 and amounted to 3,600 tons, of which we produced 1,500 tons and imported 2,100 tons.

During the war new uses for tungsten were developed for other than war purposes, and in 1917 we consumed 11,022 tons, of which we produced 6,144 tons and imported 4,878 tons.

The consumption for 1918 can not be accurately arrived at, as at the close of the war there were large carry-over stocks. We, however, in 1918, for the 10½ months up to the signing of the armistice, produced 5,029 tons and imported during the year 11,600 tons.

Up to 1915 there was not enough tungsten consumed in the world to create a demand and to command a high price, and the domestic production was almost wholly from surface float ore from the erosion of veins, and it was only necessary to gather it from the surface of the ground as is now done in China. Up to that time very little mining had been done, but the surface float became exhausted, the demand increased, prices went up, extensive research began, and then and not until then did tungsten mining become an established industry in this country.

At our last hearing in January, 1920, it was shown that not a pound of tungsten ore had been produced in 1919. That same condition continued through 1920, and not a pound is being produced to-day in the United States.

The control of the tungsten industry has passed from Germany to England, and with England controlling the port of Hongkong, the absolute control over the United States market for all the manufactured products of tungsten will remain with England until adequate protection is afforded the domestic tungsten industry in all its branches.

The Chinaman is acknowledged to be a shrewd trader; he also is well informed on what our Congress is doing, and if an adequate duty on tungsten ore is not provided to permit the resumption of mining in this country our mines will not only deteriorate beyond redemption, but the Chinaman will raise his price to the American consumer to a point just below our production cost, and no one but the Chinaman will be benefited.

I do not know that I have anything further to say unless some members of the committee desire to question me about this new rate and what it will do. I think you have full information. We went through exhaustive hearings.

The CHAIRMAN. I think the committee is reasonably familiar with the tungsten proposition.

Mr. FRANKLIN. I think it is, Senator Penrose.

The CHAIRMAN. We are all for helping American industry.

Mr. FRANKLIN. I thank you, Senator Penrose, for that expression, and think your final analysis will show that if an adequate duty on tungsten in all its branches is not provided, the tungsten industry will remain in control of England as it is at present.

I want to submit a brief which will set forth the facts in connection with the tungsten industry up to date.

The CHAIRMAN. The committee will receive the brief and print it as part of your remarks.

BRIEF OF NELSON FRANKLIN, DENVER, COLO., REPRESENTING THE TUNGSTEN PRODUCERS OF COLORADO, CALIFORNIA, NEVADA, AND ARIZONA.

We desire to present the following in reference to the production of tungsten ores and the effect on the industry of the proposed legislation.

In June, 1919, full hearings on tungsten ores were held by the Ways and Means Committee, and a bill (H. R. 4437) was passed August 21, 1919, by the House of Representatives, levying a duty of \$10 per unit on tungsten ores. This bill was referred to the Committee on Finance in the Senate August 22, 1919. Hearings were held by that committee in November, 1919, and January, 1920. On the 23d day of March, 1920, it was favorably reported to the Senate as follows (S. Rept. No. 487):

"The Committee on Finance, to whom was referred the bill (H. R. 4437) to provide revenue for the Government and to promote the production of tungsten ores and manufactures thereof in the United States, having considered the same, report favorably thereon with the recommendation that the bill do pass with amendments.

"Tungsten is a vitally important war metal. It is equally important in our industrial peace program. Tungsten is the only known element which forms an alloy with steel, giving to this steel the property of retaining its temper at extremely high temperatures. This property, together with its great hardness, makes possible the manufacture of tools for drilling, cutting, and finishing steel products. Those tools are operated at such high speed that one machinist and one lathe can do as much as five machinists and five lathes equipped with carbon-steel tools. Quantity production is dependent on high-speed tungsten steel.

"Prior to the war Germany controlled the tungsten-refining industry and very little tungsten was refined in the United States. During the war the tungsten industry was fully established and the United States became the leading nation in the manufacture of tungsten products.

"The mining of tungsten in the United States was greatly stimulated during the war, and the production in 1917 reached 6,144 tons of 60 per cent concentrate. The evidence showed that the normal requirements of this country were between 5,000 and 7,500 tons of 60 per cent concentrate per year. The annual production from the equipped mines that can be operated under the proposed duty was demonstrated to be from 4,000 to 4,500 tons per year. It is claimed through the stabilization of price and stimulus of the duty that this production can gradually be increased until our entire domestic requirements will be supplied. During that period of development a substantial revenue would be received from importations of ore.

"The report of the United States Tariff Commission states that 'the United States has a sufficient supply for many years to come.'

"The destructive competition which American producers are helpless to meet comes from the ores of Asia. The costs of domestic production were proved from certified statements to average \$13 per unit. The foreign costs were showed to be from \$2 to \$4 per unit, and foreign ores are being sold in New York at from \$6 to \$7.50 per unit. Large quantities, aggregating about 50,000 units per month, are being imported, duty free, and none is being produced now in the United States.

"The difference in costs is not due alone to the discrepancy in high wages paid our American miners (from \$4.65 to \$6.50 per day) and the pittance paid Asiatic coolies (from 20 cents to 50 cents per day), but the physical character of the deposits is different. Most foreign ores are recovered from rich surface deposits that require little or no equipment, while American ores are recovered from veins or lodes of hard rock. Expensive mine equipment is required and large costly mills are necessary, as the ore has to be crushed and concentrated to put it into a marketable product.

"It has been shown that the tungsten-mining industry is in a critical condition. Unless prompt action is taken it will be destroyed. Every mine in the United States is closed down, and without the duty asked for can not reopen. The industry which proved of such vital importance during the war will fall in decay so it can not be rehabilitated and the country will be left to the mercy of Asiatic production to supply a material as necessary in our industrial peace program as it is essential in war.

"At the present time tungsten-bearing ores of all kinds are on the free list. With the placing of a duty on such ore it is necessary to place a compensatory duty on imports of refined tungsten products and alloy steels, and the rate named in the bill provides that compensation.

"From the showing made it is perfectly evident that this industry should be protected. Without a healthy tungsten industry the United States will be completely at the mercy of hostile nations, which could instantly cut off supplies. The production of war material would be paralyzed.

"Your committee believes a duty should be placed upon tungsten-bearing ores for two reasons: First, the protection it would afford to this country; and, second, the revenue that would be derived from a duty upon such ores as may be imported.

"We therefore recommend the passage of the bill (H. R. 4437) as amended by your committee."

Recent history.—Since the above report was written, imports of ore have continued, and the situation is further complicated by imports for the first time since the war of refined tungsten. These imports aggregated 1,963,463 pounds in 1920. The result has been the complete stoppage of the refining industry and the piling up of imported ores in storage. There has been no market for ores. The price has dropped to \$2 to \$4 per unit, but in the face of these conditions imports of ore continue. With the slump in the steel trade much less refined tungsten is being used and the entire requirement is more than met by imported refined tungsten from England.

The Finance Committee considered that through the stabilizing effect of this legislation and the expected reduction in labor and material prices that these costs would be reduced and therefore amended H. R. 4437 to read \$9 per unit instead of \$10.

The Fordney bill, H. R. 7456, in order to conform to the method of levying duties on all other minerals has changed the method on tungsten ore from the unit (20 pounds) basis of tungstic trioxide to the pound basis of metallic tungsten. The rate provided is 45 cents per pound of metallic tungsten, which equals \$7.14 per unit of tungstic trioxide, as one unit (20 pounds) of tungstic trioxide equals 15.86 pounds of metallic tungsten.

Costs.—At the Finance Committee hearings much additional evidence was presented that conclusively fixed the costs of production in the United States of mines which could operate under the proposed tariff at \$13 per unit. (Part 1 of hearings before the Committee on Finance, pp. 19 and 35 to 40, and by certified statements from the important mines in California, Nevada, and Arizona, pp. 51 to 55.) Foreign production costs were proved to be \$1.25 to \$4 per unit (pp. 41 to 43), wages of foreign labor 20 cents to 65 cents per day. Of our production costs labor represents about 50 per cent. Wages of our labor from \$4.60 to \$5.25 per day.

The equipment of the average mine to work our large low-grade deposits involves an expenditure of approximately \$500,000. Many millions are invested in the industry as a whole.

The operating costs exclusive of depreciation and depletion of producing tungsten per unit in the United States is well illustrated in the following table compiled from the testimony before the Finance Committee (pp. 36 to 40, 51 to 55). Three of the largest best-equipped mines are taken, each as a representative of a type—(1) low-grade quarry deposits, (2) medium-grade lode deposits, (3) high-grade deep-vein deposits.

Class.	Cost per ton of ore mined.	Cost per unit of WO ₃ recovered.	Percentage of WO ₃ .	Name of mine.	Method of working.
1.....	\$3.77	\$12.83	0.294	Tungsten Mines Co.....	Quarry.
2.....	12.80	12.89	1	Pacific Tungsten Co.....	Tunnel; lode.
3.....	21.16	11.13	2.5	Atolia Mining Co.....	Shaft; vein.

¹ Atolia unit cost 1918, \$8.91, but grade of ore 25 per cent less than 1918. Cost of mined ore same, cost per unit increased.

Foreign costs.—At the hearing before the Ways and Means Committee June, 1919, Mr. Frank L. Hess, of the Geological Survey, testified that the published Burma costs were less than \$1.92 per short-ton unit.

Mr. Guy C. Riddell testified "much of the Burmese ore is produced for less than \$2 per unit."

At the hearing before the Committee on Finance Mr. F. W. Horton, corroborated by Mr. Hess, is quoted, "Chinese ore can be mined from \$1.25 to \$2 a short-ton unit and can be laid down in New York for \$5 to \$6 per short-ton unit."

This statement is proved by the fact that Chinese ores were sold in New York during 1919 at prices from \$6 to \$8.50 per short-ton unit, and over 10,000 tons were imported that year at that market price.

In an effort to convince the ore purchasers that \$6.75 per unit was not too high a price in 1919 Mitsui & Co., the largest importers of Chinese ores, circulated the following letter detailing the cost of producing these ores and getting them to market.

MITSUI & Co. (LTD.),
(MITSUI, BASSAN, KAISHA (LTD.)),
New York, June 13, 1919.

GENTLEMEN: During the past month or two, we have frequently been keeping you informed as to the wolframite ore market, both in New York and China, at the same time placing before you various offers as cabled by our Hongkong office. However, we regret to note these offers have not resulted in any business due to our presumably high quotations.

Generally speaking, we believe it safe to say that the ore market at the present is in a settled state, and we understand business has successfully been closed on basis of \$6.75 short-ton unit, 65 per cent guaranteed. While this price may appear somewhat too high at the present time, still it is our contention that wolframite ore purchased at present is cheap, and circumstances permitting, orders should be placed.

As consumers as well as producers, we believe you undoubtedly may be interested in the attached statement conveying the exact cost of producing ore as arranged for our own reference by our Hongkong office. The inclosed statement will furnish you in detail with exact cost of material to our foreign offer, exclusive of other incidental charges, such as interest, transportation, and cable charges. These figures are, however, naturally subject to change in order to take care of any differences in exchange, ocean freight rates, also provisional State taxes which are based on value of ore at time material is forwarded from interior to shipping port.

It may appear peculiar but can be safely guaranteed that the price of wolfram ore is purely compounded on actual cost of extracting the ore from the mines plus cartage and incidental duties and taxes for which China is distinctively noted, deriving most of its revenue from such sources.

In conclusion, we believe as consumers the inclosed statement will be of interest to you as indicative of \$7.20 per long-ton unit Pacific coast as being about minimum price at which wolframite ore can be produced at the cheapest market, namely, China.

We trust the inclosed information will be of service to you in determining your future operations.

FUMIO TONE, *Metal Department.*

Tabulation of actual cost of tungsten wolframite ore in China.

Mining charges per picul.....	H\$10.00
Kiansi-Nanyu taxes.....	2.40
Kiansi-Nanyu forwarding charges.....	2.50
Kiansi war expense and Nanyu local taxes.....	1.40
Nanyu-Shoehu freight.....	1.00
Shoshu eastern customs duty.....	.15
Shushu Tarhei customs duty.....	1.00
Hokko Maning bureau duty.....	4.00
Finance bureau expenses.....	4.37
Finance bureau customs duty.....	.15
Rail freight to Canton.....	1.15
Koehu-Canton.....	.10
Canton export duty.....	2.00
Canton-Hongkong freight.....	.20
Total charges per picul.....	H \$30.42
Per ton, 20 hundredweight.....	H\$511.056
Exchange at 80.....	G\$408.85
Ocean freight to Pacific.....	20.00
Packing and insurance.....	5.00
	<hr/>
	G\$433.85

On basis 60 per cent at \$7.20 unit long ton, G\$ representing gold dollars, H\$ representing Hongkong dollars.

In using the basis of 60 per cent the cost is shown at \$7.20 per unit, although in the letter they refer to a guaranteed 65 per cent content. Chinese ores carry from 65 to 70 per cent tungstic acid.

On a 65 per cent basis the cost would be \$6.67 per unit long ton, or \$5.96 per unit short ton.

An analysis of the \$5.96 cost shows: Mining, \$1.84; local transportation charges, 90 cents; taxes, \$2.88; ocean freight and packing, 34 cents.

Picul=133½ pounds; 22.4 pounds WO₃=1 unit long ton; 20 pounds WO₃=1 unit short ton.

It therefore seems clearly proved from the above data that Chinese ore may continue to be sold in New York at \$6 to \$6.50 per unit, or \$9 less than any domestic ores can be sold.

The mining costs are only \$1.84 per unit, while internal taxes are \$2.83. Those Chinese taxes are variable and are adjusted to meet the competitive conditions as established by the New York market price.

Requirement.—The normal requirement of tungsten ore in the United States is not as yet definitely known and can not be known for some time to come. The use of tungsten steels increased so rapidly during the war that prewar statistics are valueless. There was such a large carry-over of stocks of ore, ferrotungsten, and steel from 1918, and the transition from war to peace time production was so irregular, that no authentic estimates can be made of the amount of steel used in 1918, and therefore the future normal requirements can not be predicated on any 1918 statistical figure.

The maximum definite figures of our war-time domestic consumption was the amount used in 1917. There was very little carry-over from 1916 and none at all from 1917, so it is reasonable to assume the production of ore plus imports of ore less the equivalent of ore in exports would represent the amount used. These figures are: Production, 6,144 tons; imports, 4,378 tons; equals, 11,022 tons; less exports, 2,500 tons, leaves the net amount used at 8,522 tons. As munition plants were the largest users of tungsten steel, it is obvious that the peace-time normal requirement must be much less. That amount has been variously estimated by the United States Geological Survey from 4,000 to 5,000 tons, while the steel makers have guessed 7,500 tons. Six thousand tons is, in all probability, more nearly correct, under normal conditions.

The alloy-steel industry is in the same deplorable condition as the common-steel industry, and any estimates made on the normal requirement of tungsten do not apply to the present.

PRODUCTION.

The evidence given at the previous hearings showed a production from present equipped mines which could be operated under the duty provided in H. R. 4437, as amended by Finance Committee to \$9 per unit, of 4,500 tons per year. There are known developed large low-grade deposits as yet unequipped which can increase this output to keep pace with our requirements. An example of such deposits is that of the Tungstonia mine at Ely, Nev., where there was developed a very large tonnage of ore. A mill was purchased for this property in November, 1918, but was not erected on account of signing of the armistice. That machinery is still in Nevada, and the property could be placed under production at the rate of 600 tons per year within four months. If the industry was stabilized by the passage of this bill, capital would be justified in the equipment of such properties.

The fact that our domestic mines produced 6,144 tons in 1917 (with prices ranging from \$17 and an average of \$22) is significant, especially when it is considered that the large contact deposits were not then developed. Our 1918 production (confined to 10½ months) was 5,029 tons, and three of the largest new mills were just starting to work. (See pp. 82 and 83 of Finance Committee hearings.) The mills are those of the Pacific Tungsten and Nevada Humboldt in Nevada and of the Pine Creek Tungsten Co., of California. They will produce 1,800 tons per year. The Tungsten Reefs Co., of Arizona, and Tungstonia Co., of Nevada, will produce when their mills are completed 1,200 tons per year.

The duty as provided in H. R. 7456 is not adequate to guarantee an output sufficient to supply a normal demand, as the production possible under the duty of \$7.14 as provided in the bill must come from the lower cost mines, and the estimate made that we can produce from developed and equipped properties 4,500 tons per year is on the assumption that this committee will protect this industry to the extent that we may be able to supply the demand and increase the rate in the bill to 57 cents per pound metallic tungsten, which equals \$9 per unit of tungstic trioxide.

Tungsten ore being always sold by the unit (20 pounds) of tungstic trioxide all calculations and estimates on requirement, output, prices, and costs are made on that basis

PREWAR STATISTICS

A study of the chart furnished by the United States Geological Survey will clearly show the change that has taken place in the tungsten industry. Up to 1914 the average price was from \$7 to \$7.50 per unit. The price was regulated by fluctuations in the world's production. In 1914 our rich surface deposits had been exhausted, and only a small production could be maintained at the price of \$7.50 per unit. While it would appear in the years 1912 to 1914 we imported practically the same amount of ore as we produced and that only half of our requirements could be met from domestic pro-

duction, the fact is that no tungsten was refined here but the ore was shipped to Germany, refined there, and imported by us to make high-speed steel.

The increase in world production from 1914 should be noted. Also that in 1918 huge quantities of ore were imported into this country, most of it at the end of the year, when England's embargo from her possessions was lifted. This demoralized our market. The continued imports in 1919 added to our accumulated stocks. The situation was still further complicated by imports of refined tungsten in 1920. The result has been the wiping out of our tungsten industry which was developed during the war. Mining ceased, refining ceased, and neither can be resumed unless a duty sufficient to equalize the cost between this country and China is provided.

The difficulty in getting a correct understanding of the tungsten industry in the United States, is that the development during the war period was so rapid that statistics became obsolete often before publication.

This is especially true in the mining of tungsten. The Tariff Commission made an investigation of the mining of tungsten in June, 1918. Between that date and the published report of that investigation the large contact deposits (which were referred to in the report as having been discovered and their highly prospective value was predicted) had not come into production and their effect on tungsten mining could only be guessed at.

With the equipment of these deposits the conditions of tungsten mining changed.

It was stated that the output of the Atolia mine in California constitutes over 30 per cent of the domestic output. While this statement was true of 1916 and perhaps 1917, the output of the mine decreased rapidly in 1918. In the last quarter of that year the ore dropped in grade, with consequent proportionate decrease in tons of concentrate produced while costs of production increased proportionately per unit. When the Tariff Commission reported there were some producers who could market tungsten at \$10 per unit, they referred to the Atolia mine, using their production and cost figures of 1916 and 1917, which were the lowest in the industry.

It was definitely shown in the hearing before the Finance Committee what the Atolia reduction in output was; and also that the operating costs, which averaged \$8.91 per unit in 1918, would in the future be from \$11 to \$12, based on the figures of the last quarter of 1918.

Therefore the statement that any ore can be marketed at \$10 per unit belongs to the past and not to the future.

It was also said the Atolia district was the largest producer of scheelite in the world. But through the erection of three large mills in Nevada in the latter part of 1918 the future production of Nevada will equal that of California, and the Bishop district in California through the addition of the Pine Creek mill will surpass the Atolia in production. Also the development of the vast ore body of the Tungsten Reefs Co. in Arizona at the close of 1918 will insure a production of scheelite from that field as large as the Atolia district.

So conditions relating to the future production of California, Nevada, and Arizona have completely changed due to the developments in the latter part of 1918. The cost of producing tungsten in those three States will be from \$11 to \$14 per unit.

In none of these developments has the refiner or steel maker the remotest interest. No refining or manufacturing of tungsten products is done on the Pacific coast and no properties or mills in California or Nevada are owned by such interests.

So it will be seen that the statement of the Tariff Commission that 75 per cent of the domestic production is created in the hands of four large companies is entirely erroneous as applied to the future. The whole production of Colorado will not amount to 30 per cent of the domestic production. Assuming that the Atolia mine will continue to furnish 15 per cent of the production of the United States, and such an assumption is not warranted by the facts, it would leave 55 per cent of the domestic production scattered through other producers in California, Nevada, and Arizona.

But it was not true that the past production of Colorado centered in three large companies, affiliated with refiners or manufacturers. There were according to the Tariff Commission's own report 10 mills in Colorado. The Tungsten Products Co., referred to as one of the three, produced no ore but purchased ore from leasers, concentrated these ores, and refined the concentrate in their own plant at Boulder.

The Rare Metals Ore Co. has a large mill, and produced ore as well as purchased it. That company had no affiliation with any manufacturers of tungsten products.

The Primos, Vasco, and Wolf Tongue companies each operated large mills, and while all were producers, still the main source of their ore was through purchases of ore from leasers and independent owners. All of those large mills shipped the concentrate in their own names and so were credited with the production irrespective of the source of the ores.

There are over 25 large finely equipped tungsten mills in Colorado, Nevada, California, and Arizona to take care of the production from a large number of mines.

Those mills and mines are distinctly separate in ownership without any overlapping interests.

There were 27 refiners of tungsten ores and 32 makers of high-speed steel according to the United States Geological Survey tabulations.

So any suggestion of the possibility of a monopoly in any branch of the tungsten industry is absurd.

FOREIGN TRADE RELATIONS.

Export.—There is no export business in tungsten ores. Our exports of finished tungsten products have been negligible, with the exception that during the war we came to the assistance of the allied powers by shipping them ferrotungsten. With the close of the war all exports ceased. Our export business can never become a factor, as foreign countries control cheaper ores and manufacture at a lower cost. They can and are now underselling us in our home markets.

Imports.—We have been importers. Before the war establishment of our refining industry most of our imports were in the form of refined tungsten from Germany. Also we always imported high-speed steel. During the war and since the war we have been large importers of ore. But these ores are imported from countries which were not directly engaged in the war. All of them are creditor nations. In 1919 76 per cent of the ore imports were from Asia and 22 per cent from South America.

So far as our trade relations with South America go, they can not be adversely influenced by tungsten. The mines are largely controlled by England, but Ross Hazeltine (consul, La Paz, Bolivia, reports to State Department, July 9, 1919, foreign files No. 4) states: "The average cost of production 1918 was about \$12 gold per unit.

* * * The poorer mines can not operate unless the price goes well above \$12 per unit. * * * No imports of ferrotungsten are listed in official statistics, and the imports, if any, are negligible. * * * No tungsten is used locally."

Such priced ore can not compete with Asiatic ores any more than our ores can. Any ore which Bolivia can sell us now in competition with Asia we can buy as well with a tariff as without a tariff; so how can American tariff legislation injure Bolivia or American interests in Bolivia? It was stated (p. 45 of hearings) that there was from 1,200 to 1,500 tons of Bolivia ore that can compete strictly with China. This statement is borne out by the 1919 imports, which include 2,106 tons of South American ore (p. 83, hearings). The imports of ferrotungsten and high-speed steel are now coming from England. But the duties levied in this bill are in no sense shut-out duties. England always has exported tungsten steel and can continue to export to the United States, but it does not seem good policy to destroy absolutely our vitally important tungsten industry in order to give England the whole of a trade where before the war she was content with about 30 per cent of it. Japan, for the first time, is beginning the manufacture of tungsten products.

If the industry which was developed as a war-time necessity, from the sole standpoint of guaranteeing our national security, is not worth that, we have no reason to ask for the legislation.

Unless the mining of tungsten is put on a stable basis and maintained the other branches of the industry—namely, (1) refining, (2) alloy steel making—can not continue.

Tungsten is a precious metal. It is never found native but always in chemical combination with other substances. Ores containing tungsten can not be used direct but must be refined and put in the form of tungsten powder or ferrotungsten. From these refined products the alloy steels are made, also the metal tungsten. Only negligible amounts of the metal tungsten are produced. The great use of tungsten is in the form of tungsten powder or ferrotungsten, from which tungsten alloy steels are made. Ninety-five per cent of the refined tungsten output of the world is used in making high-speed steel—a tungsten alloy steel containing 18 per cent tungsten.

All substances containing tungsten are costly and are bought and sold on the pound basis. It would be just as misleading to express the value of tungsten in terms of tons as it would be to express the value of gold in terms of tons.

In considering the duty imposed by the bill, the significant substance is high-speed steel—the only commercially important product of tungsten—the product which reaches the consumer. Both the ores and refined products are intermediates high in value, of basic importance but of meager tonnage.

Following is an excerpt from an article by Owen Street Payne in *The Annalist*, Monday, August 1, 1921, advocating free trade:

"As long as there is war in the world it is recognized that each independent nation should have for its protection not only armies and navies but those industries which build up and sustain the armies and navies and support the existence of the nation in case it should be cut off from outside supplies. Such essential industries should receive protection until they have reached a stage where they can sustain themselves."

CONCLUSION.

In conclusion I want to emphasize the fact that to-day the tungsten industry in this country is out of existence in all its branches—mining, refining, and steel making; that the British control absolutely the markets of this country on the manufactured products of tungsten, viz, ferrotungsten, tungsten powder, and high-speed tungsten steel, and will continue the control until protection is afforded the industry in all its branches by levying duties sufficient to equalize the cost as between this country and China on the production of tungsten ore and as between this country and England on the cost of producing the various manufactured products of tungsten.

It then remains for the Finance Committee to determine the question whether it will protect this industry which was established during the war and was very essential and employs tens of thousands of men and in which there is invested many millions of capital.

CRUCIBLE TOOL STEEL.

[Paragraphs 302, 304, 305, 307, 308, 315, and 316.]

STATEMENT OF JOHN A. MATHEWS, PRESIDENT OF THE CRUCIBLE STEEL CO. OF AMERICA.

Senator SMOOT. Give your name to the stenographer.

Dr. MATHEWS. I am John A. Mathews, president of the Crucible Steel Co. of America, and I also represent about 25 other makers of crucible tool steel. All the gentlemen who have appeared heretofore have been representatives of what we call the tonnage-steel industry. I am representing the small-steel industry, which is engaged in making a relatively small quantity of high-grade materials which go into watches, fine tools, and similar special uses.

Senator LA FOLLETTE. Is your address 17 East Forty-second Street, New York City?

Dr. MATHEWS. Yes. I have a brief referring to one or two changes, as we see them, in the bill now before you. In the first place, however, we want to express our appreciation to the Senate Finance Committee for its recognition of the American valuation principle, which is a sound principle and one on which the first tariff bill was drafted. In regard to the crucible or fine steel industry, I wish to say that this industry is engaged in the manufacture of the finest grades of steel. This industry is a stationary and not a growing one.

Senator SMOOT. You do not intend to read all of that brief, do you, Dr. Mathews?

Dr. MATHEWS. No, sir. I have here a number of pages with nothing on them. [Reading:]

Comparing the production of open-hearth steel in the last decade of the last century with the production for the second decade of the present century, we find that the production has tripled, while the manufacture of crucible steel had increased by 7 per cent. The inability of the crucible-steel industry to grow anywhere nearly in proportion to the open-hearth industry has been due in a considerable measure to the fact that in previous tariff bills no special recognition has been given to this branch of the industry, in which skilled labor rather than mechanical equipment is the outstanding feature.

The manufacture of crucible tool steel and various fine-steel specialties is carried on in this country in 30 or more plants located in Connecticut, New York, New Jersey, Pennsylvania, Ohio, Illinois, West Virginia, and some other States. Most of these plants are small, but in some cases tool steel and special steels are manufactured in branches or divisions of large steel plants, as, for example, at Midvale and Bethlehem. It is difficult to state the exact capital invested in the industry, but we believe that \$250,000,000 is a very conservative estimate. There are employed from 30,000 to 40,000 men. The industry is quite distinct from the manufacture of tonnage commercial steels. This difference is indicated by the fact that tool steels are sold by the

pound while tonnage steels are sold by the hundredweight or ton. In a tool-steel mill a carload shipment of one size is rare. A 1-ton order of a regular quality and size is considered a good order.

The proportion of labor to raw material is many times as great in the manufacture of crucible steel as it is in the manufacture of open-hearth or Bessemer steel. The capital invested in a crucible-steel plant is from five to six times as great per ton of product as is required for mills making merchant bars, structural steel, etc. The investment per ton in the former is customarily from \$300 to \$400, while in the latter it may vary from \$32.50 to \$75 per ton of output. The product of the tool-steel mill averages about 1 ton per man per month. In the manufacture of tonnage steels it is from 15 to 30 tons per man per month. It is in proportion to the increased amount of labor involved that imports of steel increase and exports decrease.

These basic differences in the nature of the crucible-steel industry as compared with the tonnage-steel industry have never been given adequate consideration in the matter of drafting tariff bills, with the result that a very large proportion of all the imports of steel are made to the detriment of this relatively small industry, while the imports of commercial tonnage steels are almost negligible compared with the vast volume of production.

Senator SMOOR. Will you tell me just what you want, so that I can refer to it later? What changes do you want?

Dr. MATHEWS. I am coming to that now. [Reading:]

The 35,000 employees of the crucible-steel industry have not had 25 per cent employment in the last 10 months, and such employment as they have had has been on part-time basis, averaging probably a little better than 50 per cent. The other 75 per cent of the employees of the industry are sitting on the side lines wondering what Congress is going to do to bring about a return of employment and prosperity. It is probable that their ideas on this subject may become fairly well crystallized by election day.

I have stated that there are about 30 mills engaged in the manufacture of crucible tool steel. There are from 40 to 50 importers of grades in direct competition with these mills who have relatively no capital investment, giving employment to no labor, and assuming but a very small proportion of our tax burden.

In paragraph 302 very heavy duties are imposed upon the ores and raw materials which are an essential part in the manufacture of tool and alloy steels. This is a radical departure from the traditional policy of cheap raw materials for manufacturers, coupled with suitable protection on finished articles the manufacture of which involves much labor.

It is difficult to understand why manganese ore and tungsten ore should suddenly require protection in an amount of something over 100 per cent of their prewar values. No great deposits of these ores have been discovered, and this country does not possess in quality or quantity sufficient of either of them to take care of its needs. We shall have to go abroad for our principal sources to the great deposits existing in foreign lands.

Senator CURTIS. You had hard work in getting any during the war, didn't you?

Dr. MATHEWS. We had to go abroad for increasing requirements. [Reading:]

Manganese may be considered as a steel-making necessity, and compared with it all other alloying materials mentioned in paragraph 302 may be termed luxuries. The Bessemer process for steel making had almost proven a failure until it was discovered that the addition of manganese was required to produce sound steel in a Bessemer converter. The proposed duty of 1 cent per pound on metallic manganese in ores "containing in excess of 30 per cent" is in itself an admission of the low quality of our domestic ores. The high-grade ores of Brazil, India, and Russia frequently contain 50 per cent of metallic manganese. This material should be restored to the free list, or possibly protected to the extent of 10 per cent as a revenue measure.

The proposed rate of duty on tungsten ores and concentrates is about 250 per cent of the present selling price, or 125 per cent of the average prewar selling price. Our company is a very large buyer of tungsten ores. In the years before the war over one-half of this material was of domestic origin. During the war period, when the prices were so high and the difficulties of obtaining foreign shipments were so great, we had to rely more and more upon foreign sources, and for the past three years we have bought no domestic ores. The demand for tungsten ores during the war was so great that many were induced to work tungsten properties which were of little value, and

it is poor economics to continue the operation of such properties by reason of an exorbitant rate of duty, particularly since they can not under any circumstances take care of the country's normal needs. The rates for both tungsten and manganese seem to be predicated upon the extremely high costs during the war period rather than upon the basis of operation in normal times.

In the case of molybdenum ore we have a little different situation. Of all the alloying materials used in the steel industry molybdenum seems to be the only one of which we possess an adequate domestic supply. The use of this metal is a new development in steel metallurgy, and the production of molybdenum is an infant industry which we believe is entitled to some protection. We feel that the rate proposed of 75 cents per pound is too high and should be changed to not over \$20 per ton.

The rates proposed on the ferro-alloys made from these ores are in the nature of compensatory duties made necessary by the extremely high rates imposed upon the ores themselves. If the rates on the ores are reduced, as they certainly should be, then these rates on the ferro-alloys should be correspondingly reduced. The rates on the other ferro-alloys are needlessly high, and seem to be based upon war-time conditions, and not on any normal basis of costs. If the present rate of duty is retained on tungsten ore and ferrotungsten, it will raise the cost of high-speed tool steel from 20 to 25 cents per pound and the selling price by somewhat greater amount.

In the manufacture of ferro-alloys in electric furnaces American makers are under no disadvantages except in the cost of electricity. Power and raw materials are the big items of expense, and labor is of less importance. Capital investment in plants is very moderate, and an ad valorem duty of not over 10 per cent should be ample protection.

Paragraph 304: The fundamental defect in this paragraph, and in several others, is the lack of orderly classification of steel products. The need for more scientific classification has been pointed out by the United States Tariff Commission, and in a brief which the writer submitted to the Ways and Means Committee January 10, 1921, he proposed a classification which Dr. Page, of the Tariff Commission, stated was the best attempt in this line that he had seen. The basis of such classification depends upon grouping iron and steel products somewhat in proportion to their advancement from the raw-steel state to the more highly finished forms, and imposing ascending rates of duty as the proportion of labor to raw materials increases. Paragraph 304 includes ingots, billets, bars, and forgings. These represent great differences with respect to the ratio of raw material to labor. In the fine-steel industry it is made possible by the application of labor to convert 5 cents' worth of raw steel in the ingot into 75 cents worth of needle wire, or \$1.50 worth of safety razor blades, or \$10 worth of hair-spring wire. It is the highly finished forms of steel, representing the expenditure of much labor on a small amount of raw material, that are seriously affected by importations from abroad, where labor is so much lower than it is here. The crucible or fine steel industry is a handcraft industry, and represents in tonnage only about one-half of 1 per cent of the total steel production of the country. This small amount of tonnage, however, represents possibly from 2 to 2½ per cent of the value of the total steel business. Against this small tonnage is directed a very large proportion of the total importations. About 70 per cent of the duties collected on iron and steel products are on products which are imported in competition with the tool-steel industry.

Instead of adopting an ascending rate of duties on products representing an increased amount of labor, this paragraph contains specific duties, the highest rate of protection being given to the tonnage products, which have almost no competition from abroad, and the lowest duty is given to the highest priced steels, which represent in some cases 85 to 90 per cent labor. If you will examine this schedule you will see that a steel valued at 1½ cents is protected to the extent of 33½ per cent, while a steel valued at just under 40 cents is given 15 per cent protection, and all steels over 40 cents are allowed 20 per cent.

On the basis of protecting the American workman and American standards of wages and living, these rates should be reversed, but if the rates in the present bill are fair for tonnage steels, they are obviously much too low for high-grade steel products. This same condition has existed in many of the previous tariff bills, and the crucible-steel industry has never received the protection to which it is entitled because of the nature of the industry. The tariff act of 1913 did give some recognition to the fine-steel industry in that it provided for 15 per cent duty on the products of the crucible and electric furnaces and upon alloy steels, while lower rates were given to the tonnage products, but this feature based upon process of manufacture is almost impossible of administration, and I shall later propose a method that can be readily administered.

Paragraph 305: The defect in the rates in paragraph 304, as applied to high grade steels, can be in large measure corrected without complete revision if in line 7 of

paragraph 305 you will insert the words "carbon, or" before the word "nickel." Line 7 would then read: "containing more than six-tenths of 1 per cent of carbon, or nickel," etc. It so happens that nearly all of the crucible or fine steels are high carbon products, running well above six-tenths of 1 per cent, while the large tonnage industry is in very large part made up of steels running much below six-tenths of 1 per cent. Therefore, if the carbon should be included along with the alloying metals the industry based largely upon the production of high carbon steels would secure the additional protection which it deserves and needs.

The last portion of paragraph 305, beginning at the end of line 13, should be amended so that the additional cumulative duty should apply to the entire molybdenum or tungsten content. Having defined in the earlier portions of this paragraph the lower limit of alloy which shall constitute an alloy steel for duty purposes, there is no reason for setting a different rate at which the assessment of additional cumulative duty shall begin in the case of molybdenum and tungsten. The provision as it now stands will permit the entry of a great many steels containing, in fact, less than 1½ per cent of these elements.

Senator McLEAN. I want to ask you one question. I want to call your attention to paragraph 305, which, I think, embraces cold-rolled, forged, stamped, or drawn steel. Mr. Brewster appeared before the committee the other day and wanted that rate reduced from 15 per cent to 12.5 per cent ad valorem, on the ground that you do not make high-speed drill steel. That was with reference to the Swedish product. I think he said that they could not use the American drill steels. What have you to say as to that?

Dr. MATHEWS. We have the capacity and the ability to make everything in this country that is made abroad; in fact, we have twice as much capacity as we need in that respect.

Senator McLEAN. I am speaking of high-speed drill steel.

Dr. MATHEWS. Yes; drill steel. We can take care of the drill steel. I suppose you are talking about mining drill steel.

Senator McLEAN. Yes.

Dr. MATHEWS. There is no difficulty in taking care of that, both as to capacity and quality.

Senator McLEAN. Then you do not agree with Mr. Brewster?

Dr. MATHEWS. Probably not, sir. We do not generally agree with the fellow who is trying to sell what we are selling. We do make large quantities of mining drill steel. [Reading:]

The additional cumulative duties proposed under paragraph 305 are, of course, based upon the exorbitant rates of duty proposed on molybdenum and tungsten ores and metals. If these rates are reduced, as they certainly should be, then, of course, the additional cumulative duties should also be reduced, and if not reduced it will very seriously injure all the manufacturers of high-speed steel and all of the manufacturers of small tools, such as twist drills, cutters, etc., made from high-speed steel. These rates of duty will necessarily prevent American manufacturers of high-speed steel from exporting any of their product, and they will also prevent the makers of small tools from exporting their product; but these rates will encourage such manufacturers as now have established businesses abroad to buy their high-speed steel in a foreign market and put it into tools for export, upon which they will receive a drawback duty. If this condition is forced upon us, it will injure both the American crucible tool steel manufacturers and the American producers of tungsten ores and metal, and no one will be benefited but our foreign competitors.

It should be further pointed out that this additional cumulative duty is the same in amount as the cumulative duties placed upon molybdenum metal and ferro-molybdenum, tungsten metal, and ferrotungsten. It does not take into consideration at all the fact that there is a loss of some 20 to 25 per cent in the use of these metals and ferro-alloys in the process of conversion into finished steel. The amount of this loss has been confirmed by the investigation of the Tariff Commission. Therefore, we are not only deprived of the additional cumulative duty on the first 1½ per cent of molybdenum or tungsten contained but also upon the entire conversion loss in the use of these metals. If the rates are to be retained as they now appear on the ores and alloys the additional cumulative duty should be increased by 25 per cent,

and it should apply to the entire tungsten or molybdenum content. This would still further injure the American manufacturer of tungsten and molybdenum steels, and, indirectly, the producers of the tungsten and molybdenum ores and metals.

To paragraphs 307 and 308 the same applies as to paragraph 304, namely, that the higher the value of the steel the lower its rate of duty. This defect would be in large measure corrected, in so far as it applies to the manufacture of tool steel, if the amendment I have suggested in paragraph 305, line 7, is adopted.

Paragraphs 315 and 316 cover satisfactorily ordinary commercial rods, wire, and cold-rolled strip. They do not adequately protect the manufacturer of highly finished specialties in this line, as, for instance, polished drill rods, watch-part steel, safety-razor steel, either tempered or untempered, tape-line steel, pen steel, needle wire, and similar products which are turned out by specialty mills and involve a great deal of skilled hand labor in their production. If the amendment proposed in paragraph 305, line 7, is adopted, this would in a measure take care of these highly specialized products, and in general, I believe, this end could be better accomplished by the proposed amendment than by any other method or than by the change of the rates in the paragraphs as they now stand.

FERRO-ALLOYS.

[Paragraphs 302, 385, 386, 389, and 390.]

STATEMENT OF JOHN A. TOPPING, NEW YORK CITY, REPRESENTING THE REPUBLIC IRON & STEEL CO.

Mr. TOPPING. Mr. Chairman, I have reduced what I want to say to the committee to the form of a written statement, because I thought by so doing I might perhaps present more specifically and clearly my general views on the bill as a whole, but if it is the wish of the committee, for the purpose of discussing any paragraph which I either approve or disapprove, to have me read it, I will do so; if not, what I have already prepared in the form of a written statement covers my general views on the Fordney bill.

The CHAIRMAN. Mr. Topping, I suggest that you have the written statement printed, and then if you desire to call the committee's attention to any high spots in the statement or any matters having a particular bearing on the question, we would be glad to hear you.

Mr. TOPPING. In following your suggestion, Mr. Chairman, I might state that the high spots that I shall particularly address myself to, and which other speakers who will follow me will address themselves to, is the fact that the iron and steel rates in the Fordney bill are very low. We regard this bill as a revenue tariff from our viewpoint, and, while we are disposed to accept the schedule, with slight changes here and there, it is only with the recommendation that it is tied in with the protective clauses, such as the American valuation, the anti-dumping, and the bounty clauses, and all other features of the Fordney bill that provide for what we term unfair competition.

We also in making our recommendations have in mind the adoption of what we consider to be a time-honored policy of the Republican Party; that is, protection for finished products and free raw materials. We can not live under this bill as framed unless we have the same protection in the way of cheap raw materials that we formerly had under the Payne-Aldrich bill. The proposed increase in taxes on our raw materials under this measure will add to the steel costs of this country enormously, for such items as ferrosilicon, fluorspar, manganese ore, magnesite, pig tin, and zinc. These items alone will add \$23,805,000 per annum increased cost to steel.

We can not view with equanimity an increased cost of \$24,000,000 per annum in steel when we have to-day, due to the expanded growth of production, stimulated by war necessity, a present output of about 20 per cent excess of our home demand. We feel that the wise thing to do under the circumstances is to accept a low duty with free raw materials, and thus stimulate lower costs, so that we can export part of our surplus in order to more nearly employ 100 per cent of home labor.

In brief, these are the high spots, and the general arguments supporting that position are set up fully in the brief that I submit.

I also desire to submit a supplemental statement for your general information which covers some statistical data of general interest. This statement is, I think, as accurate as possible, respecting the comparative labor costs in the principal competing countries of Belgium, England, Germany, and the United States; freight differences, current selling price, and, in fact, all general data, suggestive of the reasons for adopting the recommendations that we make.

Senator CURTIS. This information has been collected by you and is reliable? Or is it information obtained through the newspapers?

Mr. TOPPING. I will give you the character of it. My authority is all given in the statement. It is very difficult, I might add, Senator, to obtain exact statistical information from foreign countries; in fact home data on cost is changing from time to time.

Senator CURTIS. That is why I asked the question.

Mr. TOPPING. That is due to the fact that over there conditions are as they are here, in more or less of a state of flux. But here is something that I think may be regarded as official and is suggestive. The Kiel Institute of World Economics recently published in their publication, "The Weltwirtschaftliche Nachrichten," returns from 20 different cities of Germany on the cost of living. The information contains the comparative wages paid there to-day as compared with what were in effect in 1913 and 1914. To illustrate by a specific case, a machinist in 1914 earned \$1.49 gold per day. To-day that same machinist, on the basis of the Institute's report of current wages figured in gold, earns 41 cents a day. This rate per day does not take into account, however, the difference between the international gold exchange value of the mark and the local purchasing power of the mark, due to governmental regulation of prices, which has given an increased buying power to the mark in excess of its international exchange value. Some authorities have put that as high as three and in some cases as high as four to one. If you adopt the mean, say, three to one, that machinist's wages to-day would be \$1.23 as compared to \$1.49 in 1914. So you can see that Germany has passed through the transition period, or has readjusted herself and liquidated her labor to more than the prewar basis.

Data published by this German institute show also that while the cost of living has increased, yet the purchasing power of a German day laborer, under existing conditions of price control, is about the same as it was during the prewar period. With us that is not true. Our wage rates are about 52 per cent higher than they were in 1914, and yet the steel industry as a whole has probably more thoroughly liquidated labor than any other group of large employers. We are also probably the largest employers in the country. The steel

industry, it is estimated, employs easily a million and a half men, when operating in full.

Senator SMOOT. As I understand it, Mr. Topping, you are interested in the raw material of manganese, tin, zinc ore, and zinc in blocks and pigs.

Mr. TOPPING. And the entire ferro-alloy schedule.

Senator SMOOT. And your idea is that the rates provided for in this bill on those items are too high, if the rates on the steel products remain as they are in the bill?

Mr. TOPPING. That is absolutely correct, Senator Smoot.

Senator SMOOT. So I judge from what you say. Does your brief show a comparison between the steel products and the raw material?

Mr. TOPPING. My supplemental statement will show that in a general way. For instance, take the raw material schedule that we are discussing.

Senator SMOOT. I did not particularly care to go into that because I do not think it is necessary if your report shows it.

Mr. TOPPING. I think it does, by comparing the ad valorem equivalents, in rates of duty.

Senator SMOOT. The committee will have to spend considerable time on that, anyway.

Mr. TOPPING. I was trying, at the suggestion of the chairman, to give you in a general way the "high spots" and point out the objectionable features, and to also tell you what features of the bill, we fully approve. For instance, we think the reciprocity feature of the Fordney bill is desirable, because we think cooperation between the Government and business will be more necessary than in the past, if we are to maintain our export trade.

Senator McCUMBER. Are you satisfied with those rates, provided the steel is given a sufficiently high rate to compensate the manufacturers of steel?

Mr. TOPPING. I will answer that question, Senator McCumber, by saying that this schedule in the Fordney bill is lower than the schedule in the Payne-Aldrich bill, and it is proposed, notwithstanding we have less protection than under the Payne-Aldrich bill, to tax our raw material costs over \$24,000,000 per annum. Give us the same raw-material cost as you did in the Payne-Aldrich bill, and we will accept the Fordney bill as it stands.

Senator LA FOLLETTE. But with American valuation?

Mr. TOPPING. Yes; with American valuation.

Senator LA FOLLETTE. But whether it applied or not, do you mean to say that the rates fixed in this bill will be lower than those in the Payne-Aldrich bill?

Mr. TOPPING. I do.

Senator McCUMBER. I did not get to finish my question, Mr. Topping. If we retain the rates on these alloys that are used at the present rate and then give you a corresponding increase in the steel rates will that affect your export of steel products?

Mr. TOPPING. Very seriously.

Senator McCUMBER. Then, as a matter of fact, you are not entirely satisfied with the rates that are given on the raw materials that you use in the alloys. Would you rather it be low so that you can export? Is that true?

Mr. TOPPING. That is correct. We will accept a very low schedule on our own finished products in order to obtain all of the compensating advantages we can in the way of a low cost, so as to broaden our markets and thus employ more of our labor. Otherwise, we can not hope to employ the labor we have heretofore employed, particularly with the exchange rates of the world upset, or at a discount on the pound sterling of from 23 to 25 per cent, with 60 per cent on the mark, the lire below this, so you can readily see that our chances of export under those conditions are very small unless low costs can be obtained.

Senator McCUMBER. Do you export steel products to those countries?

Mr. TOPPING. No; but they are leading us in a competitive way in South Africa, Australia, and in Canada. England, as you may know, is accorded preferential treatment in all her colonial possessions.

Senator McCUMBER. Your main markets are Canada and South America?

Mr. TOPPING. Yes; but we ship to Australia, New Zealand, South Africa, and Japan. Japan at times has been quite a large buyer. Our exports represent our surplus, and we export that, whether we lose or make money on it, because in that way we are able to employ more labor and keep our overhead down and produce cheaper at home. I know that this policy is objected to by some, but it is sound business and common sense, as it means by this policy more money in circulation through our pay rolls, and should be considered a good Republican doctrine.

Senator LA FOLLETTE. What is your connection with the Republic Iron & Steel Co.?

Mr. TOPPING. I am the chairman of the board of directors, sir.

Senator LA FOLLETTE. Who are the officers of that company?

Mr. TOPPING. I am the chief executive officer and the other active officers of the company are Mr. T. J. Bray, president, and Mr. H. L. Rownd, vice president.

Senator LA FOLLETTE. What commodities does your concern produce?

Mr. TOPPING. We mine ore, coal, and limestone, and produce pig iron, North and South, tubular products, sheet and plates, merchant bars, and a great many agricultural shapes, bolts and nuts—in other words, a diversified product. We produce our products on an integrated basis, viz, from raw materials to the finished product.

Senator LA FOLLETTE. Have you in your brief specified changes in the existing duties upon each of these commodities which you would seek to have made?

Mr. TOPPING. My general brief, Senator, contains general observations on the bill as a whole; my statement is to be followed by statements of others who are associated with me, who represent the independent steel interests of America.

Senator LA FOLLETTE. Where you desire changes made I suppose you will indicate them?

Mr. TOPPING. They will be specifically stated; yes, sir.

Senator LA FOLLETTE. Are they indicated in your brief, or will they be presented by others?

Mr. TOPPING. My brief is a general argument to support the general claim that I made, that in order to sustain the schedules of the Fordney tariff bill it will be necessary to have American valuation and free raw materials, such as were heretofore accorded us under the Payne-Aldrich Bill, and the reasons in detail will be stated by the gentlemen who will address themselves to the individual paragraphs.

Senator LA FOLLETTE. Who are your principal American competitors?

Mr. TOPPING. The United States Steel Corporation, who are our principal competitors, outside of our own group, which represents quite a large list of companies—for instance, the group represented here to-day probably represents close to a billion and a half capital, and close to 50 per cent of the steel production of the United States.

Senator LA FOLLETTE. How many are associated together in the group of which you speak?

Mr. TOPPING. None. We are all individual companies.

Senator LA FOLLETTE. I understand that, but you spoke of cooperating here as independents in the presentation of your case. I ask you how many different companies are associated, if you can name them.

Mr. TOPPING. They are here listed in detail and they represent all principal so-called independent manufacturers. There are eight gentlemen here who represent these interests, our thought being that we would save the time of this committee by presenting our views in this way.

Senator LA FOLLETTE. What companies do they represent?

Mr. TOPPING. I am speaking for the Republic Iron & Steel Co., the Bethlehem Steel Co., the Midvale Steel & Ordnance Co., the Youngstown Steel & 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, and the Steel & Tube Co. of America.

Senator LA FOLLETTE. What per cent of the total output of your production does your principal competitor, the United States Steel Co., turn out?

Mr. TOPPING. That varies somewhat, Senator. In a rough, general way it is about 50 per cent. I think it is between 45 and 50 per cent.

Senator LA FOLLETTE. What is the total capitalization of your concern?

Mr. TOPPING. Our company capital is \$55,000,000.

Senator LA FOLLETTE. State separately the amount of each class of capital stock, bonds, and other indebtedness, surplus and undivided profits.

Mr. TOPPING. Twenty-five million dollars of the preferred stock, \$30,000,000 of the common, and a little over \$12,000,000 of bonds, and an earned surplus accumulated over a period of twenty-odd years of approximately \$38,000,000. We do not know, however, how much of this surplus will be left on the 1st of January, 1922, because we are dissipating that surplus now by shrinkage and operating losses, as current steel prices are about \$5 per ton below the present cost of production.

Senator LA FOLLETTE. I am speaking of what your books would show as to surplus and undivided profits.

Mr. TOPPING. Yes; I did not want you to get away with the idea that we had \$38,000,000 net profit per annum.

Senator LA FOLLETTE. How much has this surplus been reduced? I am not trying to get away with anything; I want only the facts.

Mr. TOPPING. We publish quarterly statements. I am not saying that you are trying to get away with anything, Senator, I meant that I did not want you to go away with a wrong impression.

Senator LA FOLLETTE. You gave the amount of your surplus and undivided profits for January 1, did you not?

Mr. TOPPING. For 1920; that is our last annual report.

Senator LA FOLLETTE. You have made quarterly statements since then?

Mr. TOPPING. Yes.

Senator LA FOLLETTE. Give the same figures for each quarterly statement since then.

Mr. TOPPING. I can not remember the exact figures.

Senator LA FOLLETTE. Give them in substance.

Mr. TOPPING. We lost about a million dollars in the first six months of this year. Does that answer your question? That covers the period from January to July.

Senator LA FOLLETTE. I would rather you give me figures of your surplus as shown by each quarterly statement.

Mr. TOPPING. I will file with you, if you desire, a copy of the last annual report.

Senator LA FOLLETTE. That is very much better.

Mr. TOPPING. I brought it along and thought you might like to have it.

Senator LA FOLLETTE. I certainly would like to have it.

Mr. TOPPING. I shall be glad to give it to you. We circulate these not because we are proud of them, but because we believe in publicity. This is our last annual report, dated December 31, 1920.

Senator LA FOLLETTE. Were quarterly statements made since then?

Mr. TOPPING. The quarterly statements I have not with me.

Senator LA FOLLETTE. You will supply them?

Mr. TOPPING. I shall be very glad to do so and to furnish you with any other information that is proper.

Senator LA FOLLETTE. Yes; I want a little more information and I will proceed. How much of your capital represents, first, cash actually paid in?

Mr. TOPPING. I can not answer that question, because I was not in the company at the time of its organization.

Senator LA FOLLETTE. I suppose your books will show?

Mr. TOPPING. I do not think they will, but I have not investigated them.

Senator LA FOLLETTE. Will you make an investigation and answer that question?

Mr. TOPPING. I do not think I could find out, because the original company was organized in 1889, and the original records are not in my possession.

When the question of the excess-profits tax came up for consideration, the revenue department suggested that these early records might be helpful, but we were unable, from the records of the company in our possession, to supply the data that was wanted. Our

company was organized in 1889, and the price paid each one of the companies was not made known but a total cost was known, and the only way we could measure the probable cash value of the property at the time of organization, in 1889, was by what the stock sold for in the market on a cash basis, and our original invested capital was calculated somewhat with these thoughts in mind. Since 1899 we have squeezed out all the water if there ever was water in the Republic Iron & Steel Co., by additions through accumulations of earnings.

Senator LA FOLLETTE. Now, just excuse me. Your books as they stand to-day will show, of course, some figure of cash originally invested in the business.

Mr. TOPPING. No; they will not.

Senator LA FOLLETTE. What do they show with respect to your capital?

Mr. TOPPING. This is what they show [referring to the twenty-first annual report]. It does not show, as you will observe, what you wanted to know, viz, the original property value. It shows what our present total property value is, which is \$97,000,000.

Senator LA FOLLETTE. Yes; I understand that. So you have no means of stating how much cash has actually been invested in this business in your company? That is your answer, is it?

Mr. TOPPING. No, sir; that would not be my answer. I could not answer that yes or no direct. I can only answer your question in an indirect way, which will give you, perhaps, a better reply than a direct answer.

Senator LA FOLLETTE. Fine.

Mr. TOPPING. Our total property account shows in this statement referred to \$97,329,000 of property values of all kinds—mineral lands bought many years ago, coal, iron ore, real estate. This property was never appreciated on the books, but is now carried at the original cost, with additions made since 1899.

Senator LA FOLLETTE. I think if you will just—

Mr. TOPPING. Since 1899 we have spent in actual cash on new construction over \$46,000,000. So that if you go back, to answer your question by deduction, you can readily see that at least \$46,000,000 of this was real new money, and with the preferred stock, which was \$25,000,000, leaves you only about twenty-odd million dollars for speculative theory as to the real cash value of the original property. This statement I think gives you a suggestion of original cash value.

Senator LA FOLLETTE. Well, I am following certain forms that have been approved by the Government, and I am going to ask you for answers to the questions based upon those forms. Of course, I accept your answers as you make them. I ask you to state with regard to your capital how much of it represents cash actually invested, if you can?

Mr. TOPPING. I can not. If you want a direct answer, I will answer in that way.

Senator LA FOLLETTE. How much property was put into the business?

Mr. TOPPING. That I can not answer because I have not the original figures.

Senator LA FOLLETTE. Well, have you any data in the records of your company that will furnish answers to those questions?

Mr. TOPPING. I have not. The only data we have is the total property values turned over by the organizers of the company, and we have no records beyond what we acquired as a consolidated company, Senator.

Senator LA FOLLETTE. How much of your capital represents patents?

Mr. TOPPING. None.

Senator LA FOLLETTE. Trade-marks?

Mr. TOPPING. None.

Senator LA FOLLETTE. Secret processes?

Mr. TOPPING. None.

Senator LA FOLLETTE. Good will?

Mr. TOPPING. None, except as suggested by previous statements.

Senator LA FOLLETTE. I mean secret processes of manufacture, of course.

Mr. TOPPING. I can not answer your question specifically with respect to good will, but it might be said inferentially that the common stock of most companies organized 25 years represented good will.

Senator LA FOLLETTE. How much of your capitalization represents readjustment of values of corporate assets?

Mr. TOPPING. None. We have never made any changes in our books.

Senator LA FOLLETTE. How much of your capital is capitalized surplus or undivided profits?

Mr. TOPPING. None.

Senator LA FOLLETTE. What dividends have you paid in cash?

Mr. TOPPING. We have paid since our organization 7 per cent on the preferred stock, and during the period of the war we paid dividends on the common stock, but never paid any prior thereto and are not paying any dividend on the common stock now.

Senator LA FOLLETTE. Will you please state for the record, and if not able to do so from data before you at this time will you furnish it for the record, what dividends you have paid in each of the last ten years, list stock and cash dividends separately, and show the amount and rate of capital stock outstanding?

Mr. TOPPING. I think our statement here shows what it is.

Senator LA FOLLETTE. Perhaps it is covered, then; but that is only for one year, as I understand it.

Mr. TOPPING. No; there is a lot of data in here.

Senator LA FOLLETTE. Does it go back as far as ten years?

Mr. TOPPING. I am not sure. I think it shows the total amount paid out in dividends since we started.

Senator LA FOLLETTE. By yourself, is what I mean.

Mr. TOPPING. Yes; during my administration.

Senator LA FOLLETTE. No; not detailed.

Mr. TOPPING. Do you mean for each year separately?

Senator LA FOLLETTE. Yes.

Mr. TOPPING. The amount of dividends paid?

Senator LA FOLLETTE. Yes.

Mr. TOPPING. I can very readily compile that for you because it would not cover a very wide spread of years, because for a great many years we did not earn anything.

Senator LA FOLLETTE. What amount have you carried to surplus account during each of the last 10 years?

Mr. TOPPING. That would require investigation. I can not answer that question offhand.

Senator LA FOLLETTE. Will you supply that information?

Mr. TOPPING. Yes, sir; if the committee desire it.

Senator LA FOLLETTE. What amount for each year of undivided profits?

Mr. TOPPING. The amount carried to surplus would be undivided profits. That would automatically answer that question.

Senator LA FOLLETTE. State the amount for each of the last five years of the following items, if you are able to, and if not, I will ask you to supply the information: Gross sales—

Mr. TOPPING. We can do that.

Senator LA FOLLETTE. Total expenses, total wages, total salaries, net profits, after payment of interest and taxes. State for each of the past five years the total cost of production per unit, including cost of distribution of each commodity that you produce. Will you supply us with that data?

Mr. TOPPING. I am not prepared to state whether we care to supply that data in the way you want it.

Senator LA FOLLETTE. If you can do it, will you?

Mr. TOPPING. What is that information to be used for?

Senator LA FOLLETTE. It is to be used for the information of the committee in ascertaining what duty you ought to have upon your products.

Mr. TOPPING. May I make this general statement for your information? I doubt very much whether there is any steel company in America that will show on its combined capital and surplus an earning power, on the average, comparable with that of the average trust company or bank of America. I do not believe our concern would show over a period of time since its organization an average of 8 per cent earned. I am giving this as an opinion, which I will be very glad to verify by the facts, because our statements, when filed, will give you this general information.

Senator McCUMBER. You mean 8 per cent per annum?

Mr. TOPPING. I mean 8 per cent per annum, and I doubt whether any of the companies will show that. I am making a general statement which I believe to be well within the facts.

Senator LA FOLLETTE. My next question is: State the percentage of this cost; that is the total cost of production per unit—

Mr. TOPPING. What do you mean by "production per unit"? I do not understand you.

Senator LA FOLLETTE. Did you understand the question?

Mr. TOPPING. I do not understand the term "cost per unit."

Senator LA FOLLETTE. You discussed it; I thought you did. State the total cost of production per unit.

Mr. TOPPING. I do not understand what you mean by "cost per unit."

Senator LA FOLLETTE. I mean each unit of product that you produce.

Mr. TOPPING. I want to get it clearly.

Senator LA FOLLETTE. I mean if you produce a ton of pig iron I want you to state the production cost of that.

Mr. TOPPING. Do you mean the individual item of cost covering each item of product?

Senator LA FOLLETTE. Yes.

Mr. TOPPING. We refer to a unit as a department. I wanted to clarify it.

Senator LA FOLLETTE. Perhaps I am not using just the term you use in your business.

Mr. TOPPING. I want to understand clearly what you want.

Senator LA FOLLETTE. You do understand now, do you?

Mr. TOPPING. I do.

Senator LA FOLLETTE. Then, I ask you based upon that to state the percentage of this cost for each of the five years distributed to each of the following items:

Direct material, direct labor, factory expense, and general expense, separately stated. I do not expect you to be able to furnish that to me right offhand, of course.

Mr. TOPPING. I doubt if we could furnish it to you at any time, as much would depend on how our accounts are classified, and, furthermore, it would require considerable time and expense.

Senator LA FOLLETTE. If you are able to do so, you will, I understood you to say?

Mr. TOPPING. I will consider what we can do with reference to giving you such information as you have requested. I do not want to commit myself to giving something that I can not or should not give you, without exposing, unfairly, our business.

Senator LA FOLLETTE. I am going to address a letter to you and send you these questions, and ask for answers to them. In that way, Mr. Chairman, perhaps I can save some time.

Mr. TOPPING. A very large part of what you ask, Senator La Follette, will be found in our annual reports as published.

Senator LA FOLLETTE. I have not much doubt but what you will answer these questions.

Mr. TOPPING. There are some questions that you have asked that I can not answer, and some that I would want to consider whether it would be fair to answer.

Senator LA FOLLETTE. That is your privilege, sir. I have no way of compelling you to answer. If I had I would pursue this course: I would not permit testimony of a witness as to what he wants and the partial information he is willing to give to be accepted by this committee and entered in its minutes unless he answered all those questions; and I would require every witness to respond in the same way, because it would not be fair for one to do so if others did not.

Mr. TOPPING. Perhaps it will not be out of the way to say this—it is partly in response to Senator La Follette's question—that the Payne-Aldrich bill rates of duty on steel, according to my recollection, are about one-half the Dingley bill. Now, this Fordney bill is less than the Payne-Aldrich bill under Schedule 3.

Senator LA FOLLETTE. May I ask a question right there?

Mr. TOPPING. Pardon me; may I finish?

Senator LA FOLLETTE. It is right on that point.

Mr. TOPPING. So I do not think we are asking you for anything that is not fair, in the way of protection.

Senator LA FOLLETTE. I want to test your statement by a question, if you will permit me: In making that statement as to what the rates will be under this bill as compared with the Payne-Aldrich bill, which I do not accept as the standard of just rates, by any means, do you take into account the ad valorem rates, whatever they may be, in the schedules which affect your production and the American valuation?

Mr. TOPPING. No; in that statement I did not. But I will say this: That under the present law the American valuation applies, as a court of last resort where values are in dispute. So that in measuring the influence of the American valuation I do not think either you or I could tell specifically just what the difference, between the American valuation and the foreign valuation, would amount to on any one item, because under your present schedule in the Underwood bill when you can not determine values abroad you have to come back to America to find them. We are now asking you to reverse that situation, go to Europe as a last resort.

Senator LA FOLLETTE. Substantially all the values are determined on the foreign valuation.

Mr. TOPPING. I want to follow that up with just one further thought and that is this, the Payne-Aldrich bill, while I do not hold it up as a perfect piece of legislation, yet so far as it applies to metal schedule, it is lower by pretty nearly one-half than the Dingley bill; and if the proposed measure stands unchanged as now recommended by the House the iron and steel schedule will be below the Payne-Aldrich bill.

Senator LA FOLLETTE. But —

Mr. TOPPING. Pardon me. Let me finish.

Senator LA FOLLETTE. But you are making comparisons of bills that extend over a period of 20 years. The cost of production in that time has been very much changed.

Mr. TOPPING. You are hardly fair because I have not finished my statement. When the Payne-Aldrich bill was put into effect, the rate of wages paid then by the steel people of America, and all other employers was about 52 per cent lower than it is to-day; and the freight costs for assembling raw materials to-day are 100 per cent more than they were in 1914. Take one item, crude pig iron. We have to-day about \$10.50 in freight charges as against the prewar period of about \$5. When you think of the great increase in the cost of labor and freight the proposed bill gives us less protection than any other Republican bill.

Senator LA FOLLETTE. Are you speaking of the Pittsburgh plus cost?

Mr. TOPPING. I am speaking of our competitive position. Pittsburgh plus, Senator, is nothing more than a mere yardstick in measuring values; a mere convenience to the seller. It has no significance, and I have been surprised that it has been made so much of here in Washington.

Senator LA FOLLETTE. It is to be tested out.

Mr. TOPPING. I shall be delighted to see it tested out. You will not find anything dark about it.

Senator McCUMBER. Most of these duties that you are discussing are specific duties, are they not?

Mr. TOPPING. They are specific, but they are based on a certain value of the product under certain classifications; in other words, the Fordney bill provides specific duties for specific values.

The CHAIRMAN. I have been associated with this metal schedule since the Dingley bill, and I have never found anyone yet that did not concede that the duties were more moderate and the requests more moderate than in any other schedule in the bill. I think that it is only due to the steel industry to make that statement, and I challenge any qualification or contradiction of it.

Senator LA FOLLETTE. To make a contradiction of it one finds it necessary to go into some extended debate.

The CHAIRMAN. Yes, sir; and to compare it with the duties in other schedules.

Senator LA FOLLETTE. Yes; there are other schedules, of course.

The CHAIRMAN. I say, without fear of contradiction, that the metal schedule is more modest from the protection point of view than any other schedule in the bill.

Mr. TOPPING. The ad valorem equivalent of the metal schedule would average very little over 15 per cent; and that is very modest when you think of these raw materials suggesting duties of 200 per cent, some of them.

The CHAIRMAN. And I will go further and say that if we were to be exposed to practically a free-trade proposition and should let the industries of the country suffer, the metal schedule probably would stand without destruction when others would be in a chaotic condition. They are established.

Senator LA FOLLETTE. Yes; that is true and they are protected, in part, by freight rates.

The CHAIRMAN. Well, they have advantages of nature or they would not be there.

Mr. TOPPING. Our big markets are on the seacoast, the Atlantic, the Pacific, and the Gulf; and do not forget we are paying about \$3 a ton more rail freights to New York than our European competitors.

Senator LA FOLLETTE. What is the amount of your exports?

Mr. TOPPING. About 10 per cent of our production the last few years.

The CHAIRMAN. Is it not correct that German structural steel entered largely into San Francisco and New York in the erection of new buildings?

Mr. TOPPING. Quite likely. I show here what German prices are and what delivery cost is to various points along the seacoast.

The CHAIRMAN. Cheaper than from Pittsburgh or from any other place now.

Mr. TOPPING. I do not remember the exact differences, but probably \$10 or \$12 a ton less than we can produce and deliver steel to seacoast points.

Senator McCUMBER. A large part of San Francisco was rebuilt from German steel shipped from Germany at a cheaper ocean rate than can be gotten to-day. These facts are well known.

Senator LA FOLLETTE. I do not care to ask the witness any more questions. I will submit my questions in writing.

Mr. TOPPING. I see by reference to my statement the cost of steel laid down in New York on sheet, structural shapes (all rail, which is \$7.60 a ton from Pittsburgh to New York), is \$2.23 a hundred. The German price, freight and insurance, exclusive of duty, is \$1.47. That would make \$15 a ton. I said from \$10 to \$12 a ton; therefore I was well within the facts.

Senator SIMMONS. Do you export any part of your structural steel products?

Mr. TOPPING. Yes. We larger independent companies, in order to pool our expenses for exporting, organized under the Webb Act an export company, known as the Consolidated Steel Co. The purpose of that was to pool our selling expenses. Neither one of us individually having enough capacity to cover the markets of the world with a selling organization, on account of the expense, so we pooled our issues under the Webb Act, and in that way managed to sell about 10 per cent of our capacity.

Senator SIMMONS. What percentage of your structural steel product do you export?

Mr. TOPPING. I can not answer that question offhand, but based on our total production of all kinds of steel we have been exporting about 10 per cent of our total steel products.

Senator SIMMONS. Where do you sell that?

Mr. TOPPING. All over the world.

Senator SIMMONS. What is your chief market?

Mr. TOPPING. Canada is the chief market we have.

Senator SIMMONS. Do you still sell any in Europe?

Mr. TOPPING. None. They produce their own. It goes to the nonproductive points of the world, South Africa, New Zealand, Australia, and Japan; some to China and South America.

Senator SIMMONS. How much do you sell to Canada?

Mr. TOPPING. I can not answer that question exactly from memory, but Canada is by far the largest consumer of American steel in the so-called export market.

Senator SIMMONS. I understood Canada to be the only country that you mentioned to which you exported.

Mr. TOPPING. No; I mentioned other countries.

Senator SIMMONS. But you very specifically named Canada.

Senator SMOOT. He named the others before you came in, Senator.

Mr. TOPPING. I specifically named the other countries, Senator Simmons, in answering a previous question.

Senator SIMMONS. What proportion of the total do you think you send to Canada?

Mr. TOPPING. Of our total of 10 per cent?

Senator SIMMONS. Yes.

Mr. TOPPING. I should think possibly one-third.

Senator SIMMONS. You say they do not produce structural steel to any extent in Canada?

Mr. TOPPING. I think not, but they are building up an industry, and they have not only a protective duty but a bounty as well. On account of our advantage in quick delivery we have an advantage in the Canadian market, on account of high inland freight from sea-coast points on European steel.

Senator SIMMONS. Has not Canada some seaports as well as the United States?

Mr. TOPPING. Practically none where they consume steel in any quantity. Their consumption is in the interior, at Montreal, and in the West.

Senator SIMMONS. Your competitors who ship structural steel there have to pay the same freight to those interior points that you have to pay, do they not?

Mr. TOPPING. We of the United States have rather an advantage over them because we have a straight rail haul where they have an ocean haul plus a rail haul.

Senator SIMMONS. Who are your competitors in the Canadian market?

Mr. TOPPING. The English, the Belgian, and the German producers, and of course other American manufacturers.

Senator SIMMONS. They are the same competitors that you meet here in America?

Mr. TOPPING. Certainly.

Senator SIMMONS. Can you give about the proportion of your exports of structural steel as compared with the other importations into Canada?

Mr. TOPPING. I have not the data before me, and I can not do it from memory.

Senator SIMMONS. You can not do it approximately?

Mr. TOPPING. No, sir; I would not attempt to give you figures of that character without looking up the records.

Senator SIMMONS. But the fact is you do meet your foreign competitors of this country in the Canadian market?

Mr. TOPPING. We do. I see by reference to some data I have here that our group of companies exported last year—that is 1920—about 235,000 tons to Canada.

Senator SIMMONS. What country is that?

Mr. TOPPING. Canada.

Senator SIMMONS. You shipped that much?

Mr. TOPPING. Not our company, but our group of companies. To Japan about 168,000 tons. The next to that was Mexico, 153,000, and all the other countries were in small quantities running from 34,000 to 80,000 tons per annum, scattered over the globe. So you can see that my general recollection with respect to Canada was not far wrong.

Senator SIMMONS. I do not know whether I quite understood you. I understood you to say that you shipped so much to Canada and Japan shipped so much to Canada?

Mr. TOPPING. No, sir; I said that the total tonnage that our group of companies shipped out of the United States was less to Japan than it was to Canada, and I gave you the total tonnage sent to each country.

Senator SIMMONS. Well, I misunderstood you.

The CHAIRMAN. Is that all, Mr. Topping?

Mr. TOPPING. I have nothing further to submit myself, Mr. Chairman, unless there are further questions that you want to ask me.

Senator McLEAN. Can you give the committee an idea of the number of men employed in the domestic production of these alloys?

Mr. TOPPING. I can not answer that question. Perhaps some of the other gentlemen here who will follow me may be able to answer that. But the number of men employed in the manufacture of alloys

as compared to the number of men employed in the manufacture of steel is a mere bagatelle. They would be lost in the crowd and forgotten.

Further than that, I would say, as a general proposition, that the invested capital necessary to produce these alloys as compared to the investment capital necessary to produce steel is relatively small, as steel production calls for an integrated company owning raw materials, and in many instances transportation, because we must take care of a large part of our terminal transportation in order to provide the service required. Most of the steel companies also own steel cars to transport their raw materials, in order to insure service. Had it not been for the fact that we owned our own cars during the war we would not have had any coal and would have produced very much less steel for the Government. To-day those cars are practically valueless, as the earning capacity of a car is barely 6 per cent per annum.

Senator McLEAN. These alloys are imported for the manufacture of steel. Is it your idea that the domestic competition in these alloys should be preserved? Or would you prefer to buy all your alloys from abroad?

Mr. TOPPING. We think that the domestic producers of alloys will live under a very much less duty than they are asking for. We think they are immoderately asking for protection. They are asking more protection on their semifinished or raw materials, in other words, than we are asking of this committee on our highly finished products. Whereas we are asking an average of 15 to 20 per cent, they are asking an ad valorem equivalent of from 35 to 215 per cent on some items.

My idea is that anyone that produces anything in this country of a competitive character and employs labor and fairly needs protection in finishing should have reasonable protection; but on raw materials, particularly where the supply is doubtful and where the bulk of such materials must be imported, it is perfectly ridiculous to protect such industries.

Senator McLEAN. If there were no domestic competition, would you not be subjected to foreign prices?

Mr. TOPPING. We would not worry about what we would be subjected to under a low rate of duty on alloys. If the duty is high we may be compelled to produce our own alloys. We may have to do so to protect ourselves, if you put too high a rate on these things. And that is what we will do, undoubtedly, if it is necessary to protect ourselves.

Senator LA FOLLETTE. How much of a factor are these alloys in the production of steel? I mean how much of a factor are they in the cost of steel per ton?

Mr. TOPPING. Take the increased tax on ferrosilicon alone. It amounts to nearly \$2,000,000 per annum. The increased tax on manganese amounts to about \$8,000,000. In stating the high spots, I mentioned that the principal items were about \$24,000,000.

Senator LA FOLLETTE. In the production of what types of steel is the alloy used?

Mr. TOPPING. I am talking about what we call our ordinary soft steel. The higher grade steels use different kinds of alloys, with higher prices.

Senator LA FOLLETTE. Take a given ton of steel and give us the cost of the alloy that enters into the production of it.

Mr. TOPPING. That would vary with the grade of the steel. The manganese cost in a ton of steel is about 55 cents per ton of ingots. To go through that whole list and give you that information would require references. All of my general statements of increased costs can be easily verified. I would hardly come before this committee and make statements that could not be.

Senator LA FOLLETTE. You say in a general way that the manganese cost was about 55 cents per ton.

Mr. TOPPING. Yes; it might run more, it would depend upon the price of the manganese, whether the ferro is \$75 a ton or \$100.

Senator McLEAN. Does the United States Steel Corporation produce any of its alloys?

Mr. TOPPING. It produces all of its own ferromanganese and some of its other alloys, but while that is true, I can say this in their defense, as I have talked with their officials, they have no desire for any legislation that would give them preferential treatment. They deprecate anything of that character, and they are, I think, in accord with our general tariff views—although I am not authorized to speak for them—but as I understand their views, they are quite in accord with our general views as expressed here.

Senator McLEAN. Naturally, they would prefer to buy their alloys abroad if they could purchase them for less price than they could make them for at home.

Mr. TOPPING. They can, I think, make them at home for less price than they could purchase them abroad, as they own their own manganese mines in Brazil. They transport that ore in their own bottoms. It is quite easy for the Steel Corporation to operate two or three blast furnaces on ferromanganese, whereas a firm the size of ours would not consume the output of even one blast furnace. But we might form a cooperative company of two or three concerns and put one or two blast furnaces on ferromanganese for joint use. And that is what we would have to do if this bill goes through without change, because we could not afford to be at the disadvantage that this bill contemplates placing on us, as compared with the cost of manganese per ton of steel made by the Steel Corporation. Should we import our ore and pay the duty you propose in this bill, and manufacture our own ferro, it will be more economical than to buy our ferromanganese in the open market.

Senator LA FOLLETTE. And pay that duty?

Mr. TOPPING. Yes; and save about \$17 a ton on the cost of ferromanganese.

Senator LA FOLLETTE. And pay the duty that is named in the bill on the ore?

Mr. TOPPING. Certainly; as against buying ferromanganese in the metal form. I am talking now about the preferential treatment afforded the blast-furnace operator who is making ferromanganese in that blast furnace instead of making pig iron.

There is no more reason for putting a duty on manganese ore than on the coal which is on the free list. We think it would be an outrageous thing to do.

Senator SIMMONS. My recollection is that when we were making the present tariff there was some evidence to the effect that the

United States Steel Corporation made its own ferromanganese, but would not sell it to other operators. Is that true?

Mr. TOPPING. That is not my understanding. I assume if they do not sell it, it is because they make only what they consume. They prefer to employ their blast furnaces for a needed pig-iron production. One reason we do not make ferro is that we need our own blast furnaces for pig-iron production. If we can buy our ferro we prefer to buy it, but if not we will make it.

Senator LA FOLLETTE. What is the production of those alloys in this country now? Has it had a perceptible effect on the foreign price?

Mr. TOPPING. There are several gentlemen following me who can give you better information on that subject.

The CHAIRMAN. There are several gentlemen who will follow Mr. Topping and who can speak on that subject. We will recall you if necessary, Mr. Topping. We realize that you are an expert.

BRIEF OF JOHN A. TOPPING, CHAIRMAN REPUBLIC IRON & STEEL CO., REPRESENTING THE INDEPENDENT STEEL MANUFACTURERS.

[Representing Republic Iron & Steel Co., Bethlehem Steel Co., Midvale Steel & Ordnance Co., Youngstown Sheet & Tube Co., Jones & Laughlin Steel Co., Brier Hill Steel Co., Pittsburg 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 Steel & Tube Co. of America.]

For your information, I beg to state that in appearing before your committee I do so as the chairman of the board of directors of the Republic Iron & Steel Co., and also as the designated representative of a large group of the independent steel companies.

I shall address myself in discussing H. R. 7456 to Schedule 3, paragraphs 302, 386, 389, and 390; Schedule 1, paragraph 47; Schedule 2, paragraph 207; and also refer to the general provisions of H. R. 7456.

As to the importance of the interests I represent, it is common knowledge that the iron and steel business is the largest single industry in the world. It is also generally believed that the phenomenal growth of the iron and steel production in this country has been due largely to the time-honored policy of the Republican Party, which party has heretofore given the manufacturing interests of this country not only full protection in domestic markets for their finished products, but through its policy of free raw materials has made it possible for us to extend our trade in foreign fields.

The census report of the United States for 1914 credits the steel industry with a capital investment of nearly \$4,300,000,000, with an annual pay roll of over \$723,000,000 and a total value of products of \$3,223,000,000. Since 1914, under the stimulus of war demand, the steel-ingot capacity of this country was increased from about 40,000,000 tons to 55,000,000 tons, or an increase of about 37 per cent. Calculated on this increase, the present total number of steel employees under full operations would closely approximate 1,500,000 people, with an annual pay roll of close to \$1,000,000,000, based on the 1914 wage rates. This total pay roll, however, calculated on present wage rates, would bring the total annual wage disbursements to approximately \$1,500,000,000 annually and the total value of products to approximately \$3,500,000,000. As a result of this rapid growth in production, which was overstimulated by war requirements, it is commonly agreed that the present productive capacity of the United States is in excess of its normal requirements. Therefore if labor is to receive full employment hereafter it will not only be important for us to maintain a home demand at 100 per cent, but to seek an outlet for part of our surplus production in foreign markets. To make such a program possible it will be necessary to minimize our cost of production in every possible manner, and to do this it will require the fullest cooperation not only of capital and labor but of the Government, the railroads, and the shipping interests if we are to hope for any success in foreign fields.

During recent years the average export tonnage sold of iron and steel represented about 10 per cent of our total output. I think it may be safely estimated that if we are to maintain normal operation of our plants in the future it will now be necessary for us to export 20 per cent of our present capacity. These figures, I believe, are conservative and seem to me to emphasize the importance of making every possible effort, governmental and otherwise, for the protection of domestic trade and for the promotion of foreign trade.

The steel manufacturers had in mind the disturbed economic conditions prevalent throughout the world when they discussed informally Schedule 3 with the sub-

committee of the Ways and Means Committee of the House of Representatives, and while we indicated our willingness to accept both a classification and rates of duty under Schedule 3 which averaged somewhat below the Payne-Aldrich schedule, we clearly stated that in so doing we must have the Payne-Aldrich free list unimpaired in the new tariff schedule and must have as a further measure of protection reasonable provision against dumping and undervaluation, and also that provision should be made for reciprocity agreements for the encouragement of foreign trade.

The steel manufacturers, Mr. Chairman, in other words, appreciated then, as they do now, that the tariff problem is not easy of solution; that to enact a protective tariff which will yield maximum revenue and not antagonize foreign trade is a problem which will require your best efforts, and we hope that in our discussion of the subject we will be able to offer you some practical contribution of a constructive character.

We are opposed to a number of paragraphs under several schedules of H. R. 7456, but we are in full accord with many of its general provisions. We are opposed to paragraph 1680 of Schedule 15, and ask that this item be stricken out, and that barbed wire be placed where we think it properly belongs, under Schedule 3, and made dutiable, for the reason that there is no more justification for placing barbed wire on the free list than there would be to put any other finished iron and steel products on the free list.

We are strongly opposed to the provision of Schedule 1, paragraph 47, and Schedule 2, paragraph 207; also paragraphs 302, 336, 389, and 390 of Schedule 3.

Our principal objection to these paragraphs is that increased taxation is proposed on imports of these raw materials which will materially increase our cost of production. While the cost per ton of steel as influenced by the various items required for steel manufacture referred to in the paragraphs mentioned might appear to be insignificant, yet they bulk large when the cumulative influence of these cost additions are considered as a total. In fact, the total increased cost, if imposed, will seriously weaken our competitive position.

We estimate, in other words, that iron and steel costs, by reason of the proposed tax on our raw materials, will be increased by the sum of approximately \$24,000,000 per annum, estimated as follows:

	Annual requirements.	Proposed tax.	Tax per annum.
	<i>Tons.</i>	<i>Per ton.</i>	
Ferrosilicon, 57 per cent.....	83,000	\$37.05	\$2,964,000
Fluorspar.....	300,000	5.00	1,500,000
Manganese ore, 48 per cent.....	750,000	10.75	8,062,500
Magnesite.....	150,000	10.00	1,500,000
Pig tin.....	1 61,919,922	1.02	1,238,998
Zinc (first two years).....	1 426,985,416	1.02	8,559,728
Total.....			23,803,226

¹ Pounds.

² Per pound.

In addition to these items, further cost additions will be made on account of the proposed tax on lead. As to what the tax increase on lead will be I am not able to specifically state, but considering the amount of lead used for roofing plate in the steel industry, the increase will add substantially to our total cost.

Aside from all questions of cost, these proposed taxes are inequitable and can not be supported or justified for the following reasons:

Fluorspar, Schedule 2, paragraph 207, is a mine or quarry product, the domestic supply of which 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. On account of the distance of these mines from the seaboard and the protection which they enjoy by way of inland rates of freight, they are in no danger of foreign competition; in fact, the fluorspar interests have prospered heretofore under free trade, and there can be no possible reason for taxing the steel producers of the East at the rate of \$5 per ton or, as an alternative, force eastern manufacturers to go West to obtain their fluorspar supplies at an increased freight cost, which in many cases would exceed the amount of the duty proposed.

Magnesite, Schedule 1, paragraph 47: Magnesite is also a mine product and is prepared for use by calcining or burning, the process of treatment being similar to that in the preparation of cement rock for use. Magnesite is also largely used in the manufacture of magnesite brick, paragraph 201, Schedule 2. As to the fabricated magnesite

or brick, the rate on this product should be relative to the duty allowed on other grades of fire brick. There can be no justification, however, for a duty on magnesite of \$15 per ton, with a compensatory duty on the brick of \$15 per ton, plus 10 per cent ad valorem.

The magnesite industry, like fluorspar, has prospered under free trade. The only known deposits of the carbonate of magnesia, which is the rock required for calcining and which after treatment is called magnesite, are found in the States of Washington and California. A large business during the war was developed by the quarries in these States, and there can be no question as to their ability to meet foreign competition in their natural markets, which would be St. Louis, Chicago, Pueblo, and at other western points where steel works are located. It would be practically impossible for imported magnesite to successfully compete with the western producers, on account of the excessive cost for rail carriage from the Atlantic seaboard inland. This freight rate from seaboard to Chicago and St. Louis averages approximately \$10 per ton, and to that extent serves as a protective tariff. But all questions aside, why should quarried burnt rock, which carries a minimum of labor cost, require more protection than mined coal when coked, which carries a much higher labor cost in its treatment, or why should the output of a magnesite mine be entitled to any more protection than is accorded the output of an iron-ore mine. In fact, with the general products of all our mines and quarries on the free list, and consistently free of duty heretofore under Republican tariff legislation, we fail to see any reason why these products should now be made dutiable.

We further claim that a duty on magnesite would be an unfair discrimination against the smaller producers of steel in favor of the United States Steel Corporation and other manufacturers at Chicago, because these western steel works would obtain their supplies from western domestic mines, whereas the eastern makers of steel would be compelled to import foreign magnesite or pay the equivalent increased cost in the long haul from the Pacific coast to Atlantic seaboard.

The United States Geological Survey published, under date of July 27, 1921, a statement of our domestic reserves of magnesite, the aggregate of which was 3,500,000 tons; at present rate of consumption this reserve will be exhausted in 10 years. As one of the principal owners of this reserve is the Northwest Magnesite Co., the proposed duty will practically give them a monopoly of domestic supply of this important refractory.

Manganese, Schedule 3, paragraph 302: Manganese, heretofore on the free list, is even more difficult to justify now as a dutiable product. The only explanation given for the change in the schedule on manganese was recently stated on the floor of the House of Representatives, viz, that the proposed duty was for the protection of the miners in Arkansas, Montana, Georgia, and Florida, but it was not stated on the floor of the House why the miners of manganese in these States went out of business when the war ended. The reason was not because of free trade in manganese but because there was no market for domestic lean and high-silicon manganese ores, when the richer foreign products of Brazil, India, and Russia were again available.

As a war measure, the steel manufacturers used everything and anything which would make steel suitable for governmental purposes for the prosecution of the war—our main idea was tonnage and service for war purposes—cost of production was forgotten in the interest of output; but with the advent of peace, economic reason quickly reasserted itself and forced the abandonment of domestic manganese ores, except for such uses as had always been our practice, of using these leaner ores for the production of spiegel. We maintain that if the ferromanganese producer in this country is to prosper he also must have free manganese ores; or, in other words, have the same opportunity for obtaining and smelting the richer and cheaper ores found in foreign fields as are available to his foreign competitor. The American producer of ferromanganese, in our opinion, is at no disadvantage with his English, Belgian, and German competitors, because all these manufacturers of ferromanganese depend upon imported ores, principally obtained from India, Russia, and Brazil, and the producers of ferromanganese in this country are at no more disadvantage in meeting competition than is the manufacturer of pig iron, whose industry rests largely upon domestic supplies of ore and largely so at other points of manufacture in other parts of the world.

Ferromanganese, the product of manganese ore, is a blast-furnace product—it is manganese in the pig form; in other words, it is only entitled to a relative duty to pig iron, and there can be no justification in placing a duty on ferromanganese, the finished product, relatively greater than that accorded pig iron. If this is done, based on a fair difference in cost above the metallic charge, which is about three and a half times that of pig iron, which is rated for duty at \$1.25 per ton, the maximum duty justified for ferromanganese would be \$4.25 per ton, whereas it is proposed to tax this essential product for steel production at the rate of 2½ cents per pound for the manganese content, or at the rate of \$39.42 per ton.

The burden of this extreme tax on ferromanganese would be borne largely by the smaller steel producers of the United States, because our principal competitor, the United States Steel Corporation, owns its own manganese mines in Brazil, and also owns transportation facilities by water and partially by land, and they manufacture their own ferromanganese from their own imported ores, because, owing to their large consumption, they can afford not only to operate one but several blast furnaces for their requirements, whereas the smaller producer of steel would not consume enough ferromanganese to absorb the output of even one blast furnace, consequently, the entire tax burden placed on ferromanganese would fall on them, because they must buy, rather than produce, their supplies.

Furthermore, the proposed tax on manganese ores to any steel works importing the ores would mean a tax on about 2½ tons of manganese ores—the amount required to produce 1 ton of ferromanganese—or a total duty of approximately \$23.65; whereas the smaller steel works buying the ferromanganese or finished material would pay a tax of \$39.42, which, in effect, suggests a tax discrimination of \$15.77 per ton in favor of the United States Steel Corporation and others who produce their own ferromanganese, which discrimination places the smaller steel works at a serious disadvantage.

Aside from all these questions of equity respecting taxes on manganese ore, it is generally conceded that our supplies of manganese ores are of exceedingly meager proportions and lean in character, and if you place a prohibitive duty on manganese you may force the consumer to use the domestic product, which will more quickly exhaust our reserves, and therefore, as a matter of conservation or broad governmental policy, all of these minerals, such as manganese ores, fluorspar, and magnesite, should be kept on the free list, for the protection of our country in times of war, when outside sources of supply of these very essential materials required for steel production might be shut off.

As to the balance of the ferro-alloy schedule, others who follow me will discuss these items more in detail, but I desire to make of record my protest against the adoption of the duties proposed under the ferro-alloy schedule. I particularly desire to emphasize my opposition to the ferrosilicon rate, because this item is one of large importance to the manufacture of soft steel. The other alloys, however, not specially mentioned by me, are of no less importance to the manufacturers of special steels. I do not believe it will be contended by the manufacturers of these alloys that they employ, relatively speaking, either as much capital or labor as is employed by the manufacturers of steel, whose operations are more widely diversified and integrated; therefore, it is difficult for us to understand why these manufacturers of alloys need the protection they ask, or why they need even the ad valorem equivalent asked by the manufacturers of steel, which average less than 20 per cent, whereas the proposed alloy duties range from 45 to 215 per cent.

As to pig tin, paragraph 386; zinc, paragraph 390; and lead, paragraph 389, of Schedule 3, there can be no justification for increasing our import taxes on these products, from a protective standpoint at least. The smelting of tin ores in this country is an industry which was established on a free-trade basis, and the only plants operating are located on the Atlantic coast and use imported ores. Inasmuch as tin smelters everywhere operate under equal conditions as to raw material supplies, there can be no justification for showing preferential treatment to this domestic industry, which has demonstrated its ability to live and prosper without protection.

What is true of pig tin is likewise true of zinc, lead, or other materials, and any added cost for these materials through increased taxation will be directly reflected in the cost of galvanized fencing, wire, pipe, and sheet-metal products generally, which are largely used on the farms in housing construction and for household wares; therefore, increased taxes mean increased cost of living to the great mass of our people.

Aside from these reasons, any increase in cost would be an added burden, difficult to overcome, in maintaining competition for our exportable surplus, and will bear most heavily on the small steel manufacturers, because here, too, the United States Steel Corporation produces in part its own zinc supplies and imports both its pig tin and zinc in its own bottoms.

Briefly referring to our labor and general cost conditions, I would state that, owing to the upset conditions now existent throughout the world, it is rather difficult to obtain full data, but I have compiled some general information on this subject, which I shall submit if desired.

As a broad general statement it can not be controverted that a day's labor in America will buy more than double the necessities of life which can be obtained with a day's labor anywhere else in the world, and notwithstanding recent reductions in labor costs, which have taken place in the steel trade, our present wage scales in the steel industry are about 52 per cent higher than during the year 1914, whereas our average selling prices are only 33½ per cent higher; furthermore, our cost for assembling raw materials, due to freight rate advances, are up over 100 per cent, so that to-day

the selling price of pig iron at \$20 per ton carries with it freight charges aggregating \$10.50 per ton. In fact, to-day, with pig iron selling at \$20, the maker does not realize enough cash to return him the cost of his raw materials and freight bills, he being out of pocket as to labor cost and overhead. What is true of pig iron is likewise true of finished products made from pig iron under the iron and steel schedule, all of which are selling at several dollars per ton below cost of production.

In other words, the iron and steel business to-day is suffering from the greatest depression it has ever experienced, and we must have cost relief in every conceivable direction. Not only must our raw materials be cheapened but our transportation costs must be reduced, if we are to get back to normal business conditions. If our raw materials are taxed on the present schedule under H. R. 7456, we will not, owing to high costs, have adequate protection, and Schedule 3 rates will have to be raised as an alternative for taxed steel raw materials. In other words, you must give us free raw materials or increase our iron and steel schedule and revise the iron and steel classification.

It may be stated in this connection that the present world tendency is toward protective-tariff measures, with strong preferential features. This is notably true of the British possessions, whose colonial tariffs give England a distinct advantage, through imperial preferences, in such important markets as Canada, Australia, and South Africa.

In view of this situation, we strongly indorse the bargaining clause of H. R. 7456, which empowers the President of the United States to negotiate reciprocal treaties for the promotion of foreign trade where sufficient trade advantages can be obtained to justify tariff concessions by us.

We also heartily approve of the bounty clause in H. R. 7456, as a reasonable measure of protection to home industry, against the unfair competition caused by foreign governmental bounties in favor of foreign products.

We strongly approve of the American valuation plan as a prevention against fraud and undervaluation and also because the American valuation plan provides for protection against the unfair competition brought about through a dislocation of rates of exchange, which rates are now from 25 to 95 per cent discount below prewar normal.

I would further state that without the protection of the American valuation plan the rates of duty for iron and steel under Schedule 3 of H. R. 7456 are not protective. We do not agree with the opponents of the American valuation plan, who have condemned this feature of H. R. 7456, and who claim the administrative features of the plan are not practical. We, on the other hand, believe the administrative features of this plan can be easily made operative without confusion, because we believe that it will be easier to obtain the necessary data for appraising market prices at home than it now is to obtain market prices in foreign countries.

In this connection may I not remind you that under the present law of 1913 paragraph K requires that all appraisements shall be based on the actual market value and wholesale price of merchandise at time of exportation in the principal markets of the country from whence products have been imported, and when values can not be satisfactorily ascertained, paragraph I, of the law of 1913 provides that our appraising officers, after having failed to obtain cost of production at place of exportation, may appraise such or similar imported merchandise at not less than such or similar products are actually sold or freely offered for sale in the usual wholesale quantities in the United States in the open markets, less cost of transportation and insurance, subject to a deduction for commissions or profits not to exceed 6 to 8 per cent.

It would therefore appear that as a practical measure the present law recognizes American valuation when other methods of valuation fail, thus emphasizing our claim that American values are more easily ascertained than are values and costs in foreign countries; therefore, why not apply the American valuation as a primary method of determining values rather than as a last resort method, as the law of 1913 provides?

The iron and steel industry, both on account of its size and importance as related to many other industries dependent upon it, has always been regarded as the "key industry," and therefore, struggling as we are in our efforts to get back to normal, would it not be fatal to future prosperity to reverse our past tariff policy, which has heretofore given us free raw materials and prosperity, by a change so fraught with danger to business success as is now proposed by taxing these raw materials.

SUPPLEMENTAL BRIEF.

Foreign and domestic labor prices are difficult of comparison, owing to the difference in classification, and also difficult to compare for the reason that foreign currency values, on an international exchange basis, differ from the purchasing power of the mark, English shilling, and franc in their home markets.

The proposed rate of duty on these various products, as you will observe, ranges from \$6 to \$10 per ton, whereas our increased cost, due to higher labor and freight rates, is far in excess of the proposed rates of duty.

This general statement clearly indicates that the difference in freight and labor alone is serious, but if to these disadvantages you take into account the exchange situation, our position, from a competitive standpoint, both at home and abroad, is precarious indeed.

The Kiel Institute of World Economics recently published in their publication "The Weltwirtschaftliche Nachrichten" the following:

"Based on the returns from 20 cities, the compilation shows that in the textile industries wages of spinners had risen from 0.43 marks per hour in the first quarter of 1913 to 3.14 in February, 1920, an increase of 630 per cent. For machinists in the steel trade the hourly average wage of 0.63 marks in July, 1914, had risen to 3.52 marks in February, 1920, an increase of 459 per cent. In the building trade, the increase had been from 0.65 to 3.60, a rise of 454 per cent.

"In the month of February, 1920, the exchange market value of the German paper currency was less than one-twentieth of what it had been under the prewar gold valuation, and the average of cost of living in the same German cities, as calculated by the same publication, had advanced 523 per cent above the average of July, 1914. This would appear to indicate that in some German industries wages have actually increased more than cost of living, but that in others the increase in wages has been much slower than in the living costs. The estimate for January, 1921, is that the average cost of living was then greater by 840 per cent than before the war, but there has also been increase in wages during the last year."

The practical analysis I make of this statement is that the German machinists earned in 1914 in gold marks, for 10 hours work, \$1.499 per day. This machinist earns in 1921, 41 cents per day, but if we credit the worker with the difference between the international exchange gold value of the mark, one-twentieth or 95 per cent discount, with its domestic purchasing power, which, through governmental price regulation, increases the mark's value to perhaps three times its gold value, the total machinist wage would be \$1.23 per day, whereas the American low-grade machinist employed by steel makers, earns \$5.35 gold, or over four and one-third times the German rate.

While the general tendency with us is toward lower wages, it is not believed that wage rates will or should sink to the 1914 basis, as they have done in Germany, where labor costs are less than one-fourth of ours. Our general wage rate, based on \$3 per day for ordinary labor, is now 53 per cent above 1914, which advantage is comparable to an advance in living cost of probably 55 per cent.

Wages paid in steel works now generally in effect in the United States, compiled by Republic Iron & Steel Co. (Valley district), Aug. 16, 1921.

	Number of men.	Hours per day.	Average wages per day.
By-product coke works:			
Heater (ovens).....	2	12	\$5.28
Pusherman (ovens).....	4	12	4.31
Blast furnaces:			
Bottom fillers.....	38	12	3.66
Top fillers.....	22	12	4.26
Keepers.....	14	12	4.56
Bessemer plant:			
Metal wheelers.....	30	8	6.92
Iron tappers.....	21	8	5.51
Vesselman.....	9	8	7.38
Steel pourer.....	3	8	8.26
Heater.....	3	8	7.13
Roller.....	3	8	9.15
Open-hearth works:			
Melter.....	4	12	12.53
First helper.....	28	12	8.61
Second helper.....	28	12	8.93
Heater, steel mills.....	2	12	9.53
Roller, steel mills.....	3	8	9.18
Brown Bonnell works:			
Heaters.....	3	8	10.49
	6	10½	11.02
	10	12	9.64
Rollers.....	6	10½	19.30
	10	12	17.66
Catchers.....	10	10½	8.26
	8	12	7.70
Spike cutters.....	12	10	3.98
Shafting works.....	53	10	3.29

Wages paid in steel works now generally in effect in the United States, compiled by Republic Iron & Steel Co. (Valley district), Aug. 16, 1921—Continued.

	Number of men.	Hours per day.	Average wages per day.
Tube works:			
Welders, socket shop.....	12	11½	\$7.49
Tappers, socket shop.....	36	11½	5.43
Welders, B. W. F.....	12	11½	9.90
Benders, L. W. F.....	6	11½	5.22
Welders, L. W. F.....	6	11½	10.80
Pipe cutters, B. W.....	68	11½	5.67
Pipe cutters, L. W.....	88	11½	6.12
Picklers, galvanizing department.....	2	12	4.38
Sheet mills:			
Rollers.....	27	8	23 ½
Heaters.....	27	8	10.68
Catchers.....	27	8	9.05
Pair heaters.....	27	8	7.55
Jobbing mill:			
Roller.....	3	8	21.80
Heater.....	3	8	11.49
Rougher.....	3	8	7.84
Catcher.....	3	8	7.84
Cold rolling.....	24	12	4.46
Annealing department.....	15	12	4.76
Occupation:			
Machinists.....	291	10	5.35
Blacksmiths.....	42	10	5.15
Pattern makers.....	17	10	5.79
Carpenters.....	67	10	4.37
Pipe fitters.....	67	10	4.29
Boiler makers.....	57	10	4.70
Millwrights.....	64	10	4.80
Masons.....	47	10	6.56
Roll turners.....	33	10	6.17
Electricians:			
Motor inspectors.....	170	12	4.42
Cranemen.....	132	12	4.91
Switchboard.....	14	12	4.32
Engineers, stationary.....	91	12	4.57
Pumpmen.....	14	12	4.21
Standard locomotives:			
Engineer.....	26	8	6.00
Firemen.....	26	8	4.52
Conductor.....	24	8	5.94
Brakemen.....	40	8	5.20

BASIS OF PRICES USED—RATES CURRENT AUGUST 18, 1921.

For your information I beg to submit a schedule of comparative prices of various iron and steel products taken on a basis of f. o. b. Pittsburgh for domestic prices, as compared with f. o. b. mill foreign prices at various shipping ports—British, Belgian, and German—as follows:

Prices f. o. b. shipping ports.

[Rate of exchange, £1=\$3.66].

	British.	Belgian.	German.	Pitts- burgh price.
Plates.....	\$1.98	\$1.35	\$1.26	\$1.85
Shapes.....	1.80	1.39	1.26	1.85
Bars.....	1.39	1.30	1.26	1.75
No. 24 galvanized corrugated sheets.....	3.47	3.27	2.94	3.60
No. 24 galvanized finish sheets.....	3.63	3.59	3.06	3.55
No. 24 plain black sheets.....	2.86	1.63	1.39	2.85
107 pounds tin plate.....	14.21	13.75	.....	15.25
Wire nails.....	3.10	2.20	2.04	2.75
Galvanized wire.....	3.35	2.37	2.12	3.20
Heavy rails.....	38.43	32.94	31.11	47.00
Galvanized barb wire.....	3.59	2.37	2.24	3.40
Blue annealed sheets.....	2.24	.....	.....	2.40

1 Per box.

I also submit herewith a schedule of comparative freight and insurance rates from European points, together with schedule of all-rail freight rates from Pittsburgh to our various seacoast markets, such as Boston, New York, Baltimore, New Orleans, and San Francisco:

Freight rates and insurance (per 100 pounds) to Boston, New York, Baltimore, New Orleans, San Francisco, Seattle.

	England.		Belgium.		Germany.	
	Freight.	Insurance.	Freight.	Insurance.	Freight.	Insurance.
Plates.....	\$0.23	\$0.01	\$0.20	\$0.01	\$0.20	\$0.01
Shapes.....	.23	.01	.20	.01	.20	.01
Bars.....	.23	.01	.20	.01	.20	.01
Galvanized corrugated sheets.....	.27	.03	.25	.02	.25	.02
Galvanized flat sheets.....	.27	.03	.25	.02	.25	.02
Flat black sheets.....	.27	.03	.25	.02	.25	.02
Tin plate.....	.33	.04	.33	.04	.33	.04
Wire nails.....	.27	.02	.27	.02	.27	.02
Galvanized wire.....	.27	.03	.27	.03	.27	.03
Galvanized barbed wire.....	.30	.03	.30	.03	.30	.03
Rails (per gross ton).....	4.00	.15	4.00	.15	4.00	.15

These rates are approximately the general rates; on large tonnages it would be possible to shade these rates 2 cents to 5 cents per 100 pounds or 50 cents to \$1 per gross ton.

Rates used from Pittsburgh.

	Per 100 pounds.	Rails (per gross ton).
New York.....	\$0.38	\$5.74
Boston.....	.38	5.74
Baltimore.....	.33	5.32
New Orleans.....	.51	7.57
San Francisco.....	1.66	37.33
Seattle.....	1.66	37.33
Rail and water:		
San Francisco.....	1.05	21.00
Seattle.....	1.05	21.00

The following schedule shows the cost of iron and steel delivered at our various seacoast cities, free of all charges, exclusive of duty, from European ports, as compared with similar prices quotable f. o. b. Pittsburgh with all-rail freights added to similar points of delivery:

Prices c. i. f. (per 100 pounds)—Not duty paid.

	United States.	English.	Belgian.	German.
NEW YORK AND BOSTON.				
Plates.....	\$2.23	\$2.22	\$1.56	\$1.47
Shapes.....	2.23	2.06	1.60	1.47
Bars.....	2.13	1.65	1.61	1.47
No. 24 galvanized corrugated sheets.....	3.98	3.77	3.54	3.21
No. 24 galvanized flat sheets.....	3.93	3.93	3.86	3.33
No. 24 flat black sheets.....	3.23	3.16	1.90	1.66
Tin plate, 107 pounds.....	5.80	4.65	4.15	.....
Wire nails.....	3.15	3.39	2.49	2.33
Galvanized wire.....	3.38	3.65	2.67	2.42
Galvanized barbed wire.....	3.80	3.92	2.70	2.57
Heavy rails (gross ton).....	52.74	42.58	37.09	35.26

Prices c. i. f. (per 100 pounds)—Not duty paid—Continued.

	United States.	English.	Belgian.	German.
BALTIMORE.				
Plates.....	\$2.18½	\$2.22	\$1.56	\$1.47
Shapes.....	2.18½	2.06	1.60	1.47
Bars.....	2.08½	1.65	1.61	1.47
No. 24 galvanized corrugated sheets.....	3.93½	3.77	3.54	3.21
No. 24 galvanized flat sheets.....	3.68½	3.93	3.86	3.33
No. 24 flat black sheets.....	3.18½	3.16	1.90	1.66
Tin plate, 107 pounds.....	6.75	4.65	4.15	.....
Wire nails.....	3.10	3.39	2.49	2.33
Galvanized wire.....	3.53½	3.65	2.67	2.42
Galvanized barbed wire.....	3.75½	3.92	2.70	2.57
Heavy rails (gross ton).....	52.32	42.58	37.09	35.26
NEW ORLEANS.				
Plates.....	2.36½	2.22	1.56	1.47
Shapes.....	2.36½	2.06	1.60	1.47
Bars.....	2.26½	1.65	1.61	1.47
No. 24 galvanized corrugated sheets.....	4.06½	3.77	3.54	3.21
No. 24 galvanized flat sheets.....	4.01½	3.93	3.86	3.33
No. 24 flat black sheets.....	3.36½	3.16	1.90	1.66
Tin plate, 107 pounds.....	6.02	4.65	4.15	.....
Wire nails.....	3.30	3.39	2.49	2.33
Galvanized wire.....	3.51½	3.65	2.67	2.42
Galvanized barbed wire.....	3.85	3.92	2.70	2.57
Heavy rails (gross ton).....	54.87	42.58	37.09	35.26

	United States.		English.	Belgian.	German.
	All rail.	Rail and water.			
SEATTLE AND SAN FRANCISCO.					
Plates.....	\$3.51½	\$2.90	\$2.22	\$1.56	\$1.47
Shapes.....	3.51½	2.90	2.06	1.60	1.47
Bars.....	3.41½	2.80	1.65	1.61	1.47
No. 24 galvanized corrugated sheets.....	6.26½	4.65	3.77	3.54	3.21
No. 24 galvanized flat sheets.....	5.21½	4.60	3.93	3.86	3.33
No. 24 flat black sheets.....	4.51½	3.90	3.16	1.90	1.66
Tin plate, 107 pounds.....	7.38	6.60	4.65	4.15	.....
Wire nails.....	4.53	3.87	3.39	2.49	2.33
Galvanized wire.....	4.66½	4.65	3.65	2.67	2.42
Galvanized barbed wire.....	5.15	4.50	3.92	2.70	2.57
Heavy rails, gross ton.....	84.33	63.00	42.58	37.09	35.26

Current rates of international exchange, Saturday, Aug. 20, 1921.

RANGE OF RATES, SIGHT EXCHANGE.

	High.	Low.	Final.	Friday's final.
London.....	\$3.66½	\$3.65½	\$3.66	\$3.65½
Paris.....	7.74	7.73	7.74	7.74
Rome.....	4.29½	4.27½	4.27½	4.31
Amsterdam.....	31.08	30.98	31.02	31.03
Berlin.....	1.18	1.16½	1.17	1.19
Madrid.....	12.97	12.91	12.94	12.94

CLOSING RATES.

Parity of exchange is given as reported by the United States Mint, except in countries with a silver standard, where parity fluctuates with the price of silver.

EUROPE.

	Satur- day.	Week ago.	Year ago.
Sterling (par, \$1.85 per sovereign):			
Demand.....	3.66	3.66½	3.64½
Cables.....	3.66½	3.66	3.65
Commercial, 60 days.....	3.62	3.62½	3.59½
Commercial, 90 days.....	3.60½	3.60	3.57½
France (par, 19.3 cents per franc):			
Demand.....	7.74	7.81	7.27
Cables.....	7.74½	7.81½	7.28
Italy (par, 19.3 cents per lira):			
Demand.....	4.27½	4.39½	4.98½
Cables.....	4.28	4.40	4.99
Belgium (par, 19.3 cents per franc):			
Demand.....	7.58½	7.60½	7.80
Cables.....	7.59	7.61	7.81
Germany (par, 23.8 cents per mark):			
Demand.....	1.17	1.17½	2.17
Cables.....	1.17½	1.18	2.19
Austria (par, 20.3 cents per crown):			
Demand.....	.12	.12½	.61
Cables.....	.12½	.13	.63
Czechoslovakia (par, 20.3 cents per crown):			
Demand.....	1.20	1.23	1.81
Cables.....	1.21	1.24	1.83
Denmark (par, 26.8 cents per krone):			
Demand.....	7.73	7.47	7.74
Finland (par, 19.3 cents per finmark):			
Demand.....	16.40	15.85	15.10
Cables.....	16.45	15.90	15.20
Greece (par, 19.3 cents per drachma):			
Demand.....	1.55	1.55	3.10
Cables.....	1.56	1.56	3.15
Holland (par, 40.2 cents per florin):			
Demand.....	5.62	5.70	12.00
Cables.....	5.65	5.73	12.05
Hungary (par, 20.3 cents per crown):			
Demand.....	31.02	31.13	33.125
Cables.....	31.04	31.15	33.25
Jugoslavia (par, 20.3 cents per crown):			
Demand.....	.26½	.27	.....
Cables.....	.27	.27½	.....
Norway (par, 26.8 cents per crown):			
Demand.....	.58½	.61	1.19
Cables.....	.59	.61½	1.21
Norway (par, 26.8 cents per crown):			
Demand.....	13.35	12.95	15.10
Cables.....	13.40	13.00	15.20
Poland (par, 23.8 cents per mark):			
Demand.....	.04	.05	.....
Cables.....	.05½	.06	.43
Rumania (par, 19.3 cents per leu):			
Demand.....	1.22	1.29	2.20
Cables.....	1.23	1.50	2.23
Serbia--Belgrade (par, 19.3 cents per franc):			
Demand.....	2.32	2.45	4.65
Cables.....	2.33	2.46	5.00
Spain (par, 19.3 cents per peseta):			
Demand.....	12.94	12.93	15.08
Cables.....	12.95	12.94	15.12
Sweden (par, 26.8 cents per krone):			
Demand.....	21.37	21.05	20.60
Cables.....	21.42	21.10	20.70
Switzerland (par, 19.3 cents per franc):			
Demand.....	16.91	16.90	16.66
Cables.....	16.93	16.92	16.72

FAR EAST.

	Satur- day.	Week ago.	Year ago.
China (cents per silver dollar for Hongkong; per tael for Shanghai and Peking):			
Hongkong, demand.....	51.00	51.75	76.50
Hongkong, cables.....	51.10	51.85	76.60
Peking, demand.....	76.00	75.00	117.50
Shanghai, demand.....	72.50	72.00	109.50
Shanghai, cables.....	73.00	72.50	110.00
India (Calcutta, cents per rupee, nominally stabilized at one-tenth of a pound sterling):			
Demand.....	25.50	24.25	36.00
Cables.....	25.75	24.50	36.50
Philippine Islands (Manila: Par, 50 cents per silver peso):			
Demand.....	48.50	48.00	46.25
Cables.....	48.75	48.25	46.50
Java (par, 40.2 cents per florin):			
Demand.....	32.25	32.25	.....
Japan (par, 49.8 cents per yen):			
Demand.....	48.50	48.50	51.25
Cables.....	48.75	48.75	51.50

SOUTH AMERICA.

Argentina (par, 42.44 cents per Argentine paper dollar):			
Demand.....	29.875	30.00	38.50
Cables.....	30.00	30.125	38.65
Brazil (par, 32.45 cents per paper milreis):			
Demand.....	12.875	12.25	21.00
Cables.....	12.50	12.375	21.10

CANADA.

Montreal (par, 100 cents per Canadian dollar):			
Demand.....	90.0	89.9	87.7

RUSSIAN CURRENCY.

Prices for prerevolution Russian ruble notes were as follows (par, 51.40 cents per ruble):

	Bid.	Asked.
100-ruble notes, per ruble.....	\$0.20	\$0.30
500-ruble notes, per ruble.....	.15	.17

Ad valorem equivalents of iron and steel products, as compared with the ad valorem equivalents for raw materials used in steel manufacture found under Schedules 1 and 2, and ferro-alloy supplies, under Schedule 3:

Ad valorem equivalents.	Market value of production.	Rate of duty.	Per cent duty.
IRON AND STEEL.			
Steel bars:	<i>Per ton.</i>	<i>Per ton.</i>	
Valued 1 to 1½ cents.....	\$35.00	\$5.00	17
Valued up to 2½ cents.....		10.00	20
Valued up to 3½ cents.....		16.00	23
Wire rods, not over 4 cents per pound	45.00	6.00	14
Plain wire	55.00	15.00	27
Barbed wire	74.00	10.00	14
Pipe, not under ½-inch diameter	67.50	15.00	22
Pig iron	20.00	2.50	12
Rails, seven-fortieths of 1 cent	45.00	3.50	8
Plates, 1 cent per pound and over	38.00	10.00	26
Sheets:			
Valued 3 cents and less.....	60.00	9.00	15
Lighter gauges.....		11.00	.....
Do.....		15.00	.....
Structural shapes, seven-twentieths of 1 cent per pound	36.00	7.00	19

1 Proposed rate.

Ad valorem equivalents.	Market value of production.	Rate of duty.	Per cent duty.
RAW MATERIALS AND ALLOYS.			
Manganese.....	<i>Per ton.</i> \$12.50	<i>Per ton.</i>	90
Ferromanganese.....	70.00		45
Ferrosilicon.....	65.00		57
Fluorspar.....	17.00		30
Magnesite.....	42.00		35
Tin.....	\$.26½		10
Zinc.....	\$.04½		50
Zinc ore (subject zinc content).....	21.00		50-100
Lead.....	\$.04½		50
Lead ore.....	51.00		60
Ferromolybdenum.....	\$ 2.00		82½
Ferrotungsten.....	\$0.45-1.50		195-215
Ferrochrome.....	\$.14		30
Ferrophosphorus.....	95.00		45
Ferrotitanium.....	230.00		45
Ferrovandium.....	\$ 5.00-6.00		45

¹ Proposed rate.

² Per pound.

Income account of Republic Iron & Steel Co.

QUARTER ENDING MARCH 31, 1921.

Net earnings from operations after deducting charges for maintenance and repairs of plants, amounting to \$704,058.58, and provision for excess-profits taxes, etc.....		\$470,242.01
Interest and income from investments.....		51,255.37
		521,497.38
Provision for depreciation and renewal of plants.....	\$177,796.76	
Provision for exhaustion of minerals.....	54,845.01	
		232,641.77
Net profits for the quarter.....		288,855.61
Deduct interest on bonds and notes.....		184,244.57
		104,611.04
Net profits applicable to dividends.....		104,611.04
Provision for dividends during the quarter:		
Preferred stock, 1½ per cent.....	\$437,500.00	
Common stock, 1½ per cent.....	450,000.00	
		887,500.00
Deficit for the quarter.....		782,888.96

Dividends payable: Preferred, April 1, 1921, to stockholders of record March 16, 1921; common, May 2, 1921, to stockholders of record April 22, 1921.

Our fiscal year ends December 31, and these results are subject to change at the end of the year, when the accounts are finally audited.

Unfilled orders on hand, finished and semifinished: March 31, 1921, 121,498 tons; December 31, 1920, 198,678 tons.

QUARTER ENDING JUNE 30, 1921.

Net loss from operations, after deducting charges for maintenance and repairs of plants, amounting to \$367,127.....		\$508,447.22
Interest and income from investments.....		54,872.85
		453,574.37
Provision for depreciation and renewal of plants.....	\$175,675.33	
Provision for exhaustion of minerals.....	30,155.03	
		205,830.36
Net loss.....		659,404.73
Interest on bonds and notes.....		224,269.16
		883,673.89
Net loss for quarter.....		883,673.89
Provision for dividends during the quarter: Preferred stock, 1½ per cent.....		437,500.00
Amount deducted from surplus.....		1,321,173.89

Dividends payable: Preferred, July 1, 1921, to stockholders of record June 17, 1921. Our fiscal year ends December 31, and these results are subject to change at the end of the year when the accounts are finally audited. Unfilled orders on hand, finished and semifinished: June 30, 1921, 97,265 tons; March 31, 1921, 121,498 tons.

Annual earnings, Republic Iron & Steel Co.

Year.	Dividends.		Earnings.	Gross volume of business.	Undivided surplus.	Outstanding capital.		Per cent earnings on combined surplus and capital.
	Common.	Preferred.				Common.	Preferred.	
1911.....		\$1,750,000	\$1,953,442	\$25,638,005	\$5,296,218	\$27,191,000	\$25,000,000	3
1912.....		437,500	2,335,677	32,319,774	6,661,478	27,191,000	25,000,000	4
1913.....		1,750,000	3,101,300	31,937,059	6,612,778	27,191,000	25,000,000	5
1914.....		1,750,000	3,028,748	21,365,249	6,615,290	27,191,000	25,000,000	2
1915.....		1,187,500	3,615,819	29,916,229	6,354,954	27,191,000	25,000,000	6
1916.....	\$407,835	1,500,000	14,789,183	62,844,018	18,236,251	27,191,000	25,000,000	21
1917.....	1,631,460	1,750,000	15,657,197	78,325,461	30,711,988	27,191,000	25,000,000	19
1918.....	1,631,460	1,750,000	7,791,934	75,224,110	35,122,462	27,191,000	25,000,000	9
1919.....	1,632,687	1,750,000	2,141,197	45,872,345	33,880,972	27,272,800	25,000,000	2
1920.....	1,800,000	1,750,000	7,616,522	76,342,220	37,441,571	30,000,000	25,000,000	8
								7.9

NOTE.—Per cent earnings on gross volume of business, 13 per cent.

German steel works' earnings.

(Iron and Coal Trades Review, London, England, Aug. 12, 1921.)

Name of company.	Net profits.		Dividend on ordinary shares.	
	1919-20	1920-21	1919-20	1920-21
Donnersmarck Hütte.....	£144,000	£102,000	Per cent. 15	Per cent. 10
Kaiserslautern Iron Works.....	28,000	94,000	12½	12½
J. Rattigebor (wagon works).....	87,000	222,000	14	21
H. Wolf Co., Magdeburg.....	155,000	680,000	15	15
Concordia Hütte.....	25,000	96,000	6	10

The annual earnings, figured on the combined capital and surplus of the Republic Iron & Steel Co., average slightly less than the estimated statement given your committee, the actual figures showing 7.9 per cent. The percentage of earnings on the gross volume of sales averages approximately 13 per cent. When it is considered that this average includes the war period, when earnings were abnormal, it will be convincingly evident that the average profits from iron and steel manufacture is less than that realized by banking and other enterprises and less than that realized by German steel manufacturers.

STATEMENT OF C. A. BUOK, VICE PRESIDENT OF THE BETHLEHEM STEEL CO., BETHLEHEM, PA.

Mr. BUOK. I have come to address you, gentlemen, especially on raw materials. Our company is not taking exception to the duties on the finished product; provided the American valuation plan is established in the law, we are perfectly willing to accept the duties on the finished steel products.

Senator SIMMONS. How much do you estimate that the American valuation plan is worth to you in the form of potential protection, under the Fordney bill?

Mr. **BUCK**. The American valuation plan would probably protect us 30 or 40 per cent.

Senator **SIMMONS**. By itself?

Mr. **BUCK**. By itself.

Senator **SIMMONS**. So that the American valuation plan adds 30 or 40 per cent to the Fordney duties?

Mr. **BUCK**. Yes, sir.

Senator **LA FOLLETTE**. What is your relation to the Bethlehem Steel Co.?

Mr. **BUCK**. I am vice president of the Bethlehem Steel Co.

Senator **LA FOLLETTE**. What is your post-office address?

Mr. **BUCK**. Bethlehem, Pa. The alloys in which we are interested we believe should be on the free list, and we believe in a nominal duty that would protect the manufacturers of these alloys in this country. There is an excellent opportunity for this country to go much more seriously into the manufacture of alloys. Many of them in the past have come from Europe. Geographically this country is as well located as Europe for the making of ferromanganese; prior to the war 50 per cent came into this country from abroad.

We believe that we ought to make our ferromanganese, because the origin of the raw material is Brazil, India, and Turkey; and the only advantage that the European has had—principally the English—has been in taking their ores to home ports as ballast in connection with their merchandising in these countries. It particularly applies to manganese and also to chrome ore.

We do not believe that the high duties on alloys mentioned in the bill are warranted, and we recommend free ores.

A large element in the cost of the manufacture of alloys is, naturally, fuel. It takes large quantities of fuel to reduce these refractory ores—manganese, chromium, tungsten, and silicon. The labor is the smaller element, because it takes but a few men to run a blast or electric furnace. Fifteen or twenty men, for instance, make 200 tons of ferromanganese in a day; a smaller number of men are required on the electric furnace. So that a nominal duty upon these alloys, we believe, is advisable and would permit this country to make the alloys instead of our buying them abroad.

Senator **SIMMONS**. Does your company produce any of those alloys?

Mr. **BUCK**. Our company is a manufacturer of ferromanganese. During the war it made its own ferromanganese.

I desire to subscribe to what Mr. Topping stated relative to the differential between the duties on manganese ore and ferromanganese. The duty of 1.2 cents per pound on manganese contained in the ore when converted into ferromanganese imposes a cost of about \$21.50 per ton on the manganese contained in the ferromanganese. The duty of 2.2 cents per pound of manganese in ferromanganese imported into this country imposes a duty of \$39.42 per ton on ferromanganese. These variable duties on manganese in manganese ore as compared with the manganese in ferromanganese gives an advantage to the manufacturer importing manganese ore over the consumer importing ferromanganese of \$39.42 minus \$21.50, or \$17.92 per ton of ferromanganese. So we ask for free manganese ore.

Senator SIMMONS. You say that by making it you have an advantage over the manufacturer who does not make it, but buys it from Europe, of about \$17 a ton?

Mr. BUCK. Yes.

Senator SIMMONS. Does that mean that you can produce it in this country for \$17 a ton less than these other countries?

Mr. BUCK. No, because the other countries do not have any duty upon manganese ore.

Senator SIMMONS. I thought you were talking about the advantage that the American producer of steel products had.

Mr. BUCK. Buying from the domestic manufacturer, not the foreign manufacturer. I may have misstated that, Senator.

Senator SIMMONS. I understood you to say that a man who bought from a foreign manufacturer would have to pay for his ferromanganese about \$17 a ton more.

Mr. BUCK. Yes, \$17 a ton more.

Senator SIMMONS. Then the man who made this ferromanganese in this country would have to pay—

Mr. BUCK. The man who made the ferromanganese in this country would manufacture his ferromanganese at \$17 a ton less than the man who had to buy foreign ferromanganese.

Mr. TOPPING. Inasmuch as I made that statement, Mr. Chairman, may I interject this?

The CHAIRMAN. Yes, sir.

Mr. TOPPING. It is the difference, Senator, between the cost of ferromanganese which I buy in this market from either Mr. Buck's company or any other company and the cost of producing it. It is the preferential treatment between the operator of the blast furnace who makes his own manganese and the little consumer, the little steel maker, who has to buy it in the open market in this country. That is what it means. It is preferential treatment in favor of the big man to the exclusion of the little fellow, which is wrong.

Senator SIMMONS. In other words, if you make your ferromanganese it costs you very much less than the ferromanganese would cost the man who has to buy from abroad.

The CHAIRMAN. I would like to ask Mr. Topping while he is on his feet what percentage of the steel industry in the United States is in operation now as compared with the recent maximum activities?

Mr. TOPPING. I think it would be a maximum percentage to say that 25 to 30 per cent of our capacity is employed. In the case of our own companies we are running about 20 per cent.

The CHAIRMAN. In normal times you employ over 1,000,000 men?

Mr. TOPPING. About a million and a half.

The CHAIRMAN. How many are now employed?

Mr. TOPPING. It would be about 300,000 as against a million and a half, a 20 per cent basis.

Senator LA FOLLETTE. Do you mean in normal times or in war time?

Mr. TOPPING. I mean that would be approximately the total number employed in our mines, mills, etc., from the mines to the finished operation.

Senator LA FOLLETTE. In normal times?

Mr. TOPPING. Yes. That is based on the census returns of 1914. And I have allowed, Senator, in making that statement, for the growth during the war, which was about 35 per cent.

The CHAIRMAN. Big concerns like the Bethlehem and the Midvale are down to their minimum of employment, are they?

Mr. TOPPING. Absolutely. They are not doing enough business to pay to keep the organization together. We would be better off, gentlemen, to-day, if we were shut down 100 per cent. We are losing money on every pound of steel that we are producing. There has never been a period in our history—and I have been in the steel business since 1878, and in all that time, during the depression of 1893 and various other depressions from 1908 on, when, owing to the fear of the Underwood bill it reduced us to very severe conditions in this country, as you remember—during that whole period the state of depression was not comparable to the present conditions.

The CHAIRMAN. It would be cheaper for you to shut up entirely, but you remain open in order to hold your men together—

Mr. TOPPING. We are doing it, Senator, to keep our organization and keep a good many of them from starving. In some cases, in the Northwest and in our Alabama fields, we are feeding people at our commissaries where they can not perform any work themselves.

The CHAIRMAN. I wanted to present this to the committee because the committee is continually hearing about the great hardships of the agricultural interests and the other interests throughout the country, and I have stated frequently that the industries in the great manufacturing centers are even harder up than the agricultural interests.

Mr. TOPPING. I think they are, beyond any question of a doubt.

The CHAIRMAN. And there is more starvation and misery and lack of employment prevailing.

Mr. TOPPING. With 6,000 men or more that we employ in the Northwestern ranges—in Michigan, Wisconsin, and Minnesota—we have not a mine in operation. They are all shut down tight. We have not a coal mine in Pennsylvania in operation—not one. We have not a coal mine or an ore mine in Alabama in operation.

The CHAIRMAN. And those men are walking the streets unemployed?

Mr. TOPPING. Yes, sir. We have ordinarily 12,000 men employed in Ohio. I do not think that we have to-day 2,000 men employed in the whole State.

The CHAIRMAN. How many men does your concern employ normally?

Mr. TOPPING. About 15,000.

The CHAIRMAN. Have you any objection to stating how many you are employing now?

Mr. TOPPING. I would say about 3,000, all told, as a maximum.

The CHAIRMAN. As against 15,000?

Mr. TOPPING. Yes, sir.

The CHAIRMAN. And I know that that is true with respect to many very large concerns in Pennsylvania.

Mr. TOPPING. Yes, sir.

Senator CALDER. Do you mean that 15,000 was your prewar force?

Mr. TOPPING. I mean that would be our capacity running normally, 90 per cent or 100 per cent operation. We say 95 per cent is 100 per cent theoretically. Ninety per cent would be a good normal operation.

The CHAIRMAN. I am glad of the opportunity to bring out this point, in view of all the talk about profits and one thing and another, the abject conditions in the world's great industries that have been existing for many months and are continuing without any hope of improvement.

Senator SIMMONS. I would like to ask a question. You say that is because you have no markets for your product?

Mr. TOPPING. I did not say the cause of it, Senator.

Senator SIMMONS. Is that the cause of it?

Mr. TOPPING. I will tell you what I think is the cause of it, if you want me to express an opinion.

Senator SIMMONS. Yes.

Mr. TOPPING. I think it is due to the fact that the cost of fabricating steel, due to the high cost of labor, in transportation, in building trades, and in various other activities, is so high—on a war peak practically—that they can not afford to use steel.

I will illustrate that by making this statement: If you were going to put up a steel building in Washington, an office building, and I gave you free of cost the structural steel necessary to put up that building, you could not afford to build it to-day, because only about 12 per cent of the cost of that building would be steel. The balance is labor, brick, mortar, and freight charges.

Senator SIMMONS. Therefore you have lost your customers?

Mr. TOPPING. Therefore we have lost our customers, because the customers can not afford to use steel, because the cost of fabricating it, or putting it into useful forms, is so great that the public will not buy the fabricated products. You have got to liquidate the costs of this material. We can not afford to pay war freight rates and get down to a good basis. It is selling to-day at 66½ per cent below the prices current in January, 1921. Think of it. And still we are paying 53 per cent more for labor than we did in 1913, with the costs of the steel close to the value in 1913.

Senator SIMMONS. I think you are giving the real reasons for it.

Mr. TOPPING. I think I am. I think I know.

Senator SIMMONS. The question I was asking you was if that was not the result of a loss of customers. You have given the reasons why you have lost your customers. The question I am asking your opinion about is whether you have not lost your customers in the foreign market to the same extent that you have lost your customers in the domestic market.

Mr. TOPPING. The same causes operate all over the world, Senator, naturally.

Senator SIMMONS. Exactly. All I want to present is that it is not the tariff; it is other conditions.

Mr. TOPPING. Those are operating causes, but they are not the whole and sole cause. You can not apply your thought as being the conclusive and sole influence that brings about this depression.

To my mind, the big factor in our home market is that our values have not been stabilized. To-day a farmer can take a bushel of wheat or a bushel of corn and buy as much steel in pounds of nails

as he could in 1913. It is not true that the steel man can buy as much labor as he could for \$1 in 1913, and it is not true that he can buy as much transportation. Our freight costs are double; and with regard to the supplies necessary in steel production our dollar is a 50-cent dollar again. Yet we are selling our product on practically a prewar basis, hoping to stimulate a demand by cheapening our product. The labor cost is the prohibitive factor against the use of steel, plus the cost of freight.

Senator SIMMONS. You have lost your business for the same reason that the cotton farmer has lost his. You have protection; he has none. His cotton does not command the price that it would command in normal times, because he has not the domestic consumers nor the foreign consumers. He has lost a large part of his domestic consumers and a large part of his foreign consumers——

Mr. TOPPING. I do not agree with you.

Senator SIMMONS. Because they are shut down, not operating their mills.

Mr. TOPPING. I do not agree with you, because the cotton farmer of the South has no competition, substantially. This is the sole source of supply of the world's cotton, in a substantial sense, whereas in our business we are only a 60 per cent factor in the world's production of steel.

Senator SIMMONS. You are in the same position as the cotton man, as I understand you, practically.

Mr. TOPPING. We are influenced to a greater extent by the factors I have recited than the cotton man is. His business may be poor here, but good somewhere else.

Senator SIMMONS. The difference is that you can shut down.

Mr. TOPPING. I beg your pardon. We can not shut down.

The CHAIRMAN. He just said he could not shut down.

Senator SIMMONS. I understood you to say that a large number of your employees are out of work?

Mr. TOPPING. That is not a voluntary act on our part, Senator.

Senator SIMMONS. I know it. You are forced to it.

Mr. TOPPING. You say we can shut down. So can the farmer.

Senator SIMMONS. You are not continuing your operation to the same extent that you did before the war.

Mr. TOPPING. We can not shut down. Our expenses would eat us up. When the farmer shuts down he eats up his surplus crop. That is all that happens to him.

Senator SIMMONS. The farmer can not shut down.

Mr. TOPPING. I was born on a farm, Senator, so I know something about it.

Senator SIMMONS. He has to continue operating his farm——

Mr. TOPPING. I grew up on a farm. You can not tell me anything about farming.

Senator SIMMONS. I am glad to hear it. That accounts for your splendid success.

Mr. TOPPING. Part of my family are still farming.

The CHAIRMAN. Now, Mr. Buck, will you resume?

Senator LA FOLLETTE. Mr. Topping, one question: Were you called as a witness before the Lockwood committee?

Mr. TOPPING. No, sir; I was not.

Senator LA FOLLETTE. Was anybody from your company?

Mr. TOPPING. No, sir. We are not interested in that particular branch of the structural combination over there.

The CHAIRMAN. Now, Mr. Buck, will you resume the continuity of your remarks?

Mr. BUCK. We have an iron-ore mine in Pennsylvania, the largest one in Pennsylvania. It is shut down completely now for the first time since 1857.

The CHAIRMAN. That is the "Liberty"?

Mr. BUCK. That is the Cornwall mine, near Lebanon. It is shut down now for the first time since 1857. These mines are shut down completely and everybody is out of work except a small organization left there—

The CHAIRMAN. I was there when the Underwood bill was passed, and the wives of the employees assembled to demand a change in the law. It was a pitiful sight to see the distress prevailing there.

Senator SIMMONS. They had been pretty well indoctrinated in the falsehoods of protection.

The CHAIRMAN. They were indoctrinated in the truths of starvation.

Senator SIMMONS. They thought that what you were telling them was more or less true, but it turned out that it was not.

Mr. BUCK. Take the duty that is recommended on ferromanganese, about \$39. I can say with assurance—because we contracted in 1915 for ferromanganese from abroad—we bought it for 15 years prior to the war for between \$35 and \$45 a ton. There is no natural advantage that Europe has in the manufacture of ferromanganese that we do not possess, except the labor situation, which is not an important factor, the principal cost being the cost of the ore and the cost of the fuel in all of these alloys. So we would like to see a nominal duty put upon ferromanganese.

The CHAIRMAN. How many men were employed in the Bethlehem Steel Co. in normal times?

Mr. BUCK. I think, Senator, we had about a hundred thousand men employed.

The CHAIRMAN. How many are employed now?

Mr. BUCK. We estimate that about 20 per cent of our plants are in operation.

The CHAIRMAN. The rest of the men are absolutely without employment?

Mr. BUCK. They are idle to-day.

The CHAIRMAN. And without any means of making a living?

Mr. BUCK. That is correct.

Senator McCUMBER. To what extent have wages been reduced in your establishment since the higher prices and during the war period?

Mr. BUCK. We have reduced our wages something less than 40 per cent since the highest peak during the war period.

Senator McCUMBER. Can you give us an idea of what your general wages are that are now paid to your labor?

Mr. BUCK. We paid common labor 42 cents. We have common labor to-day down to 27 cents an hour.

Senator SMOOT. That is, common labor?

Mr. BUCK. That is common labor. Other rates were reduced proportionately.

Senator McCUMBER. What percentage of your labor is that which you denominate common labor, receiving 27 cents?

Mr. BUCK. I should say that is not over 10 per cent of our labor.

Senator LA FOLLETTE. The other labor has been reduced relatively?

Mr. BUCK. Yes, sir.

Senator McCUMBER. I want to get at what you pay the other labor, the different classes.

Mr. BUCK. What are the rates, you say?

Senator McCUMBER. Yes. What are you paying now?

Mr. BUCK. Take the shipyards—about 70 cents.

Senator McCUMBER. An hour?

Mr. BUCK. Seventy cents an hour is the rate there. In the machine shops 50 to 60 cents an hour.

Senator SIMMONS. Is that skilled labor?

Mr. BUCK. Skilled labor, skilled mechanics, of which we have great numbers, they being machine-shop operators.

Senator LA FOLLETTE. Did you say 60 cents for machine-shop operators?

Mr. BUCK. Fifty to sixty cents.

Senator SIMMONS. Is the American production of ferromanganese adequate to the American demand?

Mr. BUCK. It never has been, Senator. Up until 1914 about 50 per cent of it was imported. About half of the ferromanganese was imported.

Senator SIMMONS. What is the fact now?

Mr. BUCK. There are no importations. The banks of the steel companies and the banks of ferromanganese manufacturers are well piled up. They have a year or more supply.

Senator SIMMONS. You are not importing any at all now?

Mr. BUCK. There is practically no importation of ferromanganese to-day; practically none.

Senator LA FOLLETTE. Had you finished?

Mr. BUCK. Yes, Senator.

Senator LA FOLLETTE. You stated not long ago to Senator Penrose, the chairman, that normally you employed about a hundred thousand men?

Mr. BUCK. Yes, sir.

Senator LA FOLLETTE. And that you now employ about 20,000?

Mr. BUCK. About 20 per cent of them are employed.

Senator LA FOLLETTE. Of the 20,000 men now employed what number are paid 27 cents per hour?

Mr. BUCK. I think about 10 per cent of them, the common labor. I am taking that purely from memory, Senator. I think that is true.

Senator CALDER. Has your labor been reduced?

Mr. BUCK. Yes, sir; from a high rate of 42 cents until it is down now to 27 cents.

Senator LA FOLLETTE. How many hours a day do the men work?

Mr. BUCK. The men work 10 hours a day. In the machine shops they work 8 hours a day.

Senator SIMMONS. What were you paying common labor before the war?

Mr. BUCK. Forty-two cents.

Senator SIMMONS. Before the war?

Mr. BUCK. Oh, before the war I think we were paying about 18 cents, in 1914. I think it was about 18 cents.

Senator SMOOT. Is most of the labor foreign?

Mr. BUCK. Practically all the labor is foreign. It is Hungarian, Slav and Magyar, Italian, Portuguese, and Mexican.

Senator SIMMONS. Are the bulk of them naturalized?

Mr. BUCK. No. Not a large percentage of them are naturalized. Of course as we curtail our labor we keep our American citizens, and the foreigner is out of work to-day. It was always a small percentage, but the American in our district is the mechanic. During the war you could not get American labor. It was foreign labor that you got, and a good deal of it was Mexican and Portuguese.

Senator SIMMONS. Taking the whole steel industry, could you give the committee an idea of what per cent of common labor is foreign labor?

Mr. BUCK. No, sir; I do not believe I could answer that. I do not know that I have seen any statistics.

Mr. TOPPING. It runs about 70 per cent, Senator. That is based on a poll taken during the war which I happened to be interested in. That is approximately a correct statement for the whole industry.

Senator LA FOLLETTE. And for normal times?

Mr. TOPPING. The same condition. It is practically unchanged.

Senator LA FOLLETTE. How was it before the war?

Mr. TOPPING. I do not know. We had no poll at that time. We took a poll during the war for a purpose. I do not think there has been any change since the war to any material extent. I think that would be an approximately correct statement to-day.

Mr. BUCK. I have in my plea made a request for no duty on fluorspar. We have always had as our source of material the by-product from the lead mines of Great Britain. It is a by-product and we have used it for years.

Senator SIMMONS. We had a gentleman here the other day urging very strenuously a pretty good duty on fluorspar.

Mr. BUCK. The only reason I have to offer for that, Senator, is that we are geographically not well located to the sources of fluorspar which exist in Kentucky and Illinois, and we have a higher transportation charge and have always had a high transportation charge to the Atlantic coast. It does not interfere with the general fluorspar business—

Senator SIMMONS. He was an American and a producer, and he wanted protection. You are an American and a consumer of that product, and you think it ought not to be protected.

Mr. BUCK. We are not objecting to a nominal protection.

Senator SIMMONS. I thought you said you thought it ought not to be protected.

Mr. BUCK. We are rather objecting, Senator, to anything that will add to the cost of our steel. We are trying to get back, as we think the country is, to "normalcy." This is one of the increments that are interfering with our business. Anything that adds to the cost of steel—

Senator SIMMONS. Why should you think that you are more entitled to protection than the man who came here last week, a producer, and asked protection on what he was interested in? That is unfinished product.

Mr. BUCK. Only because we do not think there ought to be a geographical penalty put upon the consumer resulting in the prevention of the use of the commodity.

Senator SIMMONS. I thought the whole argument was, with the geographical location of the mines in the United States or the industry in the United States, there was no reason why one man should be given protection in one section of the country and another man producing the same thing should not have any protection in another section of the country.

Mr. BUCK. Irrespective of where the source of the material might be?

Senator SIMMONS. Yes.

Mr. TOPPING. May I interject something else at this point?

The CHAIRMAN. Yes.

Senator SIMMONS. It seems to me this witness ought to take care of himself.

The CHAIRMAN. They are all together, as I understand it.

Senator LA FOLLETTE. There is no question about that.

Mr. TOPPING. Inasmuch as I appeared before the committee on August 5 and filed a protest against fluorspar as well as magnesite, and being interested as a group, the reply comes to my mind that answers your question rather more clearly, I thought, than Mr. Buck's statement, and I would like to make it if the committee will indulge me.

Senator SIMMONS. I have no objection.

Mr. TOPPING. He is not asking for free trade on fluorspar. He is asking for the same treatment as to fluorspar that you accord him under the present law, or under the proposed law, on limestone and all other fluxes that he mines himself.

Senator SIMMONS. If he is not asking for it I am badly mistaken.

Mr. TOPPING. We are asking because we have free trade on coal. Coal is on the free list, and we have had limestone on the free list. Fluorspar is nothing more than a limestone in another form. Why should you protect fluorspar and not protect limestone? We do not want it. We want free raw materials. We want free raw materials that we produce ourselves, our iron ore and coal and limestone.

Senator SIMMONS. The point of my inquiry was, why should not the man who produces free raw material not have protection against his foreign competitor just to the same extent as you have?

Mr. TOPPING. We object to your giving preferential treatment to a fluorspar man when you do not give us preferential treatment on our limestone.

Senator SIMMONS. Suppose we give protection to all of the producers of raw materials. Do you object to that?

Mr. TOPPING. Those crude products do not need protection.

Senator SIMMONS. That is the point. You say they do not need protection, but they say they do. These fluorspar men have been here and these graphite men have been here. They make the same argument. You come here and say they ought not to have protection.

The CHAIRMAN. Now, Mr. Buck, if you will conclude.

Mr. BUCK. I would like to add magnesite to the list of raw materials that should be permitted to come into the country free. There is a duty of \$15 a ton proposed in this bill on magnesite.

Magnesite, prior to 1914, was produced and shipped into this country at \$15 a ton. We have magnesite in the State of Washington. The cost of transportation of Washington magnesite to the eastern steel industry is practically \$15 a ton. We believe that we should not be forced to double the cost of this refractory which is used for the bottoms and for the linings of furnaces, because it will drive the steel maker to using an inferior product in the east, that is, dolomite, which does not satisfactorily serve this purpose and is not economical.

That is all that I have to submit to the committee.

Senator LA FOLLETTE. I would like to ask a question or two. Mr. BUCK, you stated that you were reduced to about 20 per cent of your normal employment of labor?

Mr. BUCK. Yes, sir.

Senator LA FOLLETTE. To what do you attribute that reduction in labor and, consequently, in the production of steel?

Mr. BUCK. We naturally do not have a market for our products. We think that transportation is an important element that has added to the cost of these products. I do not know of any better way to tell you about the influence of transportation on plants located as we are, in the East, than to tell you that the cost of assembling the raw materials to make a ton of pig iron is as great as the cost of the pig iron was in 1914—\$12 to \$14 a ton is the cost of assembling our ores, coal, and limestone to make a ton of pig iron. That naturally has increased the cost of the basic elements that go into steel making very greatly. Another element which is important is the one which Mr. Topping referred to, and that is the erectors, the contractors who were consumers of this steel, have not brought down their wages. It is not at all unusual to see a dollar an hour being paid to the steel erector.

Senator LA FOLLETTE. Has your company refused to sell to some of these fabricators where they employ union labor?

Mr. BUCK. I do not think so, Senator.

Senator LA FOLLETTE. Did not your Mr. Grace so testify before the Lockwood committee in New York City?

Mr. BUCK. I do not know just what Mr. Grace testified to. I was not present. I do not know what his speech was. I do not think we refused to sell to anybody. That is the knowledge that I have.

Senator LA FOLLETTE. I had some recollection of having seen such a report of his testimony.

Mr. BUCK. There is a great deal of gossip in the papers always, and always exaggerations of that character made.

Senator LA FOLLETTE. It attracted a good deal of attention at the time, as I remember it.

Mr. BUCK. I do not think we could afford not to sell steel generally. We are too much interested in disposing of our steel.

The CHAIRMAN. Is there anything further?

Senator LA FOLLETTE. The 42-cent rate for common labor which you were paying was for what year or what years?

Mr. BUCK. I should say, 1919 and 1920, up until the beginning of this year. It may have been two or three years, Senator.

Senator LA FOLLETTE. What was the price paid per hour for that labor, say, back in 1910 and 1911 and 1912, and along there?

Mr. BUCK. I think, in 1912, about 18 cents.

Senator LA FOLLETTE. It ran along about the same rate for a good many years?

Mr. BUCK. Yes, sir; 15 to 16 cents was the rate of labor for a number of years.

Senator LA FOLLETTE. That is all, I think.

BRIEF OF C. A. BUCK, VICE PRESIDENT OF THE BETHLEHEM STEEL CO., BETHLEHEM, PA.

We believe the proposed duties on finished steel products in the metal schedule to be fair and equitable to the steel industry in general provided the American valuation plan is accepted. It is only certain raw materials and certain alloys that are practically raw materials that we wish to call to your attention. We believe these products should be on the free list:

Ferro-alloys: These are alloys of iron and certain other elements. They are used in the manufacture of certain high-grade steel to give qualities of hardness, toughness, etc. Some of the more important ones are ferromanganese (discussed separately under manganese ore), ferrochromium, ferrotungsten, ferrovandium, ferrosilicon, etc. Nickel and nickel alloys (par. 385) can be added to the list as their uses are the same.

We would recommend that only nominal duties be put on these materials and that the ores from which these materials are made be put on the free list. Our reasons for these requests are:

1. Ferro-alloys are essentially raw materials, being the first product resulting from the smelting of the various ores, this generally being done in the electric furnace.

2. The ores of most of the metals in this group do not exist in the United States in commercial quantities. As to this feature reference may be made to some of these elements in detail.

Chromium: Only low-grade chromium ores exist in the United States. These occur in California, and their use in the steel industry is practically prohibitive on account of their leanness and their cost when the freight on waste matter in the ores is considered. No rich chrome ores were developed during the exceedingly high war prices. The deposits in California are too low grade to be of importance in peace time; but would form a valuable emergency reserve in time of war.

Tungsten: The case of tungsten is much like that of chromium. In using up our tungsten reserves we are consuming a relatively low-grade reserve of very moderate tonnage in competition with rich ores of very large tonnage that occur in Peru, China, the Malay States, etc.

Nickel: No nickel deposits exist in the United States, and a high duty on the crude forms of nickel (metallic nickel and nickel alloys) is a hardship on the steel industry.

Manganese ore and ferromanganese (par. 302): Manganese is absolutely essential in the steel industry, and about 17 pounds of manganese are used for every ton of steel produced. This importance makes the subject worthy of special mention. We are not in favor of a duty on manganese ores, but do not object to a duty on ferromanganese for the following reasons:

1. Experience has shown that even under the inducements of very high prices the United States is entirely unable to supply its needs of manganese ore. Our deposits are of low grade and are so scattered as to be of little importance to the American steel industry. These facts have been brought out in so many investigations that they do not need repetition here. About all that can be said as to American deposits is that they would form a small emergency reserve in case foreign supplies should be shut off by a future war.

2. Putting manganese ore on the free list and imposing a nominal duty on ferromanganese would tend to increase the importation of the crude ore and would allow any steel company to buy its ores abroad and make its ferromanganese in the United States.

3. Foreign manganese ores exist in great abundance in Brazil, Turkey, and India. A duty on manganese ore will certainly tend to make Germany, and more especially England, the principal ferromanganese producing countries. They did enjoy this business before the war and a great part of our ferromanganese was bought from England. Thus, in the years 1908-1914, inclusive, we imported more ferromanganese than we made—640,000 tons imported as against 610,000 made in the United States.

4. The exports of manganese ore from the countries mentioned above form an important part of their commerce. This is especially true of Brazil, which country

is the most natural source of manganese ore for the United States. It would seem entirely possible that in case manganese ore is made to pay a high duty some of the preferential agreements which the United States now enjoys may be abrogated by the countries interested. This would certainly be to the disadvantage of our foreign trade.

5. Geographically the United States is as well located for ferromanganese manufacture as any country in the world. Ferromanganese is not made in any of the countries producing large quantities of manganese ore. Like iron ore, manganese ore invariably goes to a location possessing good coking coal where it is smelted into ferromanganese.

Inducements should be made in this tariff for the manufacture of ferromanganese in this country. This can be done by admitting the ores free of duty and by putting a nominal duty on ferromanganese. In this way we will offset the advantage Europe now has in the matter of ocean transport on ores from India, Turkey, and Brazil to European points.

6. England in normal times enjoys a distinct advantage in ferromanganese production over the United States. The reasons for this are summarized in Tariff Information Surveys on the ferro-alloy industries (U. S. Tariff Commission, 1921 p. 69). Any tariff on manganese ore will increase this advantage.

Fluorspar (par. 207): Fluorspar is an essential material in the steel industry, being the only satisfactory flux for open-hearth furnaces. For many years a considerable part of our requirements has been imported, mostly from England.

The tariff on fluorspar will be a distinct hardship on eastern steel manufacturers on account of the high freight rates applying from Kentucky and Illinois. We believe the reserves in those States to be ample, but also believe that steel plants located in the East will be at a distinct disadvantage as compared with Chicago and Pittsburgh. The freight rates at present are as follows: From Kentucky-Illinois, field to Chicago, \$3.60; from Kentucky-Illinois, field to Pittsburgh, \$5.60; and from Kentucky-Illinois, field to Bethlehem, \$8.

It is to be noted that the American fluorspar industry will apparently flourish without tariff protection. So many new uses are being developed for high-grade spar that the industry has greatly expanded in recent years. Thus, while the price of spar in 1920 was four times that of 1890, production was about 18 times the production for 1890. This development occurred while fluorspar was on the free list or while it had only a nominal duty of \$1.50 per ton.

Magnesite (par. 47) and magnesite brick (par. 201): Magnesite is an important refractory used extensively in the steel industry for lining open-hearth and other furnaces. It is subjected to a dead-burning process before use and is then called dead-burned grain magnesite. A large amount is used in this form and a large amount is also used in the form of brick made from this material.

The only substitute is a very pure dolomite, which while cheaper, is not as satisfactory as magnesite.

The best magnesite for refractory purposes occurs in Austria and the magnesite industry of the United States has practically been built up on importations from that country. As indicating this development the imports of dead-burned magnesite were 30,000 tons in 1904 and increased to 150,000 tons in 1914.

Development of domestic magnesite has been recent and only one property located in Washington is known that can supply an important tonnage. California also is a producer, but the quality of the product is such that it is not well adapted to refractory use. In 1920 California produced 82,000 tons and Washington 222,000 tons.

We are not in favor of the imposition of a duty on magnesite for the following reasons: 1. An important magnesite brick industry has been built up in the East, depending entirely on Austrian magnesite. This industry comprises many brick plants located in Pennsylvania and Maryland and well adapted to serve the steel industry.

2. Geographically, the Washington deposit is such that it will always furnish a product delivered to Eastern steel plants at prohibitive prices. This is due to the high freight costs which will necessarily be charged.

3. The Washington producer does not need protection to insure prosperity. The fact that the Washington production increased from 715 tons in 1916 to 222,000 tons in 1920 with magnesite on the free list is sufficient proof of the above statement.

4. A heavy duty on magnesite will certainly tend to force steel makers to use dolomite as a refractory and the use of magnesite will tend to decrease.

Ferrosilicon: Ferrosilicon is mentioned especially as showing the very high duties proposed on some of the ferro-alloys. At present the price of a domestic 50 per cent ferrosilicon is \$60 per gross ton at Ohio points. A 50 per cent ferrosilicon means that

it contains 50 per cent of silicon, therefore, a gross ton contains 1,120 pounds. The duty proposed in the bill is 2½ cents per pound of silicon or for this grade, a duty of \$28 per ton is proposed. This is nearly 50 per cent of the present selling price.

The materials entering into ferrosilicon are iron and silica which are both abundant in all parts of the world. While a moderate duty might be advisable, we believe one that approximates 50 per cent of the selling price is excessive.

HIGH-SPEED STEEL.

[Paragraphs 304 and 305.]

STATEMENT OF ARTHUR BALFOUR, MANAGING DIRECTOR, ARTHUR BALFOUR & CO. (LTD.), SHEFFIELD, ENGLAND.

Senator McCUMBER. Will you kindly state your name in full, your residence, what interest you represent, and to what you desire to direct your remarks?

Mr. BALFOUR. My name is Arthur Balfour; I am of Sheffield, England. I am deputy president of the Association of British Chambers of Commerce. I am ex-president of the Sheffield Chamber of Commerce; ex-master cutler of Sheffield, and managing director of Arthur Balfour & Co. (Ltd.), of Sheffield.

I am desirous of drawing your attention to the question of high-speed steels and other steels which have been imported from Sheffield for a great many years.

Before doing so I would like to thank you, Mr. Chairman and Senators, for having so very kindly received us on such short notice, which we very much appreciate, and our people in Sheffield will very much appreciate it when we tell them about it.

I am sure you will understand that we feel that we are in a rather delicate situation. We do not for one moment desire to appear to suggest in any way what you should do in your own country; but, owing to the very long time that Sheffield has been associated with America we ventured to come here and put a few considerations before you.

The industrial and commercial conditions in Sheffield created by the war, and in England in general, are very disastrous. We have about 2,000,000 people out of employment. We have another two or three million working only two days a week and a further million working only three days a week, and we are right up against the economic law, owing to conditions created by the war.

Senator SMOOT. You are in about the same condition as we are in in this country.

Mr. BALFOUR. I gather that we are both in the same position.

Senator McCUMBER. I judge that your position is a little worse than ours.

Mr. BALFOUR. A little worse than yours. There is practically nobody working full time.

Of course, we expected this, but it has come upon us even harder than we anticipated.

I would just like to say that my colleagues have asked me to speak for them so as to take up as little of the time of the committee as possible.

Mr. Sidney Robinson, who is with me, represents the firm of William Jessop & Sons (Ltd.). They have been doing business here since 1828.

Mr. Macgregor represents the firm of Sanderson Bros. & Newbould (Ltd.). They have been doing business since before 1829. Mr. John Cecil Ward, of Edgar Allen & Co. (Ltd.), and my own concern have been trading here since 1876. We have been in the closest cooperation with the steel makers in this country. During this period we have worked out inventions together and sent workers over here, and in most of your steel firms you will find old Sheffield steel workers to-day, or their descendants. We are very anxious that these beneficial conditions shall not be disturbed.

Moshet steel, manganese steel, stainless steel, and other varieties, all of which are produced here at the present time, were invented in Sheffield. The Taylor-White process of treating tool steel, which has been a very great factor in the trades which we represent, was invented in your country, but as regards the making of high-speed steel, it was perfected in Sheffield.

The population of Sheffield to-day is over half a million, of which a hundred thousand workmen are largely skilled. We also represent Messrs. Sir W. G. Armstrong, Witmouth & Co. (Ltd.), of Manchester, who make the same class of steel, but it is made in Manchester and not in Sheffield. Taking into consideration their employees, which amount to probably 25,000, we represent about 125,000 workers.

We have also had long personal connections with this country, which has induced us to venture to come to see you. I molded car wheels in Buffalo for four years, from 1892 to 1896. I have been here 27 times. Mr. Robinson has been here 43 times, and my other colleagues over 20 times. We are all of us local taxpayers, through firms in which we are interested, and all of us employ labor in this country.

We should have liked, if it were possible, to have no change in the tariff at all. We recognize that that is not possible, and we are prepared to accept the data and proposals made by Mr. Smiley (speaking for the committee of fine steel importers) recently. These gentlemen distribute our products in this country.

Senator SMOOT. Mr. Boker, I think, also.

Mr. BALFOUR. I was speaking not of cutlery just for the moment, Senator. He represented cutlery, but he also spoke, perhaps, of steel.

Senator SMOOT. Yes, he did. Will you let me know just what you want? Take the steel valued above 40 cents per pound. The bill as it passed the House provided 20 per cent ad valorem. That is where the high-speed steel falls. As I remember it, Mr. Smiley wanted 10 per cent instead of 20 per cent.

Mr. BALFOUR. Yes, sir. Taking paragraph 305—

Senator SMOOT. No; that is the first of paragraph 304. Three hundred and five is the paragraph providing 72 cents per pound on the tungsten content in excess of $1\frac{1}{2}$ per cent, "and 72 cents per pound on the tungsten content in excess of $1\frac{1}{2}$ per cent shall be levied, collected, and paid on any articles containing molybdenum and tungsten."

So, for high-speed steel, you have got to take paragraphs 304 and 305.

Mr. BALFOUR. In conjunction.

Senator SMOOT. It has been suggested, although not by Mr. Smiley, that the 72 cents be cut to 50 cents. Others have suggested

that in their testimony. In other words, they were content with making paragraph 304 10 per cent instead of 20 per cent, and cutting 72 cents to 50 cents per pound on the tungsten contained in the steel.

Mr. BALFOUR. We suggest that the tungsten should be cut to 35 cents from 72 cents.

Senator SMOOT. That is what I wanted to find out. You want 35?

Mr. BALFOUR. Thirty-five instead of 72.

Senator SMOOT. And 10 per cent instead of 20 per cent?

Mr. BALFOUR. Ten per cent instead of 20 per cent; yes, sir.

At the present time, as you have all heard, the fine-steel importation is only 2 per cent of the whole; and we feel that that is a very small percentage and, at the same time, a very useful percentage, as it makes an incentive to the manufacturers here and a great incentive to us to give the best value we can as regards quality and price.

We are satisfied that if the tariff went through as it is at present written it would put us out of business. There is no question about that. I understand that it is not your desire to put anybody out of business entirely; but we could not possibly send you steel under that tariff.

Senator McCUMBER. What you mean is that it would be prohibitive so far as the American trade is concerned?

Mr. BALFOUR. It would be absolutely prohibitive, sir, because the duty would come to about 200 pounds per ton, in pounds sterling; and as we have to keep stocks in this country from 50 to 100 tons, we will always have to lock up 20,000 pounds sterling in duty alone on our high-speed steel before we could trade at all.

There is another view which bears very strongly on the amount of the tariff. That is the valuation question. We have got along very well under the present valuation. We are in very close touch with the representatives of your Treasury Department in London. They come to Sheffield to see us and we give them every possible facility for looking into matters, and we have always been able to satisfy them exactly as to what we have been doing.

We desire to go on doing that. We are very anxious that the valuation should be fixed in some way so that we can quote a price fixed to our customers in this country; else it is almost impossible to conceive that your buyers here will give us an open order on a price which is indefinite.

If the valuation is put on the basis it has been suggested, it will be almost impossible for us to say on any given day what duty we shall have to pay and what price we can guarantee to our customer here.

Senator SMOOT. You must take into consideration that you have an advantage in the exchange value that you have never had before; and this committee has to take that into consideration in fixing these rates.

Mr. BALFOUR. I agree; I quite appreciate that. We have the same exchange difficulties that you have, somewhat intensified with the competition which we have so close to us in Germany.

Senator SMOOT. You know something about that.

Mr. BALFOUR. We know all about the exchange difficulties; but we do put before you for consideration the difficulty of trading on an open indefinite situation of the kind which this new valuation will create. We also have contracts here with some of your big tool

makers for steel, which are running contracts for two or three hundred tons. They want to fix a price that is definite in order to be able to fix their costs of production. Under this system it will be almost impossible for either of us to do that.

Senator SMOOT. I can not agree with you there, because it seems to me that your price under the existing tariff law is fixed upon the day of the exportation. If changes in price should occur in England during that time, of course the rate of duty imposed to-day will be different. The American valuation does not fluctuate any more than the valuations in a foreign country fluctuate.

Senator McCUMBER. They are probably more stable now, because the currency is more stable.

Mr. BALFOUR. I quite agree with you that upon tonnage steel it is a fixed thing. It is a fixed market question. But take high-speed steel and these fine steels, and it is not fixed. They have a different composition, a different analysis, and each concern makes a separate quality. They are not standard.

Senator SMOOT. But that same difficulty, if you call it a difficulty, exists to-day with the foreign valuation.

Mr. BALFOUR. To some little extent, but nothing like to the same extent, because we can to-day make the price and fix the price in cents.

Senator SMOOT. We have a fixed price in America, too.

Mr. BALFOUR. I only ask you to consider these points and see what you can do with reference to these difficulties.

Senator McLEAN. On the tungsten content the rate is specific.

Mr. BALFOUR. The rate is specific on the tungsten content, but there is also an ad valorem percentage on the price.

Senator SMOOT. All that the question of American valuation affects is the ad valorem duty of the steel above 40 cents.

Mr. BALFOUR. We are all in agreement on that. High-speed steel is our important product which we have to send to this country. We are also interested in carbon steel.

Senator McLEAN. Do you manufacture high-speed steel in this country?

Mr. BALFOUR. No; none of us. We only manufacture it in England.

Senator McLEAN. You said you had branch interests here.

Mr. BALFOUR. Jessops have a company at Washington, Pa., where they roll sheets. The others of us have branches in different parts of the country—Chicago, Boston, and New York.

Senator McLEAN. Will you give the committee your capital invested in this country?

Mr. BALFOUR. I could not, offhand, without consulting my colleagues. I should say, altogether, that we employ perhaps 400 or 500 people in this country, probably no more than that.

Senator WALSH. I suppose your ownership is associated with Americans?

Mr. BALFOUR. Yes, sir. They are practically retailing companies, with the exception of Jessops.

We, of course, are very much interested in the export of finished tools from this country which are made from our steel. We buy large numbers in England and great numbers are sold to the colonies.

We feel that this tariff will certainly put a difficulty in the way of the export of those tools, as it will further depress the exchange and

further accentuate the exchange difficulty, and also make the cost of the high-speed steel to the makers here very much higher, particularly in view of the duty on tungsten.

And if you will allow me to say a word on tungsten, I would like to say that we had during the war great difficulties with tungsten, just as you had; but, fortunately, we had the tungsten in the British Empire, as you had it in your country, and the fact that we had a supply in the British Empire saved us a great deal during the war and enabled us to produce munitions, and we are anxious, from our side, to retain a certain amount of tungsten in the British Empire and not work it all out. Fortunately we are helped in this by cheap supplies from other countries which are available at this moment.

Senator WATSON. What are your imports to this country of high-speed steel, as you class it?

Mr. BALFOUR. They have varied enormously. Recently it has been perhaps 500 to 700 tons per annum, something under 1,000 tons.

Senator McCUMBER. What was the value?

Mr. BALFOUR. About £250,000 sterling or something of that kind, roughly.

I just want to state to you, broadly, that we are suffering from very, very hard conditions in England. We are paying taxes of £23 sterling per head.

Senator WATSON. Is your industrial condition in Sheffield characteristic of the general condition in England?

Mr. BALFOUR. Yes, sir. It is worse in some places. It is bad everywhere. Sheffield has probably the worst conditions. We are paying £23 sterling per head of tax in our country this year. The nearest to us in the world is about £5 6s. sterling. That is putting a very great burden upon us, and we are struggling to overcome the enormous strain put upon us due to the war.

All that we ask you to do is to let us live and work and pay you back what we owe you. We owe you a vast amount of money, which is a great anxiety to us, and we feel that unless we can trade with you our difficulties are going to be enormous. You have got something like fifty thousand million dollars in gold. We can not send you any more gold. We have not got it, even if it were advisable for you to receive it, which I do not think it is. So that the only thing we can do is to trade in goods for goods with you, and that we are very anxious to do.

Senator WALSH. What is the unemployment in England? Some figures which have been given us show that it is about 5 or 6 per cent.

Mr. BALFOUR. We have 2,000,000 unemployed; we have another million employed two days and several other millions employed three days. Our population is about 45,000,000.

Senator WALSH. It is about the same.

Mr. BALFOUR. There is very little difference in the figures.

Senator WATSON. For the entire year of 1920, under the classification of steel by whatever process made, containing alloys, such as nickel, cobalt, vanadium, chromium, tungsten, or wolfram, molybdenum, titanium, iridium, uranium, tantalum, boron, and similar alloys, we imported 883,740 pounds, valued at somewhere between three and four million dollars.

Mr. BALFOUR. That would be about right. There are about 250,000 of high speed, and the rest would be made up of other steels.

Senator WATSON. About \$250,000 of that is high speed?

Mr. BALFOUR. Practically.

Senator WATSON. How much of that comes from Sheffield?

Mr. BALFOUR. It practically all comes from Sheffield. A little comes from Manchester. Sweden sends practically no crucible steel and no high-speed steel to this country.

Senator SMOOT. I suppose half of that amount would be imported into the United States even though the rates were higher than they are here?

Mr. BALFOUR. Unless the selling price is too high. I do not think you can say that we have ever ruined the price in competition with the American makers. We have always obtained for our steel at least as good a price, or a little higher, on account of special quality.

Senator SMOOT. Yes; it has special quality.

Senator WATSON. I did not hear your question, Senator.

Senator SMOOT. I did not ask a question. I simply stated that no matter if the rates are higher than they are in the Fordney bill there is no doubt that at least half of that amount that was imported in the past would be imported in the future.

Mr. BALFOUR. I misunderstood your statement, Senator. I understood the Senator asked if we always obtained a higher price.

Senator SMOOT. No; I did not ask that question.

Mr. BALFOUR. I am sorry that I can not quite agree with that. If the proposed duty is put on I do not think we shall be able to import high speed at all.

Senator SMOOT. From the information we receive there are certain industries in this country that would use it no matter whether it cost more than it does now or not.

Mr. BALFOUR. Yes; even more, but the amount proposed I am afraid would make it impossible to do any export trade.

Senator WATSON. What wages do you pay in the making of high speed steel as compared with the wages paid in this country in the same line?

Mr. BALFOUR. Our wages have gone up very much since the war. I do not think our wages are very much different from yours at the present time. On the other hand, our fuel, which is a very big factor, is very much higher than yours.

Senator SMOOT. What are you paying common labor?

Mr. BALFOUR. The ordinary common labor, that is, a man wheeling a barrow, gets 3 pounds 10 shillings.

Senator WALSH. How long do they work per day?

Mr. BALFOUR. Eight hours a day.

Senator WALSH. What is your cost of living as compared with that in America?

Mr. BALFOUR. I should say your living is a little higher.

Senator WATSON. Do you think your cost of living of the working people is cheaper than in America?

Mr. BALFOUR. They live on a different standard, sir. Our people do not live perhaps on as high a standard as they do in this country.

Senator McCUMBER. You can not compare wages without knowing the cost of living.

Mr. BALFOUR. No; it is impossible. Our cost of living is possibly 100 per cent higher than it was in 1912.

Senator McCUMBER. You pay wages that are about commensurate with American wages?

Mr. BALFOUR. Very close, sir; not very much different.

Senator SMOOT. They are based on the pound of \$3.60 instead of \$4.87. You would not pay the same amount—

Mr. BALFOUR. Not on \$4.87; I quite agree. We have not paid the same wages for a great number of years.

Senator SMOOT. No; you never have.

Senator McCUMBER. But you think it is a fact that your wages have gone up very largely?

Mr. BALFOUR. Four hundred per cent since 1912.

Senator McCUMBER. While ours have perhaps doubled.

Mr. BALFOUR. I ought to say, in fairness, that ours are now coming down quite rapidly.

Senator McCUMBER. Is not your great trouble to-day, and so many being out of work, due entirely to a labor wage that is away above the ability of purchasers to buy?

Mr. BALFOUR. Absolutely so. We are not making anything in England to-day which we can sell, when we have made it, at what it has cost us to make.

Senator McCUMBER. And your remedy lies more in getting your labor down to a reasonable basis so that you can sell the products to the world?

Mr. BALFOUR. And our fuel, which is the same thing.

Mr. McCUMBER. But your labor increase makes the cost of your fuel to a great extent.

Mr. BALFOUR. Quite right, sir. I must say this for our labor: They are recognizing the situation. They are fully recognizing it, and the better class of labor leaders at least see that this system which has been pressed very hard during the war, that a man should not produce more than a certain quantity, that they should restrict output, and so on, is an impossible economic situation. That is to-day being altered in our country, I am glad to say.

I just want to touch on one question as lightly as I can.

We do not believe in retaliation in our country. I believe that whatever you do to us we would never permit that. We think it would create a feeling of mistrust between us, and I believe we shall always give you a free entry into our market for your goods. All we ask of you is to give us the best and squarest deal you can under the circumstances.

Senator SMOOT. You have no objections whatever to our imposing a duty equal to the difference in the wage and to equalize the exchange value?

Mr. BALFOUR. Sir, we have no objection to your imposing a duty. It is for you to decide what it is to be and how it is to be done. We understand all that; but we do ask you, after the pleasant connections we have had together, not to put us out of business.

Senator SMOOT. Do you think that the proposition would be a fair one that all that we would impose by way of duty would be the difference in the labor cost and to equalize the difference in exchange?

Mr. BALFOUR. Yes; provided you made the condition that it should not become a permanent thing; that when conditions altered you would be prepared to reconsider the matter and not, when we have the other conditions right, leave us with a high tariff.

Senator SMOOT. Of course, you must know that no tariff that will be passed is going to remain on the statute books as they have done in normal times in the past.

Mr. BALFOUR. We certainly hope not. But we do not believe in retaliation. Whatever happens, we shall give a free entry to your goods as far as it is possible. That I am perfectly convinced of.

Senator McCUMBER. Let me ask you a question in a little different form from that asked you by Senator Smoot.

Would you be satisfied if we put a tariff on that would measure the actual difference between the cost of production, including everything, in your country and in this country?

Mr. BALFOUR. Yes, sir; we would, because the cost of production of high-speed steel is less in this country than it is with us. That would suit us entirely.

Senator McCUMBER. Then, according to that view, there would be no tariff in your mind?

Mr. BALFOUR. I started my remarks by saying that we should be very glad if everything could remain as it was.

Senator SMOOT. Remain as it was?

Senator WATSON. Have you prepared production costs to show that it costs less to make high-speed steel in this country?

Mr. BALFOUR. We have great difficulty in giving you production costs of your own people. We know what our costs are. We are constantly giving them to your representative in London.

Senator WALSH. What percentage do your companies ship to America?

Mr. BALFOUR. I should say a little less than 20 per cent—probably 18 per cent.

Senator WALSH. Assuming that this tariff amounted to an embargo, your reduction would be only 18 to 20 per cent?

Mr. BALFOUR. But it does not quite work like that. It is not distributed evenly over the trade. We have some gentlemen whom I am representing who do their whole trade with America. I can put my hand on two or three firms that would go clean out of business. Other firms will be hit more or less hard according to the percentage that affects their own trade.

Senator SMOOT. You spoke of having this on the free list.

Mr. BALFOUR. No, sir. Under the same conditions as exist at present, 15 per cent ad valorem. I said no change in the tariff as it is at present.

Senator WALSH. Do you mind giving us the names of firms or tell us the product produced that would be put out of business?

Mr. BALFOUR. I can give you that at once. The firm of S. C. Wardlow, who manufacture cutlery steel, would be practically put out of business.

Senator WALSH. Can you give us any others?

Mr. BALFOUR. I can give them to you afterwards.

Senator WALSH. Do they also make cutlery?

Mr. BALFOUR. There are also other firms who make cutlery and high-speed steel.

Senator SMOOT. The average price of high-speed steel in Britain to-day is about \$200 a ton?

Mr. BALFOUR. Three and nine pence. It is about £420 sterling per ton.

Senator SMOOT. A ton of 2,240 pounds?

Mr. BALFOUR. Yes, sir.

Senator SMOOT. What I wanted to get at was the price to-day, the average price of that steel, so that I can figure the 15 per cent—

Mr. BALFOUR. Will one of my colleagues, while I am speaking, just work that out?

Senator SMOOT. I can work it out if you give me the information.

Mr. BALFOUR. Four hundred and twenty pounds a ton is the price of 18 per cent high-speed steel to-day f. o. b. England.

Senator SMOOT. Thank you; that is all I care for.

Mr. BALFOUR. I do not think it is necessary to further take up your time. We appreciate, not only on the part of ourselves but on the part of Sheffield, the very kind way in which you have received us and the opportunity which you have given us of putting our views before you. We have very, very strong feelings that the peace of the world depends entirely upon you and upon us, and we want to do nothing from our side to disturb the harmony and the excellent way in which we have worked together.

Senator McCUMBER. Does Mr. S. J. Robinson desire to be heard?

Mr. BALFOUR. I do not think the other gentlemen wish to give any evidence at all. They asked that I should speak for the whole of them.

Senator McCUMBER. If there is any brief that you would like to file, that may be done and it will be printed as a part of your testimony.

Mr. BALFOUR. Thank you. We will consider that; but I think that with the help of the Senators who have questioned me we have brought out the evidence very clearly.

We are very much obliged to you, gentlemen.

STATEMENT OF C. F. SCHWEP, REPRESENTING THE INGERSOLL-RAND CO.

Mr. SCHWEP. We have six plants in this country, employing approximately 6,000 men. We are interested in paragraph 304 only in so far as it pertains to hollow mining drill steel. We import this commodity from Sweden because this country has not yet produced a quality of steel for that particular purpose that equals in quality the Swedish steel.

We import approximately 2,000 tons a year, on which the Government derives a revenue, under the present tariff act, of about \$37,000.

Under the proposed Fordney Act the revenue would approximate \$90,000, representing a difference of about \$53,000, which would have to be borne by the mining industry in this country, provided they continue the use of this better quality of steel. If not, they would be deprived of the efficiency of the drills manufactured and used in conjunction with that steel. Therefore we ask that the present tariff of 8 per cent be continued.

Senator WATSON. Have you ever sold any drills made from American steel?

Mr. SCHWEP. We have.

Senator WATSON. Do they not give satisfaction?

Mr. SCHWEP. They do. The point is this: That the old type of percussion drilling differs widely in principle from the hammer drill. The hammer drill uses a hollow steel, and instead of lifting the steel

in the chuck up and down the drill is tapped on the end. The steel receives blows at the rate of 2,000 per minute, and the steel has to withstand shock and vibration, and we have found that there is something inherent in the Swedish steel which is not revealed by analysis and which makes that particular steel very much better adapted for that kind of work than the American steel.

Senator SMOOT. Is that all you desire to say?

Mr. SCHWEP. I may say that this Swedish steel is the only product that we import that enters into the manufacture of our product. Otherwise we use all American products. The only exception is this one variety of steel.

Senator WATSON. How much do you import per year?

Mr. SCHWEP. About 2,000 tons a year.

CRUCIBLE, ELECTRIC, AND ALLOY STEELS.

[Paragraphs 304, 305, and 316.]

STATEMENT OF JOHN H. BREWSTER, NEW YORK CITY.

Senator SMOOT. Mr. Brewster, give your full name and address to the stenographer, please.

Mr. BREWSTER. John H. Brewster, 56 West Forty-fifth Street, New York City.

I desire to address myself to paragraphs 304 and 305. I have nothing to say to the committee further than what I have tried to say in my brief. May I file that brief?

Senator SMOOT. You may file your brief. Is there any other statement you desire to make?

Mr. BREWSTER. I think I have covered the whole subject as well as I could. I have here a schedule as a supplement to my brief. It is a part of the evidence.

Senator SMOOT. Very well; that may be filed.

BRIEF OF JOHN H. BREWSTER, NEW YORK CITY.

1. The House of Representatives, by adopting in paragraph 304 the approximate provisions of the Payne-Aldrich bill, overlooked the tariff differential established in paragraph 110 of the present tariff, which provides for a duty of 15 per cent on crucible and electric steels and 8 per cent on open-hearth and Bessemer. This distinction should be maintained.

2. When the Payne-Aldrich tariff was written crucible tool steels comprised a major part of our imports, consequently all bars and other shapes were given the same tariff classification.

3. From 1900 to 1913 great progress was made in the development of electric and alloy steels, and these fine steels were given greater protection under the present tariff than Bessemer and open-hearth steels, whose costs were so low that foreign competition was negligible.

4. This distinction should be continued in the new tariff, because the imports of crucible, electric, and alloy steels are principally tool steel, which is a finished product and used as such, whereas the imports of open-hearth and Bessemer steels are principally semifinished raw materials used by American manufacturers, who expend large labor costs in turning these steels into finished products. Among the buyers of Swedish steels for special purposes are large steel makers, such as the United States Steel Corporation, the Wickwire Spencer Steel Corporation, and the Washburn Wire Co.

5. Most of the imported crucible or electric tool steels are merely sharpened, heat treated, and then used in machine tools for cutting and shaping other metals.

6. Imported open-hearth and Bessemer semifinished shapes are used for blades in pocket and other cutlery, twist drills, taps, carpenters' chisels, black-

smith tools, scythes, ball bearings, and other finished products on which the labor cost is the most important item.

7. Imported tool steels are marketed in small quantities, with sales averaging less than \$100, at a wide margin of profit.

8. Imported open-hearth and Bessemer is sold at very close prices as semi-finished products to American manufacturers and dealers in tonnage quantities averaging much over \$1,000.

9. The open-hearth and Bessemer steels of Sweden, by reason of their superior excellence, are higher in price than American open-hearth and Bessemer and lower in price than crucible and electric steels.

10. This enables important manufacturers to use these Swedish steels where a special quality is required, in case this increase in their raw-material cost does not make too large an increase in the cost of their finished product.

11. Under these circumstances Sweden has always been forced to sell its Bessemer and open-hearth steels at very close prices; consequently the 200 to 300 per cent increase over the present tariff rate would cause many manufacturers to discontinue purchases.

12. As the open-hearth and Bessemer steel manufacturers did not appear before the Committee on Ways and Means, and as Dr. Mathews, the representative of the crucible and electric steel interests, stated to that committee: "This decline of duty (i. e., the 8 per cent in paragraph 110 of the present tariff) is possibly justified in the case of products not involving excessive investment and labor costs," it may be taken for granted that producers of steels made by the Bessemer or open-hearth process in the United States do not desire an increased duty, as they need no protection, and unnecessary advances over the present tariff rates might react unfavorably on their large exports by the enactment of countervailing duties.

13. United States customs reports available for the years 1912 to 1916, inclusive, show a yearly average of 12,350 tons of open-hearth and Bessemer steels imported from Sweden, or one-thirtieth of 1 per cent of the average total production of American mills for the same period, so that these imports are inconsiderable in comparison with our output of domestic steels.

14. The money values of our purchases of Swedish steel and iron is less than \$5,000,000 a year and our annual exports to Sweden average more than \$100,000,000 annually.

15. Comparative increases of production costs in 1920 as compared with 1914 are: Ore cost in United States 1.4 times, in Sweden 3.5 times; fuel cost in United States 2 times, in Sweden, 3 times; labor cost in United States, 1.6 times, in Sweden 2.5 times; transportation cost in United States, 1.7 times, in Sweden 3 times.

16. Therefore since the increase in Swedish costs is proportionately higher than the increase in the American costs, it follows that Sweden is much less able to pay a higher duty on its steels, particularly as these higher costs have thrown the Swedish semi-finished products into a much higher classification under paragraph 304 than was paid under the Payne-Aldrich tariff. In 1909 the average production costs of Swedish steels at the mills were less than 3 cents, whereas in 1921 the production costs of the same steels averaged more than 5 cents, so increasing the Payne-Aldrich duty of seven-tenths to a proposed duty under paragraph 304 of 1½ cents per pound.

17. With Swedish open-hearth and Bessemer costs so much higher than similar American steels, the former can only be used in limited quantities for purposes where special results are desired, and the increase of 1 cent per pound under paragraph 304 will in many cases become prohibitive.

18. Therefore your committee is requested to add to paragraph 304 the following provision:

"Provided, That steel ingots, copper ingots, blooms, slabs, bars, sheets, plates, and steel not specially provided for, made by the Bessemer, Siemens-Martin, open-hearth or similar processes in the manufacture of which wood or charcoal is used, all the foregoing valued at not over 4 cents per pound, shall be subject to a duty of three-tenths of 1 cent per pound; valued over 4 cents per pound, six-tenths of 1 cent per pound."

19. This follows the distinction made in the present tariff and the amount of suggested duty is the same as that given to semi-finished wire rods in paragraph 815. Such a rate of duty on Bessemer and open-hearth steels would increase the revenue now realized, whereas the rate proposed in paragraph 304 would diminish it.

20. If this provision be confined to steels in the manufacture of which wood or charcoal is used, this not only insures the maintenance of high quality for

the American manufacturer but also insures a steel of such high cost and limited output as to prevent any serious competition with the American steel industries.

21. With reference to paragraph 305, our request for modification is that chrome be removed from its classification with tungsten and molybdenum and placed with manganese and silicon, because the effect of a small percentage of chrome in carbon steel is to intensify the hardening quality of the carbon and under modern heat-treatment practice occupies a place in steel making similar to manganese and silicon rather than the other alloys mentioned in this paragraph.

22. The present limitation of chrome contents in paragraph 305 to six-tenths of 1 per cent would probably prohibit the import of two or three thousand tons of this character of steel purchased by manufacturers of ball bearings who could not pay 15 per cent in addition to the duty imposed under paragraph 304, as this would make the total duty equivalent to 35 per cent on a raw material.

23. Also, spring steels made of silicon and manganese in percentages running from 1 to 1½ per cent are largely made in American open-hearth furnaces and sold at a few cents per pound, but there is a demand from American spring manufacturers for a small tonnage of the better quality Swedish spring steel of similar analysis, although such manufacturers will not pay 15 per cent in addition to the rates in paragraph 304 on account of the addition of two or three tenths of 1 per cent of manganese or silicon to the 1 per cent now permitted.

24. Therefore, it is requested that paragraph 305 be changed by eliminating the word "chromium" from the sixth line of this paragraph and inserting the word "chromium" in the ninth line to read: "Provided, That chromium, manganese, and silicon shall not be considered as alloying material unless present in the steel in excess of 1½ per cent."

FACTS IN SUPPORT OF ABOVE STATEMENTS.

Paragraph 1: Published copy present tariff Schedule 3, paragraph 110.

Paragraphs 2 and 3: Special Statistical Bulletin Iron and Steel Institute, 1921, showing no manufacture of electric steel before 1909 which increased to 30,180 tons in 1913 and 502,152 tons in 1920.

Crucible steel production was 107,355 tons in 1909 and 121,220 tons in 1913 and this decreased as electric steel was substituted to 72,265 tons in 1920.

Paragraph 4: Re Crucible steel. In Mr. John A. Mathews's hearing before the Ways and Means Committee, he stated that crucible steel making was a handicraft industry and added "In crucible steel the principal item is represented by labor rather than material," and in Mr. Mathews's brief he states, "The proportion of labor to raw materials in the manufacture of crucible steel is many times as great as it is in the manufacture of Bessemer or open-hearth steels."

Re electric steel. The booklet of the Hatcomb Steel Co., which is Mr. Mathews's personal division of the Crucible Steel Co., states on page 48, "The material we charge into our electric furnace is just as good open hearth as can be made but it is not good enough, so we put on the finishing touches in the electric furnace. These are the things that make quality." So supporting our statement that crucible and electric should be considered separately from open-hearth and Bessemer.

The Hess Steel Co., makers of electric steel, state in brief before the Ways and Means Committee, "European makers compete injuriously with our labor in this handicraft industry," so coupling electric with crucible and further support our request for a differential by stating in the same brief "the higher the import value, the higher should be the rate of duty."

Paragraphs 5 and 7: Can be confirmed from buyers of tool steels.

Paragraphs 6 and 8: Names taken from a list of buyers from Fagersta Bruks, Fagersta, Sweden, is an example of the tonnage bought, the increase in price, and the purpose of use.

These names selected are representative of the business firms buying Swedish materials.

Paragraph 9: For comparison as to difference in domestic cost between open-hearth bars and crucible or electric tool steel bars, see printed list of maximum prices agreed to in 1918 between the United States Government and the steel makers for open-hearth steel bars of more than 0.50 carbon. The base price was \$3.15 per 100 pounds (see page 49), while for tool steel bars containing over 0.50

carbon the price ranged from \$16 to \$30 per 100 pounds, while the price on tool steels containing substantial percentages of tungsten, molybdenum, or other alloys ranged from \$0.65 to \$2 per pound. (See pp. 146 and 147.)

Paragraphs 10 and 11: Buyers mentioned above and prices paid by them confirm the statements in these paragraphs.

Paragraph 12: A copy of the Ways and Means hearings on Schedule 3 will confirm this statement.

Paragraphs 13 and 14: The customs reports, as far as completed to date, confirm this statement as well as Swedish export figures.

The reports of the Department of Commerce will verify these figures.

Paragraph 15: Increases in Swedish costs prepared by Dr. Wahlberg, of the Swedish Government, and increases in American costs prepared by Carney and Lindemuth.

Paragraph 16: An examination of the customs entries at the port of New York will verify this statement.

Paragraph 17: Letters from many American manufacturers stating that prices are too high can be furnished the committee.

Paragraph 18: Embodies our request.

Paragraph 19: The tariffs are before you.

Paragraph 20: The letters offered in proof of paragraph 17 would prove.

Paragraph 21: Compare the price of Michigan charcoal pig iron with coke iron.

Paragraph 22: Oberg in 1918, page 286, says, "The effect of chromium is similar to carbon."

Harbord, in his Metallurgy of Steel, page 397, states that "chromium in the absence of carbon does not produce any greater hardness than silicon."

Sir Robert Hadfield, in a paper before the British Iron and Steel Institute, see volume 2, stated on page 80: "In high carbon steels, chromium enables the carbon to act more energetically in combining and hardening the iron. On carbonless iron its action is but little greater than silicon."

He also states, on page 143, that "chromium does not act per se, but has an influence in causing a more intimate combination between iron and carbon."

L. Guillet, British Iron and Steel Institute, 1906, volume 2, page 8, states: "The tensile strength and elastic limit do not differ greatly from the figures obtained with the same percentages of carbon, quenching acts upon chromium steels the same as carbon steels, but with greater intensity increasing hardness."

Howe, in Iron, Steel, and other Alloys, page 823, states chrome steel containing up to 2 per cent chrome and 0.80 to 2 per cent carbon owes its value to combining, when hardened, intense hardness with a high elastic limit.

Paragraph 23: By reference to the official prices issued by the American Iron and Steel Institute open-hearth spring steels carried a 25-cent extra added to the bar price of \$2.00, making a price of \$3.15 per 100 pounds, and to-day quotations on silicon, manganese spring steel of \$4.50 per 100 pounds show that such steel can not carry 15 per cent in addition to those in paragraph 304. Silicon and manganese have never been considered as alloying elements.

STATEMENT OF JOHN B. SMILEY, NEW YORK, N. Y., REPRESENTING AMERICAN IMPORTERS OF FINE STEELS.

Senator SMOOT. Give your name and address and whom you represent.

Mr. SMILEY. John B. Smiley, 115 Broadway, New York, representing American importers of fine steels.

Mr. Chairman, I want to thank you, first of all, for the opportunity to be heard. I am not a lawyer nor an orator, and I want to get to the point and be as brief as possible and give you the facts, and I am in position to submit a brief.

Senator SMOOT. Do you desire to file a brief as part of your remarks?

Mr. SMILEY. Yes; if you please. I have a detailed brief also which I would like to file.

Senator SMOOT. What are you requesting under paragraph 301?

Mr. SMILEY. I am not appearing under paragraph 301. That is a typographical error. I appear in reference to paragraphs 304, 305, and 316.

Senator SMOOT. You begin with steel ingots?

Mr. SMILEY. Yes, sir; in section 304.

Senator SMOOT. Will you tell me what you want with reference to paragraph 304?

Mr. SMILEY. I have a modification here which I can submit for the record as to our request.

Senator SMOOT. Put it into the record at that point.

Mr. SMILEY. In connection with the paper that I have handed you, Mr. Chairman, I want to call attention to the fact that with reference to importations of fine steels not in excess of 20,000 to 25,000 tons per annum have been imported from abroad, and that this quantity is constantly decreasing. This is true under the present Underwood tariff.

There is produced in this country, in ingot capacity, 1,252,000 tons per annum. We are allowing one-third to come down to the semifinished bar as waste; and in these figures which I am also prepared to submit we show 834,984 gross tons per annum in the finished bar.

Senator SMOOT. Will you briefly state what changes you desire in paragraph 305?

Mr. SMILEY. Under paragraph 305, based on the American valuation plan, the elimination of the additional 15 per cent duty on alloy steels; but failing in this, its reduction to 12½ per cent and the duties contemplated by paragraph 304 in application to paragraph 305 waived.

Senator SMOOT. You mean in relation to vanadium or manganese or silicon?

Mr. SMILEY. No, sir. I mean in connection with the present duty under the Underwood tariff, which is 15 per cent. I have asked above, under paragraph 304, that the duty be cut in half; that is, under the recommended new American valuation at 20 per cent we ask that you reduce it to 10.

Then, under paragraph 305—I have all of this for record purposes. I rather imagine that it is more or less technical, and I do not want to bother you with it—I do want to say a few words in connection with the whole situation if I may. It will not take more than five minutes.

Senator SMOOT. Do you want to read it? Just hand it to us and it will save you that much time.

Mr. SMILEY. There are certain reasons that I desire to discuss for possibly maintaining our business or remaining in business. Mr. Schwep, of Ingersoll-Rand Co., is here, and he imports about 2,000 tons of steel per year from Sweden. He imports it because of its quality, not claiming in any way that the American steel is inferior, but because, after years of experimenting, he has found that the only steel that will actually fit in for their requirements is this particular steel. It may be that it is due to the raw materials employed, the skill of the process of manufacture, or it may be the charcoal fuel. We do not know. But, nevertheless, the quality is the

Senator McLEAN. What do they use this steel for?

Mr. SMILEY. Rock drills. Of course, if they are required to pay a higher duty it will naturally be reflected back to the public. There is no question about that.

Senator SMOOT. Will you tell me what changes you desire in paragraph 305?

Mr. SMILEY. They are all mentioned here.

Senator SMOOT. I mean, briefly.

Mr. SMILEY. Based on the American valuation plan, the elimination of the additional 15 per cent duty on alloy steels.

Senator SMOOT. You want 15 per cent eliminated?

Mr. SMILEY. Yes, sir.

Senator McLEAN. Do you use these drills for blasting?

Mr. SMILEY. Preparatory to blasting.

Senator McLEAN. How much will the increased cost of the drill add to the cost of the rock?

Mr. SMILEY. If I may, I would like to call on Mr. Schwep to answer that question, because that is more in line with his business.

Senator SMOOT. Paragraph 316. What change do you want to make in that paragraph?

Mr. SMILEY. I ask that, based on American valuation plan, a straight ad valorem duty of 10 cents be imposed.

Senator SMOOT. Instead of 20?

Mr. SMILEY. Yes, sir. May I say this to you, that for many years the import of fine steels has been decreasing. That would indicate that under the Underwood tariff we had about reached the limit under which we could import steel. If we go much beyond that limit it is going to shut us out, because there is a price that people will pay for quality, but beyond that they will not go. The fact that we are to-day importing only 2 per cent of the 100 per cent of consumption and that 98 per cent is manufactured in this country would indicate it was just a fleabite; but still, it is our business, and we want to be permitted to remain in that business. The revenue derived by the Government is \$500,000.

Senator WATSON. Can you not buy American steel?

Mr. SMILEY. Oh, yes, sir.

Senator WATSON. Is it not as good as the other?

Mr. SMILEY. I say that we have no complaint to make about the quality of American steel. There is no question but what fine steel is made in this country; but for particular requirements, either due to the process of manufacture or the raw materials employed, it has been found by actual experience over years that the foreign steel gives better life and is more what we want.

We simply ask that we be permitted to continue to import, say, 20,000 tons of steel per annum, which is badly needed in the country because of that quality.

Senator SMOOT. I think we understand your position.

BRIEF OF JOHN B. SMILEY, NEW YORK CITY, REPRESENTING AMERICAN IMPORTERS OF FINE STEELS.

Paragraph 304: Based on American valuation plan, a straight ad valorem duty of 10 per cent on all crucible steels. On Bessemer, Siemens-Martin, open-hearth, or similar process, the following to be added to paragraph 304: "Provided, That steel ingots, clogged ingots, blooms, billets, slabs, sheets, plates and steel not specially provided for, made by the Bessemer, Siemens-Martin, open-hearth, in the manufacture of which wood or charcoal is used as fuel, or similar special processes, all the foregoing

valued at not over 4 cents per pound shall be subject to a duty of three-tenths of 1 cent per pound; valued over 4 cents per pound, six-tenths of 1 cent per pound."

Paragraph 305: Based on American valuation plan, the elimination of the additional 15 per cent duty on alloy steels; but failing in this its reduction to 12½ per cent and the duties contemplated by paragraph 304 in application to paragraph 305 waived. That the additional cumulative duties on molybdenum and tungsten content should be reduced from the proposed \$1.25 per pound on molybdenum content to 62½ cents per pound on molybdenum content in excess of 1½ per cent, and the proposed 72 cents per pound on the tungsten content to 36 cents per pound on the tungsten content in excess of 1½ per cent.

Paragraph 310: Based on American valuation plan, a straight ad valorem duty of 10 per cent.

NOTE.—We once again point out that under the Underwood tariff the American fine-steel industry has prospered, and importations have decreased. The above proposition covering recommended modifications in the proposed Fordney tariff measure, metal schedule, No. 3, if accepted, will still further burden the importation of fine steels by imposing higher duties than now obtain.

POINTS FOR CONSIDERATION.

The following points we desire to emphasize:

1. The importation of fine steels into this country is not in excess of from 20,000 to 25,000 tons per annum, which represents approximately 2 per cent of the total consumption of fine steels in this country. Surely an industry which manufactures 98 per cent of the domestic consumption can hardly complain of competition from abroad when this competition does not exceed 2 per cent, and particularly so when it is emphasized that foreign fine steels do not compete on a price basis with the American industry but on the contrary command higher prices. This can be borne out by Mr. Schwep, of Ingersoll-Rand Co., who imports large quantities of hollow drill steel from Sweden, not because it is their desire or wish to do so but because after years of experimenting, they have found no steel produced in America which will answer their purposes.

We do not claim that American steels are inferior, but rather that due to the raw materials employed and the process or skill the foreign manufactures produce the quality which is so essential to certain manufacturers who purchase semifinished material from abroad.

2. If the duties in the proposed Fordney tariff bill remain unchanged a revenue to our Government estimated at approximately \$500,000 per annum will be cut off, as the duties mentioned would absolutely prohibit at least 80 per cent of the present imports, and the remaining 20 per cent which might be imported because of some peculiar characteristic would have to be paid for by the American public as this additional duty would of necessity be added to the selling price.

We, as American citizens, are all anxious to recover from our inflated condition and again approach normalcy, but in this point we are certain that with the proposed high tariffs on fine steels people who are forced to use steels from abroad will have to pay a large increase which will not produce the result which this administration is endeavoring to bring about.

3. Large sums of money have been invested by American citizens who import fine steels into this country and the business of these citizens if the high tariffs in the proposed Fordney bill are passed, will be ruined.

4. Up to the beginning of the war it was necessary for foreign countries to purchase from this country certain raw materials.

During the period, however, from 1914-1919 conditions abroad were radically changed and it was found necessary to utilize substitutes for our exports.

These foreign countries can, if needs be, resort to the use of said substitutes, thereby retaliating should we absolutely prohibit their exports to us. We are exporting from this country many times the amount of steel that we import as reference to statistics of the Department of Commerce will show, and we know that foreign Governments will resent the excluding of the small percentage of fine steels manufactured in these countries which they are at the present time permitted under the existing tariff law to send us.

5. The excess productive capacity of our industries require an outlet for their surplus, and by leaving open possible channels of trade with other countries it will give facilities to our own much neglected export business. International trade relations have been and are necessary to the well-being of this country's development, and we

respectfully submit that the proposed provisions in paragraph 304 and paragraph 305 will tend to sever commercial connections spreading over the past 100 years.

6. We maintain that duties under the proposed Fordney tariff bill will place the consumers of fine steels in America practically in the hands of a monopoly, which inevitably means that ultimately higher prices will be demanded and resultant increased cost to the buying public on the commodities dependent on such material. Furthermore, in addition to the above, the revenue produced under normal conditions of over \$500,000 per annum will be cut off.

COMPARISON OF FINE STEEL PRODUCTION IN AMERICA WITH THE AMOUNTS IMPORTED FROM ABROAD.

From the best figures available we estimate the total American fine-steel industry has an ingot capacity of 1,252,476 gross tons per annum. Allowing a loss of one-third of this tonnage from the ingot into the finished bar, which is the form that fine steel is imported, reduces the aforesaid 1,252,476 tons to 834,984 gross tons per annum in the finished bar.

Taking the minimum figure of 16,000 tons of imported fine steels per annum (the same figure used in arriving at revenue derived) the result shows approximately 2 per cent of the American capacity imported from abroad.

Following is a calculation of revenue derived by the United States Government under the existing tariff law on fine steels.

TWENTY THOUSAND TO TWENTY-FIVE THOUSAND TONS OF FINE STEELS IMPORTED PER ANNUM FROM ABROAD.

In the following calculations we have taken the minimum of 20,000 tons and further reduced this amount by 20 per cent to 16,000 tons, dividing same as follows:

12,500 tons Swedish, at 10 cents per pound.....	\$2,500,000
3,000 tons crucible, at 25 cents per pound.....	1,500,000
500 tons high speed, at 80 cents per pound.....	800,000
Total.....	<u>4,800,000</u>
8 per cent on Swedish.....	202,000
15 per cent on crucible.....	225,000
15 per cent on high speed.....	120,000
Revenue per annum.....	<u>547,000</u>

NOTE.—The above rates of duty obtain under the Underwood bill. In our calculations we have throughout used the figure of \$500,000 as being the amount of revenue derived by our Government each year from the importation of fine steels. It can be readily seen from the foregoing that we have been most conservative in this estimate and that the amount in actual revenue derived is probably many thousand dollars in excess of this figure.

DEFINITION OF STEELS.

Steels must broadly be divided into three classes:

1. *Fine steels.*—Fine or high-grade steels made for special purposes and produced in relatively small quantities from pure base or refined raw materials. Such fine steels may be approximately grouped as straight carbon or may contain alloys, and the workmanship thereon is a highly developed art. Generally manufactured by the crucible, electric, or similar processes and melted in small furnaces from very pure raw materials.

2. *Intermediate steels.*—The output quantity production from large furnaces using less refined raw materials and fabricated mostly by mechanical equipment and used for automobile parts, axles, etc.

3. *Tonnage steels.*—Totally massed production of steel from ordinary raw materials fabricated by machinery with the whole idea and principle of tonnage output and at cheap prices for constructional, railway, shipbuilding, and heavy machinery purposes.

PARAGRAPH 304.

DISTINCTION IN STEELS UNDER DIFFERENT METHODS OF MANUFACTURE.

The proposed paragraph 304 overlooks the differential made in paragraph 110 of the Underwood tariff which provides for different rates of duty. For steels made by the crucible, electric, and similar processes (present duty, 15 per cent ad valorem on the foreign market value) and the open hearth and Bessemer steels (present duty partly

on the free list and partly 8 per cent ad valorem on the foreign market value). We maintain this present distinction is proper and should be continued as the imports of crucible, electric, and steel made by similar processes are principally tool steels, whereas the imports of open hearth and Bessemer steels are principally semifinished raw materials used by American manufacturers, as such.

CRUCIBLE STEEL.

History of the industry.—Crucible steel was invented and manufactured at Sheffield, England, in 1740, and has been exported to the United States for about 100 years. Crucible steel has been made in the United States for approximately 80 years, and has developed in proportion to the demand.

The larger proportion of crucible steel imported into this country comes from England. Small quantities are imported from Sweden and Austria and one or two other European countries. These crucible steels are sold strictly on quality and the imported material has never been sold on price and does not compete with the American product except on a quality basis. The price at which the foreign crucible steel is sold is always much higher than the market price of the American production for steels of similar classification; this differential varies from 20 to 50 per cent at the present time.

For many years past, the tonnage of imported crucible steels has been either stationary or decreasing, and it can not therefore be argued that the foreign crucible steels are a menace to the American producer.

We would state that in the past many important American industries have built up their business and their reputation resulting from the use of the high quality of imported crucible steels. Since that time, however, the American crucible steel manufacturer has in many cases succeeded in producing a steel which has been found satisfactory, and the American consumers now largely buy the domestic product. This partly accounts for the decrease in the tonnage of imported crucible steels.

There still remains, however, a demand from a number of American manufacturers for a superior crucible cast steel required for the manufacture of special tools. Contrary to any statements which may have been made, we assert that the highest grades of crucible carbon tool steel are not produced in the United States. We do not suggest that this superior grade of crucible carbon tool steel can not be made in this country, but would point out that the raw material used and the process of manufacture adopted are different.

The apparent reason that this superior quality of crucible steel is not manufactured by the American producer is that the tonnage involved is so negligible that it has not justified any special efforts being made to obtain the business. It is, however, worthy of note that the same raw material (Swedish iron) and also the process of manufacture are open to the American crucible steel maker, should he choose to adopt them.

Owing to the enormous advance in the price of raw materials and the large increase in the cost of labor in Europe during the last few years, it has been found increasingly difficult for importers of foreign crucible carbon tool steels to sell their goods in America.

As previously stated in this brief, the differential for steels of similar classification is from 20 to 50 per cent higher than the American price. Any increase in the duties will most seriously affect the position of the importers of crucible carbon tool steels.

American manufacturers who now find it advisable to purchase imported crucible carbon tool steels on account of superior quality, will be unable to continue said purchasing. If they are unable to buy the imported crucible steels, they will be forced to purchase an inferior steel, which will result in decreased efficiency in production. It will, therefore, be seen that in any event the American manufacturer will be faced with increasing costs which will be reflected in the selling price of the particular tools or articles produced or be forced to offer an inferior product.

This situation is one which would be extremely detrimental to the American engineering industry as a whole and should be avoided.

Conclusion.—(a) The imports of crucible carbon tool steels are decreasing.

(b) They form only a negligible proportion of the crucible or fine steel trade of this country (less than 2 per cent).

(c) They never compete on price and are sold only on quality at much higher rates than American crucible steels of similar classification.

(d) Any increase in the present tariff rates will greatly reduce the small tonnage of crucible carbon tool steel entering this country, resulting in loss of revenue and increased costs to those American manufacturers who will still be obliged to buy imported crucible steel.

We therefore urge that in so far as crucible carbon tool steel is concerned that the present rate of 15 per cent ad valorem be allowed to stand and request that paragraph 304, Schedule 3, of the Fordney bill (H. R. 7456) be amended accordingly.

ELECTRIC FURNACE STEEL.

Electric furnace steel, which approaches crucible carbon steel in quality, is largely used in the making of tools. For this purpose its use is constantly increasing. There is, however, very little of this grade of steel imported from abroad.

OPEN HEARTH AND BESSEMER STEELS.

History of industry.—Imported steel manufactured by the open-hearth and Bessemer processes have been purchased in the United States for the past 50 years but have shown no recent increase in tonnage.

The sale of such steels imported from Europe is extremely precarious because these metals cost much more than similarly made American metals and are sold only because of their superior adaptability for some process in American manufacture.

It has always been proven that when the tonnage of any metal imported from Europe becomes of sufficient importance to cause the American metallurgists to develop a substitute, European steels—as in the case of bicycle and other seamless tubing—have been driven from this market.

The margin of higher price which the European metals must secure over the prices asked for American metals made by similar processes is closely limited by how much the American manufacturer feels that he can increase the cost of his finished product. The closer the competition in the selling price of articles made by American manufacturers who have purchased European steels manufactured by open hearth and Bessemer processes, the smaller the volume of sales to this country because of the desire of these manufacturers to lower their production costs. This results in the constant development of new specialties by European metallurgists which, when recognized, are then adopted by American steel makers thereby excluding the European product.

Conclusion.—The open-hearth and Bessemer steels imported into this country never compete in price with domestic steels made by similar process, and are only sold in this country on account of high quality.

The increase in the present proposed duty compared with the Underwood tariff now prevailing is excessive and means prohibition of import of these steels, which in turn reflects less revenue and considerably increases costs to the American manufacturer, who may for quality sake still be required to use these imported steels, but this increase will be paid for by the American public. We therefore urge the following modifications to be added to paragraph 304:

Provided, That steel ingots, cogged ingots, blooms, billets, slabs, bars, sheets, plates, and steel not specially provided for made by the Bessemer, Siemens-Martin, open hearth or similar processes in the manufacture of which wood or charcoal is used as fuel, all the foregoing valued at not over 4 cents per pound shall be subject to a duty of three-tenths of 1 cent per pound; valued over 4 cents per pound, six-tenths of 1 cent per pound."

Note.—In paragraph 305 remove the word "chromium" from its association with tungsten and molybdenum and classify it with silicon and manganese as chromium in combination with carbon steels to the extent of 1 to 1½ per cent is only used to intensify and deepen the hardening property of the carbon content and is never considered as a tool steel nor as giving special qualities such as shown in the use of larger percentages of nickel, tungsten, molybdenum, etc. The permitted contents—silicon, chrome, or manganese—should be increased to 1½ per cent, and should be confined to open hearth and Bessemer steels.

LETTER BY THE INGERSOLL-RAND CO.

AUGUST 6, 1921.

HON. BOIES PENROSE,

Chairman Senate Committee on Finance.

DEAR SIR: We manufacture rock drills, air compressors, and general mining machinery and are the largest industry of its kind in the world.

We control and operate six plants located in the United States and one plant in Canada, employing normally 6,000 hands. Besides the branches located in 22 important cities in this country we have branches or agencies established in every important country on the face of the globe.

One of the principal products of our manufacture is rock drills used in the excavation of ore, minerals and stone, in mining, tunneling, and quarrying operations.

In the early days, drilling of hard substances was carried on by means of hand drills and the process was slow and expensive. An ordinary grade of tool steel was used and

answered the purpose very well. About 40 years ago the percussive type of rock drill was developed and revolutionized the art of drilling. This called for a better grade of steel since the service expected of it was more severe. The striking force or power of the rock drill machine was increased and demanded a grade of steel that was better able to resist shock and still maintain its cutting edge.

It might here be stated that there is no machine in use to-day, with the possible exception of the steam hammer, that is required to withstand so much abuse as a rock drill. In fact, it is questionable whether any machine, after taking into consideration the skill of the operator, receives as little care and attention as the rock drill.

When drill steel was produced that could withstand the increased work placed upon it by the harder striking machines, efforts were then directed toward developing an even more powerful machine. The history of the conflict between armor plate and the projectile has a parallel, in a measure, to the war that was waged between the rock drill machine and the steel. In one case the drill steel would withstand, just like the armor plate, the impact of the blow it received, but with the greater strides made in the improvement of rock drills, just like the perfecting of the projectile, the drill steel was no longer able to withstand the abuse, and the demand was again created for a grade of steel that would not yield to the added punishment. This conflict is still going on, and the supremacy of the one over the other lies in the ability of the steel manufacturer and the designer of the rock drill to outdo the other.

The best experience of the steel makers and scientific knowledge of metallurgists have been directed toward producing steel of such character as to withstand the extraordinary severe service required of it, which some authorities are ready to admit approaches very nearly the physical possibilities of the metal, so far as the art of steel making goes to-day.

In testing and putting into service every known brand of drill steel produced in this country over a period of many years, whether produced by the crucible, electric furnace, open-hearth, Siemens-Martin, or Bessemer process, we were forced to reach the conclusion that we had to turn to foreign-made steel if we hoped to get a better quality for this particular purpose. This is not a reflection on the manufacturers of steel in this country, as we firmly believe they have made the best of their raw products. It can not be disputed that the art of steel making in this country has progressed just as far as with any steel manufacturer in the world, but for certain purposes, such as rock drill steel, this country does not possess basic ores that equal some of the ores that are mined in Sweden. Our entire product, with the exception of drill steel, is manufactured from materials, either in the raw or finished state, that are produced in this country, but in the case of drill steel, where so much is expected on account of the abuse it receives and the peculiar service it performs, we can not, in justice to ourselves and our trade, put out an article that is not equal to that produced abroad. Our policy always has been, and always will be, to use American-made materials in the production of our products, and we only go outside our domains when we can not get a commodity produced at home that is as good as that from abroad.

The evolution of the rock drill has given us the hammer type of drill, which, while performing the same function as the percussive drill, differs widely in principle. The hammer type of drill is much lighter in weight, operates more rapidly, and instead of lifting the steel in the hole with each stroke it strikes the steel a blow on the end while it is comparatively stationary. The work imposed upon steel used in this machine is even more severe than in the other type of drill, because, while the blows struck are lighter, they are much more frequent, so the molecules of metal in the steel are in a constant state of agitation, whereas with the old types of drills there was a period of rest which was not so injurious to the steel from the standpoint of crystallization. The drill steel used with these machines is invariably hollow, i. e., it is made with a hole through the center. The hole is intended to carry a mixture of air and water to the cutting bit, which allays the dust, cools the point of the steel, and cleans the hole. In many mines it is required to use the water type of drill, and they are now universally used in practically every mine in the world.

The manufacture of hollow steel presented many difficult problems, but the processes now employed have been perfected to such an extent that we are able to get a satisfactory article, but there is still room for improvement. When the necessity arose for producing hollow steel the earlier practice was to drill a solid bar of steel from either end. The length of the bar was limited by the depth a twist drill could bore a hole. The method was slow and expensive and not satisfactory. As the demands for hollow steel increased and provisions had to be made for producing it on a commercial basis in larger quantities and longer lengths, one of our steel mills in this country about 25 years ago conceived the idea of rolling the steel from the

billet with a pierced hole in it in which had been placed a soft iron bar. The theory was that as the outside diameter of the billet was reduced the hole would likewise diminish in diameter and the iron bar could be drawn out after the bar of steel was cold on account of its ductility.

Only a small quantity of hollow steel was produced in this manner as the process was not practical and far from commercial.

About this time a process for making hollow bars was patented in England and is known as the "sand core" process. The patent really applies to the method of extracting the core from the hole after the bar is rolled. The process consisted of drilling a hole in the billet and plugging the hole up with sand and then sealing the ends of the billets with boiler punchings. The billets were drilled cold and after they had been prepared in the manner designated were heated in the furnace and rolled. The bars were then allowed to cool and the sand core was removed by a jet of air introduced by means of a small piece of tubing inserted in the hole. There are a number of concerns in Sheffield making steel by this process and also a number of concerns in Sweden who use the same method, some mills modifying it to the extent of removing the sand core by means of a jet of water instead of air. There are seven steel makers in this country who make hollow steel by the sand-core process or a modification thereof, and one of these, the Crucible Steel Co. of America, is supposed to be working under a license of the patentee and claim to have exclusive rights for this country. There is another process employed for making hollow steel by one of the mills in Sweden, generally known as the Mandrel process.

Hollow steel made in this manner is rolled from a billet that is pierced hot and the billet then rolled in a tube mill similar to that employed and generally known as the Mannesman process. None of the hollow steel made in this country is produced by this latter process. We procure our hollow steel in Sweden, and it is made by the only mill that we know of that employs the Mandrel process, and consider it superior not only because of the quality of the metal but on account of the way it is manufactured.

Our experience, extending over a period of 25 years with hollow steel made in this country, convinces us that the American manufacturer has not yet produced a quality that is equal to that made in Sweden and we are firmly of the opinion that an equal quality never will be produced until the same base materials are used and it is manufactured by the same process.

We are perhaps the largest importers of hollow steel in this country and attribute our success not alone to the machine that we manufacture but to the superior cutting and enduring qualities of the steel that is used in conjunction with the machine.

Our importation of hollow steel approximates 2,000 tons per annum, on which we pay under the present tariff act a duty of about \$36,000. Under the proposed Fordney tariff bill this duty would amount to \$90,000 approximately on the same steel. This added cost would have to be borne by the mining industries in this country. If on account of the higher price charged for the steel the mines should decline to continue the use of Swedish steel we would be penalized for having placed on the market a quality of steel that will accomplish more in actual drilling performance than any steel produced in this country.

We, therefore, request that paragraph 304 of the proposed tariff bill be so amended as to permit of Swedish hollow steel being admitted to this country without any increase over the present tariff.

Yours, very truly,

GEORGE DOUBLEDAY,
President.

PARAGRAPH 305.

ALLOY STEELS IN GENERAL.

This applies to all steels containing more than six-tenths of 1 per cent of the following alloys: Nickel, cobalt, vanadium, chromium, tungsten, and molybdenum, or any other metallic element used in alloying steels. The fact that these steels contain alloys does not increase the manufacturer's cost in proportion to the 15 per cent ad valorem assessed under paragraph 305. The quantities of the imports of these steels are practically negligible compared with the tonnage produced in this country, and the fact remains that the duty of 15 per cent under the Underwood tariff has been sufficiently high to prevent imported steels from competing with domestic manufacturers on a price basis.

Example 1.—A magnet steel, which is alloyed with about 1 per cent tungsten, 2 per cent chrome, and made in the electric furnace, sells in the American market 134 cents per pound delivered. It would carry under the proposed tariff the following duties,

assuming this steel costs 10½ cents per pound at port Gothenburg, Sweden, and is assessed on foreign invoice value:

Paragraph 304, specific.....	cents per pound..	2.00
Paragraph 305, 15 per cent ad valorem.....	do....	1.57
Total duty.....	do....	3.57

Equal to 35 per cent on foreign invoice value.

Example 2.—A chrome steel, Siemens-Martin quality, for ball bearings and steel for balls containing about 1 per cent carbon, 1½ per cent chromium, is valued, at Liverpool, at 12½ cents per pound. On the foreign invoice value this steel would carry the following duties:

Paragraph 304, specific.....	cents per pound..	2.50
Paragraph 305, 15 per cent ad valorem.....	do....	1.91
Total duty.....	do....	4.41

Equal to 34 per cent on the foreign invoice value.

Similar chrome ball-bearing steel made by the electric process in the United States sells from 10 to 13 cents per pound. The lower price on the hot melt, the higher price on the cold melt. It will therefore be seen that the price at Liverpool is already higher than the American selling price, and we again revert to our original contention that all these "fine steels," be they alloy or otherwise, do not need any duty at all.

Example 3.—Hot-rolled tungsten alloy sheets for hacksaws containing about 1.25 per cent tungsten, 1 per cent carbon, cost, at Liverpool, 20 cents per pound. The selling price of the American mills for this steel is 25 to 27 cents per pound. The duty on foreign invoice value would be as follows:

Paragraph 304, specific.....	cents per pound..	3.50
Paragraph 305, 15 per cent ad valorem.....	do....	3.00
Total duty.....	do....	6.50

(Calculation based on present method of assessing duty. American valuation clause disregarded.)

This is 32½ per cent duty on the foreign invoice value, to which freight, insurance, and landing charges and selling expenses have to be added. It therefore will again be seen that the foreign steel is absolutely not competitive on a price basis.

Furthermore, the innumerable varieties of alloy steels for automobile construction absolutely can not be imported into the United States from abroad, as the American mills by far exceed in technique, promptness of delivery, laboratory facilities, and immediate expert advice as to the treatment of such steel; therefore, the importer is not seriously considered by the American automobile manufacturer. These foreign automobile alloy steels are not only higher in their original cost, but even if they were from 25 to 50 per cent cheaper than American steels, they could not possibly be considered as a competitor of American steels because of the distant source of supply.

Conclusion.—(a) These figures prove that even without duty on foreign "alloy steels" they could not be sold on a competing price basis.

(b) The present Underwood tariff duty of 15 per cent ad valorem on foreign invoice value has already brought imports of fine steels to a minimum.

(c) A straight 20 per cent ad valorem duty on foreign invoice value without the 15 per cent cumulative duty of paragraph 305 would not increase these imports, but tend to restrict them still further.

(d) The 15 per cent ad valorem on an alloy steel under paragraph 305 is altogether unnecessary for the protection of the American industry and is drastically prohibitive as to a source of revenue.

(e) The 15 per cent additional duty assessed under paragraph 305 is absolutely inconsistent and no reason can be found for same, in as much as it costs no more and creates no additional waste to put such alloys into the steel and finish into bars. In fact, the additional chromium in steel makes the resulting ingot much easier to be turned into finished bars. It can not be said that the cost of the alloys in the steel demand this additional 15 per cent, because these costs for alloys are already taken care of in the present American selling prices, the same as they are taken care of in the foreign selling prices, consequently the 15 per cent additional for alloys used in the steel is inconsistent and unfair. The greater amount of labor involved in a ton of production, with the equivalent less tonnage output per man, the higher the selling price for the size, section, or quality of steel produced. The same conditions obtain abroad, and America is favored because here we produce our alloy "fine steel"

specialties with greater percentage of machine production per ton, as compared with hand labor per ton, than any other producing country, and certainly manufacture these specialties as cheaply as the foreigner.

The total production in the different American steel products, and the proportionate amount of labor and capital investment involved, are all equitably reflected in the differences established in the selling prices for these various steel commodities, with no reference or relation to the tariff or any foreign competition whatsoever. There were about 22 manufacturing plants in the "fine-steel" business in America prior to the war. There are now about 45. The Crucible Steel Co. of America operate about 10 of these plants. The producing capacity of the American "fine steel" has increased between three and four times to what it was before the war. There must be an opportunity for the present small percentage of foreign "fine steels" to enter America, because the American buying public demands them, and to protect this public from being absolutely at the mercy of the American manufacturers. Then, too, the question of possible tariff retaliation at the rate of which the power is 50 to 1 should be considered.

(7) The American importers of "fine alloy steels," recognizing the Congress of the United States as the supreme bulwark of the rights of the American people, most earnestly pray that your committee will make a searching inquiry into this whole subject, and without fear or favor act for the protection of the good name of America and the interests of the American people.

ALLOY TOOL STEEL—HIGH-SPEED TUNGSTEN STEEL.

History of the industry.—High-speed steel was invented in 1901 and in the beginning chiefly made in and imported from England, but with the passage of time the American mills perfected the making of this steel and cheapened its production to such an extent that during 1920 approximately 30,000,000 pounds were produced in the United States and only about 3 per cent was imported, with a duty revenue to our Government of approximately \$150,000.

The new methods employed and the large tonnage consumed make it now possible to produce this steel cheaper in the United States than in England.

The requirements of the American users of fine steel demand deliveries from stock, and the European mills being distantly located (requiring four to six months delivery), necessitate large stocks in America, and the importer, by reason of the foregoing, is subject to heavier selling expense than the American mills. A low estimate of the selling expense on high-speed steel is 25 cents per pound.

The American mills are not handicapped to the foregoing extent with respect to their selling expense as are the importers. This advantage, combined with the lower cost of production, as aforesaid, gives the American producer a double benefit. It will therefore be seen that an increase of duty, as in the proposed Fordney schedules, only aggravates the situation still further and will actually result in destroying businesses of American citizens, inasmuch as an experience covering 30 or 40 years has demonstrated that the foreign mills are unable to sell their product in the United States except through an American agent, importer, or middleman.

Prices.—The English 18 per cent tungsten standard high-speed steel sold in 1920 at or about 72 cents per pound in Liverpool. The reduction up to date, in line with reduced cost of raw material, fuel, and labor, and with overhead based on normal mill output, is probably 20 per cent, and foreign high-speed steel may now be purchased in Liverpool at 58 cents per pound at the exchange rate of \$3.60 per pound sterling. To this price must be added 5 per cent for cases, freight, insurance, landing charges, and cartage to deliver the steel to the warehouse floor (plus, of course, duty).

Before the war metallic tungsten sold for 50 cents per pound, which is also its present cost (see Iron Trade Review, July 28, 1921, p. 254); and the standard high-speed steel of 18 per cent tungsten, to-day's price, 45 to 50 cents per pound; 1 per cent vanadium, to-day's price, \$5 to \$6 per pound; 3 to 4 per cent chromium, to-day's price, 12 to 14 cents per pound; 78 per cent iron, to-day's price, 5 cents per pound, cost the American makers before the war about 30 cents per pound in a finished bar on the mill floor.

This same quality of standard high-speed steel cost before the war (at the then prevailing rate of exchange of \$4.86 per pound sterling) 42 cents per pound in Liverpool.

At the beginning of the war the American high-speed steel sold from \$2.50 per pound up to as high as \$3 per pound, while the British Government embargoed its exports. Later American high-speed steel sold during the war, under Government ruling, at \$1.90 per pound.

At the time of the armistice prices receded to \$1.50 per pound and the present prices are: Nominal retail price, \$1 per pound; moderate consumer, 90 to 95 cents per pound; large consumer, 80 cents per pound.

We also hear of prices from 65 to 70 cents per pound for as small lots as even 1,000 pounds at a time. It therefore appears that foreign high speed steel, even under the present duty of 15 per cent ad valorem on foreign invoice value, can not be deemed a competitor of the American product when sold on a price basis.

Proposed duty under the Fordney bill on tungsten alloy steels (such as high-speed steel) being valued above 40 cents per pound: Paragraph 304, 20 per cent; paragraph 305, cumulative for the fact that an alloy is in the steel, 15 per cent; paragraph 305, cumulative, specific duty for the 18 per cent tungsten contents, 12 cents per pound.

On an American valuation of, say, 80 cents per pound (which already includes the selling price and profit) this means: 20 per cent, 16 cents per pound; 15 per cent, 12 cents per pound; for 18 per cent tungsten, 12 cents per pound; total, 40 cents per pound.

This on a price of 58 cents per pound in Liverpool, plus 5 per cent expenses, is equal to 61 cents per pound; proposed new duty, 40 cents per pound; on the warehouse floor of the importer, \$1.01 per pound.

Assuming that the duty would be assessed on the foreign invoice value of, say, 20 per cent ad valorem, this would result in the following: Liverpool price, 58 cents per pound; 5 per cent expenses, 2.9 cents per pound; 20 per cent of 58 cents, 11.6 cents per pound; total, 72.5 cents per pound.

To these two calculations must be added the 25 cents per pound selling expenses, so that the importer is required to obtain at least: On American valuation, \$1.26 per pound; on foreign valuation, 97½ cents per pound before a profit is derived from his investment, whereas the American mills' selling price to-day is from 65 cents to \$1 per pound, which includes selling expenses and profits.

Conclusion.—(a) The foregoing figures prove that even without the duty the imported steels could not really be sold competitively on a price basis.

(b) The present Underwood tariff of 15 per cent ad valorem on foreign invoice value has already brought the imports to a minimum.

(c) Even a straight 20 per cent ad valorem duty on foreign invoice values without the two cumulative duties of paragraph 305 would not increase these imports but would absolutely restrict them.

(d) The 15 per cent ad valorem for being an alloy steel under paragraph 305 is altogether unnecessary for the American industry.

(e) The 15 per cent additional duty of paragraph 305 taxes the labor, raw material (except as to tungsten) selling expenses and profits twice, as it is already taxed 20 per cent ad valorem under paragraph 304.

(f) The specific additional tungsten duty of paragraph 305 is by far too high, as it can not be assumed that the tungsten metal duty under paragraph 302 will advance the price or cost of tungsten to the American steel maker to the extent of the tungsten duty under paragraph 302. Paragraph 302 taxes pure metallic tungsten 72 cents per pound plus 15 per cent ad valorem. The present price of tungsten, as per daily reports in the Iron Trade Review, is from 45 to 50 cents per pound. The present Underwood tariff assesses tungsten metal under paragraph 101 with 15 per cent ad valorem, and the Fordney bill maintains this 15 per cent ad valorem under paragraph 302. Therefore, the 15 per cent under the proposed Fordney bill will leave the tungsten situation as to that tax in exactly the same condition as it has been for the last eight years. Consequently only the 72 cents per pound specific duty on tungsten metal of paragraph 302 may be taken into consideration in this calculation.

We believe that it can not be assumed that the price of tungsten will increase from 50 cents per pound to \$1.22 per pound because the American tungsten mine will sell in competition with the other American mines and supply and demand will govern the price. It is not the duty which will govern the price, but the duty will only be a contributing factor.

(g) The second paragraph of paragraph 305 assumes that this 72 cents per pound of the tungsten duty of paragraph 302 will carry itself along equally balanced into the steel, viz: Paragraph 305 provides a specific tungsten duty of 72 cents per pound on all tungsten contents above 1½ per cent. This is for 18 per cent tungsten steel 16½ per cent, which is 12 cents per pound of the tungsten in the finished bar.

We claim that due regard should be given to the extent to which the additional duty of paragraph 302 on tungsten metal, in comparison with the Underwood bill, will carry itself forward to the finished bar steel in the last paragraph of 305; and the alloy steels should not be taxed to the full value of this increase of duty of paragraph 302, but should be taxed correspondingly much lower than now specified and should

be according to the prevailing opinion as to how far this advance in tungsten metal of 72 cents per pound will be felt by the American steel maker in the ingot cast.

We consider that alloy steels belong in paragraph 304 and by reason thereof be immune from the additional 15 per cent duty of paragraph 305, for which there is no just reason or explanation possible.

We further consider that a more equitable compensation should be found for the duty of paragraph 302 as to the alloys in the steels than by assuming that the full advances of the duties of the alloys of paragraph 302 will take effect to its full extent in the finished steel to the American maker, and we further believe that one-half of this 72 cents would be amply protecting the American steel maker.

We qualify this by the information, which we have on good authority, that there is at present in this country enough tungsten and tungsten concentrates to be sufficient for a normal demand by the steel makers for at least two years—probably 10,000 tons—and under the present curtailed demand this supply will last much longer—probably four to five years. Consequently it is not to be expected that a demand for the importation of tungsten or tungsten concentrates or metallic tungsten will arise for probably three to four years, and therefore the tungsten price will again be governed not by the duty under paragraph 302 but solely by the supply and demand. For this reason we deem it fair and equitable that this fact should have a strong bearing on the last part of paragraph 305, in view of the fact that such a specific duty as under paragraph 305 would have an immediate effect on the importer of the steel.

PARAGRAPH 316.

WIRE AND COLD-ROLLED STRIPS.

This paragraph provides a duty of 20 per cent on the United States domestic market values on all wire valued above 6 cents per pound and on all cold-rolled strips not thicker than one-fourth of an inch and not exceeding 16 inches in width.

History of the industry.—Soft cold-rolled steel for stamping and drawing purposes, used in the manufacture of the typewriter, adding machine, sewing machine, automobile parts, etc., is so cheaply produced in the United States that it is impossible to import. The American mills produce this soft cold-rolled steel so efficiently and in such large tonnage that it sells in the United States for 4½ cents to 6 cents per pound, which is below the European cost of production.

Cold-rolled strip steel of the better grades suitable for hardening and tempering and tempered cold-rolled strips imported from Europe are confined to a few highly specialized grades, purchased on account of superior quality and individual preference, for which the consumers feel inclined to pay a premium above the market price for similar grades produced in America.

The importation of these specialties from Europe has not increased, but rather steadily decreased, during the past 10 years on account of the improvements made by the American manufacturers of similar grades, making it more difficult for the European products to compete. Therefore only a small tonnage of these European grades are sold in America, and this only to the consumer who does not want to sacrifice the quality by buying the grades manufactured here at the cheaper price.

Price.—The European manufacturers have to contend with constantly higher costs of production, especially in Sweden, where the charcoal fuel is becoming more expensive every year. Sweden practically produces no bituminous or anthracite coal, nor coke, all such fuel for the manufacture of steel having to be imported from other countries.

The process of cold rolling strip steel and drawing wire in tonnage quantities has been so perfected in the United States that it is practically an automatic machine process in which the American mills surpass the European.

Imports.—The imports of cold-rolled strip steel and wire have been insignificant under the present duty of 15 per cent ad valorem on foreign invoice values, and what little quantities have been imported have been on account of quality only.

The importer is subject to heavy selling and warehousing expense and this affords the American manufacturer additional protection.

Duty.—Should the duty be raised higher than the present 15 per cent ad valorem on foreign invoice values, this will mean an additional burden on the American consumer as cold-drawn wire and cold-rolled strip steel imported from abroad are semi-finished, which the domestic buyers manufacture into finished products and sell to the ultimate consumer or the public. If, however, an increase of duty should take place, still smaller quantities will be imported with consequently less revenue.

COMPARISON OF PRICES OF IMPORTED COLD-ROLLED STRIP STEEL AND DRAWN WIRE.

Example 1: Cold-rolled shoo-shank steel sells at the present rate of English exchange, 2½ to 5 inches wide by 0.025 to 0.042 inch thick in 50-ton lots:

	Cents.
Price per pound at Liverpool.....	6.5
Freight, insurance, landing charges, packing, 5 per cent.....	.325
15 per cent duty on 6.5 cents.....	.975

On warehouse floor of importer, per pound..... 7.8

An equal grade of American-made steel sold in 1920, delivered customer's plant, at 8 cents per pound, and it is well known that American production cost of raw material, labor, and fuel has gone down considerably since, therefore the present American selling price is now less.

Example 2: A medium grade of Siemens-Martin cold-rolled strip steel suitable to harden and temper, 0.9 to 1 per cent carbon in a standard size of 3½ inches wide by 0.028 inch thick, in straight strips of 6 feet sells:

	Cents.
Price per pound at Liverpool, in 500-pound lots.....	15.5
Expenses for freight, cases, insurance, landing charges, 5 per cent.....	.77
15 per cent duty on 15.5 cents.....	2.32

On warehouse floor of importer, per pound..... 18.59

A similar grade of American cold-rolled steel was quoted in July, 1921, at 8.05 cents per pound f. o. b. Pittsburgh, in equal quantities.

Example 3: Cold-rolled pen steel in standard sizes such as are used for pen making, carbon 0.95 per cent, in 50-ton lots sells:

	Cents.
At Gothenburg, Sweden, per pound.....	26.03
Freight, insurance, landing charges, tin-lined cases, 8 per cent.....	2.08
15 per cent duty on 26.03 cents.....	3.90

On warehouse floor of importer, per pound..... 32.01

The present price of cold-rolled pen steel, as sold by the domestic manufacturer, runs between 20 to 24 cents per pound at American mill.

Example 4: Cold-rolled hardened and tempered spring steel for mainsprings in motors in phonographs and talking machines, such sizes as 1 inch wide and 0.027 inch thick, sells now in 100-ton lots:

	Cents.
At Gothenburg, Sweden, per pound.....	55.00
Freight, tin-lined cases, landing charges, insurance, 8 per cent.....	4.4
Present duty, 15 per cent ad valorem of 55 cents.....	8.25

On warehouse floor of importer, per pound..... 67.65

Similar grades of spring steel manufactured in United States are freely selling at 30 to 40 cents per pound, and in certain instances at a still lower figure.

Example 5: Music wire for use in pianos. A trial shipment was made of sufficient wire of assorted sizes to string 1,000 pianos, and the price is:

	Cents.
At Gothenburg, Sweden, average price for all sizes, per pound.....	36.00
Freight, tin-lined cases, insurance, landing charges, 8 per cent.....	2.88
Present duty, 15 per cent ad valorem on 36 cents.....	5.4

On warehouse floor of importer, per pound..... 44.28

The average price of such piano wire of sizes used in pianos, made by the American wire manufacturers, range between 30 to 35 cents per pound at American mill.

The facts above mentioned will prove that imported cold-rolled strip steel and wire from abroad does not bring any competition to the American manufacturers in corresponding qualities, as far as prices are concerned, and that the general conclusion can only be that the foreign invoice values are already, without duty and expenses, higher than the selling prices of the American mills. The present duty of 15 per cent ad valorem—already a most serious check on importations—has brought them to a practically negligible figure.

The American user of these semifinished products has so far shown a willingness to pay a slight premium for what he considers in individual cases a more adapted and superior article, but if these differences should become too great he will have to forego

his preference and quality, abandoning the use of the imported article or obtain a higher price for his finished product.

Any advance in duty would aggravate the situation still more and consequently reduce the now existing revenue on these imports.

Conclusion.—We do not believe it to be the intention of Congress to impose a barrier to the importation of fine steels to the extent that such importation will be eliminated and consumers of fine steels in this country left to the mercy of domestic manufacturers and a monopoly thereby created.

As American citizens we protest vigorously against the destruction of our business, particularly in view of the fact that our Government will not benefit from the standpoint of revenue but indeed will lose the substantial revenue now obtaining.

The small quantity of fine steels now imported into this country (2 per cent of the total consumption here) can not be considered competitive, as the imported fine steels do not undersell similar grades of American steels because the imported products command higher prices due to their quality, therefore it can not be claimed that the American industry is threatened; hence the proposed increased duty will only result in the creation of a monopoly which will have the American purchaser at its mercy.

The proposed duty in addition to causing loss of revenue and creating a monopoly will invite retaliation from foreign Governments whose citizens export fine steels into this market. This power of retaliation is far more serious than ever before, inasmuch as the war has taught foreign countries to use substitutes for our products; these substitutes they will undoubtedly resort to if the necessity occasions.

Surely an industry whose 98 per cent of the consumption is manufactured domestically and which has been developed in this country for more than 40 years can not be seriously interfered with by foreign imports to the extent of 2 per cent.

A monopoly that the proposed duty confers upon the American manufacturer will force the consumer to pay higher prices and thereby disappoint a public who looks to the present administration to restore "normalcy."

We urge upon you that we have overproduction in almost every line of manufacture; that an outlet must be found for our surplus and that the few things which we can import go only a small way toward paying for our exports; that the unemployment, doubt, distress, and anxiety which are present in America are surpassed by the rest of the world. This condition is reflected by our fast disappearing foreign trade which automatically drags down with it our internal commerce, leaving in its wake idleness and discontent in our body politic.

WHAT IS THE PURPOSE OF A TARIFF LAW?

INTRODUCTION.

The purpose of this pamphlet is to present brief but businesslike reasons why sections 304-316 of the proposed Fordney tariff bill, imposing an import duty as therein stated upon "fine steels," should be rejected. The effort has been made to handle the argument so as to avoid a statistical and technical discussion, thereby making the same readable.

The introduction to this pamphlet has indicated that a consideration of the subject must necessarily be general as distinguished from a scientific and statistical essay.

But it must not be assumed therefrom that we have sacrificed accuracy or otherwise surrendered to expediency.

We are constrained to approach the matter in this way, realizing that our Senators and Representatives are endeavoring to enact a tariff measure which will be for the best interest of their country.

Those gentlemen come from the regular walks in life. Few, if any, have scientific knowledge or are sufficiently acquainted with the manufacture of steel to distinguish the difference between "fine steels" and "tonnage steels." Not more than a half dozen Members of Congress could analyze understandingly the tariff on fine steels as obtaining in the objectionable sections 304-316 of the proposed Fordney measure.

Nor need the gentlemen at Washington acquaint themselves with this technical knowledge in order to perform their duty, because our Congressmen are well aware that they need apply a simple test only to determine if an item should or should not bear an import duty, and how much.

This test is: (a) Does the industry producing the material need protection; if so, to what extent?

(b) Will the proposed duty on a material yield revenue to the Government?

The foregoing test is the basis of our objection to the duty levied in the proposed Fordney measure on fine steels, and our arguments in respect thereto are:

I.

The fine-steel industry needs no protection, and certainly not to the extent provided for in sections 304-316 of the proposed Fordney bill.

The fine-steel industry in the United States was developed over a period of years by a process of evolution hand in hand with the cotton gin, harvesting apparatus, machine tools, sewing machine, breech-loading weapons, typewriter, bicycle, linotype, automobile, airplane, and other machines where American mechanical ingenuity leads the world. These intricate machines contain many parts, which, by virtue of the friction and burden imposed thereon, are required to possess a fineness and quality that yield strength, toughness, and durability while operating at high speed.

The majority of parts of these machines were made interchangeable. In due course an immense business was created in the production of fine steel, from which many of these parts are manufactured and numerous other uses were developed for fine steels.

In 1920 there were about 45 plants engaged in the production of fine steels within the United States. The growth of the industry was extensive and the profits therefrom great, which caused the inevitable result that the business suffered through overproduction.

But to say that the situation may be remedied by a tariff is too ridiculous to admit of argument when one pauses to consider that of the fine steel marketed in the United States each year only about one-fiftieth (2 per cent) thereof comes from abroad. How small a competitor of the domestic manufacturer is the foreign importation of fine steel is self-evident and makes obvious that the sections 304-316 of the proposed measure will encircle the American market with a Chinese wall, thereby creating a monopoly fattened by favor.

If Congress, with full knowledge of the situation, permits this condition to come about, then so let it be, as the responsibility will rest on that august body.

If, however, the fine-steel industry is entitled to have its economic condition relieved by congressional legislation with respect to the tariff—especially when the question of tariff in no way contributed to said condition—then the same privilege should be accorded to all other lines of industry. If this were done, we would have the American public at the supreme mercy of the shoe manufacturers by placing a prohibitive tariff on hides; the public at the supreme mercy of the sugar producers by a prohibitive tariff on sugar; and the public at the mercy of the oil producer by a prohibitive tariff on the importation of oil, and so on, ad infinitum.

Those favoring the enactment of sections 304-316 of the proposed Fordney measure may indulge in all the specious argument that the English language affords to justify said sections, but when subjected to the cold analysis of logic the fact can not be denied that the development of the fine-steel industry in the United States has been in progress for 50 years or more last past, and the business to-day is in the hands of about 45 plants of greater or lesser magnitude producing annually more than 1,000,000 tons. The present import duties on fine steels from abroad has enabled the American manufacturers to dispose of their product at a handsome price, thereby yielding most substantial profit. The importation of fine steel from abroad—20,000 to 25,000 tons annually—has in no way interfered with the development of the American industry or with the marketing of its product, inasmuch as the great percentage of the foreign importation has been of an exceptional quality necessarily required to be manufactured abroad by reason of the peculiar characteristics of the raw materials employed, and the imported product makes no attempt to undersell the American product, but as a rule procures a higher price because of this quality.

The argument that the fine-steel industry in the United States needs protection by an absolute prohibitive tariff, contained in sections 304-316 of the proposed Fordney measure, is both improper and incorrect and is inspired solely by the desire to eliminate every vestige of possible competition and thereby compel American consumers to pay an outrageous and unthinkable price for fine steel.

II.

WILL THE PROPOSED DUTY ON A MATERIAL YIELD REVENUE TO THE GOVERNMENT?

The duty on fine steel under sections 304-316 of the proposed Fordney measure will yield no revenue to the Government, but on the contrary will destroy a substantial revenue at present derived from the tariff now obtaining.

The foregoing assertion is not conjectural or speculative. Indeed, it is a positive statement of fact, which an examination of the existing tariff and the proposed tariff will verify.

Under the tariff at present obtaining, the revenue to the Government derived from the importation of fine steel approximates \$500,000 each year.

Sections 304-316 of the proposed Fordney measure by levying a tariff which is so great as to preclude the importation of fine steel except in negligible quantities (which can not be had in the United States, and must, therefore, be purchased abroad), will necessarily destroy entirely the revenues heretofore derived from foreign importation.

It can not be argued that the higher rates in the proposed Fordney measure will compensate for the loss of quantity importation, because the reduction in quantity importation will in no way be offset by the revenue from the suggested increase in rates.

Furthermore, an examination of sections 304-316 of the proposed Fordney measure discloses that the Government will be required to maintain an army of export chemists and analytical laboratories at tremendous expense, which will greatly lessen such revenues that may be derived from the new rates.

We make no effort to submit a table of comparisons contrasting the import duties levied by the tariff at present obtaining and those fixed in the proposed Fordney measure because to do so would require burdensome and intricate statistics, which we have purposely endeavored to avoid in this pamphlet. We are prepared, however, to submit such tables upon request by any Congressman or committee. The enormous expense entailed in the maintenance of chemists and analytical laboratories is obvious.

Conclusion.—We, as citizens of the United States, who import fine steels from abroad, are not unmindful of the fact that our country is required to have a tariff measure for the protection of home industries where protection is necessary and for purposes of revenue. At the same time we submit most earnestly with respect to the fine-steel industry that by no stretch of the imagination may it be argued that the industry in the United States needs additional protection, and we further emphasize that sections 304-316 of the proposed Fordney measure will defeat its own purpose with respect to deriving revenue.

We further argue in all sincerity that no objection may be taken to a fair and reasonable tariff which will afford a moderation of protection to home industries without destroying competition and which will also yield revenue to our Government.

We do object, however, to the erection of a tariff barrier which will destroy all revenue and competition, leaving the fine-steel purchasers of the United States absolutely in the hands of a monopoly.

Trade balance between the United States and foreign countries from which fine steels are exported into this market.

[Figures obtained from reports of the Department of Commerce, Miscellaneous Series No. 100.]

	1918	1919
Imports from—		
England.....	\$118,513,817.00	\$267,624,655.00
Sweden.....	5,935,490.00	13,722,931.00
Austria-Hungary.....		2,417,850.00
Exports from the United States to—		
England.....	1,952,870,089.00	2,125,167,540.00
Sweden.....	15,674,108.00	133,069,131.00
Austria-Hungary.....		42,211,564.00

It will be observed from the above figures that England and Sweden import from this country approximately ten times the amount of commodities which are in turn exported by these countries into the United States, and in the case of Austria-Hungary the trade balance is 20 to 1 in favor of the United States.

STRUCTURAL STEEL.

[Paragraphs 304, 307, and 312.]

STATEMENT OF W. L. KING, VICE PRESIDENT OF THE JONES & LAUGHLIN STEEL CO., PITTSBURGH, PA.

Senator LA FOLLETTE. What is your address?

Mr. KING. Pittsburgh.

Senator LA FOLLETTE. Is that all the address I need in order to communicate with you?

Mr. KING. Yes, sir; just Pittsburgh.

Senator WALSH. Steel men are better known than you think, Senator.

Senator LA FOLLETTE. I suppose so.

Mr. KING. In order to conserve the time of the committee, Mr. Chairman, I have prepared a small, concise statement which I think I had better read at this time. [Reading:]

The Jones & Laughlin Steel Co., for whom I address you, are large manufacturers of steel products in many forms, the more important of which are steel bars, structural shapes, plates, wire products, pipe, tubes, and tin plate, and are, therefore, vitally interested in securing adequate protection in the proposed new tariff not only for the steel industry and its workmen but for all other American products which can be produced in Europe and elsewhere more cheaply.

In the main, we agree with the general statement of Mr. John A. Topping on both finished and raw materials. On a comparative basis of labor and other costs here and abroad, the duties on common steel products fixed in House bill 7456 are inadequate, but we appreciate that changes must occur as the world progresses towards normalcy, and that the tariff should anticipate these changes. Knowing the difficulty in securing accurate information as to foreign labor costs, efficiency and other conditions, and the uncertainty of the future, we are not able, even if disposed, to dispute your prognosis of the future as it may appear in this bill.

The chief elements of cost to the American manufacturer is the increased charge for transportation. Generally speaking, it has more than doubled since the tariff of 1909; but you will, perhaps, better understand the effect on our costs by the specific statement that the cost of assembling the raw material per ton of steel in Pittsburgh, and shipping the steel to New York, where we must meet foreign competition, is \$10 per ton more than before the war. This is a cost which we can not control but are, of course, hopeful of relief, and it can not come too soon for the general good.

Our appearance here is not to criticize, but to call attention to the classification of two, or perhaps three, of the finished steel products which has been handed down from previous tariffs, and which we believe can be greatly improved with but slight increase in the duties.

In fixing the duty on steel bars in the House bill under discussion, paragraph 304, their importance and probability of importation have not been recognized, largely, I think, because they are classed with about 17 other articles or products having no relation in cost or importance, ranging from steel ingots, die blocks, and gun-barrel molds to certain alloys. This same classification appears in previous tariff bills, but it covers too much to cover it well. The lower-priced brackets are too low for bars, but possibly entirely adequate for the other articles, and the higher-priced brackets entirely unnecessary for bars. As to the importance of steel bars, the tonnage is greater than any other single steel product, and the selling price is lower than any other steel product. They are likely to be imported, not only because of their general use, but because they are not usually subject to chemical or physical specifications; can be easily transported in vessels, and more readily sold because of their wide market. Certainly they are important enough to have a separate paragraph in the tariff bill and I hope this suggestion will appeal to you.

If the American-valuation plan is retained, it is not likely that any steel bars will be imported under the first or lowest bracket in paragraph 304, namely, when valued not over 1 cent per pound, two-tenths of a cent per pound duty; but in the second bracket, reading "valued above 1 cent per pound and not above 1½ cents per pound, three-tenths of a cent per pound," imports are entirely possible, and would result in the reduction of American labor to a point below the accepted standard of living conditions and comfort, which we earnestly hope will never become necessary. I would therefore recommend for your consideration a change in the classification, and slight increase in the duty on common merchant steel bars to read as follows:

"Valued not over 1 cent per pound, three-tenths of a cent per pound duty. Valued over 1 cent and not over 1½ cents per pound, four-tenths of a cent per pound duty. Valued over 1½ cent per pound to 2½ cents per pound, five-tenths of a cent per pound duty."

Beams, channels, angles, etc., commonly known as structural material, in paragraph 312 of House bill 7456, are made dutiable at a flat rate of seven-twentieths of a cent per pound. Structural material is a large and important tonnage but not as likely to be imported as bars, because of the rigid specifications as to quality, lengths, etc., necessary for large buildings, but based on competitive costs here and abroad, both present and prospective, the duty of seven-twentieths of a cent per pound flat is not adequate. In some previous tariffs structural materials carried a sliding scale based on the price, and there is not logical reason now why they should not carry a sliding scale such as I have suggested for steel bars, but if your committee decides in

favor of a flat duty I suggest that it be increased one-twentieth of a cent per pound over paragraph 312, making the duty four-tenths of a cent per pound.

I do not know whether anyone has been designated to speak to you on steel plates, but the duties specified in paragraph 307 is, in our opinion, fairly adequate, viz, seven-twentieths, four-tenths, and five-tenths of a cent per pound. The sliding scale protects manufacturers from foreign competition on a low market but gives the Government higher revenue on a strong market and would seem to be a principle fair alike to the American industries and the Government. Any increases I have asked or suggested are based on the adoption of the American-valuation plan in the new tariff bill.

Would you allow me, Mr. Chairman, to speak a word on the raw materials?

The CHAIRMAN. Go ahead.

Mr. KING. It was not assigned to me, but I thought I ought to say something about it.

In closing, I beg your indulgence for a few words regarding raw materials as specified in the House bill under discussion.

The rates on raw material are beyond reason, and, beside adding materially to the cost of domestic consumers, will have a most serious effect on our foreign trade. The framers of this bill on raw materials doubtless had in mind the desirability of increased revenue for the Government; but, in my opinion, it would be poor business policy for the Government to exact a few hundred thousand dollars at the customs in exchange for many millions of dollars of foreign trade, on which the Government would receive taxes on its manufacture and transportation. The encouragement of steel exports is hardly less important than home protection under present and prospective conditions. The excess war-made tonnage can not be disposed of at home, and the duties fixed in the House bill will undoubtedly prevent the free flow of exports. We are informed that foreign Governments, especially Germany, are fully alive to the importance of their export trade, and are making concessions in freight and taxes to their manufacturers, and it is our hope that, in the tariff under discussion, no handicap will be placed upon us.

Thanking you for this opportunity, and assuring you of my desire to give any further information possible, I submit this paper for your consideration.

The CHAIRMAN. Mr. King, how many men does the Jones & Laughlin Co. employ in normal times?

Mr. KING. Normally about 25,000 to 26,000.

The CHAIRMAN. Is there any objection to stating how many you are employing now?

Mr. KING. Not at all. We are running about 25 per cent. I would say we have between five and six thousand men.

Senator WALSH. That condition is due to the general depression throughout the world in business, is it not?

Mr. KING. Oh, yes.

Senator WALSH. It is not due to the market being flooded with imports?

Mr. KING. Not at all; no. I do not believe that very much foreign steel has come in; not a material quantity.

The CHAIRMAN. Are there any other questions to be addressed to Mr. King?

Senator LA FOLLETTE. I am going to address you by mail requesting some information, Mr. King.

Mr. KING. I shall be very glad to give you anything I can.

IRON AND STEEL SHEETS.

[Paragraphs 307, 308, and 309.]

STATEMENT OF W. H. ABBOTT, VICE PRESIDENT WHEELING STEEL CORPORATION, REPRESENTING INDEPENDENT SHEET STEEL MANUFACTURERS, WHEELING, W. VA.

Senator SMOOT. What particular paragraph do you wish to speak on?

Mr. ABBOTT. Paragraphs 307, 308, and 309.

Mr. Chairman, I appear before your committee as vice president of the Wheeling Steel Corporation, and also as a designated representative of the following independent manufacturers of sheet steel:

Alan Wood Iron & Steel Co., Philadelphia, Pa.; Allegheny Steel Co., Pittsburgh, Pa.; American Rolling Mill Co., Middletown, Ohio; Apollo Steel Co., Apollo, Pa.; Ashland Iron & Mining Co., Ashland, Ky.; Bethlehem Steel Co., Bethlehem, Pa.; Brier Hill Steel Co., Youngstown, Ohio; Canonsburg Steel Co., Canonsburg, Pa.; Canton Sheet Steel Co., Canton, Ohio; Carnation Tin Plate & Sheet Co., Canton, Ohio; Chapman Price Steel Co., Indianapolis, Ind.; Eastern Rolling Mill Co., Baltimore, Md.; Falcon Steel Co., Niles, Ohio; Follansbee Bros. Co., Follansbee, W. Va.; La Belle Iron Works, Steubenville, Ohio; Mahoning Valley Steel Works, Niles, Ohio; Mansfield Sheet & Tin Plate Co., Mansfield, Ohio; Massillon Rolling Mill Co., Massillon, Ohio; National Enameling & Stamping Co., Granite City, Ill.; Newport Rolling Mill Co., Newport, Ky.; Newton Steel Co., Newton Falls, Ohio; Parkersburg Iron & Steel Co., Parkersburg, W. Va.; Reeves Manufacturing Co., Dover, Ohio; Republic Iron & Steel Co., Youngstown, Ohio; Seneca Iron & Steel Co., Buffalo, N. Y.; Sharon Steel Hoop Co., Sharon, Pa.; Superior Sheet Steel Co., Canton, Ohio; Trumbull Steel Co., Warren, Ohio; United Alloy Co., Stark Division, Canton, Ohio; West Penn Steel Co., Brackenridge, Pa.; Whitaker Glessner Co., Wheeling, W. Va.; Youngstown Sheet & Tube Co., Youngstown, Ohio; Wheeling Steel Corporation, Wheeling, W. Va.

My statement is restricted to those steel products that are made on jobbing mills or sheet mills only, and to a proposed tariff on imports of similar materials covered by H. R. 7456, Schedule 3, paragraphs 307, 308, and 309.

The sheet-steel industry consists of 598 sheet mills and 43 jobbing mills scattered from the Atlantic seaboard to Wisconsin, the principal production, however, being in the Pittsburgh-Wheeling, Youngstown-Mahoning Valley, and the Cincinnati-southern Ohio districts. Other large districts of production are Chicago-Milwaukee, St. Louis, Baltimore-Philadelphia-Bethlehem, and Buffalo districts.

The combined production of jobbing and sheet-mill products was, 1919, 2,335,000 net tons; 1920, 3,300,000 net tons, of which production approximately one-third was galvanized, using in 1920 approximately 88,000 tons of spelter for that purpose.

The industry represents a large investment, and in 1920 produced 3,300,000 net tons of sheets, employing approximately 42,000 people in the conversion of sheet bars into finished black and galvanized sheets. The wages paid for this conversion—mill labor only—amounted to \$80,260,000.

Comparative tables of statistics of the growth of the industry in recent years are omitted from this statement, because of the abnormal conditions prevailing in 1915 to 1920, inclusive, during which period an unusually large percentage of the capacity of the industry was engaged in making sheets for foreign consumption, as, during this

period, the principal foreign competitors were not in position to supply their accustomed percentage of the world's consumption.

Any consideration of a protective tariff as an efficient, practical measure at this time must take into consideration the general sub-normal conditions that exist and that, presumably, may be expected to exist for several years in foreign countries; also, the effect of low ocean rates from foreign countries against all-rail or rail-and-water rates in this country from our principal producing districts to our seaports.

Directly and indirectly, not less than 80 per cent of the total cost of steel sheets in this country is the item of labor.

Senator LA FOLLETTE. What is the direct labor cost?

Mr. ABBOTT. I will state that in a moment, Senator.

Senator LA FOLLETTE. Go ahead.

Mr. ABBOTT (continuing). But analyzing from the conversion of the sheet bar into the finished common black sheet—not galvanized or specially finished—the direct cost of labor of producing and of repair labor ranges from 27 per cent to 31 per cent of the total cost of the product.

Senator SMOOT. But with the galvanized—

Mr. ABBOTT (interposing). The cost of labor and production and maintenance of galvanized sheets would, based on the total cost of the product (No. 24 gauge galvanized steel sheets), be equal to from 27 per cent to 33 per cent of the excess cost of producing galvanized over black sheets. The increase in cost per ton between 1912 and the first quarter of 1921 for black sheets is as follows:

	Produc- ing labor.	Labor, repairs, and main- tenance.	Total.
Actual average cost of labor producing common black and blue annealed steel sheets, per net ton:			
Year 1912.....	\$13.28	\$0.43	\$13.71
First quarter 1921.....	22.86	1.20	24.06

A difference of \$10.35—equaling an increase in labor cost over 1912 of 72 per cent.

No comparative figures as to similar labor producing costs per ton of product produced as paid in mills of foreign countries are available at this time, but a general contrast can be made with Germany—the figures being reduced to United States currency at the now existing rate of exchange, and both figures being as of July 1, 1921:

Germany: Unskilled workers, \$0.88 per day; skilled workers, \$1.25 per day.

United States: Unskilled workers, \$3 per day; skilled workers, \$9.95 per day.

Senator LA FOLLETTE. Will you please state where you obtained those figures?

Mr. ABBOTT. Yes, sir. They were taken partly from papers and corroborated by figures furnished by the Consolidated Steel Corporation of New York City, of which corporation we are member companies, and who do our export business. I have several sources of information. Mr. Topping furnished information of this kind this

morning, and these figures are corroborative. It is a little difficult to get at exactly, because of the difference in exchange. On the 1st of July the rate of exchange was a little higher than it is to-day, but these figures are approximately correct, and I think are correct enough for this purpose, because if they vary a little it will only be pennies.

I would mention that our skilled workers only work five and a third days per week and the unskilled six days per week.

Senator LA FOLLETTE. When you speak of unskilled labor in your business, is it what is called common labor?

Mr. ABBOTT. It is what is called common labor; yes, sir.

Senator LA FOLLETTE. Then you are paying 30 cents per hour?

Mr. ABBOTT. We are paying 30 cents per hour, were on the 1st of July, and we are to-day.

Senator LA FOLLETTE. As against 25 cents an hour being paid by the Midvale?

Mr. ABBOTT. The rates in the East have been a little lower than they are in the district in which the majority of these mills are located.

Senator LA FOLLETTE. There are average figures for the whole territory?

Mr. ABBOTT. Yes, sir; I think these are average figures for the Wheeling-Pittsburgh and Youngstown districts.

Senator LA FOLLETTE. I think those figures in that respect agree with Mr. Campbell. I think he stated they were paying 30 cents an hour.

Mr. CAMPBELL. About 30 cents an hour in the Youngstown district.

Mr. ABBOTT. Both English and Belgian rates for similar work are higher than the rates paid in Germany, but are very substantially less than the rates paid in the United States.

Senator LA FOLLETTE. Can you give those?

Mr. ABBOTT. I can not. I can not say whether Mr. Topping has those rates in the data he collected, but in making up my statement, partly on account of limited time, I could not obtain them. They are obtainable, however.

In connection with the comparison of the wages paid in the United States as of July 1, it is pointed out that the rates effective at that time were materially less than the average of those existing in 1920. The rate in 1920 for unskilled labor was \$5.06½ for a 10-hour day. The skilled labor rates show a corresponding reduction.

Mr. TOPPING (interposing). In the statement I file will be found the schedule of the Belgian rates, which are the next lowest to Germany, covering the entire steel schedule.

Senator LA FOLLETTE. Do you also give the British rates?

Mr. TOPPING. The British rates we could not obtain. They are in a state of greatest flurry and have not gotten down to an established rate. Their rates are somewhat higher.

Senator LA FOLLETTE. Their rates are higher than ours?

Mr. TOPPING. Ours are about double the English rate. They vary somewhat in different industries, but the schedule of Belgian rates is fairly comparable as to respective applications of the rates I filed of the Youngstown steel district as a whole on that basis of 30 cents an hour, and it covers pretty widely the steel-producing section.

Senator LA FOLLETTE. You obtained figures of the Belgian rates through the consulate?

Mr. TOPPING. The specific figures.

Mr. ABBOTT. I wanted to emphasize labor, because the making of sheet steel is so essentially a labor matter.

I will now refer to transportation costs. The following comparison is made between the rates from Pittsburgh and the comparative ocean rates from the principal shipping ports in England, Germany, and Belgium, all per net ton of 2,000 pounds.

[Foreign currency rates reduced to United States currency at now existing rates of exchange.]

To—	From Pittsburgh.		From England.	From Belgium.	From Germany.
	All rail.	Rail and water.			
New York.....	\$7.60		\$5.40	\$1.50	\$1.50
New Orleans.....	10.20	\$11.20	5.80	4.60	4.80
San Francisco.....	33.30	20.17	5.80	5.00	5.40
Seattle.....	33.30	20.17	10.80	6.60	6.60

The following comparison shows the difference between lowest foreign and lowest Pittsburgh rate, per net ton, in favor of foreign manufacturers:

To—	Pittsburgh rate.	Foreign rate.	Difference.
New York.....	\$7.60	\$1.50	\$3.10
New Orleans.....	10.20	4.60	5.60
San Francisco.....	20.17	5.00	15.17
Seattle.....	20.17	6.60	13.57

The following comparison shows increase in foreign and domestic transportation rates, per net ton, between 1912 and 1921:

	1912	1921	Increase.
Liverpool to—			
New York.....	\$2.00	\$5.40	\$3.40
New Orleans.....	2.20	5.80	3.60
San Francisco.....	5.00	8.80	3.80
Seattle.....	7.00	10.80	3.80
Pittsburgh to (all rail)—			
New York.....	3.20	7.60	4.40
New Orleans.....	5.14	10.20	5.06
San Francisco.....	19.90	33.30	13.40
Seattle.....	19.90	33.30	13.40

Senator WALSH. Are those rates about double the prewar rates?

Mr. ABBOTT. Yes; the rate, for instance, from Liverpool to New Orleans in 1912, which is the only comparative year I have, was \$2.20, and it is now \$5.80, which is more than double; and the rate from Pittsburgh to New Orleans was \$5.14, and it is now \$10.20, a difference of \$5.06, or, as you suggest, about double, Senator.

The Pittsburgh rate to San Francisco is \$20.17, foreign rate \$5; difference, \$15.17.

From Pittsburgh to Seattle the rate is \$20.17, foreign rate \$6.60, or a difference of \$13.57.

I brought those differences out because I thought perhaps you would like to compare them with the tariff for protection that is given.

Senator SMOOT. You are quoting rates there now with the 3 per cent tax added, are you not?

Mr. ABBOTT. I am not; it would make our rates that much higher.

Senator LA FOLLETTE. Did you omit that?

Mr. ABBOTT. I took the actual tariff rate as it stands. Perhaps I ought not to answer positively—I am not sure; the figures were prepared by our traffic manager, and it may be that they have been added.

Senator SMOOT. In that case it is 3 per cent more.

Senator LA FOLLETTE. Would you ascertain and note it in revising your statement, so that we will know exactly?

Mr. ABBOTT. I will do that. [Since: The rates stated do not include the war tax on freight of 3 per cent.]

The Pittsburgh rail-and-water combination rates existing in 1912 were not available at the time figures were compared.

It is apparent that the difference in transportation costs alone would prohibit a buyer on the southern seaboard, and particularly in the Pacific coast markets, from purchasing at home, even though the advantage of quicker service or lowered investments in merchandise stocks would otherwise govern his preference. This difference in transportation costs has existed in the past, but not to the marked extent of to-day.

The tariff rates on iron and steel sheets as proposed in H. R. 7456, Schedule 3, paragraphs 307, 308, and 309, provide adequate protection to the industry, except to the seaboard territory, where transportation costs are so decidedly favorable to foreign manufacturers. This condition may be remedied to a substantial extent by the American valuation plan, which is strongly indorsed by the industry.

In conclusion, I have omitted from my statement statistical information concerning the past, which, apparently, will not be either useful or helpful unless and until foreign countries obtain a more normal condition—at least financially.

I mention that the capacity of the sheet-steel industry of this country is sufficient to supply the requirements of the United States, as evidenced by any previous year's consumption, and, in addition, to produce a surplus equal to at least 25 per cent of its capacity; also that in the period from 1912 to 1921 the number of mills increased 38 per cent and producing capacity 45 per cent.

METAL SHEETS AND PLATES.

[Paragraphs 309 and 385.]

STATEMENT OF J. R. BOKER, REPRESENTING H. BOKER & CO. (INC.), NEW YORK CITY.

Senator DILLINGHAM. What paragraph do you appear on?

Mr. BOKER. I appear on paragraphs 309, 385, and 305. I want to speak first on paragraph 309 and then I want to say a few words afterwards about 305.

Senator LA FOLLETTE. What is your residence?

Mr. BOKER. I am from New York, 101 Duane Street. I am the president of H. Boker & Co. (Inc.).

Senator SMOOR. Importers?

Mr. BOKER. We are very large American manufacturers. We operate the Valley Forge cutlery factory and have a large plant at Hilton, and we are large importers.

Senator SMOOR. You are an importer and a manufacturer?

Mr. BOKER. Yes. Our manufacturing interests are financially larger than the importing interests, because we have just built some very large plants here.

Senator SMOOR. What particular item under paragraph 305 are you interested in?

Mr. BOKER. I would like to speak on 309 first. In paragraph 309 we are interested in the lines 18 to 21, which state that "sheets or plates composed of iron, steel, copper, nickel, or other metal with layers of other metal or metals imposed thereon by forging, hammering, rolling or welding, 28 per cent ad valorem."

This material, gentlemen, is also made in wire and in bars and rods. The words "Wire, bars, and rods," should be inserted after the words "sheets and plates," and that would really cover the industry.

Senator SMOOR. I think that will come under the wire schedule.

Mr. BOKER. It is a very peculiar article, very unique in its manufacture, and it is really all in a class by itself.

Senator SMOOR. Would not that fall under wire rods in paragraph 315?

Mr. BOKER. It is such a totally different article, I will visualize it to you and show what it is.

Senator SMOOR. Go on and make your statement, and then I will see whether that applies there or not.

Mr. BOKER. This class of metal divides itself into two different groups. One is the iron and steel group, which is the base metal, and the other is the copper, nickel, and other metal group, which I might call the rare-metal group.

The iron and steel group we have been trying to find a market for where zinc is being used now and for the making of linings of fireless cookers, but there has been no market created as yet. We have been trying for the last 20 or 30 years, and there is hardly any market in this country. In Europe this material is used for cooking pots, for which the American market is not receptive. We have tried and others have been trying to get it established, and the American market does not take it. Therefore, the demand for this material has not been more than 25 or 30 tons a year, and I want to say, so far as I know, it is not made in this country, because the making of it is only profitable by having a very large and expensive plant, and as there is no demand it could not maintain such a plant. Consequently, we have had a very small demand for it, and, as I say, with our best efforts we have not been able to increase it. It is classified under 28 per cent ad valorem, and I would like to see it classified as 15 per cent ad valorem, or, in fact, it would be better to make a specific duty of 3½ cents a pound. The material costs 15 to 20 cents a pound, and it can not compete with pure brass and copper.

Senator McCUMBER. What is it chiefly used for, do you say, fireless cookers, and what else?

Mr. BOKER. Fireless cookers. We have found use for it for candy pans, because the candy pans are now made of copper, nickel-plated,

and the verdigris of the copper is very apt to act injuriously on the candy, because the surface is very permanent and more durable than nickel or electroplated copper. That is one of the very few uses we have found for the metal. It is stamped up into little forms like this [exhibiting samples to the committee] for forming candy on, and the metal itself is used in Europe for such parts as this [indicating], which is the beginning of a pot for making a coffee pot, and *Q's* is the other coffee pot.

Senator McCUMBER. To what extent would the tariff provided in the bill add to the ad valorem cost of those articles?

Mr. BOKER. We have had a 15 per cent ad valorem duty on it, and we have not increased the sale. The material itself inherently is too expensive to compete with anything in the line such as electroplated steel.

Senator SMOOT. Where has that been classified heretofore—in the basket clause?

Mr. BOKER. No; it has been specially classified for years.

Senator SMOOT. I did not know but what it had been classified in the basket clause.

Senator McCUMBER. May we know what the revenue is from that particular metal?

Senator SMOOT. No; we could not do it.

Mr. BOKER. Twenty-five to thirty tons would be a liberal estimate. The present duty is 15 per cent, and the revenue is very small, and with the 15 per cent which I suggest now it ought to be $3\frac{1}{2}$ cents a pound—it will just about remain as small as it is now. But if the duty is put very much higher the trade will not use it.

Senator McCUMBER. Because of limited use, would it not easily cut short the tariff that is placed on it by the bill?

Mr. BOKER. Then we would get into a very high price, and we are now competing with electroplated steel, and it would then be too high and the trade would not buy it at all. That is the way we feel about it.

Senator McCUMBER. You think the tariff provided in the bill would have that result?

Mr. BOKER. I think so; yes; and with $3\frac{1}{2}$ per cent duty net on it, valued at 20 cents a pound, I believe it is a little higher than what is now being paid on it, and I think the imports could be maintained. It is one of the articles that is not made in this country; so I do not know how we would arrive at the American valuation.

Senator SMOOT. It would not affect it at all.

Mr. BOKER. The wire should also be included in that.

Senator SMOOT. You have never had any trouble, have you, about the wire falling under the wire paragraph?

Mr. BOKER. We have not imported any wire for a very long time.

Senator SMOOT. Because I think that under the Underwood bill and also under the Payne-Aldrich Act it has always come in under the wire paragraph.

Mr. BOKER. Yes; we had 15 per cent duty on the wire.

Senator SMOOT. And I was wondering if you had had any trouble, and as long as it is not made it seemed rather inconsistent to put wire in with the sheet.

Mr. BOKER. The other class in this paragraph is the rare-metal group, which is copper, nickel, and other metals.

The iron and steel plated sheets are not made in this country, but the copper, nickel, and other metals, I think, are made in this country.

At least I hear that some of this material is made by the brazing process. We are not importing any of it except little sample lots. So we can not speak very much about it, but if the duties on sheet copper and sheet nickel and sheet brass should be taken as averaged, we think that a duty of about 20 per cent on this would be fair and equitable, because the duties on copper sheet is 2½ cents per pound, and I think brass sheets 3 or 4 cents a pound, and what the duty is on nickel I am not sure, but I think it is 10 to 15 cents a pound. So I think when averaging it up we could say that 20 per cent ad valorem would be equitable, or 10 cents per pound specific duty.

Senator SMOOT. That is if the change is made specific on sheet you think there ought to be a difference made here.

Mr. BOKER. Yes; 3½ cents per pound specific for the iron and steel plated sheets and 10 cents per pound for the copper, nickel, and other metal sheets.

If I may now speak about paragraph 385? Paragraph 385, lines 13, 14, and 15, is what we are interested in, which states "bars, rods, plates, sheets, strips, strands, anodes, or electrodes, 30 per cent ad valorem."

I think that the words "wire and tubes" ought to be added in that, because the cost of manufacturing sheets is, from what I can learn, identical with the cost of manufacturing wire, and as the making of wire and tubes is part of the industry it ought to be thrown into this paragraph; this paragraph provides 30 per cent ad valorem.

Senator SMOOT. Are you interested in this? Because this only applies to nickel, with oxide, where they are the component material of chief value.

Mr. BOKER. The article which I am speaking of now is called pure nickel; it is nickel with a small percentage of manganese, which makes it ductible and malleable.

Senator SMOOT. Coming in tubes?

Mr. BOKER. Coming in tubes, wires, bars, rods, sheets, and strips. Therefore, as it contains only 1½ to 2 per cent manganese, it is thrown into the pure-nickel group, as I call it, and hence it falls under paragraph 385, and as the wire and tubes are made of this material I feel they ought to have a place there.

Senator SMOOT. Where have they been classified before?

Mr. BOKER. They have been classified before in the same group, and have apparently been left out. I know they were classified under the Payne-Aldrich tariff, and they were so classified. I have been importing them for the last 20 years, and they have always been classified with the nickel group.

I believe that 30 per cent ad valorem is too high, for the reason that nickel is what I might call an international metal. We have exported from the United States in quite considerable quantities to Germany and then brought it back again in the refined form. So I suggest to classify the bars and rods with a 10 per cent ad valorem, which is the present Underwood tariff, and to classify the strips, wire, tubes, and strands with 15 per cent ad valorem; the cast anodes with 10 per cent ad valorem; the rolled anodes with 15 per cent ad valorem; and the electrodes with 15 per cent ad valorem.

Senator SMOOT. In the Payne-Aldrich bill it was divided this way: That pigs and ingots, bars, rods, and plates were 6 cents a pound.

Mr. BOKER. Yes, sir.

Senator SMOOT. And the sizes in strips were 35 per cent ad valorem.

Mr. BOKER. That was the Payne-Aldrich bill?

Senator SMOOT. That was the Payne-Aldrich bill.

Mr. BOKER. But was anything said about wire?

Senator SMOOT. Nothing at all.

Mr. BOKER. I do not know why they were left out.

Senator SMOOT. They may have been classified under the basket clause.

Mr. BOKER. Maybe that was true; but if you bring the wires and tubes into the basket clause, which is 35 per cent, you will bring it out of line, because it does not cost any more to make wire than it does sheets.

Senator SMOOT. Have you any objections to the same classifications that we had in the Payne-Aldrich bill?

Mr. BOKER. I think it would be very much easier all the way round if the words "wire and tubes" would be added in there.

Senator SMOOT. I mean with that addition, using "wire and tubes," to the classification as provided for in the Payne-Aldrich law. The classification was, first, pigs, ingots, bars, rods, or plates, that was 6 cents per pound; and then sheets or strips, 35 per cent ad valorem. Now, if we add wire and tubes to that classification, would that be satisfactory to you?

Mr. BOKER. Yes; that would be satisfactory, with the proviso, of course, under the American valuation that its duties be reduced on this metal to 15 per cent ad valorem.

Senator SMOOT. We have that.

Mr. BOKER. I have written a brief on this which I would like to file. The basic reason is the absolute equality of the cost on nickel in Europe to the cost of nickel in this country. Germany and England do not produce any nickel; they import it; and, consequently, the European countries are under no advantage in that respect.

May I refer now to paragraph 305? The reason I am speaking about paragraph 305 is that we have been importing for the last 34 years steel from Sheffield, England, and we have created a fair market for it, which, however, is constantly reducing itself. The particular steel of which I will give an example is "high-speed" steel.

Senator SMOOT. It has a tungsten content?

Mr. BOKER. It is a tungsten steel. Paragraph 305, in connection with paragraph 304, puts a duty on high-speed steel under the American valuation of 50 per cent ad valorem, which is equal to 40 cents per pound. The steel now sells in the United States at about 80 cents per pound. Paragraph 304 provides 20 per cent ad valorem on this; paragraph 305 provides, by virtue of its being an alloy steel, 15 per cent ad valorem; and the last part of paragraph 305 provides a specific duty of 72 cents per pound on the tungsten contained therein in excess of $1\frac{1}{2}$ per cent, which is equal to 12 cents per pound. Consequently, the duty is 50 per cent ad valorem, equal to 40 cents per pound.

The American manufacturer has already his selling expenses and profit included in the 80 cents. Consequently, if 25 cents per pound is added to \$1.01 a selling price of \$1.26 is necessary for the importer, which does not yet give him a profit.

The English high-speed steel now sells at 58 cents per pound at Liverpool. If we add to this 58 cents per pound 3 cents for expenses

in bringing it over and 40 cents per pound for putting it on the warehouse floor, we get \$1.01 per pound. We all, whether importer or manufacturer, have an overhead. I have been in this business for 25 or 30 years, and have kept very accurate accounts of our expenses, and I know that our expense on high-speed steel is 25 cents per pound to bring it into the hands of the consumer.

The American manufacturer has already his selling expense and profit included in the 80 cents. Consequently, if 25 cents is added to \$1.01 a selling price of \$1.26 per pound is necessary, which does not yet give him profit; and, therefore, I feel that these duties are absolutely prohibitive and will end the importations of this steel.

Senator SMOOT. You are not manufacturing any high-speed steel?

Mr. BOKER. No; we are buying fairly considerable amounts here; in fact, we are dealing very largely in American steels as well. But I know positively that with these proposed duties, these steels could not be brought into this country any more. I really think that we need some international competition on steels in general and high-speed steels in particular, because there exists no danger to the American mills, as, under the Underwood tariff of 15 per cent the imports of these steels have not been more than 3 or 4 per cent, and they are constantly decreasing.

The reason why the imports are so small is because the English manufacturing costs are very high, and the English mill sells its products always at a profit. It will never do any dumping; they make high-grade goods and charge a high price for them, and we have always been selling their steel at a higher price; from 5 to 10 cents per pound higher. We can not sell to the large consumers of high-speed steel.

We personally have imported about 1 per cent of this material.

I suggest to take the alloy steels out of paragraph 304 and to make the duty in paragraph 305 $12\frac{1}{2}$ per cent ad valorem, which at the selling price of 80 cents per pound will give 10 cents per pound duty against a present duty of 8.07 upon the English cost.

And then, as to the specific duty of 72 cents per pound, in paragraph 305, not to carry $98\frac{1}{2}$ per cent into the steel but only 50 per cent. My reason for that is as follows: There is a tungsten duty in paragraph 302 of 72 cents per pound of tungsten contained therein, and it has been assumed that this duty under paragraph 302 carries itself equally along into the latter part of the paragraph 305. I do not believe it can be expected, as tungsten sells now at 40 to 45 cents per pound, that with a duty of 72 cents per pound the selling price of tungsten will advance to \$1.17 per pound just because there is a duty of 72 cents per pound on it.

It is assumed that this 72 cents per pound duty is to be paid by the steel manufacturer, and in consequence of which he will have to get his compensation for it in the duty on the bar steel, but I do not believe it will work out in practice that way, because the steel manufacturer will not have to pay 72 cents per pound more for the tungsten, because the tungsten price in this country and all over the world is governed by the supply and demand. It is one mine selling against another mine, and it is the scarcity or the abundance of it which governs the price. The duty of 72 cents a pound is a contributing factor, but is not an absolute factor in the matter; and if the American tungsten refiner does not advance his price 72 cents per

pound the steel manufacturer ought not to be protected to that extent in the steel.

As to the competition of other countries, Sweden does not produce any crucible cast steel nor does it produce any high-speed steel; and Germany never made any high-speed steel that amounted to anything in quality. I do think that English steels ought not to be shut out altogether. They have never been dangerous. The English have been very fair in competition, and they have never done any dumping in this country.

To sum up, I would suggest making the duty under paragraph 304, under the American valuation, half what it is now proposed, which makes the duty on tool steels 10 per cent ad valorem instead of 20 per cent ad valorem. The chief reason is that English manufacturing costs are extraordinarily high and will not be any lower for a long time. I have figures on costs of coal and on the labor situation.

Senator LA FOLLETTE. Have you incorporated those figures in your brief?

Mr. BOKER. I have no brief on that.

Senator CURTIS. You can add to your brief, if you know it.

Mr. BOKER. Yes, sir.

BRIEF OF J. R. BOKER, REPRESENTING H. BOKER & CO. (INC.), NEW YORK CITY.

METAL SHEETS AND PLATES.

Paragraph 309 reads:

"Sheets or plates, composed of iron, steel, copper, nickel, or other metal, with layers of other metal or metals imposed thereon by forging, hammering, rolling, or welding, 28 per cent ad valorem."

This paragraph divides itself into two distinctly different groups: Group A, iron and steel sheets, plates, wire, or bars, plated with other metals; group B, copper, nickel, or other metal sheets plated with other metals.

Regarding group A, iron and steel sheets, wire or bars, plated with other metals: Under the present Underwood tariff these sheets pay a 15 per cent ad valorem duty.

Plated iron and steel sheets and wire have been imported into this country for a great number of years in very small quantities and hardly ever in excess of from 25 to 50 tons annually. There is no industry in this country producing similar sheets as far as we know, owing to the fact that it requires a very large and expensive plant to produce them and it would not pay a domestic manufacturer to install the equipment that would produce this item, when the demand is so small.

Plated sheets of iron and steel are used in Europe for the manufacture of cooking utensils, tableware, coffee pots, service trays, etc., for which the American market is not receptive.

American manufacturers of similar household articles prefer these utensils of aluminum or of nickel-electroplated brass, copper, or German silver.

Repeated efforts have been made in past years to import from Europe the finished tableware made of these iron and steel sheets plated with nickel, but without success, because the American public is educated to the use of kitchen utensils, cooking and tableware made of the rare metal of solid brass or German silver electroplated, in consequence of which the importations of these sheets have remained so very small.

The price of these iron and steel sheets plated with other metals varies according to thickness, between \$300 to \$400 per ton, or 15 to 20 cents per pound, and a duty of 28 per cent ad valorem would prohibit the importation, because it would bring the cost considerably above the cost of pure brass and copper electroplated articles; especially so, as there is generally one-third waste in manufacturing, which waste is of no value (except as common iron scrap) in the iron and steel sheets, whereas the recoverable waste in brass and copper sheets is two-thirds of its value.

Regarding group B, copper, nickel, or other metal sheets plated with other metals: The process of welding other metals on pure copper and nickel sheets is so expensive that the European manufacturing cost is considerably above the cost of producing nickel and copper sheets electroplated with other metals. Consequently we think that an ad valorem duty of 20 per cent would be a sufficient protection.

We suggest that special provision be made under the now tariff to read regarding group A, wire, bars, sheets, or plates composed of iron and steel, with layers of other

metal or metals imposed thereon by forging, hammering, rolling, or welding, 15 per cent ad valorem (or a specific duty not exceeding 3½ cents per pound).

Regarding group B, sheets or plates composed of copper, nickel, or other metals, with layers of metal or metals imposed thereon by forging, hammering, rolling, or welding, 20 per cent ad valorem (or a specific duty of 10 cents per pound).

Thermostatic metal is composed of a layer of brass welded on a layer of nickel steel in equal proportions of thickness and rolled into sheets.

Owing to the fact that this is composed in equal thickness of half nickel steel and half brass, we suggest to establish its identity that the words "thermostatic metal" be specially mentioned and to fall under group B with 20 per cent ad valorem (or a specific duty of 10 cents per pound).

NICKEL IN BARS, RODS, PLATES, SHEETS, STRIPS, STRANDS, ANODES, AND ELECTRODES.

History of the industry: Except as to anodes or electrodes, this part of paragraph 385 refers to nickel which has been made malleable and ductile by the addition of manganese. This malleable and ductile nickel was first made in Germany and the process was covered by patents, which have long since expired. Germany does not produce any nickel and has to import it.

The American nickel manufacturers and converters have achieved such a degree of perfection and uniformity in producing this malleable nickel that the very small imported quantities are used solely by a few consumers who are willing to pay a higher price for the imported nickel, because in their opinion the imported nickel may in isolated instances be preferable in quality over the domestic material, for which they are willing to pay a small premium.

Duties on pure malleable nickel.

	Underwood tariff.	Fordney tariff.
	Per cent.	Per cent.
Bars.....	10	30
Rods.....	10	30
Sheets.....	20	30
Strips.....	20	30
Strands.....	30	30
Anodes.....	20	30
Electrodes.....		30

PURE MALLEABLE NICKEL IN WIRE AND TUBES.

Small imports of such wire and tubes have been made, and in view of the fact that wire and tubes are of the same alloy mixture as bars, rods, plates, etc., we would suggest to add the words "wire and tubes" to the word "strips" on line 14 of paragraph 385.

Pure nickel bars, size nine-sixteenths inch, are sold by the American manufacturers at 63 cents per pound.

The European nine-sixteenths inch pure nickel bar sold at the time when the exchange rate was 1.5 cents per 1 mark (as an illustration) at European port, per pound..... 61.00
 5 per cent for freight, insurance, expenses, cases, landing charges..... 3.05
 30 per cent duty on 63 cents..... 18.90

At warehouse floor of the importer, per pound..... 82.95

With the rise and fall of the exchange the European mark price changes accordingly, so that the 61 cents per pound cost at European port remains substantially the same.

The selling expenses of the importer are at least 25 per cent on the 82.95 cents before he can make a profit on his investment.

Sheets 0.040 inch thick and wire 0.040 inch diameter are sold by the American manufacturers, at per pound, 90 cents.

The European nickel sheets of 0.010 inch thickness and wire of 0.040 inch diameter sold at the time when the exchange was 1.5 cents per mark at European port, per pound..... 65
 5 per cent for freight, insurance, expenses, cases, landing charges..... 3.25
 30 per cent duty on 90 cents..... 27.

At warehouse floor of importer, per pound..... 95.25

These sheets and wire are retailed out in small quantities by the importer, who has to carry a stock and in order to cover his overhead charges and selling expenses, and before he can make a profit on his investment, he has at least 25 per cent expenses on the 95.25 cents equal 24 cents per pound, so that we have to obtain at least \$1.10 per pound before making any profit.

With the rise and fall of the exchange the European mark price changes accordingly, so that the figure of 65 cents per pound cost at European port remains substantially the same.

The above figures show that the price of pure nickel sheets and pure nickel wire is in both cases identical and therefore substantiate our contention as mentioned on the first page in paragraph 4 that the word "wire" should be specifically mentioned and added to line 14 of paragraph 385.

We have no comparative figures to give, because we do not know of any pure nickel seamless tubes being made in the United States, and have not imported any since the war, but unless the word "tube" is added to line 14, paragraph 385, they would fall under articles not specially provided for, and as the process of drawing tubes is not materially different from the process of drawing wire our opinion is that the word "tubes" should be specially mentioned.

Conclusion.—(a) It should be borne in mind that the American selling prices mentioned above include the American manufacturer's selling expenses, overhead charges, and profits, and that the importer, who has to retail this material out from his stock, has at least selling expenses of 25 per cent on his cost at the warehouse floor.

(b) We ask that the words "tubes and wire" be added to line 14, paragraph 385.

(c) The proposed duty of 30 per cent on the American valuation is on pure nickel bars 18.9 cents per pound, which makes the cost to the importer at his warehouse floor 27 per cent higher than the selling price of the American material. Therefore a duty of 30 per cent is unnecessary and it is obvious, that even 10 per cent duty would compel the importer to get a very much higher price than the American selling price.

(d) Pure nickel sheets and pure nickel wire, with a duty of 30 per cent of the American selling price of 90 cents per pound is 27 cents per pound. If the duty were 15 per cent it would make the cost of this material for the importer on his warehouse floor 81.8 cents per pound, and in order to cover nothing else but the selling expenses of 25 per cent, he would have to sell this material at \$1.02 per pound, before he can make any profit, whereas the American manufacturer sells the material at 90 cents per pound.

Owing to the duties being assessed on American selling prices we ask for the following: Pure nickel or alloys of which nickel is the component material of chief value bars and rods, straight or in coils, 10 per cent; wire, tubes, sheets, strips, strands, 15 per cent ad valorem; anodes, cast, 10 per cent; anodes, rolled, 15 per cent; electrodes 15 per cent.

WELDED METALS.

[Paragraph 309.]

STATEMENT OF GEORGE F. HURD, REPRESENTING H. A. WILSON CO., NEWARK, N. J.

Mr. HURD. Mr. Chairman, this is an application by the H. A. Wilson Co., of Newark, N. J., for a separate classification in section 309 of the proposed bill for thermostatic metal. I will tell the committee in just a moment what thermostatic metal is. We also ask for a specific duty upon that metal sufficient to offset the difference in exchange between the dollar and the mark and the difference between the German costs and American costs.

Before the war Germany was the sole source of supply of this metal and, so far as we know, is the only source of supply to-day other than the American producer.

Senator WATSON. That is not specifically mentioned in this bill, is it?

Mr. HURD. No; that is included in the class of welded metals.

Thermostatic metal is a metal composed of two separate metals welded throughout their entire contact surfaces, the one metal having a very widely different coefficient of expansion from the other. I mean by that that one metal has the property of expanding largely

under heat and the other metal has the property of expanding only in a very small degree or not at all.

As an example, this piece is made of invar steel, which is a combination of steel and nickel, and its coefficient of expansion is practically zero.

This other piece is brass, which expands and contracts largely with varying temperatures.

The action of the two metals welded together as temperatures are changed, results in curling or distortion of the metal, and that curling or distortion is used to set in motion a number of mechanical operations.

If you will permit me to light a match, I can show you what I mean. This [indicating] is an oven indicator. Here is the coil of thermostatic metal—that is, this composite welded metal of which I have been speaking. When I light this match underneath that metal you will see what happens with the change of temperature.

Now, taking this piece, I will show you what happens to it. The action is not as marked in this case, but I want to show you the effect that is produced. This instrument is used in connection with an electric baking oven. When the temperature reaches a certain point the current is automatically shut off. The thermostatic metal here consists of a strip, and the mechanical action follows upon the curling of the strip, which operates on a small rivet attached to the disk which moves the hands on this instrument. When these hands [indicating] are in contact the circuit is closed, and the current going into the electric oven is automatically cut off. While the action in this case is not as marked as in the other, yet it is quite clear.

Is the action noticeable?

Senator DILLINGHAM. Yes.

Senator WATSON. Did I understand you to say that the thermostatic metal is a welded metal?

Mr. HURD. Yes, sir.

Senator WATSON. What metals are welded together to make it?

Mr. HURD. That piece [indicating] is made of invar steel on one side, which expands practically not at all, and on the other side of brass, which expands greatly, causing the distortion of the metal. That distortion is used to set in motion various mechanical operations which automatically act as a means of controlling and regulating the device.

We find ourselves in section 309, in a class with other welded metals, which are really rough products, and are not called upon to perform scientific functions.

This metal is a scientific instrument and it goes into finished products which are scientific instruments. The metal must be very carefully selected so as to be of uniform consistency; it must be of uniform thickness; and the welding must be uniform throughout the entire surfaces in contact. If not, this metal which comes out in a sheet approximately six feet long and several inches wide, will not be suitable for the purposes for which it is intended. From it are made, for example, several hundred of these little parts there [indicating] and they must all operate exactly alike under the same temperature conditions.

Some very fine and delicate instruments are made from this metal, and a variation in distortion of one-sixty-fourth of an inch will result in a difference in temperature of an oven of fifty degrees. It must be made with extreme exactness. As I have said, we find ourselves in a classification with rough products, such as copper and coated steel, when ours is really a scientific instrument.

Neither in the method of manufacture nor in the materials used nor in the function of the product, is our product in any way similar to those metals described in section 309.

Before the war Germany was the sole source of supply of this metal. When the German importations were cut off there was a great deal of inconvenience caused the American producers of the device in which this metal is used.

It is used as an oven control, to control both gas and electric ovens. It is so constructed that it automatically cuts off the flow of gas or electricity when a given temperature has been reached.

It is used in motor cars to control the flow of water from the radiator and around the jacket and to control the temperature of the air in the carburetor, as well as the temperature of mixed air and gasoline taken into the cylinders. It will be so used—it is so used—to accomplish great economies in fuel consumption.

It is also used in aviation motors. In fact, it has a thousand and one uses which are increasing very rapidly.

The Wilson Co. began its experiments some years ago, but it was not until the first part of 1919 that they began to manufacture in commercial quantities. At the present time the German importations have begun to come in, and within a very short time those importations will doubtless be sufficient in amount to take care of the American market.

The American producers at the present time have capacity ample and sufficient to take care of our own market, but the American cost of manufacture is greatly in excess of the German cost; in fact, there is a very wide margin of difference.

In 1920—and I take that year because it is the year in which the Wilson Co.'s production reached its maximum and its costs their lowest relative figure—the Wilson Co.'s cost was \$3.58 per pound. Yet this metal is placed in section 309 with other metals that cost from 15 cents to 40 cents a pound.

What the German cost is to-day is difficult to say. We do not know. We do know what it sold for in Germany before the war. We know the cost of transportation. We know what a normal profit ought to be. Considering these things, I think it is fair to say that the cost of the German metal laid down in New York, after taking into consideration the duty of 28 per cent computed upon the American selling price of the article, would be \$1.40, a difference of nearly 56 per cent in favor of the German manufacturer. Of course, the great element of—

Senator SMOOR (interposing). The Wilson cost was what?

Mr. HURD. \$3.58. I say that I think it is a safe statement to say that the German product can be laid down here to-day with the present rate of exchange, including a duty of 28 per cent on the American selling price for the article, at \$1.40. Of course, the great factor in that differential is the difference in the exchange rate, the mark being worth about one-twentieth of what it was before the war.

There is also a great difference in the labor costs and probably in the material costs.

The cost in this country has been high, partly due to the fact that the industry is in a state of development, both as to manufacturing processes and the uses to which the metal can be put.

To-day the Wilson Co. has educated in this country a number of customers who understand the use of the metal and who do not have to be educated as to its uses. But as to the new business that they are figuring on—and it is only in the new business that the industry can be developed—they have to go through the educational process with the consumer of the metal; and that requires, of course, the employment of high salaried men and considerable expense.

In the manufacturing operations there are several factors which go to make the metal costly. In the first place, in order to get a uniform product, a great deal of care must be exercised in the selection of metal going into the thermostatic metal, and particularly in the process of manufacture, in order to obtain this absolutely uniform welding throughout the sheet or strip which comes out at the end of the welding operation.

In spite of the utmost care in the factory, a great many times that operation is not successful, and of the 100 per cent of raw material—that is, invar steel if that is used, or brass if that is used—which goes into the operation, only about 50 per cent comes out in satisfactory finished goods. There is about 50 per cent waste, or 50 per cent scrap, as the result of the manufacturing operation. The large percentage of scrap is not due to carelessness in production or to improper or inappropriate methods of manufacture. It is due to the fact that an absolutely perfect product must be manufactured. Processes such as must be employed to produce thermostatic metal we believe can not be relied on to result in any substantial greater percentage of perfect product than that now employed by the Wilson Co. The causes of waste are inherent in these processes.

Senator McCUMBER. That is due to the fact that you have not perfected your methods, is it?

Mr. HURD. It may be, Senator, and it may be that it is not humanly possible to make the product so that the results of the welding operation will be absolutely uniform.

Senator SMOOR. What rate do you ask for?

Mr. HURD. A specific rate of \$2.50 per pound.

Senator SMOOR. A straight and specific duty?

Mr. HURD. Yes, sir.

Our cost in 1920 was \$3.58 per pound, as I said a moment ago. The cost of the German product, with the proposed duty, as nearly as we can estimate it—and I think our statement is conservative, reliable, and just to the German manufacturers—is \$1.40 laid down in New York. With the duty on which we have requested the same cost would be \$2.97. The difference between this figure and the Wilson Co.'s costs during the most favorable year of the company's experience is 82 cents. Out of this 82 cents would have to come the importer's profit, and the balance would be a differential in favor of the German manufacturer. Even under a specific duty of \$2.50 per pound the German manufacturer can lay down the metal in New York cheaper than the Wilson Co. can produce it, but the margin of differ-

ence is relatively small, and with the reduced margin the Wilson Co. is willing to, and we believe can, compete.

Senator WATSON. Is the Wilson Co. the only manufacturer of this product in the United States?

Mr. HURD. At this time. The General Electric Co. was in this business, but I think they have given it up.

Senator WATSON. You ask for a duty of \$2.50—a specific duty?

Mr. HURD. Yes.

Senator WATSON. Would not that shut out all other manufacturers altogether?

Mr. HURD. It would enable them to lay down the goods in New York at \$2.97.

Senator WATSON. But when the rate of exchange returns to normal, then what?

Mr. HURD. That would operate to increase the tariff burden.

Senator WATSON. It would operate as an embargo, would it not?

Mr. HURD. Hardly.

Senator WATSON. That would leave a monopoly?

Mr. HURD. It would not leave a monopoly. This is not an industry covered by patents. It is entirely possible for anybody to come in if he is willing to spend the time and the money.

Senator SMOOT. And can find a market for it?

Mr. HURD. And can find a market for it; yes. That is true.

You see the condition we are facing is this: With this enormous differential in favor of the German product there is no possibility of competing with it considering the exchange factor as it is now. But, as I say, there is no monopoly about it. The General Electric Co. has manufactured this product in rather large quantities, but they have given it up.

Senator WATSON. What ad valorem rate would that be under the American valuation?

Mr. HURD. About 75 per cent.

Senator SMOOT. Seventy-five per cent is what he wants.

Mr. HURD. But the specific duty would be more satisfactory because it would give us a certain basis on which to work. Prices will change from time to time. In order to develop this business you have to meet the market on costs. We have always sold at a loss. There has been no period of the company's business, even including the year 1920, when they did manufacture in commercial quantities, when they did not sell at a loss. Our purpose has been to develop the industry, and we hope after some years to have a steady and profitable business.

I would like, with the permission of the committee, to file a printed brief in which I shall show you in detail the cost to the H. A. Wilson Co. of materials, labor, overhead, etc., as well as exactly what business we have done and exactly what prices we have received for the metal.

Senator McCUMBER. That will be printed as a part of your remarks.

Mr. HURD. All we ask for is a different classification from these other metals with which this thermostatic metal can not be properly classed, and protection against this German metal.

TIN PLATE.

[Paragraph 310.]

STATEMENT OF E. B. CRAWFORD, REPRESENTING THE ASSOCIATION OF TIN PLATE MANUFACTURERS.

Senator LA FOLLETTE. Please give your full name and address.

Mr. CRAWFORD. E. B. Crawford, McKeesport, Pa.

Senator LA FOLLETTE. You are connected with what company?

Mr. CRAWFORD. With the McKeesport Tin Plate Co.

Senator LA FOLLETTE. Are you an official of the company?

Mr. CRAWFORD. I am president of that company.

Senator DILLINGHAM. To what paragraph are you going to address yourself?

Mr. CRAWFORD. Paragraph 310. The Association of Tin Plate Manufacturers represents all the independent makers in the country outside of the United States Steel Corporation. We represent from 55 to 60 per cent of the total production of the country.

Senator SMOOT. Have you a brief?

Mr. CRAWFORD. Yes; I have reduced my thoughts in this matter to a comparatively few pages, which I can read to you in not more than three or four minutes. [Reading:]

On August 8, 1921, we addressed a letter to Hon. Boies Penrose, chairman of the Finance Committee of the United States Senate, briefly stating our views in relation to the situation with the tin-plate manufacturers of the United States and their attitude toward the revision of the tariff and the proposed changes of duty on tin plate, as well as certain rates of duty proposed on raw materials which are used in the manufacture of tin plate.

When the tariff bill was under consideration in the House, we requested the Ways and Means Committee to fix the rate of duty on tin plate at 1.2 cents per pound, which was the rate provided in the Payne-Aldrich bill and which was a substantial reduction on the rate provided in the Dingley bill.

The Underwood tariff bill now in force provides a duty of 15 per cent ad valorem, which is entirely inadequate, and under the present unsettled conditions, taking into consideration the abnormal low rates of wages prevailing in Germany, Belgium, and England, as well as the unsettled exchange situation, and exposes this important industry to ruinous competition in all of our seaboard markets, where the great bulk of the tin plate manufactured in this country is consumed. The Atlantic and Pacific seaboard are easily accessible to foreign manufacturers, at low ocean freight rates.

Tin plates are all manufactured in the interior of this country and bear a very heavy freight rate from point of manufacture to seaboard markets. Under the circumstances we feel that we are entitled to restoration of the Payne-Aldrich rate of 1.2 cents per pound on tin plate, terneplate, and taggers plate.

Senator WALSH. What does that represent ad valorem?

Mr. CRAWFORD. You mean 1.2 cents per pound?

Senator WALSH. Yes.

Mr. CRAWFORD. In ad valorem, at the time the bill was filed, it would represent 15 per cent, but since that time there has been a considerable reduction in the price of tin plate, and to-day that would represent, in round figures, 20 per cent ad valorem.

Senator WALSH. At the time you asked for this ad valorem rate before the House committee you did not know the American plan of valuation was going to be adopted, did you?

Mr. CRAWFORD. Senator, we did not ask for an ad valorem rate before the House committee. We asked for a specific duty. We

fought as strenuously as we knew how the ad valorem rate of the Underwood bill. [Reading.]

- After due and careful consideration, the tin-plate manufacturers have reached the conclusion that with economies in manufacture which they hope to accomplish as conditions approach a more normal level they will be able to get along with the proposed rate of 1.1 cent per pound and maintain their position in the home market against foreign competition, despite the fact that the Fordney bill has placed a duty of 2 cents per pound on pig tin, as provided in paragraph 386.

Senator LA FOLLETTE. May I inquire what our consumption of tin plate is in this country?

Mr. CRAWFORD. Our normal consumption of tin plate in this country will reach pretty close to 35,000,000 boxes.

Senator LA FOLLETTE. Put that in pounds.

Mr. CRAWFORD. In pounds, that would be 175,000,000.

Senator WALSH. These steel men are not only good lawyers but good mathematicians.

Senator LA FOLLETTE. What were the imports last year?

Mr. CRAWFORD. They were practically nothing.

Senator LA FOLLETTE. What were they this year?

Mr. CRAWFORD. Practically nothing, on account of the unsettled conditions abroad.

Senator LA FOLLETTE. What were the imports immediately following the passage of the Underwood tariff bill?

Mr. CRAWFORD. They were very sluggish, for the reason that the war soon occurred, and conditions became so abnormal that there was not a sufficient supply after 1914.

Senator LA FOLLETTE. War did not occur until something like 18 months after the Underwood tariff went into effect. Imports did not increase particularly under the Underwood tariff, did they?

Mr. CRAWFORD. No, sir.

Senator LA FOLLETTE. They were negligible, were they not?

Senator CALDER. What were the imports under the operation of the Payne-Aldrich tariff? Do you recall that?

Mr. CRAWFORD. That was in 1909, was it not?

Senator CALDER. In 1909 and through 1913.

Mr. CRAWFORD. I do not know just what the imports were, but there was some being imported right along, particularly on the Pacific coast; but I do not recall the amount.

Senator SMOOT. The importations for the 12 months ended June 30, 1920, were 10,330,572 pounds. The exportations during that same year were 399,395,705 pounds.

Mr. CRAWFORD. Yes. There was a shortage in the whole world's supply.

Senator SMOOT. Is there a shortage now?

Mr. CRAWFORD. There is a surplus to-day. I am sorry to say there is a surplus. There is a large surplus.

Senator SMOOT. Of course, under the Underwood bill tin is free?

Mr. CRAWFORD. Yes.

Senator SMOOT. I suppose you are complaining now of the 2 cents that is imposed on pig tin imported into this country under this bill?

Mr. CRAWFORD. Not particularly complaining; but we want to call the attention of the committee to the fact that there is no tin ore produced in the United States.

Senator SMOOT. We know that.

Mr. CRAWFORD. When there is a duty placed on a noncompetitive article, it simply advances the price that much, because the market is controlled in London.

Senator SMOOT. Let me get down to what you want. Are you willing to allow the 2 cents on tin as a revenue measure and accept the House provision of 1.1 cents per pound on tin plate?

Mr. CRAWFORD. Yes. If the committee feels that there is a need of 2 cents a pound as a revenue measure, to meet the present financial condition of the Government, we are not going to complain; but we would like to call attention to this fact, that it will in no way, we think, encourage any industry in this country, for the reason that there are no tin ores.

Senator SMOOT. The committee will decide that. Under the Underwood bill you had free tin and 1.2 cents a pound on tin plate.

Mr. CRAWFORD. Fifteen per cent ad valorem.

Senator SMOOT. I should have said under the Payne-Aldrich Act.

Mr. CRAWFORD. Yes.

Senator SMOOT. And you will be satisfied if you have 2 cents on tin and 1.1 on tin plate?

Mr. CRAWFORD. Yes; we will be satisfied with 1.1 per cent.

Senator SMOOT. That is what I understood you to say. Now I understand your position.

Mr. CRAWFORD (reading):

There is very considerable opposition to this proposed duty, for the reason that there are no commercial tin-bearing ore deposits in this country—

I refer now to the 2 cents per pound on pig tin—

and the two tin smelters situated on the Atlantic seaboard produce pig tin from imported tin ores. They sell their product on a parity with the landed cost of imported tin, and there is no prospect of compensating advantages by reason of expected competition from domestic sources, which would eventually reduce the price of this commodity to a basis which would be competitive with imported tin.

Senator WALSH. You are willing, as I understand it, for the sake of revenue, to accept 2 cents duty on pig tin, but from the standpoint of the consumer and from the standpoint of developing the export trade it would be better, you think, if we could take off the 2 cents duty?

Mr. CRAWFORD. Very much, sir.

Senator SUTHERLAND. To what paragraph have you been addressing yourself?

Mr. CRAWFORD. Paragraph 310. [Reading:]

The tin-plate industry is the largest consumer of pig tin in this country, but the tin-plate manufacturers realize that the proposed duty may be considered a revenue measure, and for this reason they are not disposed to enter strenuous objection to the proposed duty of 2 cents per pound on pig tin, but leave it to the committee to satisfy itself that the smelting companies in this country are entitled to this protection, or that your committee is justified in leaving this duty as a purely revenue measure only.

The tin-plate industry in this country consumes 2,500,000 tons of steel per annum and employs, in direct labor in its own plants approximately 40,000 workmen, who obtain the highest rate of wages of any workmen employed in the steel industry in this country.

Senator SMOOT. What do you pay your common labor?

Mr. CRAWFORD. We pay our common labor 30 cents.

Senator SMOOT. How many hours do they work?

Mr. CRAWFORD. Ten hours. [Reading:]

As large consumers of steel, which we purchase from the steel manufacturers, we are indirectly, but very deeply, interested in the schedule of duty proposed on steel

products which constitute our raw material. The rates proposed in the general metal schedule are extremely moderate, and, in our opinion, may be considered to be drawn on a revenue basis rather than on a basis of protection. The rates on practically all items in the steel schedule are lower than those of the Payne-Aldrich bill, and are on an average of about 50 per cent of the rates in the Dingley bill. We have noted, however, that the Fordney bill proposes extremely high rates of duty on raw materials such as magnesite, flourspar, manganese ore, ferromanganese and ferroalloys, which are essential and necessary in the manufacture of steel. These proposed rates of duty will unnecessarily increase the cost of our raw materials and will be an increased burden to manufacturers of tin plate and other similar commodities, who are using large quantities of semifinished steel.

We wish to call the attention of the committee to this situation most particularly because we feel that the proposed rates of duty on these raw materials should be stricken out or modified to a strictly revenue basis, as in most cases they are not competitive, and hence the tariff becomes a tax without any compensating advantage.

We wish to go on record also with your committee that the independent tin plate manufacturers of the United States are unanimously in favor of the proposed American valuation plan, and we would deplore any modification of that plan which would fix the assessment of duty on valuation prevailing in foreign countries, whose depreciated currencies are subject to violent fluctuation in exchange value as compared with the standard value of the United States gold dollar.

HOOP STEEL.

[Paragraphs 313 and 314.]

STATEMENT OF S. P. KER, REPRESENTING THE SHARON STEEL HOOP CO., SHARON, PA.

The CHAIRMAN. You reside in Sharon?

Mr. KER. Yes, sir.

The CHAIRMAN. And represent the Sharon Steel Hoop Co.?

Mr. KER. Yes, sir.

The CHAIRMAN. Will you state to the committee your views?

Mr. KER. I wish, Mr. Chairman, to address the committee particularly in reference to paragraphs 313 and 314 of House bill 7456.

We are one of the small manufacturers of steel and make principally pig-iron billets, blooms, sheet bars, sheets, plates, hoops, bands, and strips.

The paragraphs that I wish to speak of particularly affect hoops, bands, and strips, and cotton ties, which are a product of hoop mills, and of which we have in past years made a great many.

I think it would be economy of time for me to read a very short statement that I have prepared in connection with the subject.

I would call your attention to the inconsistencies of paragraph 313 and of its inadequacy as a protective measure.

Hoops, bands, and strips are rolled from billets and slabs and are commonly rolled, in this country, up to 16 inches in width as a result of developments in the last few years of wide strip mills. There are several mills that roll up to 18 inches in width. I think, therefore, that hoops, bands, and strips should be described to be steel in coils, scrolls, or cut to lengths 16 inches in width and narrower. Before the advent of these wide-strip mills 8 inches probably covered fairly well the production of this class of steel in this country, but, with the development of the automotive industry a much wider strip was required and the industry has met that requirement by the expenditure of large sums of money in permanent investments in highly specialized mills capable of rolling, as above

stated, up to 18 inches in width. Our own company rolls regularly up to 15 inches in width and down to three-eighths inch wide. We roll in the narrower widths as thin as 23 gauge or 0.025 of 1 inch thick. In the wide widths we roll: Up to 8 inches, down to 16 gauge or 0.065 of 1 inch thick; over 8 to 12 inches, down to 14 gauge or 0.083 of 1 inch thick; over 12 to 15 inches, down to 12 gauge or 0.109 of 1 inch thick.

The rates of duty on this class of material, as written in the bill, are less than that accorded other products not nearly so far advanced in the process of manufacture and in which the labor cost is not so high. (See par. 304, covering, among other things, ingots, blooms, slabs, and billets out of which hoops, bands, and strips are rolled.)

The whole of Schedule 3, as it relates to iron and steel in its various forms, names rates of duty that are not only very low, but the classification is very broad in some paragraphs and not fully descriptive of the product in other paragraphs, notably paragraph 313. The commodities under this paragraph should have a rate of duty at least equal to the extremely low rates provided for commodities not so far advanced in process of manufacture and in which the labor cost is not so great. I do not believe anyone that believes in the theory of protection will argue that the rates in paragraph 304, or, indeed, any of the other paragraphs covering iron and steel, are high. The protection afforded by tariff acts on iron and steel commodities, in all bills since the McKinley bill, have been subject to material reductions until the act of 1913, which practically affords no protection against foreign competition to this great industry, which was saved from a continuation of the depression which set in during the latter part of 1913 and early part of 1914 only because of the World War. During the first half of 1914 mill order books shrank to a point which necessitated the curtailment of operations and resulted in decreased employment, and only began to fill up during the latter part of 1914 to a point that justified full employment as a result of the European war, and full employment in this country was only continued until the effects of that conflict had passed. It has been in recent months at the lowest rate as to percentage of operation and employment, I think, in the history of this country, and we can only look for improvement as the general conditions of business improve, and then, in my judgment, only if our home market is protected for the benefit of our home labor and investments.

I think it is necessary to rewrite the description of hoops, bands, and strips of iron or steel to meet the actual facts of to-day's production by dropping the limit of 8 inches and by extending the limit to 16 inches in width, and then to give this branch of the industry a rate that will be consistent with the rest of the schedule, which, as already stated, is extremely moderate and will result in only reasonable protection against foreign competition. I would respectfully suggest, therefore, that paragraph 313 be corrected to read as follows:

Hoop, strip, band, and scroll iron or steel, hot-rolled, not especially provided for, 16 inches or less in width, three-eighth inch or less in thickness, valued at 1 cent and not over 1½ cents per pound, twenty-five one-hundredths of 1 cent per pound; valued at over 1½ cents and not over 2 cents per pound, forty one-hundredths of 1 cent per pound; valued at over 2 cents and not over 3 cents per pound, fifty-five one-hundredths of 1 cent per pound; valued at over 3 cents per pound, 20 per cent ad valorem: *Pro-*

vided, That all strip, band, and scroll iron or steel wider than 16 inches shall be considered sheet iron or steel: *And provided further*, That barrel hoops of iron or steel, and hoop or band iron or hoop or band steel flared, splayed, or punched, with or without buckles or fasteners, shall pay no more duty than that imposed on the hoop or band iron or steel from which they are made. Bands and strips of iron or steel, whether in long or short lengths, not especially provided for, 20 per cent ad valorem.

Paragraph 314, covering cotton ties and baling ties, is entirely inadequate as a protective measure. Why hoops of iron or steel, fifteen-sixteenths inch wide by 0.035 inch thick, cut to specified lengths of 11 feet 6 inches, put up in counted bundles, inclosing a buckle for each strip in the bundle, and coated or painted, should take a duty of less than that imposed upon similar strips or hoops of iron or steel not so put up I can not understand. These bundles are put up in standard weight of 45 pounds each, and are to-day selling at \$1.30 per bundle at makers' mills, Pittsburgh. The rate provided in paragraph 314 of one-fourth cent per pound is, therefore, less than 10 per cent ad valorem. The per ton value of cotton ties at to-day's market at makers' mills, Pittsburgh, is \$57.77 per net ton, which makes the one-fourth cent protection \$5 per net ton. I think that paragraph should have the rate of duty changed from one-fourth cent per pound to 20 per cent ad valorem if it is to protect the American producer of the commodity. In years past, before the rail rates of freight were as high as they are to-day, cotton ties could be delivered from English or German ports to any South Atlantic or Gulf port for a very much less rate of freight than from the mill of any American producer—except as to the mills located at Atlanta, Ga., and Helena, Ala., within the radius of a very short rail haul. There would be no adequate protection to the industry in the rate as written.

Senator CALDER. Please tell the committee what 20 per cent ad valorem would amount to on the pound basis.

Mr. KER. They are selling to-day at a fraction less than 3 cents per pound at makers' mills. Twenty per cent would be \$12 per net ton, or almost that. They are selling for about \$2.97 or \$2.98. They are always sold, however, as a flat bundle of 45 pounds, regardless of their weight.

Senator CALDER. What is the duty now?

Mr. KER. They are on the free list. The duty proposed by this bill is one-fourth of a cent per pound. They were put on the free list in the Underwood bill.

Senator SIMMONS. Where are your competitors?

Mr. KER. Our competitors are numerous and are scattered pretty broadly throughout the country.

Senator SIMMONS. I mean, your foreign competitors.

Mr. KER. Germany, England, and Belgium; principally Germany and England.

Senator CALDER. What was the duty under the Payne-Aldrich Act?

Mr. KER. I do not believe I can tell you that, sir. It was a low rate of duty. I have not the comparison here.

Senator SIMMONS. The duty you propose would be about \$12 a ton?

Mr. KER. No, sir; 20 per cent ad valorem. It is three-tenths under the Payne-Aldrich bill. Cotton ties normally sell for 65 cents a bundle at makers' mills, so 20 per cent ad valorem would be 13 cents a bundle on the normal market. They are not yet down to the prewar basis. It is an expensive article to produce on account of the weight per foot.

Cotton ties in the past have frequently been carried from German or English ports to South Atlantic and Gulf ports practically as ballast or at exceedingly low rates of freight, by ships coming to those ports for cotton or other products for the return cargoes, and this practice will undoubtedly prevail again as the business of the world begins to assume normal relations. With our present excessive rail rates the cost of delivery from American mills to consumers would be so high that it is doubtful if the rate as written in the bill will afford any protection to the American producers of this commodity and while rail rates must be materially reduced, if business is to go forward, it is not easy to believe that they will for a long time be reduced to a rate equivalent to that in effect prior to 1914.

The above rates are suggested as a very modest protection, provided the American valuation clause is retained in the bill, which clause the industry heartily approves and supports.

Senator SIMMONS. Will you pardon just one question?

Mr. KER. Certainly.

Senator SIMMONS. How much potential protection will the American valuation clause give you?

Mr. KER. That depends upon a great many conditions. To-day according to the best information I have, as of July 1, hoops were selling in Germany at 1.248 cents per pound, which is \$24.96 per net ton. They are selling in this country to-day at about 2.30. The average advance on hoops I would express at about \$3 per ton. So they are selling for about 2½ cents per pound here.

The price in Germany, however, I have reduced to the American equivalent. It is not the German mark price.

There has been in the past importation of hoops, and immediately before the war there were importations to both the Atlantic and the Pacific coasts because of the lack of protection at that time. The largest production is in hoops and strips, not in cotton ties. Cotton ties are only an incidental item in hoop mill practice. Cotton ties, selling at a normal price of about 65 cents, are used by many mills. I think most of the makers, except the United States Steel Corporation, use them as a filler during the dull period of the business, in the summer time.

Senator SIMMONS. You suggest that the specific rate of the Fordney bill be changed to an ad valorem rate?

Mr. KER. Yes, sir.

Senator SIMMONS. And then you announced your advocacy of the American valuation and said that your approval of the rates was based on the American valuation. What I want to know is how much will the American valuation plan add to the potential protection that you would get upon a 20 per cent ad valorem rate.

Mr. KER. In my opinion, Senator, that question is not susceptible of an answer, because it is dependent upon the fluctuating values in the two countries. To-day a certain amount might be right—probably 40 per cent, as expressed by some of the gentlemen. Tomorrow it might be another figure. It is constantly fluctuating.

Senator SIMMONS. That is true of everything, especially in these times. But take the markets of to-day.

Mr. KER. I have not figured it, and therefore I can not answer the question, because I do not consider the markets of to-day as a very vital or important matter.

Senator SIMMONS. When you said your advocacy of the 20 per cent was predicated upon the American valuation I supposed you had given some consideration to it and could give the committee some idea of how much benefit the American valuation would be to you over the foreign valuation in the application of the 20 per cent ad valorem rate.

Mr. KER. I have predicated it upon that theory. I think I can answer the question, but not in dollars or cents or any per cent of protection. I believe that the American valuation will prevent a foreign nation from dumping its surplus products in the best market in the world at a time when it is profitable to do so, because then that nation will have to meet American valuation and will not be able to dump its products into this market to the disadvantage of our own producers. I think that is the big value of American valuation.

Senator SIMMONS. Have you not considered what would be the increase in your real protection?

Mr. KER. No, sir; because I think that increase in real protection is such a fluctuating thing that an opinion expressed to-day would not be valuable to-morrow, and for that reason I did not even figure it and do not know how to figure it.

Senator LA FOLLETTE. Are you the president of the Sharon Steel Hoop Co.?

Mr. KER. Yes, sir.

STEEL PIPE, TUBING, AND WIRE PRODUCTS.

[Paragraphs 315, 316, 317, 328, and 331.]

STATEMENT OF J. A. CAMPBELL, PRESIDENT OF THE YOUNGSTOWN SHEET & TUBE CO., YOUNGSTOWN, OHIO.

Senator SMOOT. You may proceed.

Mr. CAMPBELL. Gentlemen, they have assigned me the subject of pipe and wire products, and I have a very short statement that I had better make to you first, and if you want to ask me questions in reference to it, you can then do so.

Senator LA FOLLETTE. What company or companies are you connected with?

Mr. CAMPBELL. I am president of the Youngstown Sheet & Tube Co.

For your information, I beg to state that in appearing before your committee I do so as the president of the Youngstown Sheet & Tube Co., and also as the representative of other independent steel companies; especially those making steel pipe, tubing, and wire products.

In discussing this bill, my remarks will refer to Schedule 3, and more particularly to paragraphs 328, 331, 315, 316, and 317.

With reference to Schedule 3, paragraph 328, pertaining to butt-welded and lapwelded pipe, I beg to say that the duty proposed of three-fourths of 1 cent per pound is greater than is necessary to protect this interest; and, therefore, I would recommend that the duty on butt-welded and lapwelded iron and steel tubes, in sizes from 1 to 6 inch, inclusive, be made six-tenths of 1 cent per pound instead of three-fourths of 1 cent; and that sizes of butt-welded pipe

from three-eighths to three-fourths inch, inclusive, and also lap-welded pipe larger than 6 inch, carry a duty of three-fourths of 1 cent per pound, as proposed. I suggest this change to your committee for the reason that the smaller sizes of butt-welded pipe and the larger sizes of lap-welded pipe carry a greater labor cost than what we call the "base sizes" from 1 to 6 inch, inclusive. These sizes on which I propose a lower duty are the common sizes of pipe, and the tonnage is considerably greater than the smaller sizes and larger sizes mentioned. I think the proposed duty on sizes smaller than three-eighths is justified, on account of the small production per man and high labor cost.

With reference to coated conduit for electrical conductors, referred to in this paragraph, I would say that we are large manufacturers of this product, and that 25 per cent ad valorem is ample protection.

With reference to paragraph 315, pertaining to wire rods, the duty proposed in the bill of three-tenths of 1 cent per pound, or \$6.72 per gross ton, is sufficient, and I do not think it should be increased or decreased.

In discussing paragraph 316, pertaining to black and galvanized iron and steel wire, I am also obliged to discuss paragraph 317, pertaining to galvanized wire used for fence, galvanized wire fencing, and wire for baling purposes.

In paragraph 317 you propose a duty of one-half of 1 cent per pound on galvanized wire used for fencing purposes and for making into wire fencing and wire used for baling purposes, while in paragraph 316 you propose a duty on this same wire when used for other purposes of three-fourths of 1 cent per pound.

It seems to me that the committee in framing this paragraph has overlooked the fact that it penalizes one class of users of this material for the benefit of others who use it for fencing and baling purposes only, and that this is "class legislation"; and I am quite sure you could be justly criticised for making this distinction. Therefore, I recommend that you reduce the duty proposed in paragraph 316 from three-fourths of 1 cent per pound to six-tenths of 1 cent per pound, with the addition you now propose of two-tenths of 1 cent per pound for coated wire for all purposes, and that paragraph 317 be stricken out. There certainly can be no good reason offered by anybody why any class of users should be given preference over any other class; and while the duty I propose is smaller, perhaps, than it should be, it will safeguard to a certain extent the users of wire covered in paragraph 317 against unduly high prices, and will still afford sufficient protection to the interest affected by paragraph 316.

I am trying to offer some suggestion here that will make this more harmonious and more scientific.

Referring to paragraph 331, pertaining to nails and spikes made from iron and steel wire, I beg to call your attention to the fact that this proposes four-tenths of 1 cent per pound on nails, which carry a labor cost of \$12 per ton higher than wire; and as it is my understanding that you wish to protect the labor employed in producing these nails to the same extent that you would protect labor producing the wire from which they are made, it naturally occurs to me that the committee framing this bill did not have sufficient information on this subject, and therefore have not provided sufficient duty to protect the labor engaged in the manufacture of nails. If this is the principle by

which your committee is to be guided, then wire nails should carry a higher duty than plain wire, for the simple reason that the labor cost in producing this product is considerably higher, as above stated.

With this fact in mind, therefore, I would recommend and strongly urge that paragraph 331 should be changed so as to provide a duty of three-fourths of 1 cent per pound instead of four-tenths of 1 cent per pound on the common sizes of nails and spikes, and other sizes in proportion.

I wish to call your attention to another wire product, viz, barbed wire, both plain and galvanized, which is on the free list, Schedule 15, paragraph 1680. I can not understand the purpose of the Ways and Means Committee in proposing that barbed wire be put on the free list. The cost of wire that enters into the manufacture of barbed wire is fully as great as that of wire for fencing or other purposes; labor in making this wire and in making it into the finished product, barbed wire, is certainly entitled to the same protection as the labor employed in making wire for other purposes, and it would be rank discrimination to treat it other than on the same basis. If the manufacturer of barbed wire is compelled to meet foreign competition without any protection, he will be forced to reduce labor that enters into the manufacture of this wire to the very minimum, and may be put out of business entirely. I do not believe that this is the idea of the Ways and Means Committee or the Senate Finance Committee, and, if it is, I certainly hope that it is not the idea of Congress as a whole, and that this item of barbed wire will be put on the dutiable list and treated the same as other wire products.

Senator LA FOLLETTE. What do you think it should be, or are you going to proceed to state?

Mr. CAMPBELL. It ought to be at least as much as other wire, and I have recommended a reduction on that in order to harmonize it with nails, in order to try to meet the ideas of the Ways and Means Committee that framed the bill and not get it too high.

Senator SMOOT. You want six-tenths of 1 cent?

Mr. CAMPBELL. Six-tenths of 1 cent at least. It ought to be the same as nails, but we will be satisfied if we can get six-tenths of 1 cent.

It is my impression that in framing this tariff bill it was the intention of the House Ways and Means Committee to protect all American interests—the farmer, invested capital, and especially the laboring people.

I appreciate the difficulty that confronted the Ways and Means Committee in framing a bill that will do exact justice to all the interests concerned. All interests are selfish, especially those that ask you to do things that would be an injustice to others. For that reason you should secure the facts and do what is best for the people as a whole, rather than give undue protection to any one interest at the expense of many.

Many producers in different lines may have high costs, due to antiquated factories and methods, or to disadvantage in their geographical location; but if there are such their interests should not be considered to the detriment of the country generally.

While I am not supposed to discuss duties other than those on pipe and wire, I desire to emphasize, if possible, what Mr. Topping has said with reference to duties on raw materials.

The proposed duties on fluorspar, manganese ore, ferromanganese, magnesite, pig tin, zinc, and alloys will put considerable tax on the steel industry, which the consumer must pay. We will pay it first, and then we will pass it on to the consumer; we are obliged to do that. Mr. Topping has explained that American producers do not require this abnormal protection, and if there are any cases where they do, the interests are so small and can produce such a small percentage of the material required that their needs should not be permitted to impose this tax on all steel consumers.

Mr. Dinkey explained to you about ferromanganese, that there are not any large deposits of manganese ore in this country; and because some man in North Carolina or some man in Colorado may have a little pocket of manganese ore is no reason why the 100,000,000 people in this country should be taxed to protect these two people, and that is about all there are that have deposits, and they are very limited, and we are very glad that we found them during the war to help us out.

The duties proposed on these articles are all too great, in my opinion, especially those on fluorspar, manganese ore, ferromanganese and magnesite, and I trust they will be greatly reduced by your committee.

The duty you are talking about putting on ferromanganese is outrageous. We can not get ferromanganese in this country. The deposits are not here. They are bound to bring it from abroad, and it is only taxing the industry and the consumers of steel to put \$39 a ton or something like that on that material, ferromanganese, that I have bought for many years at \$35 per ton.

It should be understood that in recommending lower duties in some tubular and wire products than those proposed in this bill, I do so believing that the entire bill will finally provide for a moderate duty on all classes of merchandise. If this bill, as a whole, is so framed that the result of its passage would be to increase the cost of living and labor, in that event we need higher duties than those I have suggested.

We have given you what we believe is the very lowest duty that we can get along with, and we do not want the clothing and the boots and shoes and everything else that enters into the cost of living to be put on a higher basis, because if we do we are at a great disadvantage. I have recommended that these duties be reduced, because if we can get along with a lower duty—some of them are too low—I have tried to get them on a relative basis regarding the cost. I have figured the cost on every product that we manufacture, from the ore mine and the coal mine and the limestone quarry, including transportation, to the finished product. I can give you the items. You take, for instance, barbed wire, which is one of the things that is on the free list. Galvanized barbed wire carries a labor cost from mine to the finished product alone of \$39.33, which is the highest labor cost, with one exception, of any product that we manufacture, and we manufacture a large line. We have the capacity of producing 1,000,000 tons of steel a year, all kinds of wire products, bars, sheets, both black and galvanized, plates, pipe. We have the capacity of manufacturing 50,000 tons a month of pipe in all sizes from one-eighth inch to 20 inches.

Senator LA FOLLETTE. While you are right on your barbed wire, Mr. Campbell, will you be so kind as to take a ton of barbed wire and start with the ore and give me the labor cost in producing the ore, and then the labor cost in producing the ore necessary for a ton of barbed wire, and follow it right through in its different changes?

Mr. CAMPBELL. I will be glad to send you that. I have it at home, not here. I just have the totals.

As Mr. Topping states, we will be obliged to export 20 per cent of our steel if we are to keep our mines and mills in operation and give continuous employment to our workmen, and anything that adds to our costs will make this more difficult, and also increase the selling price to our domestic consumers.

In this connection I would like to make a few observations on the tariff generally in the hope that practical ideas and experience may be of service to your committee.

Conditions are abnormal throughout the world and the quicker readjustments are effected the better for everybody; so it seems to me that your tariff bill, when completed, should be based on what we may think are normal conditions, and values, rather than on conditions that obtain at present. If it has the effect of speeding readjustments to lower values on a more stable basis, it will be of great benefit.

Wages and materials in other countries must increase or wages and materials in the United States must decrease before values are stabilized. Both will happen; wages and materials will be lower in the United States and higher abroad. A reasonable tariff will bring this about quickly; a tariff too high will prolong this readjustment and in the meantime the country will suffer.

I believe in the American standard of living, and I desire to see it maintained, but I am not so much concerned about the rate of wages paid as about what the wage earner has left after paying the cost of living by this standard. Duties that are too high will raise values, increase the cost of living, stop exports, cause unemployment, and finally cause industrial depression. You are expected to frame a tariff bill that will maintain the American standard of living and yet permit us to export our products to the markets of the world. This can not be accomplished by a tariff bill that will materially increase the cost of production.

Senator LA FOLLETTE. I would like to ask the witness a few questions.

Mr. CAMPBELL. All right.

Senator LA FOLLETTE. How many different products do you produce?

Mr. CAMPBELL. It would be difficult to say.

Senator LA FOLLETTE. Quite a long line of them, is there?

Mr. CAMPBELL. We produce quite a large line of all kinds of conduit, both rigid and flexible, and all classes of wire products and wire fence, galvanized wire, barbed wire, wire hoops and nails. We make bars, we make plates, we make sheets, we make sheet bar and billets and coke and steel; and we produce our own ore and our own coal, and are large producers of pipe.

Senator LA FOLLETTE. Yes; I know you are. You have already prepared as a part of your system of checking up costs of production

all of the items of the cost of production of the different articles that you produce. Will you be kind enough to send them to the committee, that they may be incorporated in your testimony?

Mr. CAMPBELL. If you will have the chairman write me, I will send him any information that you want specifically—if he will write specifically what he does want.

Senator LA FOLLETTE. I am giving you now specifically what I would be glad to have you furnish to the committee, and you can address it to the committee. But I would like to have you give us—at least I will designate a few of the more important things that you produce and limit it to them, so as not to burden the record with all of it. Take the matter of barbed wire. I will ask you to send to the chairman of the committee here, to be made a part of the record of your testimony—

Mr. CAMPBELL. The items of labor cost?

Senator LA FOLLETTE. No; all the items of cost that enter into a ton of barbed wire—labor as well as other items of cost that enter into it, from the ore clear through to the finished product.

Mr. CAMPBELL. We do not make our costs there in that way. We make our costs by taking the ore at so much per ton and the coal at so much per ton and the limestone at so much per ton.

Senator LA FOLLETTE. So you start with your raw material?

Mr. CAMPBELL. Yes. But I have the figures of labor both at the ore mine and the coal mine and the transportation plant, and also the converting from ore to coal into the finished product.

Senator LA FOLLETTE. Then, suppose you start with the coal, ore, limestone, etc., as your raw material, and give us the items of cost in a ton of barbed wire, indicating that in the gross, but from that part on, so that we will have the relative labor cost with the other costs.

Mr. CAMPBELL. I can give it to you both ways. We have it.

Senator LA FOLLETTE. And will you do the same for nails? Now, does it make any difference whether you differentiate as to nails, spikes, etc.; if you state it as nails, will that cover the subject?

Mr. CAMPBELL. Well, hardly, because we make a great many small nails—roofing nails—and they go in as a general proposition with the general cost; we do not separate them, although we make special costs on them, and can separate them and give you the base sizes.

Senator LA FOLLETTE. Then, just do that, if you please, for nails as well as for barbed wire. Do you produce nails as well as barbed wire and tubes in the Youngstown plant?

Mr. CAMPBELL. Yes, sir.

Senator LA FOLLETTE. I mean the Youngstown Sheet & Tube Co.

Mr. CAMPBELL. We have a capacity of 50,000 kegs of nails a month and 50,000 tons of pipe.

Senator LA FOLLETTE. What is the total cost of a ton of barbed wire such as you produce? You have the figures?

Mr. CAMPBELL. I have not the figures; only the labor.

Senator LA FOLLETTE. Can you state from memory about what it is?

Mr. CAMPBELL. I can not. I could for some other products, but that is a minor item with us, and I do not carry that in my head.

Senator LA FOLLETTE. What is the total capitalization of the Youngstown Sheet & Tube Co.?

Mr. CAMPBELL. Our capital is \$20,000,000 of common and \$10,000,000 of preferred. But we have about \$45,000,000 of earned

surplus over the last 20 years, which is invested in the business, and our total net assets over liabilities about \$75,000,000 to \$80,000,000. We employ about 15,000 men in our coal mines, ore mines, quarries, and plants.

Senator LA FOLLETTE. You own your own coal mines and quarries?

Mr. CAMPBELL. We are interested in a large number of ore mines, about 15. We produce about enough ore to take care of ourselves. We use about 1,800,000 tons a year under normal activity. We are bringing in 300,000 tons of ore this year. We are operating at less than 20 per cent for the last three months, and we have lost over \$200,000 a month for the last three months.

Senator LA FOLLETTE. You are paying what wages to common labor?

Mr. CAMPBELL. We are paying common labor 30 cents an hour, which is 5 cents higher than Mr. Dinkey. The highest wages we have paid is 46 cents an hour. We reduced wages about 20 per cent, to 37 cents an hour, and we made a further reduction of about 19 per cent, to 30 cents an hour.

Senator LA FOLLETTE. Do you remember what you were paying common labor per hour in 1913?

Mr. CAMPBELL. \$1.70 a day, or 17 cents an hour.

Senator LA FOLLETTE. That runs 10 hours a day right through?

Mr. CAMPBELL. Well, we work some men only 8 hours and some 10 hours.

Senator LA FOLLETTE. But on the common labor?

Mr. CAMPBELL. Yes; 10 hours.

Senator LA FOLLETTE. So, when you say \$1.70 you mean 17 cents an hour?

Mr. CAMPBELL. Yes, sir.

Senator LA FOLLETTE. Do you recollect what you were paying in 1910?

Mr. CAMPBELL. \$1.70, or 17 cents per hour.

Senator LA FOLLETTE. And what was the rate in the period before that for a few years?

Mr. CAMPBELL. I think the rate has been since about 1902, about \$1.70, but I really do not remember. Before that, during the latter part of 1900, 1897, 1898, and 1899, we were paying all kinds of wages from a dollar a day to \$1.25 and \$1.50.

Senator SMOOT. Is your common labor mostly foreign labor?

Mr. CAMPBELL. Our labor before the war and during the war was about 60 per cent foreign labor, but we had some trouble after our strike, and we tried to decrease that. The trouble was with the foreign labor, and it is about 50 per cent now and 50 per cent American.

Senator LA FOLLETTE. What dividends has your company paid the last five years, Mr. Campbell?

Mr. CAMPBELL. Well, they have paid—you mean on the capital and surplus invested?

Senator LA FOLLETTE. On the capital.

Mr. CAMPBELL. Why not the surplus, too; that is capital invested.

Senator LA FOLLETTE. Well, if you have capitalized the surplus—

Mr. CAMPBELL (interposing). What difference does it make whether you capitalize it or not?

Senator LA FOLLETTE. I think it makes a good deal of difference to the consumers.

Mr. CAMPBELL. Not a bit. You have the money in the business. We have it invested in our ore mines, coal mines, blast furnaces, and mills.

Senator LA FOLLETTE. Yes; and you have charged prices which enabled you to accumulate surplus capital, and then turn around and capitalize the surplus, and so in that way make the public furnish a part of your capital?

Mr. CAMPBELL. The public did not furnish it.

Senator LA FOLLETTE. But that aside, just suppose you give us your dividends on your capital and surplus.

Mr. CAMPBELL. Our dividends will average less than 5 per cent on capital and surplus.

Senator LA FOLLETTE. Each year for the last five years?

Mr. CAMPBELL. For the last 10 or 15 years; and we built the latest, perhaps, and most modern plant in the United States, because it is one of the latest plants built. We have some advantages, I think, early in our history, because it was a new plant with some labor-saving devices, and improvements, and our profits perhaps then on the investment were greater considerably than they are now. You know when you invest in ore mines, coal mines, and limestone quarries and all those things for a future backlog to your business, or after you put in \$40,000,000 or \$50,000,000 into a plant account, you must back them up by investing in raw materials. We have over \$10,000,000 in coal that will last us 50 years. We did not dare go without it. We have the same thing in limestone and ore and dolomite, and the profit is very small.

Senator LA FOLLETTE. Yes; because you include that reserve in your present capital for years ahead, and make the business pay a turn on that.

Mr. CAMPBELL. No man can put \$50,000,000 in a plant without putting something behind it and be sure he is going to be able to operate it.

Senator LA FOLLETTE. Will you state what your gross sales were for the Youngstown plant last year?

Mr. CAMPBELL. About \$75,000,000.

Senator LA FOLLETTE. And what was your total expense?

Mr. CAMPBELL. I do not know; I do not carry those figures in my head.

Senator LA FOLLETTE. What is the total wages you paid?

Mr. CAMPBELL. \$25,000,000 at the Youngstown plant, not including mines and quarries.

Senator LA FOLLETTE. What were your total salaries?

Mr. CAMPBELL. I do not know.

Senator LA FOLLETTE. What is your salary?

Mr. CAMPBELL. They pay me all kinds of salaries at times. When we have a good year they pay me one thing and sometimes when we have a poor year they pay me very much less.

Senator LA FOLLETTE. What was it in 1920?

Mr. CAMPBELL. My salary this year is less than half what it was year before last, and about half what it was last year.

Senator LA FOLLETTE. What was it year before last?

Mr. CAMPBELL. I do not think that that is necessary, and unless—

Senator LA FOLLETTE (interposing). Do you decline to answer?

Mr. CAMPBELL. I decline to answer, unless the chairman rules that I should answer. I am not ashamed of it.

Senator LA FOLLETTE. I suppose you are so proud of it you do not want to tell us what it is.

Mr. CAMPBELL. No; I am not proud of it. I think they have always paid me less than I have earned. If you had to do my job you would want more than I get.

Senator LA FOLLETTE. I certainly would; and I would not want to take it at that.

Mr. CAMPBELL. We have 10,000 men idle, walking the streets, and me trying to find work for them to meet the conditions as they are to-day, and have to reduce their wages in the face of the fact that living has not been reduced, or rents have not been reduced—of course, living is down some, food products especially, but it is no snap running a steel plant with the large number of men one has to look after.

Senator LA FOLLETTE (interposing). Do you know what the cost of living is to-day, compared with 1914?

Mr. CAMPBELL. Yes.

Senator LA FOLLETTE. What is it?

Mr. CAMPBELL. It is about 60 per cent higher than it was in 1914.

Senator LA FOLLETTE. How does the cost of living at the present time compare with the cost of living in—

Mr. CAMPBELL (interposing). You can get all that from the National Conference report. They are very accurate in their statements, and I do not have it all in my head.

Senator LA FOLLETTE. What is that?

Mr. CAMPBELL. The National Conference Board makes a business of getting these statistics together, and they will be glad to furnish them.

Senator LA FOLLETTE. What is the National Conference Board?

Mr. CAMPBELL. They have headquarters in New York, and their business is making up statistics of all kinds, and they are very correct. They use Government statistics in some cases, where they know they are correct; and where they know they are not correct they do not use them.

Senator LA FOLLETTE. You mean the report of the Department of Labor here?

Mr. CAMPBELL. Is that under the present Department of Labor?

Senator LA FOLLETTE. It is under the Department of Labor. The table I have before me gives the index to the average family expenditure on food in the United States from 1900, by years, down to 1920. Taking 1900 as the index of 100—

Mr. CAMPBELL (interposing). Shows it is a good deal lower than it was a year ago?

Senator LA FOLLETTE (continuing). In 1920 it had advanced to 296. You did say that the wages in 1920 were 46 cents an hour.

Mr. CAMPBELL. We did pay in addition to that time and one-half for over eight hours, which has been abandoned.

Senator LA FOLLETTE. What is your profit on a ton of barbed wire?

Mr. CAMPBELL. I think we lose about \$5 a ton on the present basis. We are losing on every product we make except one.

Senator LA FOLLETTE. What does a ton of barbed wire cost?

Mr. CAMPBELL. I can not tell you definitely now.

Senator LA FOLLETTE. Can you tell me about what it costs?

Mr. CAMPBELL. No; I could not. I would not want to guess, because I might not be within \$10 per ton; I can give you the information and tell you what it costs.

Senator LA FOLLETTE. I will be glad to have you give me the information.

Mr. CAMPBELL. You see, we make a hundred different products, and while we have a cost sheet for every different product every month showing the labor cost and the taxes and the insurance and the salaries and all those things, I can not carry all those things in my head. I know about the heavier products and the higher tonnage products.

Senator LA FOLLETTE. You prepared yourself to give the labor cost in a ton of barbed wire?

Mr. CAMPBELL. I had it made up because I thought that the bill was not a very scientific bill, and seeing barbed wire on the free list and some other things out of harmony, for that reason I had our controller make up a labor cost; and we got the exact cost of the ore mined and we got from our accountants what the labor cost to put it on the boats and what the labor in water freight was, and we took 60 per cent of railroad transportation charges as the basis for labor on the railroads, and then took our own costs of conversion and made it out just as you would a cost sheet. So that I am sure it is accurate within a very small percentage.

Senator LA FOLLETTE. What part of your product do you export?

Mr. CAMPBELL. About 10 per cent last year. We shipped about 100,000 tons abroad last year.

Senator LA FOLLETTE. What was your principal foreign market?

Mr. CAMPBELL. Canada is our principal foreign market. Mr. Topping explained that this morning. We are in that same arrangement with him. We are a member company of the Consolidated Steel Corporation of New York, which 11 of the large steel companies are in, and we have a selling organization there that sells all of our products for export. We have quite a business ourselves in Cuba and Porto Rico, and, of course, ship some materials to Japan, Australia, and elsewhere.

Senator McLEAN. When you ship to Japan, for instance, do you have to pay a duty there?

Mr. CAMPBELL. I do not think so; I do not know. I am not familiar with the export business. We used to do our own exporting, before the Webb Act was passed, and since then we took advantage of the Webb Act and 11 concerns went together, and we turn over to our selling company 10 per cent of our products.

Mr. TOPPING. There are revenue duties in Japan.

Senator LA FOLLETTE. How about the duties in Canada? Do you carry those in your mind at all?

Mr. CAMPBELL. They have a duty which they can change overnight. They have a law that is good, in my opinion, because they can keep us out of there if they want to, and we have to bill our materials at fully as high a price as is prevailing in this country.

Senator LA FOLLETTE. You sell there on about the same level as you sell here?

Mr. CAMPBELL. We are obliged to sell on the same level. They will not permit us to sell for any less, while the Germans can come over here and sell \$10 a ton under their prices at home. That is the reason we are in favor of this American valuation plan.

Senator WALSH. There are a few general questions I would like to ask the witness, because he is a representative business man, of a very large group, and I think it may help us in our work here.

To what extent do you think, as a business man, this committee ought to exercise the greatest possible care in fixing its rates so as not to prevent imports into this country? What would be the consequence to a big business like yours if these rates here are fixed so as to shut out imports to this country?

Mr. CAMPBELL. It would ruin the country, in my opinion. If you build a tariff wall around this country, you are going to keep up a fictitious and artificial value on everything that you put that high tariff on. You are going to do the same thing on labor, and the result would be that the industrial depression would mean the breaking down of the whole industrial situation.

Senator WALSH. Is that opinion shared by your group and other big business?

Mr. CAMPBELL. I do not know; I am only speaking for myself.

Senator WALSH. I have heard it expressed by others.

Mr. CAMPBELL. I am in favor of a protective tariff, but I want just a little—

Senator WALSH (interposing). I want to know about the Congress fixing the duty so high as to exclude the imports.

Mr. CAMPBELL. I believe all the things the Lord put into the trees and the mines, when put into lumber and steel, ought to be distributed throughout the world with the least obstruction, where they can be distributed, with the lowest possible freight rates. I think it would be a splendid thing if we could bring our ore from Cuba for all the eastern mills and save our resources in Minnesota and Michigan for the western mills. I think we ought to bring that in without any obstruction. But we have no business to bring lumber from Washington to Maine when we can bring it across from Canada. We ought not pay a high duty on that. There is no reason why we should ship coal from the Virginias up into northern Maine when we can bring it over from Canada or from Newfoundland at a less price.

Senator SMOOT. Certainly; and lumber from Canada.

Mr. CAMPBELL. Yes; they ought all to be free. And so manganese ore ought to be free, and all other things that the Lord has put here for the use of the people.

Senator WALSH. One other single inquiry, and I am through. Is the theory you have described the reason why, perhaps for the first time in American history, the representatives of great big business are here asking for the lowering of rates and the representatives of small business and men who produce but a small amount of the consumption are asking for excessively high rates?

Mr. CAMPBELL. I am asking for protection first to maintain the American standard of living. I want to do that, but I want the cost

just as low as possible. Some labor in this country is too high; it has been unduly protected. Some men are making \$25 and \$30 a day who ought to be working at \$10. But we must keep our cost as low as possible, because we are now a world nation, whether we will or not, and we want to export and must export some of our products to keep our people employed.

Senator WALSH. You are fearful, then, that those concerns who produce a small proportion only of the consumption may receive such high rates that it will amount to an embargo, and that the cost to everybody who uses that raw material will be so enormous that it will destroy business.

Mr. CAMPBELL. I do not say it will destroy business. But it is a tax on the consumer.

Senator WALSH. You can not export if your raw material is increased by heavy rates of duty?

Mr. CAMPBELL. No.

Senator WALSH. And we must do an export business?

Mr. CAMPBELL. We should do an export business, and we will when the other nations get up on the same level we are. We can not do an export business now, and I do not think we can in a year or two.

Senator McLEAN. I want to ask you just one question: You said you believed in a protective tariff. Just what do you mean by that? What should it represent?

Mr. CAMPBELL. I mean that if a man in Germany, for instance, or Belgium, or France gets \$2 a day, and a man needs \$2.50 in this country to live on a little higher basis—on the basis our people do live on in this country—there ought to be protection enough that we would be able to pay him that other 50 cents a day; that is, in other words, the difference between the cost of labor on a normal basis, not on the present basis—because everything is abnormal now. And I have cautioned you people about framing a tariff bill based on present conditions, because we are going to seek a lower level—we have got to seek a lower level or else we have to get the farmer up with us, and you gentlemen could not do a better thing than to wipe out the transportation act and the Adamson law, and let the freight rates go down so that the farmer will come up and at the same time reduce our cost and put us down. And then when we are on the same level there ought to be an easy flow of exchange of all products. Your transportation act has not worked out; it is a failure. There is a constant contention between the labor board, that knows no more about labor than I know about running a bank, fixing the price of labor in Alabama and in New York City and other places, the same one place as another the country over, and it is holding the business of this country up by the throat right now. And if you did that, in 90 days we would have lower freight rates, men would become employed, the farmer's buying power would be restored, and he would buy from us, and our factories and mills would start. We, in turn, would give transportation to the railroads and the sprag would be taken out of the wheel and business would go on.

BALL BEARINGS AND SPROCKET CHAINS.

[Paragraphs 321 and 329.]

STATEMENT OF ADOLPH E. BRION, REPRESENTING PETER A. FRASSE & CO., NEW YORK CITY.

Senator McCUMBER. You may state your name and place of residence.

Mr. BRION. My name is Adolph E. Brion, president of Peter A. Frasse & Co., New York City. I will not take your time very long.

Senator SMOOT. What paragraph are you interested in?

Mr. BRION. I am interested in paragraph 321. I would like to see it divided.

Senator SMOOT. Antifriction balls and rollers?

Mr. BRION. Yes, sir.

Senator LA FOLLETTE. What relation do you bear to the maker?

Mr. BRION. President of Peter A. Frasse & Co. In this particular line we are importers. We import about 10 per cent of the goods we handle.

Senator McCUMBER. You want to divide paragraph 321?

Mr. BRION. Yes, sir. It covers not only the balls and rollers but the finished product.

Senator McCUMBER. Exactly how do you want it divided?

Mr. BRION. Just the balls and rollers, for ball bearing, and a separate clause for the other. I do not think the ball-bearing manufacturers would try to keep the tariff so high, because they are buyers of these balls.

Senator SMOOT. What do you want? Just the antifriction balls and rollers and ball bearings—

Mr. BRION. In a separate clause.

Senator SMOOT. What rate are you asking?

Mr. BRION. We are not asking for any rate.

Senator SMOOT. You want a differential between the finished product and the balls and rollers?

Mr. BRION. Yes, sir. Let the American manufacturer fix the rates. The American independent manufacturers of ball bearings have to ask for a high price, because they want it on the finished product. They probably would not ask such a high price otherwise. There is only one real manufacturer in this country.

Senator SMOOT. Does the brief show that fact?

Mr. BRION. The brief shows something else.

In 1917 there were three large manufacturers of steel balls, two of which have been taken over by ball-bearing manufacturers, so there is really only one large plant to-day. In 1917, for instance, a one-eighth-inch ball of a very high quality sold for 67 cents a thousand; to-day they are selling at from \$1.80 to \$4.20 per thousand. I think it is because there is so little competition.

Senator LA FOLLETTE. What is the name of the one company in which they have all been merged?

Mr. BRION. They have not been merged. The ball-bearing manufacturers took over the ball-making concerns to be sure of their supply of balls. The Atlas Ball Co. was taken over by the S. K. F. ball group of ball-bearing manufacturers, and the Standard Ball Bearing

Co., also makers of balls, was taken over by the Rockwell ball-bearing manufacturers. So that leaves it that the independent bearing manufacturer and others who need steel balls are required to buy them from this one remaining large manufacturer, who has the entire field to-day, the only competitors being a few small manufacturers. They have the entire field to-day. For that reason we believe if this clause is separated the American manufacturer or user of ball bearings will not ask so high a tariff as they need to protect the finished product. The question of the tariff we leave to you and the American manufacturer. If there ceases to be a profit in importing, we will stop importing.

In my brief I have tried to show two phases of the American valuation plan, both of which stand to bring in less revenue to the Government, because manufactured articles of iron and steel, if taxed on the suggested rate subject to American valuation, will be shut out entirely.

Senator SIMMONS. You say a tariff on the steel products of the country, using the American valuation together with the rates in the Fordney bill, would amount to a practical embargo?

Mr. BRION. A practical embargo on some of the items.

Senator SIMMONS. I would be glad if you would specify some of them.

Mr. BRION. Steel balls, for instance. I am not clear as to how the fixing of the American valuation is going to take place, whether a commission is going to be appointed or not. For instance, of steel balls there are five different grades. The methods of testing are the endurance test, accuracy, crushing strain, and so on, in the testing of those five grades. When you are importing the comparison will have to be made. As far as I can see, there will have to be a laboratory in every customhouse in the country.

Senator SMOOT. You do what, now, to find out the value?

Mr. BRION. The invoice shows the grade and value of same.

Senator SMOOT. That is it.

Mr. BRION. You probably would not take our word for it.

Senator SMOOT. No; and would not the American manufacturer?

Mr. BRION. It means a lot of detail if you are going to take the American valuation.

Another item in that is the very high-class chains we are importing for power transmission. They will run from 100 to 200 per cent higher in Europe than here. Of course, we assume they will also come under the American valuation. If they do, of course, the tariff will be very much reduced.

Senator SIMMONS. Why is that?

Mr. BRION. This grade is a very superior grade and is sold on its reputation, and in some of the grades they are 100 to 200 per cent higher in Europe, exclusive of importation costs, than here. Take any motor-cycle racing man. Very few will trust themselves on an American chain. Of course, notwithstanding the fact that you have raised the rate from 25 to 30 per cent, we will be getting them in cheaper under the American valuation plan.

Senator SIMMONS. Where an article is higher in Europe than in this country, how are you going to apply the principle on the difference in cost of production?

Mr. BRION. I assume you will get your American valuation—

Senator SIMMONS (interposing). I am not talking about the valuation; I am talking about the principle of protection. The article you are proposing to protect is selling in this country for very much less than it is selling in Europe?

Mr. BRION. Very much higher.

Senator SIMMONS. Do you mean higher in this country?

Mr. BRION. Very much higher in Europe than in this country.

Senator SIMMONS. Therefore, the American importing that article from Europe would have to pay more for it than he would have to pay for it if it was produced in America?

Mr. BRION. My understanding of the American valuation plan is—

Senator SIMMONS (interposing). I am not talking about the valuation plan; I am talking about the question of a tariff.

Mr. BRION. Yes, sir.

Senator SIMMONS. A tariff without any reference to any valuation plan whatever. I understand the theory of protection is that you ought to measure the difference between the cost of producing a given article abroad and here, and you say that the price of the European article imported to this country is higher than that of the American article?

Mr. BRION. Very much higher.

Senator LA FOLLETTE. Is that the same article?

Senator SMOOT. It is not the same article.

Mr. BRION. It is the same article, but of better quality.

Senator SIMMONS. It has no competition in this country?

Mr. BRION. It has no competition anywhere in the world.

Senator SIMMONS. Then why should a tax be imposed except for revenue purposes?

Mr. BRION. I will leave that to you.

Senator SIMMONS. If it sells higher abroad than it does here, why should a tax be imposed for tariff purposes?

Mr. BRION. I will leave that to you.

Senator SIMMONS. That is perfectly plain, is it not?

Mr. BRION. Yes. I would say we are in favor of a tariff, of course, as we are good Republicans.

Senator SIMMONS. Are you in favor of a tariff where there is no competition?

Mr. BRION. The trouble would be to fix a tariff that would take in all grades. There are low-grade chains imported from Germany to-day. Of course, if you fix the tariff two ways, one on the valuation and the other on the article, it would be accomplished in that way. But the tariff we had before of 25 per cent is high enough. We are satisfied with whatever you make it.

Senator LA FOLLETTE. I would like to understand a little better about these chains. Are they for motor cycles?

Mr. BRION. Motor cycles, bicycles, automobiles.

Senator LA FOLLETTE. Are those chains comparable in everything except the quality of the material and workmanship? Are they comparable in form and use?

Mr. BRION. Exactly.

Senator LA FOLLETTE. Substantially in weight and in size?

Mr. BRION. Exactly.

Senator LA FOLLETTE. And the high grade of the foreign article is due solely to superior workmanship?

Mr. BRION. Yes, sir; and reputation.

Senator LA FOLLETTE. And the better quality of material used in making the article; is that true?

Mr. BRION. Yes. Hans Reynolds, of Manchester, England, was the first maker of these chains. He made the bicycle possible. It has carried that reputation and quality through all these years. They are the best chain made in the world regardless of price.

Senator SMOOT. Everybody is willing to pay for it?

Mr. BRION. Customers buy them who are willing to pay a higher price for higher articles, but the business is not large.

Senator LA FOLLETTE. Under the American valuation those two chains would have to be compared with each other and the duty fixed on the American value, which is less than the foreign valuation?

Mr. BRION. Yes, sir.

Senator LA FOLLETTE. And therefore the duty in that case would be reduced under the American valuation?

Mr. BRION. Where you have raised the duty from 25 to 30 per cent, we would probably be only paying 18 or 20 per cent.

Senator SMOOT. Under the House provision?

Mr. BRION. Yes, sir.

Senator SMOOT. Not under the proposed provision here?

Mr. BRION. I don't know, sir. I would like to point out to you the question of valuation. I don't know how it is going to work; it is quite a puzzle to me. Take cutlery. There are 3,000 or 4,000 different shapes and qualities of knives, and of the files we import there are 1,300 shapes, sizes, and finishes.

Senator SMOOT. Each one to-day would not be any less under American valuation, nor any more.

Mr. BRION. There are so many of those different shapes and qualities that it is going to be very difficult. It is going to delay importations until you give us the figures. No importer can import them without he has that information. It is absolutely necessary to have those figures.

Senator SMOOT. They will be ready before this bill passes.

Mr. BRION. I have my doubts about that.

BRIEF OF ADOLPH E. BRION, REPRESENTING PETER A. FRASSE & CO., NEW YORK CITY.

BALL BEARINGS.

This company believes that the proposed rate of duty of 10 cents per pound and 35 per cent ad valorem on antifriction balls and rollers is ample protection to the American industry.

It is our desire to protest most strongly, however, upon the application of this duty on an American valuation basis, because—

(1) Many bureaus of enormous proportions will be necessary and operated at the Government's expense, to enable importers to calculate their business prospects. Such bureaus will incidentally prove a very ready means of ascertaining costs of any material whatsoever and individuals or corporations can consequently gather such data on the pretext of importing. Also the bureaus must be maintained even if imports are negligible.

(2) The instability of such a cost basis makes it impossible to import material and fulfill a contract specification.

(3) There are about 28 domestic manufacturers of finished bearings and 5 of these make their own balls for their finished product. There are 7 manufacturers of steel balls and one of them practically monopolizes the entire market, as the production of the remainder is either inadequate or not of the extreme accuracy and high quality essential to the application of antifriction bearings.

(4) It will be practically impossible to secure an actual cost, and even more so for the Government to maintain costs as there is no control unless the Government establishes investigating bureaus for this purpose, with the resultant increase in expense.

(5) Owing to the small number of steel ball manufacturers (see par. 3) an invisible combine seems certain and costs arranged accordingly. Add to such a fugitive cost the proposed duty of 10 cents per pound and 35 per cent ad valorem, the importing of steel balls is quite impossible. Consequently a decrease in revenue results and incidentally a substantial loss to the importers who have extensively advertised and stocked their particular product.

(6) Such a combine is indicated inasmuch as all domestic price lists are identical and furthermore the present list was adopted quite recently.

(7) At the recent hearings before the Committee on Ways and Means the steel ball manufacturers petitioned a selling expense of "not less than 25 per cent and a profit of not less than 10 per cent." On investigation it is our belief that the intention was to reverse these figures, making them to read a selling expense of "not less than 10 per cent" and a profit of "not less than 25 per cent." We believe that this is quite exorbitant and proves our contention that increased prices to the users are inevitable on such a valuation basis, such increases continuing indefinitely.

(8) Importing steel balls under the existing laws at a duty of 35 per cent is accomplished by figuring a fair average profit over sizes one-sixteenth inch to 1 inch diameter as some steel ball sizes cost more than the selling prices of domestic manufacturers. Furthermore fluctuations in foreign exchange is the importers' risk, as slight differences in foreign exchange alter the conditions materially. Any perceptible increase in exchange will make the sale of imported steel balls exceptionally difficult, and the greater the increase the more difficult the sale, as better quality is applicable only up to a certain limit. Where the foreign exchange decreases in value, the manufacturing costs increase, resulting in increased prices to the importer. This, of course, is due to the decreased purchasing value of the declining currency.

SPROCKET CHAINS.

This company believes that the proposed rate of duty of 30 per cent ad valorem on sprocket and machine chains of iron or steel and parts thereof is excessive, and that the duty of 25 per cent on chain and 20 per cent on parts at present in force is ample protection to the American industry, because—

(1) The chains we import have a higher cost in the country of origin than domestic selling price.

(2) Examples:

$\frac{1}{2}$ -inch pitch by $\frac{1}{2}$ -inch wide, roller chain; foreign cost, \$0.65 per foot.

$\frac{1}{2}$ -inch pitch by $\frac{1}{2}$ -inch wide, roller chain; domestic sale, \$0.55 per foot.

1-inch pitch by $\frac{1}{2}$ -inch wide, block chain; foreign cost, \$0.36 per foot.

1-inch pitch by $\frac{1}{2}$ -inch wide, block chain; domestic sale, \$0.23 per foot.

$\frac{1}{2}$ -inch pitch by 1-inch wide, silent chain; foreign cost, \$2.10 per foot.

$\frac{1}{2}$ -inch pitch by 1-inch wide, silent chain; domestic sale, \$1 per foot.

(3) Cost can not be based on American valuation, as there are no domestic chains made nor will domestic manufacturers make a chain of comparable accuracy and quality.

(4) If valuation is made on American basis, the Government will lose in revenue accordingly.

(5) In view of the much higher cost of machine sprocket chains and parts imported, any increase in tariff is unwarranted and will curtail the importation of these quality chains, thereby reducing the Government revenue and depriving the country of a crying need for quality chains for various transmission purposes.

BALL BEARINGS, ROLLER BEARINGS, AND STEEL BALLS.

[Paragraph 321.]

BRIEF OF R. C. McOULLOCH, REPRESENTING THE BALL BEARING, ROLLER BEARING, AND STEEL BALL MANUFACTURERS.

The undersigned manufacturers of ball bearings, roller bearings, and steel balls respectfully call the attention of the committee to paragraph 321, page 51, of H. R. 7456 (tariff bill as passed by the House), now pending before your committee, which is as follows:

"PAR. 321. Antifriction balls and rollers, metal balls and rollers commonly used in ball or roller bearings, metal ball or roller bearings, and parts thereof, whether finished or unfinished, for whatever use intended, 10 cents per pound and 35 per cent ad valorem."

This paragraph changes the tariff provision covering antifriction bearing and parts thereof as it appeared in the Underwood Act of 1913, which is as follows:

"**PAR. 106.** Iron or steel anchors or parts thereof; forgings of iron or steel, or of combined iron and steel, but not machined, tooled, or otherwise advanced in condition by any process, not specially provided for in this section, 12 per cent ad valorem; antifriction balls, ball bearings, and roller bearings, of iron or steel or other metal, finished or unfinished, and parts thereof, 35 per cent ad valorem."

The new bill, as prepared by the House, changes the act of 1913 in the following particulars:

First. By putting antifriction bearings and parts thereof in a paragraph by themselves.

Second. By increasing the ad valorem rate of duty.

Third. By the assessment of a specific duty of 10 cents per pound in addition to the ad valorem rate.

The paragraph in the House bill was drafted after a full hearing by the Ways and Means Committee and a very careful consideration of the whole subject matter of duties and the dumping and undervaluation of bearings which had taken place under the act of 1913.

In support of the first change we submit that antifriction ball bearings and parts thereof are of the highest type of metal products. These bearings have been imported from several countries and in very large quantities. To avoid confusion in the compilation of import statistical data, essential in determining foreign competitive conditions, bearings and parts should be placed in a separate paragraph and not be combined in a paragraph with iron or steel anchors and rough forgings to which they are in no way related. Furthermore, a separate paragraph for bearings was made necessary in order that proper descriptive phrases might be written into the paragraph.

In support of the second change which carries a change in the ad valorem rate, we state that antifriction bearings can be imported under the rates of the House bill and sold to American consumers in competition with those produced by manufacturers in the United States. It has been demonstrated by a comparison between the amounts of duties collected on imports under the act of 1909, at the rate of 45 per cent, and the duties collected on imports during the first year of the operation of the act of 1913, at the rate of 35 per cent, that more revenue was collected under the higher rate. We are of the opinion that importations will continue in large volume and that more revenue will be collected under the rates of the House bill than would be collected under a lower rate of duty.

The third proposed change consists of the addition of a specific duty of 10 cents per pound to be compounded with the ad valorem rate of 35 per cent. This provision for a specific duty is necessary to compensate, in a measure, for the superior advantage which the foreign producers have in obtaining steel from which imported ball bearings and balls are made. The steel used in making ball bearings is of very superior quality. In its preparation the very highest priced alloys are used to give the material hardness and wearing quality. This steel must be purchased either in the American market or imported, and when imported, a very substantial steel duty is imposed with additional duties if the steel contains alloys. The foreign producer has a distinct advantage over the American producer in the price he pays for his high-grade steel used in making bearings. The Ways and Means Committee of the House, after a careful study of this question, fixed the specific duty at 10 cents per pound. This is not excessive and should be allowed to remain in the bill in addition to the ad valorem rate therein fixed by the House. There is another and further reason for incorporating the specific duty of 10 cents per pound. Under the Underwood Act the foreign producers shipped to this country a large quantity of partly worked up material, such as unfinished bearings, balls, races, and other parts to be assembled in this country. Such parts of bearings are not sold either in the foreign markets or in the markets of the United States in the condition as imported, and it therefore became impossible to ascertain the value of these uncompleted articles. Investigations abroad disclosed heavy undervaluations, in some instances as high as 100 per cent in the case of finished bearings, but the appraisers and general appraisers found it impossible to fix the value of the unassembled parts because they were not sold in that condition here or abroad. A specific duty of 10 cents per pound, in addition to the ad valorem rate, will tend to check the shipment of unassembled parts to this country and tend to prevent the evasion of the ad valorem duties on parts of bearings. Of course the importer should not be denied the right to import his bearings in the knockdown condition and assemble them here, but the Congress should prevent him from obtaining an unfair advantage of the Government and domestic manufacturers. The specific-duty provision will, in our judgment, assist in preventing the evasion of some of the duties imposed by the law.

NATURE AND EXTENT OF DOMESTIC INDUSTRY.

The ball and roller bearing industry in the United States has become an important one. The bearings are used wherever it is desired to reduce mechanical friction to a minimum. These bearings are produced from high-grade steel specially manufactured and tempered. Great precision is required in grinding the balls and in forming and grinding the races in which they are confined.

In the manufacture of antifriction bearings a large investment of capital in plants and machinery is required, but the fact that machinery is largely employed does not, as in some industries, reduce the number of workmen, as it is necessary that these machines shall be manipulated by expert mechanics in order that the quality of product may be assured and undue waste of valuable material prevented. In the production of bearings 75 to 80 per cent of the cost of production is paid to labor.

The manufacturing plants are located in eight States. The average rate of pay for workmen is about \$5 per day. In countries in which competing factories are located, the average rate is from one-quarter to one-half of that paid to American workmen.

FOREIGN COMPETITION.

At the present time representatives of foreign producers are offering bearings and steel balls in the United States at prices with which domestic manufacturers can not compete.

Ball and roller bearings, foreign and domestic, are standardized as to size and load-carrying capacity, and foreign bearings can be interchanged with and supplant domestic bearings. For many purposes roller bearings and ball bearings can be interchanged, so that foreign bearings come into direct competition with all kinds of antifriction bearings manufactured in the United States. Large factories making bearings for export to the United States are located in Germany, Italy, United Kingdom, Belgium, Sweden, France, Switzerland, and Austria-Hungary.

In the past imported bearings have been "dumped" into the United States, to the injury of the domestic industry. For example, an automobile manufacturing company, operating in one of the low cost of production countries of continental Europe established a ball-bearing factory in a near-by town to supply its requirements. The bearing factory was organized to produce large quantities of bearings in order to get the maximum economies in production. There was a surplus over and above that required for the company's own automobiles and that surplus was dumped into the United States. These importations ceased during the war, but will, in all probability, be resumed. Bearings from another European country, arriving in large quantities prior to 1915, were undervalued. Some advances in values were made by customs authorities, and the whole line of merchandise was undergoing a value investigation at the time importations were stopped by the war.

Importations to the United States from one neutral country in Europe trebled in value during the war. Investigations by our customs officers into the correctness of invoice values were resisted by the importers, but evidence was finally obtained sufficient to warrant the Board of General Appraisers in advancing the value of finished bearings about 100 per cent. These importations exceeded (on the importer's own valuation) \$1,000,000 per year. This firm also imported many parts of bearings upon which no evidence of the foreign market value was obtained, and in the decision of the general appraisers above referred to parts of bearings were allowed entry into the United States at the importer's own value. In support of the above statements as to undervaluation, reference is made to the published decisions covering reappraisements Nos. 29103-29107; also reappraisal decisions of the general appraisers dated March 21, 1919, reappraisal No. 29244.

These dumping operations and undervaluations have not only deprived the Government of revenue and the domestic industry of a part of its protection, but they have operated to distort the statistical data from which the Congress forms its opinion of competitive conditions. The values of foreign imports are computed from the values stated in customs invoices. If these invoices contain undervaluations the amount of importations, for statistical purposes, is reduced below the true amount.

EXPORTS OF DOMESTIC-PRODUCED BEARINGS.

There have been no exports of metal bearings for the reason that the American manufacturer can not compete abroad with foreign producers. The American manufacturer is also handicapped in disposing of his bearings for use in machines for export, for the reason that if the imported bearings are used in such cases, customs duties paid on the imported bearings are refunded to the manufacturer of the exported

machine in the form of drawbacks, so that when a domestic manufacturer of machines for export receives proposals to furnish bearings to be incorporated therein, he can accept the proposal of the foreign producer with the assurance that the duties paid on the bearings will be refunded as drawbacks when the machines containing such bearings are exported from the United States.

(Representing Fafnr Bearing Co., New Britain, Conn.; Gurney Ball Bearings Co., Jamestown, N. Y.; Hoover Steel Ball Co., Ann Arbor, Mich.; Hyatt Roller Bearing Co., Newark, N. J.; New Departure Manufacturing Co., Bristol, Conn.; Timken Roller Bearing Co., Canton, Ohio; U. S. Ball Bearing Manufacturing Co., Chicago, Ill.; De Witt Page, chairman, care New Departure Manufacturing Co., Bristol, Conn.)

ANVILS.

[Paragraph 325.]

STATEMENT OF CAMPBELL M. VOORHEES, COLUMBUS, OHIO.

Senator SMOOT. You may give your full name to the committee.

Mr. VOORHEES. My name is Campbell M. Voorhees.

Senator SMOOT. What paragraph are you interested in.

Mr. VOORHEES. Paragraph 325.

Senator SMOOT. That has relation to anvils?

Mr. VOORHEES. Yes, sir.

Senator SMOOT. Do I understand you speak for a number of manufacturers?

Mr. VOORHEES. At the suggestion of the chairman of the committee, I represent all the manufacturers who are at present in the city, consisting of Fisher & Norris, of Trenton, N. J.; Hay-Badden Manufacturing Co., of Brooklyn, N. Y.; Consolidated Iron & Steel Manufacturing Co., of Cleveland, Ohio; Columbus Forge & Iron Co., of Columbus, Ohio; and Columbus Anvil & Forging Co., of Columbus, Ohio. I am directly connected with the Columbus Anvil & Forging Co., of Columbus, Ohio.

This is known as paragraph 325 of the present tariff bill under consideration, and commonly known as the anvil schedule, inasmuch as the paragraph treats of anvils of all kinds and all manufactures.

The present bill provides for 1½ cents per pound. The Payne-Aldrich bill, as you will recall, provided for 1½ cents per pound; the Dingley bill provided for 1¾ cents per pound; the Wilson bill provided for 1¾ cents per pound; the McKinley bill provided for 2½ cents per pound. I am relying on my recollection and also memoranda from others.

Senator McLEAN. What does the Underwood bill provide?

Mr. VOORHEES. The Underwood bill provides 15 per cent ad valorem.

The five companies that I named during the war produced all the anvils required by the Government, as well as by the various industries of the United States. There were practically no anvils imported during the war. At the request of the Government departments, all of these companies that I have mentioned increased their capacity. I am speaking now of the anvil industry. Some of these companies produce other things, and some of them produce anvils exclusively, but all of them increased their anvil production. So that now they are capable of producing at least 200 per cent more than the requirements of this country.

It is not necessary, therefore, to import any anvils into this country, because for every anvil that is imported here we produce one of like

manufacture. Understand, the English produce a wrought anvil; Sweden produces a cast-steel anvil; Germany produces a combination of cast steel and wrought iron. We produce in this country all those makes of anvils, and the anvils from Sweden are now in most active competition.

I do not wish to burden this committee with statistics, because what I have were furnished by the Department of Commerce, but just to give you a little illustration of what the condition was at the beginning of the war, let me cite the report made by the Department of Commerce as to the number of anvils—I am now speaking of them by the pound—that were entered at the port of New Orleans. The Swedish anvils come in at the port of New Orleans. They come in as ballast. The freight is very nominal. Upon investigation and comparison of actual statistics we found that anvils are coming from Stockholm, Sweden, to New Orleans for less than the freight from New York to New Orleans. At that time they were coming in at 25 cents a hundredweight, and my recollection of the rate from New York is that it was something like 30 cents.

Now, for the year 1914—these statistics were furnished by quarters, but it is not necessary to give the quarter, and I will just give the total—264,806 pounds were entered at New Orleans alone; and at that time the American manufacturers of anvils were prepared and had the equipment and all of that to furnish all the anvils this country required.

Senator SMOOT. What year was that?

Mr. VORHEES. That was the year ending June 30, 1914, the fiscal year ending at that time, 264,806 pounds.

Senator SMOOT. The report I have here shows 727,502 pounds.

Mr. VORHEES. Senator, I am speaking of New Orleans, one port alone.

Senator SMOOT. That is more than the whole.

Mr. VORHEES. No; I beg your pardon, Senator.

Senator SMOOT. It is from the record I have.

Mr. VORHEES. I have this from the Department of Commerce under date of October 6, 1916, giving the reports for 1914, 1915, and 1916. That is given by John Haan, of the Division of Statistics, 720,502 pounds. That was for the fiscal year ending June 30, 1914.

Senator SMOOT. And 9,687 pounds for the year 1918?

Mr. VORHEES. I have that, Senator, but in another place.

Senator MOLEAN. What do you want?

Mr. VORHEES. I want to call attention to the fact of these importations, and where they are entered.

Now, San Francisco seems a long ways off from Stockholm, but Swedish anvils were delivered at the port of San Francisco, with practically no freight, having come in as ballast; and during the year that I speak of, according to the Government report, there were received at San Francisco 83,230 pounds, in competition with American manufacture.

Senator SMOOT. What are you asking for?

Mr. VORHEES. Senator and members of the committee, we manufacturers are of the opinion that we should have 2 cents a pound. We did not consider that 1½ cents of the Payne-Aldrich bill really placed us in a position to meet the competition, and I think the figures will show that to be the fact, because there were imported into this

country in 1911, as shown by the Government reports, 1,310,863 pounds.

Senator McLEAN. I suppose the additional cost is accounted for by the cost of labor?

Mr. VOORHEES. Yes; the difference in labor, because labor goes to make up all the raw material, excepting the raw iron itself; but labor follows it all through. I can give you figures about what the cost of labor is now. It is about 50 per cent higher than it was at the beginning of the war. I am giving you this as comparative figures. I have talked with my fellow manufacturers and I find that it runs about 50 per cent higher than what it was at the beginning of the war.

Freight rates. I can give you an illustration of that. I am not basing it so much on that, because I know in time it will be adjusted, but we in Columbus, Ohio, are paying for our coal—I mean our freight is costing us as much as our coal. Our Hocking coal is costing us from \$1.25 to \$1.40 a ton; the freight on it with the war tax is almost the same amount, \$1.41, something like that. The West Virginia coal costs us under contract \$2.25 a ton, and the freight is \$2.36. That is just a little item I am giving you.

Now, we have prepared a statement, at the suggestion of the Tariff Commission, and have answered every question that was submitted to us. We had no opportunity to be heard before the Ways and Means Committee. We had requested to be notified, but we were not and found the hearings were closed, and this is the first opportunity we have been given to be heard under this bill.

I would be very glad to answer any questions any of the committee desire to ask.

Senator McLEAN. What is the equivalent ad valorem rate of 2 cents a pound?

Mr. VOORHEES. You mean on the American basis?

Senator McLEAN. Yes.

Mr. VOORHEES. Assuming average selling price of anvils at 10 cents per pound, 2 cents per pound would equal 20 per cent ad valorem.

Senator Smoot. What do you sell these anvils at?

Mr. VOORHEES. By the pound.

Senator Smoot. I know that.

Mr. VOORHEES. The present price?

Senator Smoot. Yes; then we can tell.

Mr. VOORHEES. Anvils are now selling at from 12 to 15 cents.

Senator McLEAN. Then your rate is higher than your ad valorem?

Senator Smoot. 10 per cent would be equal to 2 cents.

Senator McLEAN. You are better off now.

Senator Smoot. Fifteen per cent ad valorem would be 3 cents. You are not asking nearly as much as the Underwood bill is giving you. Well, you would be on to-day's prices.

Mr. VOORHEES. Yes; it would on to-day's prices.

Senator Smoot. Just about.

Mr. VOORHEES. We are of the opinion that a specific duty is the only way to fix a tariff on anvils.

It is not necessary for me to discuss the advantage to the Government in the way of revenue.

Senator Smoot. No; that is all right.

Senator McLEAN. On the ad valorem basis it would not be as high a rate; 2 cents specific would not be as high.

Mr. VOORHEES. Two cents?

Senator McLEAN. Two cents a pound specific duty would not make a very high ad valorem rate.

Mr. VOORHEES. No, sir.

Senator SMOOT. Although under the Underwood bill you have 15 per cent ad valorem, with anvils selling at 20 cents. That is 3 cents a pound. They have been coming in in great quantities, have they not?

Mr. VOORHEES. Do you mean since the war?

Senator SMOOT. Yes.

Mr. VOORHEES. We have no report yet for the fiscal year ending June 30, 1921, but we did have for the previous years.

Senator SMOOT. In 1920 there was shipped in 275,805 pounds. That was at 15 per cent ad valorem.

Mr. VOORHEES. They were almost exclusively of Swedish manufacture.

BRIEF OF CAMPBELL M. VOORHEES, COLUMBUS, OHIO.

We, as manufacturers of American anvils, respectfully present for the consideration of your committee the following facts:

Paragraph 325 of H. R. 7456 provides that: "Anvils of iron or steel, or of iron and steel combined, by whatever process made, or in whatever stage of manufacture, 1½ cents per pound."

1. The varieties, grades, and characteristics of domestic and foreign anvils are as follows:

Columbian Hardware Co., manufacturer of all steel, special analysis, one-piece anvil.

Columbus Forge & Iron Co., Columbus, Ohio, manufacturers of wrought steel anvils, made of three pieces, each part welded to the other.

The Hay-Budden Manufacturing Co., Brooklyn, N. Y., forged base, forged top, welded in the middle.

Fisher & Norris, of Trenton, N. J., manufacture an anvil with a cast-iron base, welded to a tool-steel face.

Columbus Anvil & Forging Co., Columbus, Ohio. Wrought iron, top welded to steel base, with tool-steel face.

The German anvil is cast-iron base welded to a forged body.

2. The total investment of machinery and plant in the anvil industry is approximately \$750,000 to \$1,000,000.

3. The raw materials used in domestic manufacture are as follows: Steel castings, iron billets, tool steel, pig iron, steel billets, coke, coal, and oil.

4. The manufacture of anvils abroad is carried on very much in the same way as in the United States, with the exception that labor is paid on a very much lower scale for all operations than in this country.

5. Sweden, Belgium, Germany, England, and France are the source of foreign competition. Their product is directly competitive, and is entirely due to lower costs of labor, lower freight rates from Stockholm, Sweden, to New Orleans, and San Francisco, Calif. Labor and overhead in the cost of the anvil are 70 to 80 per cent of total cost. The material is 20 to 30 per cent.

6. The foreign countries of largest production in their proper order are Sweden, England, Germany, Belgium, and France.

7. Domestic production is equal to 100 per cent of domestic consumption, while domestic capacity is about 200 to 300 per cent of domestic consumption. (See par. No. 11.)

8. All manufacturers in this country are exporting in a limited way a small part of their anvil production. Export prices are the same as domestic.

9. Domestic markets are blacksmiths, railroads, automotor manufacturers, machine shops, farmers, contractors, the mining industry, the oil industry, and shipbuilding. The foreign market is primarily in the Far East and South America, and Russia (in normal times).

10. Wholesale prices from 1910 to 1919 are as follows (in cents per pound):

1910.....	8	1915.....	14
1911.....	8	1916.....	16
1912.....	7½	1917.....	18
1913.....	8	1918.....	20
1914.....	11	1919.....	20

During 1920 the price remained 20 cents per pound. The average for 1921 is 15 cents per pound.

The average selling price over a period of years is 10 cents per pound and 15 per cent ad valorem on American valuation would, therefore, be 1½ cents per pound.

We ask for a specific duty of 2 cents per pound, or considering 10 cents per pound as the average selling price, this would be 20 per cent ad valorem, American valuation.

The Swedish anvil at the present time is being imported into this country and prices are ranging about 12½ cents per pound delivered to the interior of the United States.

11. At the beginning of the war the United States Army, particularly, and the Navy, to some extent, bought very large quantities of anvils, and virtually forced the anvil manufacturers to put in sufficient equipment to take care of their requirements, which we are very glad to say we did, at our own expense. The equipment was costly, and in our opinion it can be used on anvil production, provided we get the necessary protection from foreign competition, so that the market will not be subject to these importations, thereby limiting the possibilities of sales by us.

Referring to United States Government statistics, we add in this connection that in 1894 the duty on anvils was 2½ cents per pound specific, and the importations that year were 736,915 pounds; in 1895 the duty was reduced to 1½ cents per pound, and the importations for that year and the succeeding year amounted to over 1,000,000 pounds per year. In 1898 the rate of duty was increased to 1½ cents per pound and the importations from 1898 to 1903 averaged approximately 600,000 pounds per year.

In 1907 the importations amounted to 709,749 pounds. In 1910 the rate of duty was reduced to 1½ cents per pound, and the importations for the year ending June 30, 1911, were 1,310,863 pounds. It is evident, from the foregoing, that as the rate of duty increases and decreases the importations decrease and increase, respectively.

The actual normal domestic production, in our opinion, is approximately 4,500,000 pounds per year; of value of \$450,000 at 10 cents per pound.

There are employed in the anvil industry 300 men per year of 300 days each, which, if paid \$3 per day per man, would total wages of \$270,000 per year. Of course, this is the labor employed in the manufacture of anvils after producing the raw materials.

Importations, fiscal years ending June 30—

1912 (895,968 pounds).....	\$45,341
1913 (969,427 pounds).....	51,289
1914 (1½ cents per pound specific, 168,286 pounds, \$8,423 duty; 15 per cent ad valorem duty, 559,216 pounds).....	32,915
1915 (340,678 pounds).....	20,391
1916 (226,895 pounds).....	13,298
1917 (187,680 pounds).....	12,815
1918 (20,544 pounds).....	2,107
1919 (21,019 pounds).....	3,043

We feel that we are justified in our request that the duty be made 2 cents per pound specific.

IRON OR STEEL CHAINS.

[Paragraph 329.]

STATEMENT OF DAVID S. DAY, BRIDGEPORT, CONN., REPRESENTING CHAIN MANUFACTURING COMPANIES.

Mr. DAY. I appear for eight of the chain manufacturing companies of the country: American Chain Co. (Inc.), Bridgeport, Conn.; Bradlee & Co., Philadelphia, Pa.; Bridgeport Chain Co., Bridgeport, Conn.; J. B. Carr & Co., Philadelphia, Pa.; Chain Products Co., Cleveland, Ohio; Cleveland Chain & Manufacturing Co., Cleveland, Ohio; Columbus McKinnon Chain Co., Columbus, Ohio; Seattle Chain Co., Seattle, Wash.; S. G. Taylor Co., Chicago, Ill.; United States

Chain & Forging Co., Pittsburgh, Pa.; Woodhouse Chain Works, Trenton, N. J.

These were the only companies which appeared before the Ways and Means Committee of the House, and there was no appearance, so far as I was able to find, for the importers of chains.

Senator SMOOR. Are you an importer?

Mr. DAY. We are manufacturers.

Senator McLEAN. In what paragraph of the bill are you interested?

Mr. DAY. Paragraph 329. The tariff on chains as prescribed by all of the bills from 1890 to 1913, excepting the acts of 1894 and 1913, gave specific duties and also gave a minimum ad valorem duty of 45 per cent.

In the request before the Ways and Means Committee specific duties were requested, coupled with the minimum ad valorem duty.

In the House bill specific duties were granted, but there is no minimum ad valorem duty; and the only request which we have to make of this committee is that there should be some minimum ad valorem duty.

The reason is this: In chain less than five-sixteenths of an inch in diameter, as it goes down to the very smallest sizes, the question of weight is out of all proportion to the value of the product.

Here [exhibiting] is the smallest size of chain made. It is 0.02 of an inch in diameter, and 12 yards of that chain weighs just 2 ounces. At 4 cents, which is the minimum rate, that chain will pay a duty of one-half a cent, while the selling price is 19 cents.

Therefore, on the smaller size of chain the bill gives neither revenue nor protection, for the reason that it is necessary, in order to give adequate protection, that there should be a minimum ad valorem rate. It can not be expected that the minimum ad valorem rate will give in the smaller sizes as complete protection as does the specific rate in the sizes of chain where the duty can properly be determined by weight alone, because as it goes into the larger sizes an ad valorem rate, which would give complete protection in the smaller sizes, would be out of all proportion to the specific rate fixed by the bill.

In working this out I have asked for 25 per cent, which I think a fair rate. It does not give the same protection in the great majority of sizes as does the 4 cent rate, and in some of the larger sizes it is slightly in excess. But the larger sizes are not imported in competition with the American chain. All the competition is around the chain which is less than five-sixteenths of an inch in diameter.

Senator SMOOR. The House gave you higher rates than the Payne-Aldrich bill?

Mr. DAY. Yes, sir; the House gave us higher specific rates.

Senator SMOOR. I notice that under the Underwood bill you had no imports at all, but you are exporting this very chain

Mr. DAY. That is true. The American manufacturers are exporting, and under the Underwood bill the first year before the war the imports almost doubled on chain, as I recall. I think it went from 650,000 to 1,100,000. Then the war came on and the imports on chain decreased under war conditions. At the present time, although I have not been able to get the figures, they are increasing very fast, and in the smaller sizes of chain, where the

percentage of labor is the greatest, the importers of foreign chains are underquoting American manufacturers to a very large degree—something like 40 per cent.

In the bill as it was passed by the House there is this provision:

Chain and chains of all kinds, of iron or steel, not specially provided for, 25 per cent ad valorem.

That is surplusage, because there are no unclassified chains. All chains are classified by their diameter and fall into one of the specific classes. But I think it indicates the decision of the House that 25 per cent was a fair ad valorem rate; and the only change that we are asking for is that that clause be taken out and that there be substituted therefor the following clause:

But no chain or chains of any description, except anchor and stud link chain, shall pay a lesser duty than 25 per cent ad valorem.

Of course, the proper minimum ad valorem duty is a technical question, and it is a question that the experts on the committee can advise you upon a great deal better than I can. I am perfectly willing to leave to the decision of the experts the fairness of the 25 per cent rate to cover smaller sizes of chains.

Senator McLEAN. Would you like to leave a brief with the committee?

Mr. DAY. Yes, I would, Senator McLean, but I would like to change it somewhat.

Senator McLEAN. You may do that and file it with the committee.

BRIEF OF DAVID S. DAY, REPRESENTING CHAIN MANUFACTURING COMPANIES.

This brief relating to the tariff on chain, paragraph 329, Schedule 3, of the tariff bill passed by the House of Representatives, is filed on behalf of the following manufacturers: American Chain Co. (Inc.), Bridgeport, Conn.; Bradlee & Co., Philadelphia, Pa.; Bridgeport Chain Co., Bridgeport, Conn.; J. B. Carr & Co., Philadelphia, Pa.; Chain Products Co., Cleveland, Ohio; Cleveland Chain & Manufacturing Co., Cleveland, Ohio; Columbus McKinnon Chain Co., Columbus, Ohio; Seattle Chain Co., Seattle, Wash.; S. G. Taylor Co., Chicago, Ill.; United States Chain & Forging Co., Pittsburgh, Pa.; Woodhouse Chain Works, Trenton, N. J.

A brief on behalf of the manufacturers represented in this brief was filed with the Ways and Means Committee of the House of Representatives, which brief, inasmuch as it was not a part of the record hearings, is refiled as a supplement to this brief. As the fundamental questions relating to the protection to be afforded to the chain industry are discussed in the brief filed before the Ways and Means Committee, this brief will be confined to the discussion of a suggested modification in the phraseology of section 329 by the addition of a minimum ad valorem duty of 25 per cent applying to all classes of chain except anchor chain. Section 329 of the House bill reads as follows:

"Chain and chains of all kinds, made of iron or steel, not less than three-fourths of one inch in diameter, 1 cent per pound; less than three-fourths and not less than three-eighths of one inch in diameter, 1½ cents per pound; less than three-eighths and not less than five-sixteenths of one inch in diameter, 2½ cents per pound; less than five-sixteenths of one inch in diameter, 4 cents per pound; chain and chains of all kinds, of iron or steel, not specially provided for, 25 per centum ad valorem; sprocket and machine chains, of iron or steel, and parts thereof, 30 per centum ad valorem; anchor or stud link chain, two inches or more in diameter, 1½ cents per pound; less than two inches in diameter, 2 cents per pound: *Provided*, That all articles manufactured wholly or in chief value of chain shall not pay a lower rate of duty than that imposed upon the chain of which it is made, or of which chain is the component material of chief value."

The duties applying to chain under preceding tariff acts had been as follows:

	1883	1890 (McKin- ley).	1894 (Wilson).	1897 (Dingley).	1909 (Payne-Al- drich).	1913 (Underwood).
	<i>Cents.</i>	<i>Cents.</i>		<i>Cents.</i>	<i>Cents.</i>	
Chain not less than $\frac{3}{8}$ inch.....	1 $\frac{1}{2}$	1 $\frac{1}{4}$	.....	1 $\frac{1}{2}$	1 $\frac{1}{2}$	
Less than $\frac{3}{8}$ and not less than $\frac{1}{2}$ inch.	2	1 $\frac{1}{2}$	.....	1 $\frac{1}{2}$	1 $\frac{1}{2}$	
Less than $\frac{1}{2}$ inch.....	2 $\frac{1}{2}$	2 $\frac{1}{2}$	.....	3	3	
Less than $\frac{1}{4}$ inch.....			.....	3	3	
Ad valorem (per cent).....		45	30	45	45	25 on machine and sprocket and 20 on other chain.

¹ Three-eighths to five-sixteenths inch.

It will be noted that each of the tariff acts from 1890 to 1913, inclusive, excepting the acts of 1894 and 1913, prescribed specific duties with a minimum ad valorem duty of 45 per cent. The act of 1894 prescribed an ad valorem duty of 30 per cent and the acts of 1913 prescribed an ad valorem duty of 25 per cent on machine and sprocket chain and an ad valorem duty of 20 per cent on other chain without specific duties in either case. Section 329 of the House bill prescribes specific duties without any minimum ad valorem duty. The specific duties prescribed in the House bill while considerably less than the amounts requested by the industry, afford protection, at least, against ruinous competition if supplemented by a reasonable ad valorem duty and no request is made for their alteration.

In classes of chain where weight of material is fairly proportioned to the cost of manufacture, the specific duties furnish an adequate method of determining the tariff. In case of classes of chain where, by reason of the lightness of the material, or the elaborateness of construction, weight of material is comparatively small as compared with the cost of production, the rates prescribed by paragraph 329 are inadequate from the standpoint of either protection or revenue. A typical case is the type of chain known as weldless chain, constructed of steel wire and in the smaller size of which the duty at a flat rate of 4 cents per pound decreases out of all proportion to the intrinsic cost and value of the product. This fact can be demonstrated by taking a number of sizes of single jack chain, a form of weldless chain in common use and comparing the rate of duty with the price of the chain.

Diameter of chain.	Weight per dozen yards.	Net selling price.	Duty at 4 cents per pound.
0.091 inch.....	2 pounds 4 $\frac{1}{2}$ ounces.....	\$0.285	\$0.081
0.082 inch.....	1 pound 2 ounces.....	.228	.045
0.047 inch.....	9 $\frac{1}{2}$ ounces.....	.214	.025
0.032 inch.....	4 $\frac{1}{2}$ ounces.....	.19	.011
0.023 inch.....	2 ounces.....	.19	.005

In chain of diameter of 0.091 inch the percentage of duty to selling price is approximately 27 per cent, while in chain 0.023 inch in diameter the percentage of duty is 2.6 per cent. Without a minimum ad valorem duty, therefore, chain falling within the smaller classes pay an insignificant duty, less in amount even than the present 20 per cent ad valorem duty of the 1913 act. In the discussion before the Ways and Means Committee of the House comparatively little consideration was given to the ad valorem duty, because any ad valorem duty based on foreign valuations and adequate under present conditions would be prohibitive under normal conditions, and any ad valorem duty adequate against German exporters, who are the chief competitors of the American manufacturers, would be prohibitive against all other countries.

In section 329 of the House bill there is a provision, however, that chain and chain of all kinds of iron or steel, not especially provided for, shall pay a duty of 25 per cent ad valorem. As every type of chain falls within the general classification by sizes, this provision is surplusage. It evidences the intention, however, of the House to prescribe 25 per cent as the fair basis of general ad valorem duty. An ad valorem

duty of this amount based on American valuation will not exceed the ad valorem duty of 47 per cent on foreign valuations under normal conditions prescribed in previous tariffs, and the request is made that a minimum ad valorem duty of 25 per cent be prescribed on all classes of chain except anchor chain. It is impossible, of course, to establish any minimum ad valorem rate of duty which will in all cases coordinate with the specific duties, even where adequate protection can be afforded under the specific duties. In the larger sizes of chain an ad valorem duty of 25 per cent will under present market conditions slightly exceed the specific duties imposed by the bill. The amount of chain in excess of five-sixteenths of an inch in diameter, imported into this country, as compared with the amount of chain under five-sixteenths of an inch in diameter has been very small, and the direct competition between the domestic and foreign producer has been largely confined to chain under five-sixteenths of an inch in diameter. In the various classes of chain less than five-sixteenths of an inch in diameter a duty of 25 per cent will not in any case exceed the specific duty of 4 cents per pound except in the case of chains of very small diameter and correspondingly small weight, where, for the reasons stated above, the duty clearly should be in excess of the amount prescribed by the specific rate.

With regard to the ad valorem duty of 30 per cent on sprocket and machine chains, prescribed by the House bill, none of the manufacturers represented in this brief are manufacturers of these types of chain. In the proposed amendment of section 329 the phraseology of the House bill with respect to these types of chain is simply restated.

Anchor chain, which is specially excepted from the minimum ad valorem duty, is a form of chain manufactured in part by machine and in part by hand process. The duties on this type of chain prescribed by the House bill are based on comparative costs of production in America and England, which is the only competing country in this class of chain. Chain of this type falls within narrow limits as to sizes, and can be classified for specific duty without requiring a supplementary ad valorem rate.

The recommendation is, therefore, made that section 329 of the House bill be amended to read as follows:

"PAR. 329. Chain and chains of all kinds, made of iron or steel, not less than three-fourths of one inch in diameter, 1 cent per pound; less than three-fourths and not less than three-eighths of one inch in diameter, 1½ cents per pound; less than three-eighths and not less than five-sixteenths of one inch in diameter, 2½ cents per pound; less than five-sixteenths of one inch in diameter, 4 cents per pound; sprocket and machine chains, of iron or steel, and parts thereof, 30 per centum ad valorem; anchor or stud link chain, two inches or more in diameter, 1½ cents per pound; less than two inches in diameter, 2 cents per pound; but no chain or chains of any description, except anchor and stud link chain, shall pay a lesser duty than 25 per centum ad valorem: *Provided*, That all articles manufactured wholly or in chief value of chain shall not pay a lower rate of duty than that imposed upon the chain of which it is made, or of which chain is the component material of chief value."

SUPPLEMENTAL BRIEF.

The manufacture of chain for the purpose of classification is segregated into two classes:

Chain manufactured for ordinary commercial purposes and running from sizes one-sixteenth of an inch in diameter to one and one-half inches in diameter; and

Anchor or stud link chain running from 1½ inches in diameter to 3½ inches in diameter.

The investment at the present time in the United States in the chain manufacturing industry and in articles fabricated from chain is estimated at \$20,000,000, and the number of men employed in the industry as between 8,500 and 10,000.

In consideration of the general question of tariff protection, one factor must be given particular stress—which will be discussed hereafter more in detail—and that is that competition, actual and prospective, centers largely upon commercial chain less than five-sixteenths of an inch in diameter and on anchor chain. In chain less than five-sixteenths of an inch the proportion of labor cost to material cost is high, which proportion decreases with the increasing size of chain, except that in the manufacture of anchor chain the labor cost increases in proportion to the material cost on account of the fact that the process of manufacture is a combination of hand and machine work. The conditions governing competition between domestic and foreign chain in the case of commercial and anchor chain are so divergent, and the general questions of tariff policy so different, that the tariff on these two classes of chain will be discussed separately.

TARIFF ON COMMERCIAL CHAIN.

The amount of chain actually imported into this country for domestic use has always been limited. This was occasioned of course in part by the protection afforded by the tariffs in force from 1883 to 1913, under which tariffs there were specific duties as well as ad valorem duties, except in the Wilson tariff of 1894, in which the tariff was fixed at an ad valorem duty of 30 per cent. With the reduction of the ad valorem duty under the Underwood tariff, and the removal of the specific duties, there was in the first year in which this tariff was in effect an increase in the amount of importations from 650,102 pounds to 1,152,252 pounds. Under the war conditions the amount of chain imported after 1915 decreased to a nominal amount. Under the conditions created by the war, American manufacturers largely increased their production to meet the requirements of the domestic trade and the Government and were also enabled to increase appreciably the export business in chain. With the termination of the war and the revival of manufacturing abroad, there is injected an entirely new factor into the situation. The direct competition is largely limited to chain five-sixteenths of an inch in diameter and less, included in which are the sizes having the largest general use, and the sizes in which the labor component is proportionately the largest. The competition in this class of chain is largely confined to Germany, and with that country—by reason of the depreciated currency—the differential between American and foreign cost of production is the largest. Under the present tariff, with its low ad valorem rate of duty, the opportunity is open for the German manufacturer to force the American chain manufacturers from their dominant position in the world trade, and also, by dumping chain in the American market at low cost, to demoralize the manufacturing industry in America.

And the first and most logical step to force the American manufacturer from its dominant position is to attack directly the American market where, by underselling the American manufacturers, their ability to compete in other countries can be curtailed, if not eliminated. That the German manufacturers have already commenced a policy of this kind is evidenced by a letter addressed to the trade generally by the Boker Cutlery & Hardware Co. (Inc.), one of the largest chain and hardware importing houses in this country, which letter, with attached price lists and a statement of comparative prices under this offer and the quotations of the American Chain Co. then in force, are printed in the supplement of this brief.

The Boker quotations show the ability of the German manufacturers to import chain into this country with the tariff paid under the price fixed by the American manufacturer in a competitive market. How large or unreasonable may be the profit distributed between the importing house and the German manufacturer is, of course, impossible of determination. As to the actual comparative costs of manufacture in Germany and in America, there is no complete data. The only information which it has been possible to secure is the fact that German common laborers in chain factories were paid at the rate of 65 marks a day in December of 1920, which is the equivalent of \$1 at this rate of exchange, as compared with 46 cents an hour for an 8-hour day in America, or \$3.68 a day. It can fairly be assumed that the same disproportion exists in other classes of labor employed in the chain business. The ratio of German labor costs to American labor costs is therefore 27 per cent. The labor component in the cost of manufacture averages 35 per cent in the larger sizes to 60 per cent in the smaller sizes. Taking a common denominator of \$1, the labor cost in America would average from 35 to 60 cents to a dollar of goods produced, while the corresponding labor cost in Germany would average from 9.4 cents to 12.5 cents. Except, therefore, in cases of chain having the lowest labor component, the specific duty of 25 per cent for machine and sprocket chain and 20 per cent for other classes of chain will not cover the differential between German and American labor alone. As every component of cost abroad is lower than the corresponding cost in America, with one possible exception—basic materials—the rates of duty imposed by the Underwood tariff are clearly inadequate from the standpoint of either revenue or protection. In order to secure the maximum of protection and revenue and to eliminate the inequality which exists by reason of the exchange situation in favor of Germany and other continental countries where the exchange is the lowest, specific duties should, of course, be resorted to in place of ad valorem duties when such a course is practicable.

Chain is an article which permits of simple and easy classification for specific duties, as is evidenced by the tariff acts of 1883, 1890, 1897, and 1909. Under the 1909 acts, the ad valorem duty of 45 per cent exceeded in the majority of imports the specific duties imposed by the tariff, as is evidenced by the fact that out of the total imports from 1909 to 1913 in excess of 75 per cent of those imports were appraised for tariff purposes under the ad valorem of 45 per cent rather than under the specific duties. The largest proportion of the imports of chain during these years consisted of chain less than five-sixteenths of an inch in diameter, as shown in the Tariff Information Survey prepared by the United States Tariff Commission.

In the case of an actual importation of three-sixteenth of an inch chain, which is the typical size of chain falling within the classification of chain less than five-sixteenths of an inch, made in June of 1912, the invoice value per hundred feet was 13½ marks and the weight per hundred feet was 32 pounds. The customs value of the mark at that time was 23.80 cents, which gives an invoice value of 3.21 cents per hundred feet. At the specific duty of 3 cents a pound, the duty assessed would have been 96 cents per hundred feet. In consequence, the duty was assessed at 45 per cent, or \$1.44 per hundred feet, which is approximately 4½ cents per pound. This was the prevailing duty under the 1909 tariff act for chain less than five-sixteenths of an inch in diameter. As the manufacturing costs have increased in all classes of chain over 1909 costs, from a minimum of 50 per cent to a maximum of 100 per cent, the specific duties equivalent to the 1909 specific duties should be increased not less than 50 per cent, which increase should be based in the case of chain less than five-sixteenths of an inch in diameter on 4½ cents, the actual duty paid in 1909, rather than the 3-cent specific duty of that tariff.

In the drafting of this article, attention is also called to the fact that chain is not imported alone in its crude form but imported already assembled in various articles of manufacture. Under the tariff act of 1909, there is a ruling that assembled surveyors' chains should be classified as chain, and possibly this interpretation would be applied to other articles. It is suggested, however, that this point be directly covered by the phraseology of the section applying to chain generally.

There is submitted the following recommendation as to the terms of this section:

"Chain or chains of all kinds made of iron or steel, not less than three-quarters of an inch in diameter, 1½ cents per pound; less than three-quarters of an inch in diameter and not less than three-eighths of an inch in diameter, 1½ cents per pound; less than three-eighths of an inch in diameter, and not less than five-sixteenths of an inch in diameter, 2½ cents per pound; less than five-sixteenths of an inch in diameter, 6½ cents per pound; but no chain or chains of any description shall pay a lesser duty than 45 per cent ad valorem.

"All articles manufactured wholly or in chief value of chain shall not pay a less duty than that imposed upon the chain of which it is made, or of which it shall be the component thereof of chief value."

ANCHOR CHAIN

In the manufacture of anchor or stud-link chain, the sole competitors of the American manufacturers have been the chain manufacturers of England, which hold a position of actual domination in this class of chain owing to the more extensive development of shipbuilding in that country. Prior to 1917 the capacity for producing anchor chain in this country was limited and confined entirely to a few manufacturers who produced this chain under exclusively handmade processes. The total productive capacity of all plants in America up to the spring of 1917 was approximately 10 suits of chain per week, which would represent a total manufacture in pounds of approximately 20,000,000 pounds a year.

Owing to war conditions abroad and the impetus given the shipbuilding industry in America in consequence thereof, this capacity was fully absorbed in the fall of 1916, for ships in process of building for both American and foreign account.

Upon the entry of United States into the war, and in consequence of the large shipbuilding program of the Emergency Fleet Corporation, calling for over 1,000 ships within a comparatively short period of time, all the manufacturers of anchor chain in the United States were called to Washington to consider the possibility of producing a sufficient quantity of this material to provide for the shipbuilding program, and it was immediately apparent that some new and increased method of producing this material would have to be devised. The Navy Department had developed at the Boston Navy Yard a process of producing ship's anchor chain under steam and power hammer, and the American manufacturers agreed to develop this process from a commercial standpoint, with the result that during 1917 and 1918 large investments were made in equipment for this process which, together with the hand-labor process, met the requirements of the shipbuilding program to the extent of all but 15,000,000 pounds imported by the Emergency Fleet Corporation. The actual figures for these imports are as follows:

Calendar years.	Pounds.	Value.
1918.....	5,595,583	\$553,612
1919.....	9,507,189	785,869
1920.....	877,488	64,603

All of this chain came in free of duty under section 4, article J, subsection 5, of the tariff act of 1913, as material of foreign production necessary in the construction of vessels.

The English quotations on which chain was purchased by the Emergency Fleet Corporation during 1919, and the comparative manufacturing costs in the plant of the American Chain Co. (Inc.), under practically the same relative conditions of labor and material in the two countries, and using the most improved methods of manufacture which have been developed, were as follows:

Size.	English price at \$4.96.	English price at \$4.	American factory cost.
1 1/2-inch.....	\$7.25	\$6.12	\$3.45 per 100 pounds.
1-inch.....	7.02	5.96	\$3.01 per 100 pounds.
2-inch.....	7.72	6.44	\$3.92 per 100 pounds.
2 1/2-inch.....	7.90	6.57	\$7.97 per 100 pounds.
2-inch.....	8.00	6.66	\$8.01 per 100 pounds.

The English quotations given above are f. o. b. English ports. The ocean freight charges on anchor chain have always been and are to-day exceedingly low; the freight from Liverpool to New York at the present time being quoted at approximately 35 cents per hundred pounds, while the carload rate of freight from Columbus, Ohio, to New York is 48 cents per hundred pounds.

The amount of the investment in the manufacture of anchor chain is approximately \$2,000,000, and the number of men employed is approximately 1,500. The productive capacity of the American plants in 1920 is conservatively estimated at 100,000,000 pounds a year, as compared with 20,000,000 pounds in 1917.

At the present time, owing to the curtailment of the shipbuilding industry, the manufacture of ship's anchor chain is practically at a standstill, and the competition between American manufacturers to secure sufficient business to hold organizations together is so drastic that anchor chain is quoted in the American market at less than the actual cost of manufacture, and less than the English quotations which have increased owing to temporary conditions in the chain industry in England. This condition is one that can not continue to exist, and by reason of the dominant position of England in the manufacture of this chain, present depreciation in English exchange and the normal difference in the cost of labor, the American manufacture of anchor chain will in all probability be largely curtailed, if not altogether eliminated, unless some measure of protection can be given to it.

It is respectfully submitted that inasmuch as the development of anchor chain in this country was based upon the express requirements of the United States Government during the war, the American manufacturers of anchor chain are entitled, as much as any other manufacturer, to tariff protection which will enable them to compete on a parity with foreign manufacturers.

There is also involved a question of national policy which is entitled to grave consideration. Without doubt, in the normal development of the shipbuilding industry, the total chain requirements of this country can be supplied by English manufacturers, and possibly at a slightly lower cost than the equivalent chain can be manufactured and sold in this country, but if England is given control of the market for anchor chain, the value of American shipyards to the National Government in the case of an emergency under which foreign shipments are cut off is largely eliminated, because the production of ships can not advance at a faster rate than the manufacture of the anchor chain necessary for their equipment.

Whatever added cost may be entailed by reason of tariff protection will not be a material factor in the ultimate cost of ship construction, and is of less importance in any event than the possible elimination of an industry so essential to ship construction. The tariff differential to be adopted should be based on the normal difference in cost of manufacture in America and in England. Actual manufacturing costs in England are not, of course, obtainable, but by deducting a reasonable profit from the English quoted prices given above, and which were quoted under parallel conditions of manufacture existing at that time in this country and in England, give a fair approximation of the English manufacturing cost. It is conceded, of course, that in this particular type of chain only secondary consideration need be given to revenue, and the protection should be the minimum allowance which will permit the American manufacturer to compete.

Taking these facts into consideration, and allowing for a gradual return of exchange to normal, it is recommended that the tariff on anchor chain shall be fixed at 2 cents

a pound for chain 2 inches or more in diameter and 2½ cents a pound on chain less than 2 inches in diameter.

This can be accomplished by amending section 4, article J, subsection 5, of the tariff act of 1913, by adding at the end of such section the words:

"Excepting therefrom anchor or stud link chain, which shall pay a duty as follows: "Anchor or stud link chain 2 inches or more in diameter, 2 cents per pound, and less than 2 inches in diameter, 2½ cents per pound."

And by amending section 4, article J, subsection 7, by adding at the end thereof: "Except anchor or stud link chain, which shall pay the duty prescribed in section 6 of this article as amended."

NEW YORK, November 1, 1920.

WIEBUSCH & HILGER (LTD.)
New York City.

GENTLEMEN: We are in a position to accept orders for high grade imported electric weld bright machine coil and halter chains for delivery about January 1, 1921, subject to prices specified on attached list.

We shall also receive machine chain in sizes from 4/0 to 10/0 and coil chain in sizes 4/0 to 6/0, but we are not as yet prepared to quote prices on these sizes.

Our imported chain is not for its hardness and tensile strength and the quality is guaranteed. The size and gauge of links conform to the American standard.

We hope that we may again be favored with your orders.

Yours, very truly,

BOKER CUTLERY & HARDWARE CO. (INC.),
C. HEIMICK, Hardware Department.

[Boker Cutlery & Hardware Co. (Inc.), Nov. 1, 1920.]

QUOTATION ON IMPORTED CHAIN.

German electric weld machine chain twist link, per 100 feet: 4 and 5, \$0; 3, \$6.35; 2, \$6.55; 1, \$6.85; 0, \$7.10; 00, \$7.80; 000, \$8.45. Less 5 per cent on orders averaging 1,000 feet of a size and over.

German electric weld coil chain twist link, per 100 feet: 4 to 6, \$3.45; 3, \$3.55; 2, \$3.75; 1, \$4.05; 0, \$4.35; 00, \$4.60; 000, \$5.

German electric weld coil chain straight link, per 100 feet: 1, \$4.05; 0, \$4.35; 00, \$4.60; 000, \$5. Less 5 per cent on orders averaging 1,000 feet of a size and over.

German electric weld halter chains, 4½ feet, per dozen: 4 to 8, \$2.25; 3, \$2.30; 2, \$2.45; 1, \$2.70; 0, \$2.90; 2/0, \$3.30; 3/0, \$3.70; 4/0, \$4.20.

German electric weld halter chains, 6 feet, per dozen: 4 to 6, \$2.75; 3, \$2.85; \$2.90; 1, \$3; 0, \$3.60; 2/0, \$4.05; 3/0, \$4.60; 4/0, \$5.20. Less 5 per cent on orders averaging 12 dozen of a size and over. F. o. b. New York. No freight allowance.

Comparison between quoted prices of Boker Cutlery & Hardware Co. and the quoted prices of American Chain (Inc.) then in force.

4½-FOOT ELWEL HALTERS.

Size.	American Chain (Inc.), net per dozen.	Boker, net per dozen, including 5 per cent quantity discount.	Size.	American Chain (Inc.), net per dozen.	Boker, net per dozen, including 5 per cent quantity discount.
6.....	\$2.97	\$2.14	1.....	\$3.24	\$2.56
5.....	2.97	2.14	1/0.....	3.33	2.76
4.....	2.97	2.14	2/0.....	3.51	3.14
3.....	2.97	2.19	3/0.....	3.75	3.52
2.....	3.11	2.33	4/0.....	4.05	3.93

Comparison between quoted prices of Boker Cutlery & Hardware Co. and the quoted prices of American Chain (Inc.) then in force—Continued.

ELWEL MACHINE CHAIN—TWIST LINK.

Size.	American Chain (Inc.), net per 100 feet.	Boker, net per 100 feet.	Size.	American Chain (Inc.), net per 100 feet.	Boker, net per 100 feet.
5.....	\$6.48	\$5.70	1.....	\$6.48	\$5.51
4.....	6.48	5.70	1/0.....	6.75	6.75
3.....	6.48	6.03	2/0.....	7.02	7.41
2.....	6.48	6.22	3/0.....	7.29	8.03

ELWEL COIL CHAIN—TWIST LINK.

Size.	American Chain (Inc.), net per 100 feet.	Boker, net per 100 feet.	Size.	American Chain (Inc.), net per 100 feet.	Boker, net per 100 feet.
6.....	\$3.78	\$3.27	1.....	\$4.05	\$3.85
5.....	3.78	3.27	1/0.....	4.32	4.13
4.....	3.78	3.27	2/0.....	4.59	4.37
3.....	3.78	3.36	3/0.....	4.86	4.75
2.....	3.78	3.66			

CARD CLOTHING AND CARDING MACHINES.

[Paragraphs 337 and 393.]

STATEMENT OF JOSEPH F. LOCKETT, REPRESENTING LEIGH & BUTLER, BOSTON, MASS.

The CHAIRMAN. State your occupation or business.

Mr. LOCKETT. I am a lawyer, with an office in Boston, Mass.

The CHAIRMAN. Whom do you represent?

Mr. LOCKETT. Leigh & Butler, of Boston, who are importers of machinery and card clothing.

The CHAIRMAN. Proceed.

Mr. LOCKETT. Mr. Chairman and gentlemen of the committee, I wish to direct your attention to paragraph 337 of the Fordney bill, which provides for a duty on card clothing, when manufactured with tempered or untempered round iron or steel wire, etc., of 35 per cent ad valorem, based, of course, upon the American valuation.

Under the Underwood law the rate, under paragraph 124, was 35 per cent ad valorem. Under the Payne-Aldrich law there was a duty of 45 cents per square foot, under paragraph 145, on the round tempered steel wire; and 55 cents per square foot when made from plated steel wire.

We desire to go on record in favor of a protective tariff which will represent accurately, as far as can be estimated, the actual difference between the cost of production here and abroad.

It is difficult, however, to analyze the rate of duty which the Fordney bill proposes, namely, 35 per cent, because the said rate of 35 per cent, based on the American valuation, as I can show, is equivalent to a rate of about 89 cents per square foot, or 100 per cent advance over the Payne-Aldrich rate of 45 cents per square foot.

We did not appear before the Ways and Means Committee at the time this bill was under consideration, because at that time it was

suggested in the press that the intention of the Ways and Means Committee was to approximate, so far as possible, the rates of duty in the Payne-Aldrich law. While 45 cents per square foot might be a satisfactory rate to-day under present conditions in estimating the landed costs based upon the present value of the pound sterling, however, as the exchange advances it will, of course, increase the landed cost to the importer with the result that 45 cents per square foot will be too high.

We think card clothing is one commodity as to which, if the committee and Congress desire to have a specific duty, it can be applied with accuracy. In fact, American manufacturers testified before the committee in 1913 and went on record in favor of a specific rate of duty. We favor it here to-day. We think if a specific duty is put on it will help the Government officials in estimating the revenue, will lessen the likelihood of litigation, and will be better and fairer for all concerned.

The fact is that the American valuation plan which this committee has voted to recommend involves a new principle this year which has not been considered heretofore in other and previous tariff revisions.

For instance, if we take a unit of 272 square feet of this material—272 feet long and 2 inches wide of No. 120, so-called, the number indicating the number of points to the square foot—we find the American selling price for such a unit, based on to-day's American value, is \$691.15. If you take \$691.15 at the rate prescribed in the Fordney bill—namely, 35 per cent—the duty is \$241.90, which, as I said a moment ago, is equivalent to about 89 cents per square foot.

If you take the same American value of \$691.15 at 18 per cent, you got a duty of \$124.40, divided by the total number of square feet in this illustration, namely, 272, is equivalent to approximately 45 cents per square foot. Therefore, we believe that if it is the desire and the intention of the committee and of Congress—

Senator SMOOT (interposing). Please give the foreign valuations.

Mr. LOCKETT. Senator Smoot, I haven't the foreign valuation in pounds, but I have the foreign valuation reduced to dollars.

Senator SMOOT. I can reduce it to pounds.

Mr. LOCKETT. The foreign value of this article including freight and all charges except the duty, based upon a conversion of \$4 to the pound sterling gives—

Senator SMOOT. It is \$3.02.

Mr. LOCKETT. Well, I will take it at \$3.70. I have it here. That gives \$456.94.

Senator SMOOT. And the American valuation?

Mr. LOCKETT. And the American valuation is \$691.15. Before I proceed, Senator Smoot, are there any more figures you would like to have?

Senator SMOOT. That is, there is a 50 per cent difference?

Mr. LOCKETT. Between these two amounts.

Senator SMOOT. In other words, 50 per cent is profit.

Mr. LOCKETT. Not at all, because duty, profit and selling expenses are not included in the \$456.94.

Senator SMOOT. There is not much untempered steel made in the card clothing industry, is there?

Mr. LOCKETT. No, sir.

Senator SMOOT. I know I ceased to buy it long before I went out of the business.

Mr. LOCKETT. Of course, Senator, you know what it is used for.

Senator SMOOT. Oh, yes.

Mr. LOCKETT. It is used to card cotton and wool. The product we sell and import is made by Joseph Sykes, of Huddersfield Bros., England.

Senator WATSON. What percentage of consumption in the United States is made in the United States?

Mr. LOCKETT. I have not those figures, Senator Watson. We tried to get them from the statistical bureau, but they were not up to date. I have the figures of imports, which are comparatively small.

Senator LA FOLLETTE. Does the bulk of foreign imports come from England?

Mr. LOCKETT. Yes.

Most of the manufacturers in this country import the foundations, which are in various combinations of cotton, wool, and India rubber. They usually import the round tempered wire. There is a machine which is called a setting machine, which cuts the wire and sets it into the foundations. The cost to the foreign manufacturer to set the points into the foundation is nearly 100 per cent more than the cost to the American manufacturer. We have figures to prove this point. In other words, the labor cost for setting the wire is twice as much in England as it is in this country. Foreign exchange—and I am now speaking of sterling—depreciated only 35 per cent, whereas Sykes Bros. increased their list price over 100 per cent.

Senator WATSON. The expert says that practically all the card clothing for use in the carding of cotton is made in the United States; that 50 per cent of that used in carding wools is made in England. What is the difference between the two?

Mr. LOCKETT. I understand about one-half of the cotton card clothing sold in the United States is imported. They have a different kind for cotton and a different kind for wool, I am not an expert on that.

Senator WATSON. Then, the imports for this particular article for carding cotton do not seem to have affected our manufactured product in this country.

Mr. LOCKETT. No, sir.

Senator SMOOT. I never used any unless it was in connection with leather.

Senator WATSON. Do you use it for wool?

Senator SMOOT. Absolutely.

Mr. LOCKETT. The fact is, this product has a world-wide reputation for endurance, that is, Sykes clothing is considered to be the best in the world.

I have testimonials from some cotton mills; one is from the Exposition Cotton Mills of Atlanta, Ga., and I would like to read one part of it for the record and, possibly, file other parts. In these testimonials the users of card clothing state that if for any reason Congress should put a prohibitive rate of duty upon this product, or a rate which would prohibit its importation into this country, the result would be that the American manufacturer would, possibly, increase

his price out of all proportion, and the American cotton mills would have to be satisfied with the domestic product, which they say is essentially inferior. Therefore, it seems to me, Mr. Chairman and gentlemen of the committee, that the fair and just thing to do, as stated in my opening remarks, is to fix a rate of duty which will represent the actual difference in cost of production here and abroad.

A gentleman writing for the Exposition Cotton Mills has this to say—

Senator WATSON. Did I understand you to say that the American product is distinctly inferior to the foreign product?

Mr. LOCKETT. Yes, sir; that is so. That appears from these testimonials which I have here, and I think an investigation will show this to be the fact. The life of the foreign product is longer than that of the domestic product. The manner of putting it together, the setting of the teeth in the wire, and the putting together of the foundations, are all elements making for the success of the foreign product.

One of these gentlemen to whom I have referred, Mr. George B. Harris, president of the Exposition Cotton Mills, Atlanta, Ga., has this to say:

Should a prohibitive tariff eliminate English-made clothing the American mills unquestionably would suffer and our progress be seriously retarded. The quality of American-made card clothing has been held up by reason of the high quality of imported clothing. Without the very best card clothing American mills can not compete in the world's markets, especially in the finer grades of cotton goods. To remove this competition in the manufacture of card clothing would result in the lowering of the quality of the immense product of American cotton mills and would work a serious hardship on this industry for the benefit of a very few comparatively small manufacturers of card clothing and the revenue obtained from such a tariff would be infinitesimal.

Mr. J. E. Hardin, secretary and general manager of the Proximity Manufacturing Co., Greensboro, N. C., said:

If a prohibitive tariff is placed on this English clothing manufactured by Messrs. Joseph Sykes Bros., it would not only prevent our ability to secure a much superior product, but would also enable the domestic makers to greatly increase their price on a decidedly inferior product and monopolize on a very important item required by one of the country's foremost industries.

Similar statements have been received from the Massachusetts Cotton Mills in Georgia and from the Cannon Manufacturing Co., of Concord, N. C., and from a concern in Charlotte, N. C., and a number of other mills.

Senator GERRY. Do you advocate a duty such as will put this commodity on the same basis as the imported article, although you say the domestic article is inferior?

Mr. LOCKETT. The point is, Senator Gerry, that we favor a duty which will represent the difference in the cost of labor here and abroad.

Senator GERRY. Then, you want the consumer here to pay a similar price for an inferior article?

Mr. LOCKETT. We do not want him to, of course. That might follow, perhaps, as a result of a duty on this product.

Senator McCUMBER. The superior article will always command the superior price.

Mr. LOCKETT. That is true in some cases. That is why we have been able to sell some of this product under present conditions. But

the fact is--and I think it is not disputed--that if the rate of duty as it now stands in the Fordney bill is applied, based upon the American valuation plan--and this amounts to a 100 per cent increase over the Payne-Aldrich rate--the rate will be absolutely prohibitive as to card clothing; and the American mills, I contend, ought to have a chance to buy this card clothing on a fair and square basis and the importers ought to have an opportunity to compete. Therefore, we suggest, Mr. Chairman and gentlemen, that if a specific rate of duty is to be put on, it be 40 cents per square foot on round tempered steel and 45 cents per square foot on the plated wire. We strongly urge a specific duty and see no reason why it should not be applied. It was in vogue for years prior to the Underwood bill.

On the other hand, if the committee desires to continue the ad valorem rate, then we strongly urge a rate of 18 per cent ad valorem, based upon the American valuation plan, which is the equivalent, approximately, of 45 cents per square foot under the Payne-Aldrich law.

Senator SIMMONS. Do you mean to say that the substitution of the American plan for the foreign valuation makes a difference in this particular instance of about 89 per cent?

Mr. LOCKETT. No; not 89 per cent, but 100 per cent. It makes the specific duty, under the proposed bill, 89 cents per square foot, whereas under the Payne-Aldrich law it was 45 cents per square foot. In other words, it is an advance of 100 per cent over the Payne-Aldrich law.

Senator SMOOT. But the price that you mentioned is only 50 per cent.

Mr. LOCKETT. This tariff is going to be in effect for at least four years.

Senator SMOOT. I do not know about that. But the figures you gave in your invoice are approximately 50 per cent.

Mr. LOCKETT. I would be very glad to go over the figures if I may. The landed cost was \$456.94. The duty under the Underwood bill—

Senator SMOOT. You said under the Payne-Aldrich bill.

Mr. LOCKETT. Maybe I said it. What I meant to say was the Underwood law. What I now say is this: I say that taking the domestic product at \$691.15 the duty on the American valuation at 35 per cent, you get \$241.90.

Senator SMOOT. Do you spend any more time on it if it is 35 per cent. I understood you to say something else. You had better correct the record and show that it was the Payne-Aldrich law that you had reference to.

Mr. LOCKETT. I say that under the Payne-Aldrich law the duty paid upon the American valuation, at 35 per cent, on \$691.15, it will equal \$241.90, which is equivalent to 89 cents per square foot. If these goods were to come in to-day and the American valuation law applied, irrespective of the foreign cost, the duty would be the equivalent to 89 cents per square foot.

Senator SMOOT. All that I know is your invoice prices show 50 per cent, and you can not affect the other prices in any way, shape, or form if that is the invoice price.

Mr. LOCKETT. You are simply taking the ratio--the difference between the landed price and the imported price.

Senator SMOOT. Yes, that is all the difference we do take.

Mr. LOCKETT. But I am trying to show you now that is but one element. I can carry this illustration along to an extent which might bore you to show you that upon that basis of figuring, with an ad valorem rate of 35 per cent upon the American valuation, there would still be a greater difference than you get.

Senator SMOOT. Not under the plan that would be adopted if the American valuation plan is adopted, because whatever difference there is in the invoice that will be all the difference there will be in the ad valorem rate.

Mr. LOCKETT. I do not understand the proposed law will operate that way. As I understand it, the 35 per cent is going to apply on the American valuation irrespective of and independent of any element entering into the foreign cost or the landed cost. You can not get away from those figures there; that the rate of duty based upon the American valuation of this product is 100 per cent higher than the Payne-Aldrich law.

Senator SMOOT. Then your figures are wrong.

Mr. LOCKETT. I will be glad to check them up. We may be talking at cross purposes.

Senator SMOOT. Not at all. I understood you to say the foreign valuation was \$456.94 and the American valuation was \$691.15.

Mr. LOCKETT. That is perfectly clear, but it has nothing to do with this proposition. That is a mere abstract statement of ratio of increase per se and per foot.

Senator SMOOT. It can not increase per foot?

Mr. LOCKETT. I do not see why.

Senator SMOOT. Because of the very fact that the ad valorem rate of duty upon the price per square foot will be no more than the ad valorem rate of duty upon the value of the total number of square feet.

Mr. LOCKETT. I grant that.

Senator SMOOT. Then that is all there is to it.

Mr. LOCKETT. As I said a moment ago, those figures that I gave you represented the foreign landed cost except duty.

Senator SMOOT. That is right.

Mr. LOCKETT. If we had, for example, a duty of 35 per cent—

Senator SMOOT (interposing). Let us not spend any more time on it, because the question can be figured out by the committee as well as you can figure it.

Mr. LOCKETT. Perhaps they can figure it a good deal better, Senator Smoot, but I do not like to have the impression go abroad that our figures do not substantiate our contention.

Senator SMOOT. You may follow this with a written statement. Put it in right there.

Mr. LOCKETT. I will be glad to do that, but I prefer to have it in better form than the one I have here. May I have a few minutes now to talk on the other paragraph?

Senator McCUMBER. Your time is more than up, but you may take a little more time. Make your statement as brief as possible.

Senator SMOOT. You wish to speak on paragraph 393?

Mr. LOCKETT. Yes; paragraph 393 is the so-called "catch-all" paragraph in the metal schedule.

Again we are faced with a situation in which we find it difficult to comprehend how the House committee ever arrived at their rate of duty.

Senator SMOOT. The same thing applies here in this situation that you have said applies to the other section as far as American valuation is concerned.

Mr. LOCKETT. You mean so far as what the House did is concerned?

Senator SMOOT. Yes.

Mr. LOCKETT. But I am speaking about the rate, Senator Smoot. For instance, paragraph 393 of the Fordney bill proposes a duty of 35 per cent on the American valuation. The Underwood law, paragraph 167, carried a duty of 20 per cent; and the Payne-Aldrich law, paragraph 199, carried 45 per cent.

We import the textile machinery, when we can, made by Messrs. Platt Bros. (Inc.), the largest builder of textile machinery in the world.

The cost in England of one of Platt's machines to the importer, under present conditions, is nearly, in some instances, 50 per cent higher than what similar American machines sell for in this country. There are some mills in this country who will have Platt's machinery only. On the bulk of Platt's machinery imported into this country during the last ten years a premium has been paid, by the purchaser in this country, in order to obtain it.

We believe in proper protection, but if you should put machinery upon the free list and give the importer a bonus as well, we will not be able to undersell the American manufacturer to-day. Therefore, what earthly reason is there for putting a duty on machinery? It does not protect anyone, and the amount of revenue which it provides does not amount to anything.

The value of imported textile machinery in 1918 was, I think, something like \$700,000. That would not pay for equipping a small mill of 25,000 spindles capacity in this country. Only recently an importer was invited to bid upon an outfit for a mill, and the foreign quotation was nearly a million and a quarter dollars, and the American producer quoted about \$500,000.

There is another thing I wish to speak of. I was told by a man who is in a position to know that the labor cost in England is about twice as much as it is here. This only tends to create a monopoly and does not do the consumer a bit of good.

Senator SMOOT. If the monopoly can sell for \$500,000 cheaper than the English manufacturer, it is pretty good, isn't it?

Mr. LOCKETT. That may be true in one respect. If, as I said with respect to card clothing, the product is not as good as the foreign product, the result might be in the long run that the cost to the consumer would be greater.

Senator SMOOT. The purchaser would have to decide that.

Mr. LOCKETT. The purchaser does not know very much about this matter. He does not know whether—

Senator SMOOT (interposing). Then he had better keep out of the business.

Mr. LOCKETT. I am speaking of the consumer. He does not know whether the product is made upon high-grade foreign machinery or American machinery. In conclusion, Mr. Chairman, we would like to see textile machinery put upon the free list. We would like to have an opportunity to try to get some business as best we may

upon a more favorable basis, knowing, as we do, that a tremendous amount of evidence could be procured to substantiate these statements, and knowing, further, that the bulk of users of machinery in cotton mills prefer the foreign machinery if they could get it at a fair price.

Senator SMOOT. I think that is unfair to the American manufacturer. I think you have been fair so far, but you are now unfair. I think you will admit you are unfair, or that it would be unfair to allow the card clothing machinery to come in free.

Mr. LOCKETT. With the pound sterling down, it would not give the English manufacturer an advantage over the American, but it would give the English manufacturer—

Senator SMOOT (interposing). You want to be fair, I am sure, but you are now unfair.

Mr. LOCKETT. I think you are mistaken, Senator, with all due deference. If you will give me one minute, I will try to show you. The sterling exchange depreciated 35 per cent. Platts have a selling basis for different machines. In 1909 the price was list less 15 per cent. In 1915 it was list price less 5 per cent, and the average peak advance since then over the list price was nearly over 200 per cent.

Senator SMOOT. They may have asked bigger prices than were necessary, like a great many other manufacturers during the war, but when it comes down to a question of competition and when everybody in the world is looking for a market, if they could sell for less, they would do it.

Mr. LOCKETT. Doesn't that answer your question, Senator?

Senator SMOOT. No, it does not.

Mr. LOCKETT (continuing). There has been an increase in the price of over 200 per cent since 1909 with a corresponding depreciation in currency of 35 per cent?

Now, I could go on and give you illustrations of particular kinds of foreign machinery where the selling price of that foreign machinery to-day—and I am taking cognizance of the depreciation in British currency—is nearly 50 per cent more at the English shops than the American manufacturer is charging for similar machinery. I can not see why in the face of conditions that have existed for nearly 20 years there has been a protective duty upon this American-made machinery which has not in any way protected the American manufacturer except by tending to prohibit importations, eliminating generally competitive business, and making it entirely unnecessary for the American manufacturer, in fixing his selling price, to recognize that there is any competition from abroad. May I have a few days in which to file a brief?

Senator SMOOT. Yes.

Mr. LOCKETT. I thank the committee very much for its attention.

BRIEF OF JOSEPH F. LOCKETT, REPRESENTING LEIGH & BUTLER, BOSTON, MASS.

CARD CLOTHING.

This is directed to paragraph 337, page 65, of H. R. 7456 (Fordney bill), now before this committee, which paragraph reads as follows:

"Card clothing not actually and permanently fitted to and attached to carding machines or to parts thereof at the time of importation, when manufactured with tempered or untempered round iron or steel wire, or with plated wire, or other than round or steel wire, or with felt-face, wool-face, or rubber-face cloth containing wool, 35 per cent ad valorem."

Paragraph 124 of the tariff act of October 3, 1913, reads in part as follows:

"Card clothing * * *, when manufactured with tempered, round steel wire, or plated wire or other than round iron or steel wire, or with felt-face or wool-face or rubber-face cloth containing wool, 35 per cent ad valorem."

Paragraph 145 of the tariff act of August 5, 1909, reads in part as follows:

"Card clothing * * *, when manufactured with tempered, round steel wire, 45 cents per square foot."

Card clothing is an article made of steel wire staples set through a flexible foundation about three thirty-seconds of an inch in thickness, composed of leather, cloth, or other material. It is usually made in long strips and wound on to and fastened to iron cylinders and other parts of carding machines. Its function is to card, i. e., lay the fibers parallel, and clean cotton or wool.

The card clothing we import is made by Joseph Sykes Bros. (Ltd.), of Huddersfield, England.

At the outset, we desire to go on record in favor of a protective tariff in the best interests of American industries and labor. We insist, however, that the rate of duty in so far as it applies to card clothing should be based, as near as may be, upon the actual difference in cost of production of the article here and abroad. We believe and understand that the Republicans in revising this tariff are proceeding upon this theory. We strongly protest and object to any rate on this commodity which is in excess of the said actual difference in the respective costs of production.

From 1897 up to the enactment of the Underwood law, duty on card clothing was assessed at various specific rates of duty for each square foot. We prefer a specific rate of duty on this commodity for the reason that it lessens the possibility of litigation and makes the estimation of the duty by all concerned much less difficult. The Government would receive at all times the same amount of duty at a specific rate and the depreciation in exchange would not affect the duty in any way.

Card clothing is bought and sold abroad and here at a price per square foot. If it is the desire of the Congress to levy a specific rate of duty wherever possible, card clothing is a conspicuous example where a specific rate of duty can be used with accuracy and precision. The American manufacturers have requested a specific rate of duty. (See brief of American manufacturers before the Ways and Means Committee, 62d Cong., 3d sess., vol. 2, Schedule C, pp. 1304 and 1305.)

Cotton-carding machines, as they are made, are equipped with a set of card clothing which usually consists of one roll for the cylinder, another roll for the doffer, and strips for the flats. As fast as it becomes worn out or damaged, the machines are reequipped with new card clothing.

The life of this commodity depends upon the usage it receives, but, generally speaking, the foreign product is more durable and lasts, upon the average, at least 10 years, whereas the domestic product will last upon the average somewhere between 7 and 10 years, all with ordinary usage.

The total number of points set into the foundations, as heretofore referred to, vary from approximately 60,000 to 100,000 per square foot, according to the mill's requirements. These wire points are commonly known as "teeth," and are set into the foundations by a particular machine called a "setting machine." The men who operate the setting machines in England are called "tenders." In this country these workmen are called "tenders."

We desire to strongly impress upon this committee that the American manufacturer of card clothing imports most of the cloth and rubber out of which he makes his foundations. He also imports most of the wire used to make and set the teeth with the aid of the said "setting machines."

The difference in wages paid to the operators of these setting machines here and abroad constitutes one of the largest elements entering into the total difference in the cost of production between the American and the foreign product. Most of the card clothing imported into the United States comes from England.

Grinders and inspectors, so called, are also employed in the manufacture of card clothing, but the labor cost of these employees is very small in comparison with the labor cost of the machine tenders. Upon the best information obtainable, it costs the foreign manufacturer over 50 per cent more than the American manufacturer to set the teeth into the foundation. The reason for this is because the American machines are run at far greater speed than the English machines. Furthermore, each American tender operates twice as many setting machines as each English operator. And, in addition, each American machine produces a much larger quantity of card clothing per hour than each English machine.

The card clothing made by Messrs. Joseph Sykes Bros., one of the largest manufacturers of English-made card clothing, is a product which has a world-wide reputation

for durability and efficiency. In fact, many American manufacturers prefer Sykes's card clothing to the domestic product. Frequently when ordering American carding machines the mills specifically request their machines be equipped with card clothing manufactured by Messrs. Sykes Bros.

It would be a great misfortune if the American cotton manufacturer can not get Sykes card clothing. The rate of duty now in the Fordney bill would prohibit its importation. Evidence was offered at the hearing to show that the competition of Sykes's clothing is necessary to prevent the American maker of card clothing from lowering his quality and increasing his price. It is predicted that this would follow if the domestic product is the only one which can be obtained. Much testimony can be had to demonstrate beyond all question that the Sykes card clothing is absolutely necessary in the best interests of the American cotton manufacturers and the entire people as well.

In a brief filed in behalf of the American manufacturers with the Ways and Means Committee in 1913 (vol. 2, Schedule C, Doc. 1447, pp. 1304 and 1305) it was stated to the Congress that unless a high rate of duty was imposed upon card clothing it would ultimately destroy the industry in this country. Mr. Hamilton, in speaking before the Ways and Means Committee in 1921 (Tariff Information, 1921, No. 2, pp. 823 and 824), referred to the increase in the manufacturing plants of American manufacturers of card clothing. Apparently the prediction of the American manufacturers in 1913 was not fulfilled, even before the World War gave them added protection. From the statistics of imports and duties compiled by the United States Tariff Commission in 1920, page 583, the total number of square feet of card clothing imported in 1915 was 258,301 and in 1916 it was 222,264. The average number of square feet imported in each of these years, namely, 240,000, was much lower than 311,000, the average amount of square feet of card clothing imported in the years 1909 to 1913, inclusive, under the Payne-Aldrich law in spite of the great increase in the number of new American mills erected using card clothing.

Considerably more than one-half of the card clothing used to card cotton in the United States is made in the United States. Practically the whole of the balance used is imported from England.

It is at once apparent that the rate of 35 per cent under the Underwood law did not result in the importation of large quantities of card clothing, to the detriment of the American manufacturer, prior to 1917 and has not since that time.

It is difficult to understand the reason which actuated the Ways and Means Committee in providing a rate of 35 per cent in said paragraph 337 of this bill.

This rate was not apparently worked out on any mathematical formula. We hope the Finance Committee will carefully consider the fact that the rate now in the Fordney bill is an increase of nearly 100 per cent over the Payne-Aldrich rate.

We believe even to-day the Underwood bill, providing as it does a rate of 35 per cent on card clothing based upon the foreign value, gives to the American manufacturer of card clothing to-day much more protection than he is reasonably and justly entitled to.

As stated to the Finance Committee at the hearing on August 26, 1921, a new element is before us this year in calculating the correct and proper rate of duty on card clothing. We refer to the assessment of ad valorem duties upon the basis of American values.

If the American-valuation plan, so called, is not a part of the Fordney bill upon final passage, the rate of duty mentioned in said paragraph 337, namely 35 per cent, should be reduced to 25 per cent, although as stated heretofore, we prefer a specific rate of duty.

As it seems reasonable to assume that the Fordney bill, when enacted, will continue for at least four years the rate of exchange should be taken into consideration, as it constitutes a vital element in arriving at the landed costs of the imported material. It likewise becomes important in estimating with accuracy the rate of duty which should apply on this commodity.

In estimating the correct rate of duty to be assessed upon this product it is imperative that proper consideration be given to the value of the pound sterling in American money. The probability is that before this bill becomes law the rate of exchange will be far in excess of \$3.70, the rate now prevailing. It is also reasonably certain that before the bill is repealed the rate of exchange will be nearer par.

We desire to emphasize the fact that when the pound sterling reached its lowest value in American money it had only depreciated about 35 per cent from par, whereas the price of card clothing in England increased 100 per cent.

The following figures show conclusively that the rate of 35 per cent ad valorem upon the American valuation is not only unnecessary but prohibitive as well. Any rate which gives such a result will not prove to be in the best interests to all the people.

A rate of duty of 18 per cent ad valorem upon the present American valuation, or 40 cents per square foot, will provide ample protection to the American manufacturer.

We are taking for example a lot of card clothing recently received by us to be used on six cylinders of cotton-carding machines, each cylinder's equipment being 272 feet by 2 inches, No. 120's, the foundation being made of cotton, cotton, woolen, and cotton.

The American value for these goods to-day is \$691.15.

Applying the Fordney bill rate, the duty would be calculated as follows: \$691.15, at 35 per cent, equals \$241.90.

The total number of square feet in this unit is, as stated, 272. If the total duty is \$241.90, the equivalent specific duty is about 89 cents per square foot. This is an increase of almost 100 per cent over the rate of 45 cents per square foot in the Payne-Aldrich law. Certainly this Congress doesn't intend to increase the admittedly high rates in the Payne-Aldrich bill by 100 per cent. We seriously doubt if the Ways and Means Committee intended to make any such increase in the rate on card clothing as is here represented.

We maintain that even the specific rate of 45 cents per square foot (the Payne-Aldrich rate) or its ad valorem equivalent, namely 18 per cent (based upon the American value), are both too high.

The duty under the Underwood law on this commodity to-day, based on a rate of \$3.70 per pound sterling, is equal to about 55½ cents per square foot or a trifle more than 20 per cent above the Payne-Aldrich rate. To now suggest an additional increase of 80 per cent over the Payne-Aldrich rate is uncalled for. Based upon \$4 to the pound, the rate under the Underwood law is equal to about 60 cents per square foot. As the rate of exchange advances, the duty per square foot will increase proportionately.

But we have confidence that had the Ways and Means Committee realized the tremendous increase they were making on this commodity, they would have recommended a very much lower rate. An increase of 100 per cent over the rate in the Payne-Aldrich law is contrary to the needs of the case.

We strongly urge this committee to recommend a rate on card clothing not higher than 40 cents per square foot or 18 per cent ad valorem based upon the American valuation. With either rate, the American manufacturer will have due and sufficient protection, the Government will obtain more revenue owing to greater importations, and the American cotton mills will not be deprived of an opportunity to purchase a superior quality of card clothing.

MACHINERY.

This is directed to the last part of paragraph 393, page 87, of H. R. 7456 (Fordney bill), now before this committee, which reads as follows:

"* * * if composed wholly or in chief value of iron, steel, lead, copper, brass, nickel, pewter, zinc, aluminum, or other metal, but not plated with platinum, gold, or silver, or colored with gold lacquer, whether partly or wholly manufactured, 35 per centum ad valorem."

The clause above quoted is known as the "catch-all" metal clause, and is substantially the same as paragraph 167 in the tariff act of October 3, 1913, which reads in part as follows:

"* * * if composed wholly or in part of platinum, gold, or silver, and articles or wares plated with gold or silver, and whether partly or wholly manufactured, 50 per centum ad valorem; if composed wholly or in chief value of iron, steel, lead, copper, brass, nickel, pewter, zinc, aluminum, or other metal, but not plated with gold or silver, and whether partly or wholly manufactured, 20 per centum ad valorem."

The corresponding provision in the tariff act of August 28, 1897, paragraph 193, reads as follows:

"Articles or wares not specially provided for in this act, composed wholly or in part of iron, steel, lead, copper, nickel, pewter, zinc, gold, silver, platinum, aluminum, or other metal, and whether partly or wholly manufactured, 45 per centum ad valorem."

We believe in a protective tariff whenever such protection is needed for American industries and labor. The accurate tariff rate on any commodity should reflect the difference between the cost of production in this country and abroad.

It was said not long ago by an official connected with one of the largest American machine builders that the labor cost per machine for textile machinery was less in the United States than in England.

We are importers of textile machinery and have the exclusive selling agency in the United States and Canada for the machinery manufactured by Platt Bros. & Co. (Ltd.), Oldham, England, established in 1821, who employ over 12,000 people. Their product is world famous for its construction, durability, and efficiency. Because of its excellence, it will last longer and will likewise require less repair than American-made

machinery. Most of the machinery which we import is for use in American cotton and worsted mills.

It is inconceivable why the American manufacturers of machinery have been given for so long a time such an unnecessarily high degree of protection. In many instances the American selling price of machines made to perform similar service to those which we offer for sale is much lower than our machines can be purchased for at the shop in England, to which must be added freight, duty, and charges. The American mill manufacturer is obliged to pay a premium for the foreign-made machinery, which is in many respects superior to the American product.

There is no real competition between English and American machine builders as to price; there never has been under a 45 per cent rate of duty. It is an absolute fact that the major part of English textile machinery could never compete with the American machinery as to price, unless Congress should, in addition to putting it on the free list, grant a substantial bonus on the imported machinery.

Very recently we were asked by one of the large cotton mills to quote them on a complete mill of 25,000 spindles. On following up our quotation we were told that our price was more than double the prices they had received from the domestic manufacturers, in spite of our having figured all our costs upon the prevailing rate of exchange. Irrespective of the merits of the two classes of machinery, it is clear that no protection was needed.

Furthermore, the sales of foreign machinery we have made in the past few years have been in nearly every instance at a higher price than the American-made machine. In such cases the sales were effected solely because of the insistence of the American mill manufacturers upon having Platts machinery.

When the Underwood bill was enacted in 1913 a substantial reduction in the rate of duty from 45 to 20 per cent was made. Even with this reduction it has been impossible for the foreign machine builder to compete with the American manufacturer.

If the high rates of duty are continued upon machinery, it will encourage the American manufacturers to increase their prices. It will also continue to prevent the importation of foreign machinery. It will likewise increase the cost to the ultimate consumer in the manufacture of the various products produced by the American mills, for the reason, we believe, that in the long run the goods produced by English machinery will prove to be more advantageous.

The quantity of textile machinery imported into this country in 1916, 1917, and 1918, according to the official statistics of imports, is very small and has absolutely no effect upon American manufacturers or labor. We refer to the statistics of imports and duties published by the United States Tariff Commission for the use of the Committee on Ways and Means, page 609, No. 2810, and under the heading, "All other textile machinery," we find the following information:

1916, 20 per cent of \$569,068.....	\$113,813
1917, 20 per cent of \$938,229.....	187,645
1918, 20 per cent of \$699,792.....	139,958

To show the very small quantity of imports of textile machinery during the fiscal years mentioned, namely, 1916 to 1918, the value of the machinery imported during each of the three years was the approximate cost, before the war, of fitting up a small mill of about 25,000 spindles. This would include the erection of the building and all other charges.

To show the absolute monopoly which the American manufacturers have upon the American cotton mills, we call attention to Appendix B on page 97 of a special report of the Department of Commerce, headed "Miscellaneous Series No. 37—Cotton-Spinning Machinery Industry," which was issued by the Department of Commerce in 1916. On said Appendix B it is noted that the various machine shops therein referred to manufacture practically 87 per cent of the carding machinery used in the cotton mills of the United States, 92 per cent of the spinning machinery and practically all of the looms. This places a premium on the manufacture in America of an inferior article. It also imposes a tremendous tax on the purchaser of the best grade of goods, whether the best grade be American or foreign machinery.

How, therefore, can the American manufacturer conscientiously ask this committee for any protection, much less an increase in the rate of duty on foreign machinery, when, as a matter of fact, there have been practically no importations under the Underwood law at the comparatively low rate of 20 per cent.

When the pound sterling reached its lowest value in American money it had depreciated only about 35 per cent from par (\$4.8665), whereas the price of cotton-mill machinery in England increased over 200 per cent.

We do not believe it is the intention of the Congress to make or the desire of the people of the United States to have the rates on imports so high as to prohibit the importation of foreign goods, after due protection has been given, based upon the difference in the cost of production here and abroad. Many people in this country are disturbed

every day over the loss of our export trade. By a prohibitive tariff on foreign-made machinery we not only are preventing the Government from obtaining any revenue from imported machinery, but we are stifling our export trade. The foreign manufacturers will certainly not buy our goods in large quantities unless they can sell their goods to us upon a fair and equitable basis. No one benefits from the monopoly the American machine builders now have except the stockholders.

We can submit figures, if the committee desires, to prove conclusively that American-made cotton-mill machinery needs no protection whatsoever.

We, therefore, believe that this machinery should be placed upon the free list.

ALUMINUM WARE.

[Paragraph 339.]

STATEMENT OF B. C. ZIEGLER, CHAIRMAN OF TARIFF COMMITTEE OF THE ALUMINUM WARE MANUFACTURERS OF THE UNITED STATES, WEST BEND, IND.

Mr. ZIEGLER. Mr. Chairman, I am chairman of the tariff committee of the aluminum-ware manufacturers of the United States, consisting of 34 different companies scattered throughout the entire country. Aluminum sheet is the raw material used in the manufacture of our aluminum cooking utensils. Aluminum ware consists of hollow ware and flat ware. Hollow ware is cooking utensils, such as pots and pans, and the flat ware consists of knives, forks, and spoons.

Last spring we prepared a brief in support of the proposition that the aluminum-ware manufacturers were entitled to a higher protective tariff. Copies of our briefs were submitted to the Ways and Means Committee, but the subcommittee on metals had already passed on the tariff on aluminum cooking utensils before our brief reached them, and it is for that reason that I appear here to-day.

Senator SMOOT. For what do you ask?

Mr. ZIEGLER. We are asking for 45 per cent ad valorem and 15 cents per pound specific based on American valuation.

The proposed law intends to give us 28 per cent. Forty-five per cent has been the prevailing rate from 1883 to 1913, except for the last three years of Cleveland's administration. In 1913 the tariff was reduced to 25 per cent on hollow ware and 20 per cent on flat ware.

Senator SMOOT. The House gave you 5 cents a pound and 30 per cent ad valorem. When composed wholly or in chief value of aluminum, 28 per cent ad valorem.

Mr. ZIEGLER. It does not. Pardon me, Senator.

Senator SMOOT. I see. That is the "iron or steel and enameled or glazed."

Mr. ZIEGLER. We want 45 per cent ad valorem and 15 cents per pound specific.

Senator SMOOT. Instead of 28 per cent?

Mr. ZIEGLER. Yes; and no specific. As I have stated, in 1913 the rate was cut to 25 per cent on hollow ware—

Senator WATSON. What were the imports under those rates? Did they amount to anything, or were they large?

Mr. ZIEGLER. Yes, sir; the imports in the last 10 months of 1920 amounted to \$1,900,000.

Senator WATSON. What is the total consumption in this country?

Mr. ZIEGLER. About \$32,000,000 worth.

Senator SMOOT. Do you desire to file a brief?

Mr. ZIEGLER. Yes, sir; I have one prepared. I would like to make a few further statements if I may be permitted.

Germany's wages are one-eighth of ours. German raw material is much cheaper than ours, probably costing them one-half or less. Wages represent one-half of the cost of our product and material the other half. Take an aluminum utensil costing a dollar to produce, and it represents 50 cents labor cost and 50 cents material cost.

Senator SMOOR. Is not that in your brief?

Mr. ZIEGLER. No, sir. For the same article made in Germany it represents 6½ cents labor cost and 25 cents material cost, or a total of 31½ cents.

As previously stated, we are asking for 45 per cent ad valorem and 15 cents specific. Assuming that the cost of production in Germany is 31 or 32 cents a pound, and adding 8 or 9 cents for freight to the United States and a fair profit, the American importer can buy this article in New York for about 40 cents.

On this basis the following indicates the result of applying the rates we ask for with American valuation:

The amount paid by the American importer, 40 cents. Add 45 per cent for the ad valorem duty. Add 15 cents for specific duty, and the total is \$1.

The last item is on the assumption that a pound of fabricated aluminum is worth \$1. The actual cost is slightly less than that at the present time; so that the last item in the foregoing computation should be perhaps 12 or 13 cents, indicating that even with the proposed rates the imported German article would slightly undersell the American article.

We can not state positively just what German aluminum ware will cost laid down in the port of New York, but it is fair to figure 40 cents a pound. If the German article can be bought in New York for 40 cents a pound, the rates are adequate. If it can not, they are inadequate; and if the German article costs more than 40 cents the tariff, of course, would be too high. But in that case there is no danger that the American consumer will have to pay artificially high prices for aluminum ware, for three reasons—first, because of the actual and keen competition between American manufacturers of aluminum ware; second, aluminum ware must compete in the United States with enamel ware; and, third, the present manufacturing capacity of the aluminum-ware manufacturers is three or four times the consumption.

Enamel ware and aluminum ware are very much alike. They are used for the same purposes and sold to the same trade and made practically the same in shape. In other words, they are both pots and pans used for cooking devices.

Under the Payne-Aldrich Act enamel ware had an ad valorem duty of 40 per cent and aluminum a duty of 45 per cent. Under the present law aluminum ware has a duty of 25 and enamel ware also 25.

Under the proposed law enamel ware is supposed to be getting 30 per cent and 5 cents per pound specific, compared with 28 per cent for aluminum.

We feel that if enamel ware is entitled to 25 cents specific, aluminum ware is entitled to 15 cents per pound specific.

Senator SMOOR. Are you asking this because of what was given on the enamel ware?

Mr. ZIEGLER. No, sir.

Senator SMOOT. Can you tell me, briefly, why it is you want now 15 cents a pound over and above the Payne-Aldrich rate; particularly, why you want it since the 45 per cent would apply under American valuation and not foreign valuation?

Mr. ZIEGLER. Because of the difference in cost abroad and here as compared with the cost before the war.

Senator SMOOT. That difference existed before the war, did it not?

Mr. ZIEGLER. No, sir; not the way we compute it.

Senator SMOOT. It existed back in 1909, did it not? You got along very well then with 45 per cent on foreign valuation, did you not?

Mr. ZIEGLER. We did; but the labor cost, we contend, in Germany to-day is one-eighth of the labor cost in this country; and that was not the case in 1909.

Senator SMOOT. The only difference that I know of between now and 1909 is that foreign countries who bought aluminum for war purposes perhaps are making it into goods and sending it more cheaply into this country right at the present time than they could possibly do on any other occasion. Before the war America made aluminum goods about as cheaply as any country in the world, did it not?

Mr. ZIEGLER. No, sir.

Senator SMOOT. Then I do not know what the history of it was. I have bragged of it so many times that I had better withdraw my former statement.

Mr. ZIEGLER. Furthermore, under the present act aluminum sheet is given a tariff of 3½ cents per pound, and under the proposed law you increase it to 9 cents per pound, an increase of 150 per cent.

Senator SMOOT. Under the Underwood law it is 25 per cent. It was not 25 per cent under the Payne-Aldrich law.

Mr. ZIEGLER. No, sir; it was 45.

Senator SMOOT. Now you are asking 15 cents a pound specific and 45 per cent on American valuation?

Mr. ZIEGLER. Yes, sir.

Senator SMOOT. I wish that the witnesses would, in an instance like this, simply tell us what they can get along with and not what they want.

Do you mean to say that the aluminum business of the United States has got to have 15 cents a pound and 45 per cent in order to live?

Mr. ZIEGLER. If you raise the tariff on the raw material we will have to have more than we would otherwise.

Senator SMOOT. In 1909 you were living on 45 per cent under foreign valuation.

Mr. ZIEGLER. We feel —

Senator SMOOT. You think you have to have it?

Mr. ZIEGLER. We think we have to have it.

Senator McLEAN. What is the price of your goods now as compared with the price a year ago?

Mr. ZIEGLER. About 35 per cent less.

Senator McLEAN. How does that compare with the prewar price?

Mr. ZIEGLER. About 75 per cent higher than the prewar price, due to the high cost of raw material and the increased cost of labor.

Senator SMOOT. Are you representing the American Aluminum Co., or what company do you represent?

Mr. ZIEGLER. Thirty-four different companies.

Senator SMOOT. Is the American Aluminum Co. included?

Mr. ZIEGLER. American cooking utensils.

Senator SMOOT. Do you own your mines?

Mr. ZIEGLER. I represent the manufacturers of cooking utensils only. We have no interest in a tariff on sheet. We fabricate only cooking utensils and not the sheet.

Senator SMOOT. The richest aluminum mines in the world are owned by Americans, are they not?

Mr. ZIEGLER. I believe they are.

Senator SMOOT. All the South American mines?

Mr. ZIEGLER. Yes, sir.

Senator SMOOT. Do you want to put one of your briefs in the record?

Mr. ZIEGLER. Yes, sir. I have a supplement attached to our original brief.

Senator SMOOT. You simply want the supplement to go into the record?

Mr. ZIEGLER. I would like to have both of them go in.

Senator DILLINGHAM. Have your wages been reduced since the war?

Mr. ZIEGLER. Yes, sir; from 10 to 25 per cent, in different industries.

Senator DILLINGHAM. How do they now compare with prewar wages?

Mr. ZIEGLER. I should judge that they are about 80 per cent higher.

BRIEF OF B. C. ZIEGLER, REPRESENTING THE ALUMINUM WARE MANUFACTURERS OF THE UNITED STATES.

[Schedule C, pars. 131 and 167, act of 1913.]

PRESENT LAW.

Manufacturers of aluminum, since the tariff act of 1897, have been divided for tariff purposes into two groups: First, aluminum in plates, sheets, bars, and rods; and, second, manufactured articles or wares. In 1897 aluminum products in the first of the two classes just mentioned were set aside under a specific duty of 13 cents per pound, and manufactured articles or wares, composed wholly or in part of aluminum, and whether partly or wholly manufactured, were included in paragraph 193 of the 1897 tariff act under a duty of 45 per cent ad valorem.

Forty-five per cent ad valorem has been the prevailing tariff duty on aluminum articles or wares since 1883. This was reduced to 35 per cent between 1894 and 1897, and after 16 years at the old 45 per cent rate, there was another reduction in 1913. This was accomplished by paragraphs 134 and 167 of the 1913 tariff act.

Under paragraph 134, table, kitchen, and household utensils or other similar hollow ware composed wholly or in chief value of aluminum were reduced from 45 per cent ad valorem to 25 per cent ad valorem; and articles or wares not specially provided for in that section, composed wholly or in chief value of aluminum, and whether partly or wholly manufactured, were reduced from 45 per cent ad valorem to 20 per cent ad valorem. (See Exhibit 1.)

RECOMMENDATIONS.

We ask that paragraphs 134 and 167 of the 1913 tariff act be replaced by a paragraph in the new law which will restore the same protective duty that prevailed almost continuously up to 1913. To accomplish this, the new law could use substantially the same language which for many years covered manufactures of aluminum, viz:

"Articles or wares not specially provided for in this act, composed wholly or in part of aluminum, and whether partly or wholly manufactured, 15 cents per pound and 45 per cent ad valorem."

GERMANY CHIEF COMPETITOR.

Before the war, Germany and Switzerland were the leading foreign producers of aluminum hollow ware, and were also the leading foreign producers of all aluminum

articles or wares other than hollow ware. Under the postwar conditions affecting aluminum manufacturers in Europe, as described in the exhibits to this brief, it is certain that Germany will hereafter furnish the most intense competition in manufactures of aluminum. This prediction as to German competition is borne out by the statement of the Bureau of Foreign and Domestic Commerce, recently made, that Germany is now making a concentrated effort to capture the world's markets in this line. (See Exhibit 2.)

At this point we wish to make reference to a brief prepared by Chairman Henry O. Milligan, of the tariff committee of the enameled ware manufacturers of the United States, which brief has recently been submitted to Congress. Mr. Milligan made a personal investigation of conditions in Europe, and particularly in Germany, bearing upon the cost of manufacture in the line in which his committee were interested, viz, enameled hollow ware and flat ware. His studies were made during the winter of 1921. His reports are therefore recent and we believe very accurate. The production of aluminum in all its finished and manufactured forms, and particularly in the form of aluminum hollow ware, involves almost the same identical processes and the use of the same classifications of labor that are called for in the production of enameled ware. The application of the glazed surface to enameled ware is the only process of importance that does not occur in the production of aluminum ware. Therefore, we consider it proper to make free use of the figures and statistics accumulated by Mr. Milligan, and contained in his brief above mentioned, so far as they are applicable in the aluminum industry. No better figures can be obtained as to the labor cost of producing aluminum ware than the figures furnished by Mr. Milligan for enameled ware.

DOMESTIC CONDITIONS.

The undersigned committee recently sent out a questionnaire to 30 establishments manufacturing articles and wares of aluminum in the United States, asking for information in regard to wages and competitive conditions. (Exhibit 3 omitted in printing.) Replies to the questionnaire were received from 25 concerns, and the following facts and tabulation of wages paid in the United States are based upon the answers received. The basis of comparison between wages in the United States and wages in Europe is furnished by the Milligan brief and also by Exhibits 4, 5, 6, 7, and 8; see also information as to wages in foreign countries other than Germany, Exhibit 9.

It should be noted that in the manufacture of aluminum ware there are employed toolmakers, buffers, liners, and shop truckers (see Exhibit 4), whose wages have not been included in the comparative statement below, because we have not been able to ascertain what wages these classifications are paid in Germany, but it is safe to say that the proportion between German wages and American wages in the industry would not be appreciably changed if these classifications were put into the average.

The value of the mark in the statement below is assumed to be 2 cents.

	Per hour.				Per hour.			
	United States, cents.	Germany.			United States, cents.	Germany.		
		Cents.	Marks.			Cents.	Marks.	
Machinists.....	70½	9	4½	Inspectors, goods in process..... Inspectors and wrappers, finished product..... Packers..... Common labor..... Average.....	58½	5	2½	
Draw press operators.....	63	9	4½		45½	5	2½	
Punch press operators.....	54½	8	4		53½	8½	4½	
Machine spinners and burnishers.....	66½	8	4		46½	7½	3½	
Hand spinners.....	82	8	4					
Trim and beaders.....	59	8	4					
Welders.....	75	5½	2½					
Riveters.....	48½	5½	2½					
						60½	7.20	3½

The above shows that in this industry the average wages per hour are about one-eighth as high in Germany as in the United States.

CONCLUSIONS DRAWN FROM INFORMATION SECURED.

The replies received to the questionnaire, when averaged, indicate that 39.31 per cent of the cost of producing manufactured articles of aluminum represents the labor employed thereon. (See Exhibit 5.) We have just shown that this percentage of the manufactured article, under present conditions, costs the German only one-eighth as much as it does the American.

The average labor cost of 39.31 per cent, as determined from the questionnaires, represents direct and indirect factory labor, or, as sometimes denominated, productive and nonproductive factory labor. To this should be added another element of cost which is in fact a labor cost, although not ordinarily so classified, viz, salaries of executives, and of clerks, office force, agents and other representatives, and general administrative expense. The inclusion of these easily brings the total cost of labor in the aluminum ware industry in the United States up to 50 per cent of the total cost of production.

The remaining 50 per cent of the finished article represents the materials entering into it, mainly aluminum sheet. As to whether the German manufacturer can get aluminum sheet cheaper than the American manufacturer, we have not any specific figures to present, but since aluminum sheet is the result of earlier manufacturing processes which also involve labor, it seems entirely safe to conclude that aluminum sheet in Europe and particularly in Germany can be bought cheaper than in the United States. This statement is apparently verified by the United States Tariff Commission. (See Exhibit 13.)

The conclusion is unavoidable that without sufficient tariff protection American manufacturers of aluminum ware must quickly go out of business. In fact, the German invasion in this industry is already under way. The reduction of the ad valorem tariff from 45 per cent to 20 and 25 per cent in 1913 resulted in an immediate doubling of the amount of imports of manufactured aluminum. (See Exhibit 10.) At the very same time that foreign aluminum ware appeared in the United States in double the quantity theretofore imported, the Government suffered a loss of revenue because of the lowered rate of duty. (See Exhibit 11.) The World War practically stopped international trading in aluminum for four or five years, but in 1919 importations of foreign-made aluminum ware again appeared in the American market. The rate of duty being only 25 per cent on aluminum hollow ware and 20 per cent on all other aluminum manufactures, foreign manufacturers began to import their wares into this country as soon as they were able to reorganize their business after the close of the war. In 1919 the value of their imports was \$318,407, and they so rapidly increased their business in the United States that during the first 10 months of 1920 they had attained a volume of \$1,953,039. (See Exhibit 12.)

Thus it appears that there has been an actual demonstration, both under prewar and postwar conditions, of the proposition that a duty of 20 per cent and 25 per cent on manufactures of aluminum will result in an ever-increasing flood of cheap foreign goods coming into the United States. Unless this condition is remedied the American industry will quickly be forced to shut down, throwing out of work more than 6,500 employees and destroying a business which amounted to \$32,630,000 in 1920. (See Exhibit 5.)

In the absence of a world war manufacturers of aluminum ware must have a higher rate of protection than 20 per cent or 25 per cent ad valorem. Just how much higher it ought to be is perhaps difficult to say, but the recommendations made in this brief are believed to be the minimum required. The ad valorem duty recommended is the one which prevailed almost continuously, since 1883, except for the last eight years; and the additional specific duty of 15 cents per pound, which has been recommended above, will serve to prevent undervaluation and also, in a small degree, supplement the ad valorem duty. The total amount of protection afforded the industry, if the rates we recommend be granted, will still be insufficient, however, unless the present demoralized condition of foreign exchange be overcome by a provision for valuation in American money.

It is proper to say a few words further upon the subject of foreign exchange, and particularly upon the subject of the depreciated value of German money. What has already been stated shows that the depreciated mark has much to do with the cheapness of the labor element in aluminum ware, in Germany, as compared with the same element in American aluminum ware. It is also apparent that the depreciated mark must figure heavily in computing the comparative cost of the material used in German aluminum ware and in the American article. In other words, the cost of export by Germany when translated into American dollars is so low that any duty that might be imposed would be of little avail in preventing our markets from being flooded, unless such a duty were to be based upon the value of the goods as produced in this country, rather than on the value in Germany with duty figured on the depreciated rate of exchange, as is the case at the present time. The exchange situation is complicated and bound to vary as time goes on, so that it is impossible to suggest any rate of duty that would protect the aluminum ware industry at this time unless such a rate were based upon the cost of production in the United States.

Upon the facts referred to in this brief, and also upon the figures disclosed by the exhibits, we recommend—

1. The passage of a measure providing for the establishment of duties on American valuations in American dollars at port of entry, instead of the fair market selling prices in the countries in which goods are produced.

2. That if goods are to be valued at United States fair market selling prices, then that a duty of 15 cents per pound and 45 per cent ad valorem be provided for all articles or wares composed wholly or in part of aluminum, whether partly or wholly manufactured.

EXHIBIT 1.

(NOTE.—All references in this exhibit, and in other following exhibits, made to Survey, mean Tariff Information Survey on the articles in paragraph 143 of the tariff act of 1913 and related articles in other paragraphs, prepared by the United States Tariff Commission, and printed in 1921 for the use of the Committee on Ways and Means of the House of Representatives. The particular Tariff Information Survey to which these references are made is that which covers aluminum, magnesium-calcium, barium, sodium and potassium and their ores, metals and manufactures, the pamphlet being designated as C-10.)

Page 62 of Survey.—On this page is shown in outline the tariff history of manufactures of aluminum. It appears that prior to 1897 aluminum in the form of sheets, plates, bars and rods, was classed with manufactured articles or wares composed wholly or in part of aluminum. The tariff act of 1897 made the first distinction between aluminum sheets, plates, bars and rods, on the one hand, and manufactured articles of wares on the other hand. The American industry of manufacturing hollow ware, flat ware, combs, tubes, signs, and numerous other finished products of aluminum, has seen its principal development since 1897. For the manufacturers of aluminum ware and of aluminum goods in general, aluminum sheets, plates, bars and rods constitute raw material, in spite of the fact that the latter are the result of certain manufacturing processes applied to ingot aluminum.

The rate of duty on aluminum and on manufactures of aluminum was fixed at 45 per cent ad valorem by the tariff act of 1883. The 45 per cent rate was continued until 1894, when it was reduced to 35 per cent. The Dingley bill of 1897 restored the 45 per cent rate to articles or wares not specially provided for, composed wholly or in part of aluminum or other metal, whether partly or wholly manufactured; but the same act set aside aluminum plates, sheets, bars and rods under a specific duty of 13 cents per pound.

This segregation, based upon the idea that for manufacturers of aluminum wares, the plates, sheets, etc., constitute raw material, has been maintained in all of the tariff legislation from 1897 to the present date.

The 45 per cent rate upon manufacturers of aluminum which was restored by the tariff act of 1897 continued in effect for 16 years, and included in its operation all articles or wares composed wholly or in part of aluminum, whether partly or wholly manufactured. It will be noted that this language is general, resulting in the application of this rate to every product (not only hollow ware, flat ware, and utensils, but the finished article in whatever form it may be made) of aluminum beyond the stage of plates, sheets, etc.

In 1913 a Democratic tariff revision occurred and the exact changes as to aluminum ware are disclosed by the data contained on page 62. The 1913 revision subdivided manufactures of aluminum, and reduced the ad valorem rate as to all such manufactures. Upon table, kitchen, and hospital utensils or other similar hollow ware, composed wholly or in chief value of aluminum, the rate of duty was reduced from 45 per cent to 25 per cent; and upon articles or wares not specially provided for, if composed wholly or in chief value of aluminum, and whether partly or wholly manufactured, the rate was reduced from 45 per cent to 20 per cent. (Pars. 134 and 167, Schedule C, act of Oct. 3, 1913.)

Page 50 of Survey.—Germany and Austria have heretofore been the largest manufacturers of fabricated aluminum in Europe, followed by Switzerland and France. Hollow ware has come chiefly from Germany, and in the past has been both cheap in price and inferior in quality. Imports of fabricated aluminum included household and kitchen utensils, and showed annual increases up to the early part of 1915, due chiefly to the low price of the foreign product. After 1915, imports of manufactures of aluminum into the United States became very small, due to war conditions, but in 1919 showed a sharp increase, and in 1920 a further very large increase.

Page 55 of Survey.—While it is not yet known whether the postwar period will show an improvement in the quality of German aluminum ware, it is certain that the German product will be very cheap, and it also appears likely that British aluminum hollow ware of excellent quality may be offered in the United States. This industry in Great Britain was a war development and was greatly stimulated by the high cost of enameled ware formerly imported from Germany.

EXHIBIT 2.

[Memorandum furnished by Bureau of Foreign and Domestic Commerce (European Division), Washington, D. C., under date of April 8, 1921.]

The German aluminum hollow-ware industry, with almost unlimited supplies of raw material, is making a concentrated effort to capture the world's markets in this line. Before the war 317 tons of manufactured aluminum were shipped to Russia and 161 tons to Austria. These two markets are now not in a condition to receive supplies and as a result a new market must be found.

EXHIBIT 4.

Wages paid in 25 aluminum ware factories in the United States (basis, 1 hour for men).

Factory No.	Machinists.	Tool makers.	Draw-press operators.	Punch-press operators.	Machine spinners and burnishers.	Hand spinners.	Trim and beaders.	Buffers.
1.....	\$0.70	\$0.65	\$0.57	\$0.57	\$0.50	\$0.70	\$0.50	\$0.58
2.....	.80	.50	.60	.60			.50	.67
3.....	.60	.70	.47	.40	.67	.70	.47	.50
4.....	.60	.80	.60	.60	.60	.60	.60	.70
5.....	.675	.75	.85	.75	.85	1.10	.65	1.15
6.....	.75					.70		.60
7.....	.83	.90	.60	.60	.67	.83	.67	.83
8.....	.65	1.25	.50	.45	.75		.60	
9.....	.65	.80						.90
10.....	.94	1.00	.70	.60	.77	.77	.80	.70
11.....	.65	.65	.58	.58	.70	.70	.60	.80
12.....	.60	.80	.50	.45	.45		.45	.80
13.....	.60	1.00	.54	.50	.70	1.00	.56	.65
14.....			.90	.65	.75		.60	1.00
15.....	.85	1.00	.40	.40	.40	.85	.40	.70
16.....	.80	.85	.66	.57	.70	1.00	.88	.90
17.....	.50	.50	.575	.45	.75	1.00	.75	1.00
18.....	.75	.90	.75	.65	.90	.90	.65	1.00
19.....	.60		.45	.45	.55		.40	.45
20.....	.80	.875	.725	.625	.70	1.05	.70	1.10
21.....			.61	.50	.61		.61	.90
22.....	.65	.85	.60	.425		.90	.575	.60
23.....	.70	.70	.55	.50	.60	.60	.60	.70
24.....	.775	1.00	.70	.65	.70	.70	.65	.70
25.....	.725	.60	.72	.67		.72	.75	.70
Average per hour.	.704	.851	.61	.545	.666	.921	.697	.776

Factory No.	Liners.	Welders.	Riveters.	Inspectors of goods in process.	Inspectors and wrappers of finished product.	Packers.	Shop truckers.	Common labor.
1.....	\$0.55	\$0.75	\$0.65	\$0.55	\$0.30	\$0.50	\$0.60	\$0.57
2.....			1.34	.65	.555	.525		.60
3.....		.60	1.30	.40	1.35	.47	.40	.40
4.....		.67	.525	.42	.40	.50	.40	.40
5.....	.90	1.10	.45	.60	.44	.79	.55	.55
6.....		.65	.50		.40	.40	.40	
7.....	.83	.78	.45	.50	.61	.63	.50	.50
8.....					.35	.60		.45
9.....				.60	.40	.50	.50	.50
10.....		.90	.85	1.35	1.35	.50	.50	.50
11.....	.80	.68	.64	.55	.45	.45	.49	.49
12.....		.45	.45	1.27	.40	.40		.40
13.....		.65	.40	.80	.40	.50	.50	.45
14.....	.60		.35		.38	.60		.50
15.....	.60	.85	.40	.45	.45	.40	.40	.40
16.....				.56	.55	.625	.455	.435
17.....	.75	1.00	.375	.35	.45	.50	.45	.45
18.....		.75	.70	.65	.55	.65	.50	.50
19.....		.45	.35					.35
20.....	.675	.875	.55	.60	.55	.70	.525	.525
21.....	.50		.50	.61	.61			.40
22.....		.75		.50	1.35	.45	.425	.40
23.....		.80	.45	.70	.30	.50	.50	.50
24.....		.80		.90	.50	.55	.55	.50
25.....		.70		.60	1.35	.60	.55	.475
Average per hour.	.69	.753	.483	.587	.455	.538	.484	.664

¹ Women.

EXHIBIT 5.

Factory number.	Year 1920.		Ratio labor cost to total cost.	Estimated total sales for year 1920.
	Number male employees.	Number female employees.		
1.....	1,250	210	50	\$24,000,000
2.....	100	40	.....	30,000,000
3.....	50	20	50	35,000,000
4.....	225	50	20	38,000,000
5.....	410	97	34	.....
6.....	20	2	85	.....
7.....	100	50	40	.....
8.....	40	10	.....	.....
9.....	39	2	.....	.....
10.....	60	30	39	50,000,000
11.....	175	75	40	.....
12.....	70	20	31	50,000,000
13.....	100	10	40	10,000,000
14.....	22	8	50	.....
15.....	25	7	.....	.....
16.....	.....	.....	.....	.....
17.....	30	12	.....	.....
18.....	.....	.....	50	.....
19.....	23	5	20	.....
20.....	140	30	.....	.....
21.....	40	.....	31	40,000,000
22.....	340	108	42	.....
23.....	160	75	30	27,000,000
24.....	1,800	500	50	25,000,000
25.....	.....	.....	30	30,000,000
Total or average.....	5,281	1,361	39.31	32,630,000

EXHIBIT 6.

Comparison of wage scale in the United States and Germany based on table in American Machinist of June 3, 1920.

	Germany.		United States (per hour).
	Marks (per hour).	United States money.	
Trained machinists.....	2.94	\$0.0594	\$0.85
Machinist's helper.....	2.69	.0544	.54-.625
Lathe hand.....	2.94	.0594	.85
Tool makers.....	3.00	.0606	1.10-1.15
Fitters.....	3.20	.0647	1.10
Planer, miller, and drill hands.....	2.69	.0544	.85
Turret, lathe, and automatic operator.....	2.75	.0562	.85

Wage rates for the United States are those quoted for Philadelphia and vicinity by the American Federation of Labor August 19, 1920. The computation of wages in Germany was translated into American money on the assumption that a mark was worth a trifle over 2 cents. In fact, the mark is worth now somewhat less than 2 cents, so that the wages of German workmen to-day, expressed in American money, would be somewhat lower than the amounts shown above. The American Machinist publishes varying rates of wages for different parts of Germany, but the variations are not great enough to impair the value of the foregoing comparison. All of the classes of labor shown in this comparison are of importance in the manufacture of aluminum wares, and as to these classes of labor it appears that wages in the United States are more than eight times as high per hour as in Germany.

EXHIBIT 7.

Comparison of labor costs in Germany and United States, taking the mark on basis of 2 cents in United States currency.

[By Chairman Henry C. Milligan, of the tariff committee of the Enameled Ware Association.]

	United States (per hour).	Germany (per hour).	Germany.
	Cents.	Cents.	Marks.
Machinists.....	76½	9	4½
Pressmen.....	65	9	4½
Spinners, beadrs, small punch presses.....	62	8	4
Riveters and welders.....	58½	5½	2½
Picklers.....	58	9	4½
Dippers (average of men and girls).....	53½	6½	3
Inspectors (girls).....	45	5	2½
Burners.....	70	9	4½
Sorters and wrappers (female).....	35	5	2½
Packers.....	58	4½	4
Common labor.....	47½	7½	3½
Average wages per hour.....	57½	7½	3½

In other words, the cost of labor in Germany to-day, basing the value of the mark at 2 cents American money, is just one-eighth what it is for the same work here.

The labor rates taken to represent the German costs are taken from the detailed schedule of wages for machine industries, foundries, enameling works, etc., the highest rate being taken in each case and the mark figured at a value of 2 cents in United States currency, which is much higher than its value to-day.

EXHIBIT 8.

REPORT AS TO WAGES PAID IN GERMANY IN THE ENAMELED HOLLOW-WARE INDUSTRY AND ALLIED INDUSTRIES.

The report was made by the British foreign office and board of trade (department of overseas trade) under date of January 24, 1921, and delivered to Messrs. Macfarlane & Robinson (Ltd.), who are English manufacturers of enameled hollow ware, maintaining a branch in New York City. We have extracted from this report the rates of wages paid to German workmen in classifications which are employed in the manufacture of aluminum ware, and we might say here that a large majority of the classifications mentioned in this report are such as operate in the manufacture of aluminum ware. The manufacture of aluminum ware involves very nearly the same processes as the manufacture of enameled ware. In a general way it may be said that the only process that is not common to the two lines of manufacture is that which applies the glazing or the onameled surface to the enameled ware.

The parts of the report shown below are copied from the Milligan brief.

FOREIGN OFFICE AND BOARD OF TRADE,
London, S. W. I., January 24, 1921.

GENTLEMEN: With reference to your letter of January 13, I have to inclose herewith a tariff of the rates of wages paid in the enameled hollow ware industry and allied industries in Germany. I have to add that these rates have been in force in the Dusseldorf area since April last, and can be taken as representative, though, if anything, they are slightly higher than those paid in other districts.

Where piecework rates are resorted to, which is the general rule, it is stated that an average worker can earn at least 15 per cent more than the average hourly rate.

Yours faithfully,

J. S. ANDREWS,
For the Comptroller General.

MESSRS. MACFARLANE & ROBINSON (LTD.),
Kampen House, 76-8 Southwark Street, S. E. I.

Wages per hour in machine industries, foundries, locomotive, wagon, and allied industries, and enameling works.

Class I(a). Skilled workers having a certificate of proficiency who can prove to have had a long and varied experience and practical training, capable of working independently in their trade. Doubtful cases are decided by a commission of experts:	Marks.
For workers over 25 years.....	4.30-4.50
For workers from 21 to 25 years.....	3.70-4.30
For workers who have finished apprenticeship up to 21 years.....	2.90-3.20
Class II(a). Skilled workers without a certificate of proficiency:	
For workers over 25 years of age.....	4.10-4.30
For workers from 21 to 25 years.....	3.60-4.10
For workers from 19 to 21 years.....	2.80-3.10
For workers from 17 to 19 years.....	2.50-2.80
Class III(a). Trained workers:	
For workers over 25 years of age.....	3.85-4.05
For workers from 21 to 25 years.....	3.55-3.85
For workers from 19 to 21 years.....	2.70-3.00
For workers from 17 to 18 years.....	2.40-2.70
Class IV (a). Helpers or mates:	
For workers over 21 years of age.....	3.55-3.85
For workers from 18 to 21 years.....	2.70-3.00
For workers from 16 to 18 years.....	2.40-2.70
For workers from 14 to 16 years.....	1.90-2.20

Female workers doing men's work receive 20 per cent less than do male workers of the same class.

Classification in the sheet and metal punching and enameling trade.

(a) Mechanical workshop:	Class.
Turner (called lathe hand in aluminum industry).....	I(a) III(a)
Fitter (called die tester).....	I(a) III(a)
Smith (blacksmith).....	I(a) II(a)
Hammerman.....	III(a)
Planer.....	I(a) III(a)
Milling cutter.....	I(a) III(a)
(b) Punch and planishing works:	
Presser (press hand).....	I(a) III(a)
Cutter cutting rounds on circular shears.....	III(a) IV(a)
Cutter operating plate shears.....	III(a)
Scrap binder and waste stamper.....	III(a)
Cutter.....	III(a)
Trimmer.....	III(a)
Straightener (ironer).....	I(a) III(a)
Hollow metal worker and drawer.....	I(a) III(a)
Aluminum presser.....	I(a) II(a)
Grinder and polisher.....	I(a) III(a)
Anncaler or furnaceman.....	II(a)
(c) Plumber's workshop:	
Electrowelder.....	II(a) III(a)
Oxy-acetylene welder.....	II(a) III(a)
Setter (Anschlaeger).....	II(a)
(d) Enamel works:	
Picklers.....	I(a)
Hollow metal worker.....	I(a) III(a)
Annealer.....	II(a)
Box maker.....	I(a) III(a)
Packer.....	II(a) III(a)
Wigher.....	III(a)
Assembler.....	II(a)
First assembler.....	II(a)
Warehouseman.....	IV(a)
Female picklers.....	I(a)
Women cleaners in pickling shops.....	I(a)

	Marks.
Wages per hour of special female workers:	
For female workers over 21 years.....	2.50-2.70
For female workers from 16 to 18 years.....	1.70-1.90
For female workers from 18 to 21 years.....	1.90-2.10
For female workers from 14 to 16 years.....	1.40-1.60

In special female workers are included Auftraegerinnen (japanners), edgers, electro-oxy-acet'lene welders, assemblers, printers, machine workers, cleaners in pickling shops (plus 10 pfennigs per hour bonus, aprons, and clogs), and sprayers.

	Marks.
Wages per hour of helpers or mates (females):	
For female workers over 21 years.....	2.40-2.60
For female workers from 18 to 21 years.....	1.80-2.00
For female workers from 16 to 18 years.....	1.60-1.80
For female workers from 14 to 16 years.....	1.30-1.60

To these belong cleaners, washers, packers, other helpers.

SPECIAL PROVISIONS.

In addition to the wages specified above, there are allowances paid to a worker for the support of dependent children; also bonuses for foremen; also, since April 16, 1920, an "increased cost of living" bonus, which is graduated according to age and experience.

EXHIBIT 9.

ALUMINUM HOLLOW WARE.

[Memorandum furnished by Bureau of Foreign and Domestic Commerce (European Division), Washington, D. C., under date of April 8, 1921.]

France.—We have no data at this office relative to the present wages paid in French factories producing aluminum hollow ware. Owing to the unstable conditions in Europe the standard of living varies between one locality and another and makes it very difficult to determine the wage scale in any industry.

We have received an excellent report from Commercial Attaché Huntington, Paris, dated February 4, 1921, outlining the wages paid in certain of the more important industries of that country. While that of aluminum hollow ware is not mentioned in the report, it may be possible to estimate the wage scale in that industry from the following data on wages in similar trades (48-hour week):

	Francs per hour.
Blacksmith.....	3.00
Structural iron workers.....	2.75
Plumbers.....	2.75
Punch press hands.....	2.75
Boring mill hands.....	2.75
Skilled machinists.....	3.50
Common male labor.....	2.75
Turners.....	3.50
Fitters.....	3.00
Molders.....	3.00

Note.—French francs are worth at present about 7 cents in American money.

Belgium.—No information has been received here in regard to the aluminum hollow ware industry in Belgium. However, an idea of the probable wages paid for workers in that trade may be gained by examination of the following data, comprising excerpts from a recent report of Trade Commissioner Cross, Brussels, and showing the wages paid in certain industries in Belgium:

	Francs per hour.
Engineering trades.....	2.50-2.75
Boiler makers.....	1.50-1.75

EXHIBIT 10.

Imports of manufactures of aluminum in 1913 were valued at \$739,777. This was accomplished under the tariff act of 1909, which imposed a duty of 45 per cent ad valorem. The new tariff act of October 3, 1913, reduced this duty to 25 per cent ad valorem. An immediate effect was noted in the value of imports in 1914, which

reached \$1,441,253. In other words, the reduction in the rate of duty resulted in the value of importations being doubled during the first year following, even though the last five months of such following year were affected to some extent by European war conditions. It is safe to say that if there had been no European war the reduction of the rate of duty would have resulted in a still larger total of imports in 1914 and in progressively increased quantities of imports during 1915 and the years following. The figures shown by the survey make it perfectly clear that when Congress reduced the duty on manufactures of aluminum from 45 per cent ad valorem to 25 per cent ad valorem the measure of protection which the American industry had formerly enjoyed was removed; that under the 25 per cent rate the European product, and particularly the German product, would move into this country in constantly increasing quantities, and that this result was only prevented by the war conditions which prevailed during the next four or five years. In other words, it is the war and not the American tariff which has enabled American manufacturers of aluminum to keep their plants in successful operation from 1914 to the present time.

The figures shown on page 58 of the survey indicate that when the rate of duty was reduced British imports into the United States were more than doubled, and German imports made a still larger gain (about 140 per cent). (Page 58 of Survey.)

EXHIBIT 11.

An interesting result of the reduction of the rate of duty from 45 per cent ad valorem to 20 and 25 per cent ad valorem, on manufactures of aluminum, is disclosed by the last table on this page. Under the higher rate, which prevailed during most of 1913, the Government revenue amounted to \$331,834.79; while under the lower rate prevailing in 1914, the Government revenue was reduced to \$321,931.80, in spite of the fact that the value of imports giving rise to the revenue was twice as high in 1914 as it was in 1913. These figures prove that the reduction of the duty resulted in loss of revenue to the Government, and in loss of business to American manufacturers at the same time. (Page 58 of Survey.)

EXHIBIT 12.

The Bureau of Domestic and Foreign Commerce (European Division), Washington, D. C., reports upon the importation of manufactures of aluminum, under post-war conditions, as follows:

Value of importations of table, kitchen, and hospital utensils, or similar hollow ware, and of all other manufactures of aluminum, for calendar year 1919, \$318,407.

Value of importations of the same aluminum products during the first 10 months of 1920, \$1,953,039.

It must be noted that the figures just given do not include any aluminum imports in the form of bars, strips, sheet, or rods, nor any aluminum leaf or aluminum foil, nor any aluminum scrap, nor in fact any article of aluminum except such as have been fabricated for actual use by the consumer. The manufactures of aluminum included in the figures just given were therefore all subject to the provisions of paragraphs 134 and 167 of the tariff act of 1913, imposing ad valorem duties of 25 per cent on hollow ware and 20 per cent on all other manufactures of aluminum.

The speed with which foreign manufacturers of aluminum ware are increasing their sales in the United States is exhibited by the showing just made for 1919 and the first 10 months of 1920. (Figures for the last two months of 1920 are not as yet obtainable.) While only \$318,407 worth of aluminum wares entered the United States in 1919, more than six times that amount came in during the first 10 months of 1920.

EXHIBIT 13.

[General statements of the United States Tariff Commission relative to cost of producing aluminum in Europe and United States (1921).]

The aluminum production of France, England, and Switzerland continued without interruption during the war and in some cases was slightly increased. Production in Germany was substantially increased during the war. The continental producers were well organized. The corporations were strong and their manufacturing facilities are well located and favorable. (Page 28 of Survey.)

The Swiss and German production of aluminum before the war was something over 20,000 tons per annum (German capital being in control of the Swiss industry), while during the war the German production alone increased to 34,000 tons annually from Austrian bauxite. (Page 32 of Survey.)

As stated above, German capital is heavily interested in the Swiss aluminum industry. During the war the German Government, finding a large increase in the supply of aluminum was necessary, undertook to establish a national industry to produce an adequate supply of aluminum within the country. As a result there were five plants in Germany at the end of the war, four of which are either wholly or partially owned by the German Government. The largest plant, located at Lauta in Silesia, and having a capacity of 31,000,000 pounds per year, is wholly owned by the German Government. The Government controls the other three plants through ownership of shares. Still another plant is projected with a capacity of 39,000,000 pounds of aluminum per year. The hydro-electric plant is now under construction on the Inn River in Bavaria and the undertaking will be under direct Government ownership and control. The present capacity of the German Government aluminum plants is approximately 107,300,000 pounds per year. (Page 34 of Survey.)

In tariff hearing before the Committee on Ways and Means of the House of Representatives, prior to the act of 1913, a brief submitted by Julius Hess & Co., Chicago, Ill., gave the cost of 1 pound of aluminum metal at that time as 12 cents in the United States and 6 cents in Germany. (Page 41 of Survey.)

At the present time the most active competition (in the production of aluminum from its ores) comes from Germany, where aluminum production, greatly developed during the war period, is controlled by the Government. The raw materials are largely obtained in Austria, and power charges and labor costs are figured in terms of depreciated currency. (Page 42 of Survey.)

Labor enters into the cost of production of aluminum at every stage of advancement from the mining of the ore to the marketing of the finished product. Present wages in the main classes of labor employed in the reduction works may be taken at approximately \$5 per day, while most recent advices from Germany indicate that similar labor in that country now receives only 40 marks (at present exchange only 50 or 60 cents United States currency). (Page 43 of Survey.)

(NOTE.—It has already been shown in this brief that about 50 per cent of the finished article of aluminum represents labor and about 50 per cent represents material; also that as to the labor element, the cost in Germany is about one-eighth of the cost in the United States; and the foregoing statements of the Tariff Commission, which have recently been officially promulgated, make it certain that the 50 per cent of the finished article represented by material is also much cheaper in Germany than in this country.)

SUPPLEMENTAL BRIEF.

On March 16, 1921, the American manufacturers of aluminum ware met at Cleveland, Ohio, to consider the matter of additional protective duties on products of aluminum. It was the opinion of all of the delegates present at this meeting that the duties levied on imports of aluminum ware, under the tariff act of October 3, 1913, were too low to afford any protection to the industry of manufacturing aluminum hollow ware and utensils in the United States, especially in view of the depreciated currency in which European manufacturers paid for their raw material and their labor.

At this meeting of the manufacturers a committee was appointed to give special attention to the question of additional protective duties, and to present the arguments in favor thereof, when the Congress took up tariff revision for consideration. This special committee was called "The tariff committee of aluminum ware manufacturers," and consisted of the following: B. C. Ziegler, chairman, C. E. Swartzbaugh, jr., and H. A. Church. B. C. Ziegler, the chairman of the committee, is president of the West Bend Aluminum Co., of West Bend, Wis. C. E. Swartzbaugh, jr., is vice president of the Toledo Cooker Co., Toledo, Ohio. H. A. Church is secretary of the Indiana Aluminum Ware Co., Elkhart, Ind.

The tariff committee of the aluminum ware manufacturers has carried on extensive investigations, and has sent out questionnaires to American manufacturers of aluminum, for the purpose of procuring figures and other data bearing on the American industry, and has heretofore prepared a brief for the Congress, copies of which have been furnished to members of the Committee on Finance of the United States Senate and to members of the Ways and Means Committee of the House of Representatives. At the time this first brief was prepared the pending tariff bill, designated H. R. 7456, had not been framed or introduced, so that the brief could not identify the subject under discussion by any reference to paragraphs or schedules of the new tariff bill.

For this reason, the brief prepared by the tariff committee of the aluminum ware manufacturers identified the subject now under discussion as "Schedule C, paragraphs 134 and 167," being the schedule and paragraphs controlling duties on aluminum ware under the tariff act of October 3, 1913.

This supplemental brief is prepared on August 15, 1921. On this date the new tariff bill, H. R. 7456, is pending before the Finance Committee of the Senate. The rates of duty on manufactures of aluminum which were prescribed by the tariff law of 1913 (and which were discussed in our original brief under the head of "Schedule C, pars. 134 and 167") have been changed by action of the House of Representatives; but if the new rates of duty proposed by the House of Representatives, and disclosed in Schedule 3, paragraph 339, of the pending tariff bill, should be enacted into law, the increase over existing rates would be so small that the American aluminum ware industry would find itself without any substantial tariff protection.

The tariff committee of the aluminum ware manufacturers, hereinafter called for convenience the aluminum ware committee, have therefore prepared this supplemental brief and argument for the purpose of presenting to the Congress additional reasons in support of the increased duties which we asked for in our original brief.

SUMMARY OF POINTS MADE IN ORIGINAL BRIEF.

1. Since 1883, the prevailing rate of duty on manufactures of aluminum (meaning aluminum hollow ware and other aluminum utensils) has been 45 per cent ad valorem.
2. Under the act of 1913, the rate of duty was reduced to 25 per cent ad valorem on table, kitchen, and household utensils and other hollow ware, and to 20 per cent ad valorem on other articles composed of aluminum, not specially provided for.
3. This reduction in the rate of duty resulted in an immediate increase in the amount of aluminum ware entering the United States from foreign countries. The first calendar year in which the lower rates of duty prevailed was 1914. Although general importation from Europe was greatly reduced during the last five months of 1914, by reason of the war, imports of manufactures of aluminum were twice as large during the whole year as they were during 1913, when the 45 per cent rate prevailed.
4. War conditions from 1914 to 1919 prevented European manufactures of aluminum from being exported to the United States, except in very small quantities. The war, therefore, gave to American manufacturers of aluminum ware a measure of protection which existing rates of duty did not provide.
5. In 1919 Europe resumed the business of exporting aluminum ware to the United States. Germany was the principal European country to do this.
6. In 1920, under the rates of duty prescribed by the tariff act of 1913, the value of aluminum ware imported into the United States was more than six times as large as in 1919.
7. The labor cost of producing aluminum ware in Germany is less than one-eighth of the labor cost of producing the same ware in the United States. The labor cost of aluminum ware is approximately 50 per cent of the finished product.
8. The raw material entering into aluminum ware is principally aluminum sheet. The cost of aluminum sheet to the German manufacturer of aluminum ware is considerably less than the cost of aluminum sheet to the American manufacturer of aluminum ware.
9. The extreme cheapness with which the European manufacturer of aluminum ware, and particularly the German manufacturer, can produce his goods is due primarily to the lower wages paid abroad; but these lower wages are made still lower by the depreciation of the currency in most European countries. In Germany wages are paid in marks, and in the spring of 1921 a German mark was worth in American money only about one-twelfth of its normal value. On August 15, 1921, the German mark has sunk still lower, it now being worth approximately one-eighteenth of its normal value.
10. American manufacturers of aluminum ware are no longer protected by a war in Europe. They never were protected by the rates of duty provided by the tariff act of 1913. They can not possibly reduce American wages to the level of German wages. Unless they are given a very substantial measure of additional protection by the new tariff bill they will quickly be put out of business by the flood of aluminum ware from Europe, particularly from Germany.
11. Our original brief asked (a) that the ad valorem duty which prevailed for so many years in this industry, viz, 45 per cent, be restored; (b) that in addition thereto manufactures of aluminum be subjected to a specific duty of 15 cents per pound; and (c) that valuation be on the basis of fair market value in American money at port of entry.

PROPOSED INCREASES IN RATES OF DUTY.

Schedule 3, paragraph 339, of the new tariff bill, as it comes from the House of Representatives, covers the bulk of the products of aluminum which this aluminum ware committee has to deal with.

Paragraph 339 raises table, kitchen, and hospital utensils and similar hollow ware from 25 per cent ad valorem to 28 per cent ad valorem. It raises flat ware of aluminum from 20 per cent ad valorem to 28 per cent ad valorem.

There are other paragraphs which affect to a small degree products of aluminum. By these other paragraphs the rate of duty is raised from 20 per cent ad valorem to 25 per cent in some cases, to 30 per cent in some cases, and to 35 per cent in some cases; but since aluminum hollow ware and aluminum flat ware constitute so nearly the entire output of American producers of aluminum goods, it is not considered worth while to comment, in this supplemental brief, upon the provisions of any paragraph except those of paragraph 339, carrying a rate of 28 per cent ad valorem.

H. R. 7456 grants to manufacturers of aluminum ware no protection whatever by way of any specific duty. It grants additional protection, over the rates of the existing law, by an increase of only 3 per cent ad valorem on hollow ware and of 8 per cent ad valorem on flat ware. The American valuation clause is intended merely to equalize exchange rates between the United States and foreign countries.

ARGUMENT.

The aluminum ware committee respectfully request that their original brief be considered in connection with this supplemental brief. Our original brief contains many exhibits and compilations of figures in support of the points made in behalf of American manufacturers of aluminum ware, and we can avoid much repetition by assuming that this supplemental brief and the original brief will be read and considered together.

In our industry it is absolutely essential that American valuation prevail at the present time as a basis of ad valorem duties. Section 402 of the new tariff bill provides for American valuation of imports. We understand that both the Senate and the House of Representatives favor American valuation in substantially the form now proposed by the new bill. If so, we need not here make any argument on the subject. We merely point out that the new tariff bill, if intended to protect American industry, must not only provide normal ad valorem duties sufficient to cover the gap between the usual wage paid in Europe and that paid in the United States, but must have also some simple and automatic device that will overcome at all times and through all fluctuations the lower value of European-made goods which results from depreciated currencies. We believe this automatic regulator is provided by the American-valuation plan contained in section 402 of the pending bill.

We assume, therefore, that American valuation will be in the new tariff law and that American industry will thereby be protected against any influx of manufactured articles which are artificially cheap because paid for in money that is nearly worthless; and we turn our attention to the matter of a fair and reasonable duty on aluminum ware, based upon valuations which by the operation of section 402 have been made the equivalent of prewar valuations.

The aluminum ware committee, in view of the proposed duties contained in paragraph 339 of schedule 3 of the new tariff bill, wish to urge three principal arguments in support of higher duties on imports of aluminum ware, as follows:

1. *Aluminum hollow ware and flat ware should be given a measure of protection equal to that awarded to enamel ware of the same kind.*—Paragraph 339 of the new tariff bill imposes a duty of 30 per cent ad valorem on enamel hollow ware and flat ware, plus 5 cents per pound, while the same utensils, if composed wholly or in chief value of aluminum, carry a duty of 28 per cent ad valorem and no specific duty.

Table, household, kitchen, and hospital utensils and similar hollow or flat ware, if composed of iron or steel and enameled or glazed, are identical in shape, form, and size with table, household, kitchen, and hospital utensils and similar hollow or flat ware composed of aluminum. The manufacturers of enameled ware and the manufacturers of aluminum are competing in the same market and are selling their products for the same use. An aluminum teakettle weighs less and costs more than an enameled teakettle of the same capacity.

For practical purposes it can be said that a kitchen or household utensil of any given size and capacity weighs about three times as much in enamel ware as it does in aluminum ware. Therefore, if enamel ware is placed under a specific duty of 5 cents per pound, aluminum ware ought to carry a duty of 15 cents per pound. As to the ad valorem duties, aluminum ware certainly ought to be given at least as high a rate as enamel ware.

We believe, and we earnestly urge, that the rates asked for in our original brief should be enacted into law in the new tariff bill, viz: Forty-five per cent ad valorem plus 15 cents per pound, with American valuation. These figures are not too high in the face of the extraordinary conditions which threaten this industry in the United States; conditions which include not merely the usual wage differential, with which American industry has had to cope for many years, but the tremendous cheapening of the European products as the result of depreciated currency.

We believe that enamel ware ought to have 45 per cent ad valorem and 5 cents per pound specific, and that aluminum ware ought to have 45 per cent ad valorem and 15 cents per pound specific, which would put the enamel ware industry and the aluminum ware industry on an even basis. But if enamel ware is to be limited to 30 per cent ad valorem and 5 cents per pound, then aluminum ware certainly ought to be given 30 per cent ad valorem and 15 cents per pound. If any discrimination is made in the new tariff bill between enamel ware and aluminum ware, in the matter of the amount of protection afforded, it ought not to be against aluminum ware but in favor of it, for the reason that aluminum ware is a newer entrant in the market and has not had as many years in which to establish itself as a commercial and household necessity.

2. *A rate of 28 per cent ad valorem on aluminum hollow ware and flat ware is insufficient to afford any measure of protection to the American makers of these goods.*—This point has already been touched upon, and we think it will not be necessary to make much additional argument in support of it. We might call attention to some of the statistics contained in our original brief. The manufacturers of aluminum ware in the United States employ more than 6,500 workers, all of whom are paid the American scale of wages. It would be utterly impossible to cut these wages down to the level of German wages in the same industry, even if the German mark which is used in paying German wages were worth 24 cents as before the war; and it is more conclusively impossible to cut American wages down to the level of German wages when it is considered that the latter are paid in marks that are worth less than a cent and a half. Yet without such a tremendous cut it would be impossible for the American factories to continue to operate in competition with Germany, in the absence of tariff protection.

Assuming that American valuation will be part of the new tariff law, and will operate to overcome the cheapening effect of depreciated currencies in Europe and elsewhere, it follows that valuations for ad valorem duties will hereafter be on substantially the same basis as they were before the war, when the currencies of foreign countries were all of a value that we were accustomed to call normal. Having accomplished this, there remains the problem of furnishing adequate protection to the American industry, by proper ad valorem and specific duties sufficient to assure the maintenance of the American wage scale against the lower scales paid by foreign manufacturers. As we have already shown, it was the judgment of Congress, for the greater part of the 38 years since aluminum ware was recognized in American tariff legislation, that 45 per cent ad valorem was the proper duty to place on imported aluminum ware for the protection of the American industry. The reduction of this rate by about one-half, in 1913, immediately increased importations of European-made aluminum ware. Now, under post-war conditions, we submit that the 45 per cent rate is certainly not too high. Wages have gone up all over the world since the war. The increase in Germany and other European countries is nominal, and not actual; but the increase is actual in the United States. If American manufacturers of aluminum ware are to continue in business, and if unemployment or reduced wages in this industry are to be avoided, an ad valorem rate no less than 45 per cent should be written into the new tariff.

3. *The aluminum ware committee call attention to the fact that increased duties have been placed upon aluminum sheet, which is the raw material consumed by the manufacturers of aluminum ware.*—Under the 1913 tariff law, aluminum scrap and aluminum in other crude form carries a duty of 2 cents per pound, and aluminum plates and sheets carry a duty of 3½ cents per pound. The new tariff bill proposes to raise the first class of aluminum (crude) from 2 cents to 5 cents per pound, and the second class (plates and sheets) from 3½ cents to 9 cents per pound. (Schedule 3, par. 374.)

No argument is needed to demonstrate that the manufacturers represented by this aluminum ware committee, all of whom are constantly compelled to purchase sheet aluminum as the raw material for their product, will hereafter find their raw material costing them more under the new rates. If these manufacturers continue to pay the American scale of wages, and pay even more for their raw material than they have heretofore paid, it is obvious that the cost of their product can not possibly be reduced to meet the competition of European manufacturers of aluminum ware. We wish to impress upon the Senators and the Members of the House of Representatives that the aluminum ware committee who present this brief are representatives of the

consumers of aluminum sheet and not of the producers of aluminum sheet. The manufacturers of aluminum ware in the United States would like to buy their raw material as cheap as possible, and will enter any market where they can save money on their purchase. If the American producers of aluminum sheet could stay in business and make a living profit without any tariff protection whatever the manufacturers of aluminum ware represented by this committee would favor putting aluminum sheet on the free list. But we do not wish to ask that aluminum sheet be deprived of its proper measure of protection. We want aluminum sheet to be produced in the United States. It would seriously injure the business of manufacturing aluminum utensils and other aluminum goods to destroy, or even injure, the aluminum sheet industry in this country, for any such situation would force us to scour foreign countries for our supply of the raw material needed in our business.

The aluminum ware committee do not know what measure of protection is needed to enable American producers of sheet aluminum to continue in business in the face of present conditions in Germany and other countries in Europe. In the absence of knowledge on the subject, we do not consider it proper to object to 5 cents per pound on crude aluminum and 9 cents per pound on aluminum sheet, even though these rates will add to the cost of the raw material which our factories consume; but the propriety of these rates being conceded, we call attention to the fact that the consumers of aluminum sheet, to wit, the manufacturers of aluminum hollow ware and flat ware, must be accorded a corresponding increase of tariff protection upon their product.

This has not been done by the slight increase provided in paragraph 339 of Schedule 3 of the new tariff bill. An increase on our products of only 3 per cent ad valorem is so small as to be negligible. If the increased duty on sheet aluminum results in even a slight advance in the price which the aluminum-ware manufacturers must pay for their sheet, the resulting disadvantage to them in their efforts to compete with the European product will not be cured by increasing their protection only to 28 per cent ad valorem.

The aluminum-ware committee believe it is proper at this time to insert in this supplemental brief the following statement:

Charges have been made and circulated by certain importers of aluminum ware to the effect that American manufacturers of aluminum ware are dominated and controlled by the Aluminum Co. of America, which company is the largest producer of sheet aluminum in this country. Importers of foreign aluminum ware are doing their best to prevent the imposition of any tariff duties on aluminum ware which would tend to restrict importations. Their motive in making these charges, therefore, is apparent. The importers allege that the Aluminum Co. of America is a very large and strong institution, and that it needs no tariff protection, and that the manufacturers of aluminum ware need no protection because they are merely subsidiaries of the Aluminum Co. of America. We do not know whether these claims and charges of the importers have had any effect upon Senators or Members of the House of Representatives who have had occasion to consider aluminum tariff schedules; but in order that our silence may not be construed to be an admission, and to make certain that the truth is known, we state here that the Aluminum Co. of America does not own or control or dominate the manufacturers of aluminum ware in the United States. The tariff committee of the aluminum ware manufacturers, which presents this supplemental brief, represents 34 manufacturers of aluminum ware in the United States. A complete list of these 34 manufacturers is found on pages 4 and 5 of our original brief.

The committee are able to state that 32 out of these 34 manufacturers are absolutely and completely independent of the Aluminum Co. of America; that the Aluminum Co. of America has neither stock control nor stock interest, directly or indirectly, of any kind or description, in these 32 companies; and that as to the remaining two companies on the list, the aluminum-ware committee find, after careful inquiry, that in one of them the Aluminum Co. of America is merely a minority stockholder, and has never been anything but a minority stockholder, and does not now control and never has controlled the board of directors or the business operations of the company. This leaves one company out of 34, engaged in the manufacture of aluminum ware, which might be considered controlled or dominated by the Aluminum Co. of America. No member of the aluminum-ware committee has the slightest interest in or connection with the Aluminum Co. of America, and the members of the committee wish to make it plain that their efforts are here put forth solely in behalf of the manufacturers of aluminum ware; that they are not arguing for or against the interests of the Aluminum Co. of America or the interests of any other producer of aluminum sheet; that the manufacturers of aluminum ware wish to buy their sheet aluminum as cheap as pos-

sible, but do not believe that their interests would be served by legislation which would restrict or stop the production of sheet aluminum in the United States; that the manufacturers of aluminum ware represented by the committee are independent and competing concerns, and not mere agencies or subsidiaries of the producers of aluminum sheet; and that statements and charges to the contrary are false, and are inspired by persons who hope to reap a profit in the importing business if they can persuade the Congress to deny protection to the aluminum-ware manufacturers.

The aluminum-ware committee submit that it would not be unlawful or immoral for the Aluminum Co. of America to control, by stock ownership or otherwise, a corporation manufacturing aluminum ware. Whether any such control is exercised, and to what extent exercised if at all, is entirely irrelevant to the inquiry. We would not have felt called upon to mention the matter at all, except for the fact that importers of aluminum ware concocted the story in the hope that it would prejudice us before the committees of Congress.

IN CONCLUSION.

We respectfully urge that paragraph 339 of Schedule 3 of the new tariff bill be amended, before the bill is enacted into law, so as to provide that the duty on table, household, kitchen, and hospital utensils and similar hollow or flat ware, not specially provided for, if composed wholly or in chief value of aluminum, shall be 45 per cent ad valorem and 15 cents per pound. We would not object to the same rates being fixed for enamel ware, the specific duty being reduced to 5 cents per pound because of difference in weight. Aluminum ware ought not to be accorded any less tariff protection, under any circumstances, than is provided for enamel ware.

ENAMEL WARE.

[Paragraph 339.]

BRIEF OF ROSCOE C. McCULLOCH, REPRESENTING THE AMERICAN MANUFACTURERS OF ENAMEL WARE.

On behalf of certain American manufacturers of enamel ware, which is covered by paragraph 339, page 56, of H. R. 7546, I submit the following brief, leave having been granted by the Finance Committee at a hearing on August 26, 1921. The paragraph in the Fordney bill as it relates to enamel ware is satisfactory to the manufacturers who signed this brief.

The act of 1909 provided a duty of 40 per cent ad valorem.

Paragraph 134 of the act of 1913 as it relates to enameled ware reads as follows:

"Table, kitchen, and hospital utensils, or other similar hollow ware composed of iron or steel, enameled or glazed with vitreous glasses, 25 per cent ad valorem."

We ask that the paragraph relating to enameled ware in the new law read as follows:

"Table, household, kitchen, and hospital utensils, or other similar hollow ware, and flat ware composed of iron or steel, enameled or glazed with vitreous glasses, 5 cents per pound and 40 per cent ad valorem."

Note changes in phraseology from act of 1913:

First. Include the word "Household," which will make the paragraph more comprehensive.

Second. Add the words "and flat," which will make the paragraph cover enameled spoons, ladles, tea strainers, etc., which are of a kindred nature.

Before the war, Germany was the leading foreign producer of enameled ware and it is from Germany that intense competition in enameled ware products is now sure to come.

INVESTIGATION IN GERMANY, JUST FINISHED, DISCLOSES STARTLING FACTS.

Henry C. Milligan, chairman of the tariff committee, Enameled Ware Association, representing the enameled ware industry in the United States, returned February 25, 1921, from Europe, where he made a careful, detailed, first-hand investigation into present conditions, and the following data and facts in regard to wages and conditions in Germany in the enameled ware industry are based upon his investigations.

(See verifying exhibits following.)

DOMESTIC CONDITIONS.

In addition to the investigation made abroad, a questionnaire was sent out on January 19, 1921, to 26 establishments manufacturing enameled ware in the United States, asking for information in regard to wages and competitive conditions. Twenty concerns answered the questionnaires, and the following facts and tabulations of wages paid in the United States are based upon the answers of these 20 concerns.

(See verifying exhibits following.)

We submit the following tabulations and comparison of labor costs in Germany and the United States, figuring the mark on basis of 2 cents in United States currency:

	United States, per hour, cents.	Germany, per hour.	
		Cents.	Marks.
Machinists.....	76½	9	4½
Pressmen.....	65	9	4½
Spinners, beadlers, small punch presses.....	62	8	4
Riveters and welders.....	56½	5½	2½
Picklers.....	58	9	4½
Dippers (average of men and girls).....	57½	6½	3½
Inspectors (girls).....	45½	5	2½
Burners.....	70½	0	4½
Sorters and wrappers (female).....	35	5	2½
Packers.....	58½	8½	4½
Common labor.....	47½	7½	3½
Average wages, per hour.....	57½	7½	3½

The tabulations show that the cost of labor in Germany to-day, basing the value of the mark at 2 cents American money, is just one-eighth what it is for the same work here.

The labor rates taken to represent the German costs are from the detailed schedule of wages for machine industries, foundries, enameling works, etc., the highest rate being taken in each case and the mark figured at a value of 2 cents in United States currency, which is much higher than its to-day's value.

CONCLUSIONS DRAWN FROM INFORMATION SECURED.

On the basis of the foregoing tabulations in regard to comparative wages, and on the basis of material costs, which are relatively as low, an expert of the Treasury Department figured that it would require an ad valorem duty of 767 per cent to equalize the difference in the cost of production of enameled ware in Germany and the United States.

For example, \$100 in value of enameled ware produced in the United States would cost on the above basis of calculation \$12.50 to produce in Germany.

Mr. Milligan in his report, which is attached hereto and marked "Exhibit 4," clearly points out the important fact that Germany, while defeated in the war, is to-day "in a more formidable position to secure the world's markets on manufactured goods than ever before." Mr. Milligan's conclusions should be read by everyone interested in American industrial prosperity.

The tabulation of the reports of the 20 concerns submitting questionnaires, including a conservative estimate of the concerns not returning the questionnaires, show a grand total of 13,583 persons employed in the enameled kitchen-utensil business in the United States during the year 1920 and a normal force of approximately 18,000 people.

WAGES IN THE UNITED STATES.

The tabulation of wages paid by the various concerns in the various lines of work in the industry in the United States show quite a variation, due likely to the different methods in vogue in different factories; also due to local conditions and to the fact that some plants employ women for certain lines of work where men are used exclusively in others. (See Exhibit 2.) Tabulations have been made on the basis of a 10-hour day and the average for the 20 factories reporting shows wages paid from \$7.65 per day for machine shop employees down to \$3.75 per day for sorters and wrappers (female).

The average wages paid per hour in the entire industry figure at the rate of 57½ cents per hour, as determined by these calculations.

WAGES IN GERMANY.

Against this are tabulated the present German rates for the same class of work as taken from the detailed schedule of wages for machine industries, foundries, enameled works, etc., the highest rate on this schedule being taken in each case. Figuring the mark at a valuation of 2 cents in United States currency, which is much higher than its to-day's value, it is shown that German workers are being paid the equivalent of 5 to 9 cents per hour in American money or an average of 7½ cents per hour, as against 57½ cents per hour paid in the United States.

In other words, the cost of labor in Germany to-day, basing the value of the mark at 2 cents American money, is just one-eighth what it is for the same work here.

The questionnaires tabulated show an average ratio of labor cost to the total cost of production of 37½ per cent. Adding to this the indirect labor, such as clerks, foremen, office force, etc., it is seen that the total cost of labor in the enameling industry in the United States is easily 50 per cent of the total cost of production. (See Exhibit 2.)

The present duty of 25 per cent is based on the exchange value of the money of the country from which the shipment comes as determined on day of shipment from the home port. Consequently, with the value of the mark less than 10 per cent of its normal value the present duty of 25 per cent is in reality less than 2½ per cent when translated into United States valuations.

RAW MATERIALS.

Germany and Austria, before the war, according to investigations by the United States Tariff Commission, manufactured about 75 per cent of the world's supply of enameled ware and the strong position of Germany, according to the Tariff Commission, "was due to the skill of the German workmen in controlling temperatures in furnaces, to practically and theoretically trained chemists and engineers, and to research work carried on in well-equipped laboratories as well as to low costs on raw materials, fuel, and labor."

While Germany's competitive conditions were disturbed and disrupted during the war, yet they are fast getting back upon a prewar basis. (See Exhibit 4.)

Germany has long been known as the producer of the various chemical products entering into the manufacture of enameled ware, glassware, etc., such as soda, potash, various color oxides, etc. Likewise, she is self-contained as to feldspar, fluorspar, silica, etc., which largely make up the enameled mix.

Steel which is used as the base for enameled ware products is largely, if not all, self-produced by Germany. The only important materials which Germany is obliged to purchase on the outside are borax and oxide of tin.

While the report of the United States Tariff Commission discloses that during the war Germany has been somewhat handicapped for fuel and steel, yet it is evident that she is fast recovering her normal competitive advantages as to these materials.

So that it is a fair conclusion to draw from all the facts disclosed, that basing a mark at 2 cents, the same situation applies to the 50 per cent of the cost of manufacture represented by raw materials as applies to labor cost. In other words, the cost of export by Germany when translated into American dollars is so low that any duty that might be imposed would be of little avail in preventing our markets from being flooded, unless such a duty were to be based upon the value of the goods as produced in this country, rather than on the value in Germany with duty figures on the depreciated rate of exchange, as is the case at the present time.

The exchange situation is such a complicated one and one that is bound to vary as the months go on, that it is impossible to suggest any rate of duty that would protect the enameled ware industry at this time, unless such a rate were based upon the cost of production in the United States.

Spain has recently placed a duty of 100 per cent on the importation of enameled ware as a protection to the enameled ware industry developed in Spain during the war.

England as well has just provided a duty of 50 per cent on enameled ware, effective March 31, 1921.

Just prior to the war and during the war, Japan has made rapid strides in the enameled ware field, and there is no question but what we can look for serious competition from this quarter once they are able to obtain the necessary supplies of steel, which they were unable to get during the war. Already samples of Japanese enameled ware are being shown and orders solicited at prices below cost of production in this country.

From the facts disclosed by the investigation of our chairman, we recommend—

1. The enactment of an antidumping bill.

2. The passage of a measure providing for the establishment of duties on American valuations in American dollars at port of entry, instead of the fair market selling prices in the countries in which goods are produced.

3. That if goods are to be valued at United States fair market selling prices, then we ask that a duty of 5 cents per pound and 40 per cent ad valorem be provided in the enameled ware enumerated.

CHAIRMAN MILLIGAN'S REPORT.

TO THE TARIFF COMMITTEE, SHEET METALWARE ASSOCIATION.

GENTLEMEN: In submitting my report regarding European competition as relates to the enameled-ware industry, I take pleasure in stating that we have been fortunate in securing abroad valuable data which should be the foundation of an able appeal to our Government for a just and proper tariff to safeguard the interests of the industry.

Your chairman is attaching to this report, for the benefit of each member of the committee, copies of certain important information which each member should fully weigh in arriving at his respective views. In addition to the copies attached hereto, I have secured a vast amount of inside information, and have tabulated a number of newspaper clippings showing the general feeling of unrest, especially among the manufacturers in England, who have had brought home to them in a most forcible manner what German competition, with the mark reduced from a nominal value of 23.8 cents down to a little over 1½, really means to them, and what it will surely mean to us as soon as the floodgates are thrown open, unless we awake to the situation and obtain the necessary relief before it is too late. In Germany, as you are aware, the mark is a mark, and on the basis of the mark their manufacturing costs are computed. England, as intimated, while always recognized as a free-tariff country, is now seeking some means of protecting her own industries, which at this time are being destroyed by the low prices made to them by Germany on all manufactured articles. They have what is known as a "dumping act," which in years past acted as a protection in a measure to their own industries, but at the present time it has no appreciable effect, so that now they have attached to the reparations bill a tax to be added to the price of German goods which is intended to protect their enameling and other industries from this competition. The bill has passed its second reading in Commons and will probably go into effect the last of March.

Germany, Austria, and Sweden, prior to the World War, as you are aware, were the European centers where most of the foreign enameled ware came from. The cutting up of central Europe, the formation of new states, the division of territory, and the immense cost incurred in the war, have left all these states in a most deplorable condition, financially and economically.

Just prior to the war and during the war Japan made rapid strides in the enameled ware field, and there is no question but what we can look for serious competition from this quarter once they are able to obtain the necessary supplies of steel, which they were unable to get during the war. Already samples of Japanese enameled ware are being shown and orders solicited at prices below cost of production in this country.

Germany, it would seem: has been an exception. She has not felt as the other sections have the havoc that has been wrought by the war, she having prepared in advance the cost of her contest for world power and trade; and when she has failed on the battlefield and been humiliated, and has met great losses, she to-day is in a more formidable position to secure the world's markets on manufactured goods than ever before. To better illustrate this point, I would advise that in 1913, prior to the war, I talked with bankers and manufacturers in Berlin, Düsseldorf, and Cologne on the matter of a special military tax, which in 1913 was levied. A feeling of indignation existed among all classes, they remarking that they could not understand why a military tax then should be demanded, as they could not see where there was any prospect of war. This special tax was a particular hardship on all classes. In talking with a clerk in the hotel in which I stopped at in Cologne he remarked that his additional tax was the equivalent of one month's pay, and as he put it, "We are not in war and we can not understand why this extra tax should be put on us, as we are taxed now, we feel, up to our limit." Germany has her banking connections in the principal markets of the world, and through these banking connections long credits are given the buyers who in turn, knowing the standard of the foreign buyer, negotiate their acceptances and allow the credit they require, thus enabling the German manufacturer to realize on his shipments by receiving, through these banking channels, ready cash. The German Government has always rendered assistance to their manufacturers by subsidies in one way or another, especially so as they relate to shipping rates. To-day enameled goods are being shipped to South American ports from

Hamburg, particularly to Argentina, at \$8 per ton, against New York shipping rates to Argentina of \$27 per ton. This, of itself, is a great handicap to American manufacturers seeking export business, and both the United States and England are without redress against these advantages, to which Germany seems to feel she has the exclusive right.

It would seem hardly necessary for me to impress upon each member of the committee, who already knows that Germany was perhaps the most efficiently organized industrial nation in the world prior to the war, that she is holding her own in these characteristics as in the past. I have from most reliable sources information to the effect that almost every industry of importance in Germany is to-day paying larger dividends than before the war, and in England it is specially admitted that her determination to control the world's markets never was more manifest, and that unless the countries which fought her on the battlefield in which she was defeated awoken to the true situation, Germany will defeat them by crippling their different industries and securing the world's markets on all manufactured goods by underselling them. At this writing there are 146 lines of German goods being shown in the city of New York alone, at the Imperial Hotel. I have reliable information to the effect that New York is no exception, but that Germany is being represented all over the world with samples of her cheap manufacture.

With reference to Austria, she no longer is a factor. Sweden, with everything advanced there but her currency (kronen) remaining almost normal, being reduced from its prewar standard of value 0.2680 to only 0.2230, is in no position to compete with Germany. In fact, they are feeling German competition in manufactured wares, so that it really revolves itself down to the one competitive country—Germany.

By examining the attached papers relative to wages paid, etc., you will note that while costs are figured on a 48-hour a week basis, yet they know no limit of hours of toil, and are utilizing child labor to a very great extent. You will note that the wages paid are a mere fraction of the wages paid in this country for similar work. Overhead expenses are proportionately low, while materials entering into the manufacture of enameled ware are lower in Germany with two exceptions, and the prices for such chemicals used are lower than the prices paid here.

It might be well to stop and think for a moment: Should not self-preservation influence us in asking that some protection by our Government be given an industry employing many thousands, both male and female, as well as involving many millions of capital? It is our duty not only to urge but to do everything in our power to secure protection for our employees, as well as protection for the vast amount of capital involved in our industry, and to give to the congressional committee all authentic information secured and available.

Germany's propaganda is to the effect that if we expect her to pay the indemnity asked for by the supreme council of the League of Nations, we should buy from her. For the sake of argument, let us admit that exchange of trade is necessary, and to a certain degree admit that in order to ever reach normal conditions, if we sell we must buy; but should we not at this time confine the exchange of trade to such products as will not destroy our industries or throw our factory employees into a bread line? Unless some measure be taken in the way of a protective tariff or a revision of the dumping act—not a prohibitive tariff—a tariff based on just and fair lines, making competition what it should be, instead of Germany paying the indemnity asked for, indirectly our country will have to pay a very large percentage of it.

It will be interesting for you to know that already combinations of bankers and planters in the South have organized corporations for the purpose of shipping their cotton into Czechoslovakia for conversion. This republic, to my mind, will rise to a high position eventually in the world's estimation of countries. To-day it is impoverished, but has vast natural resources. These, together with its mills and factories, will assure its future economic prosperity through its present republican Government, the head of which was formerly in charge of one of our largest institutions in the United States. To-day, however, its crown, normal value 0.2028, is but 0.0128. Labor is on as low a basis as Germany. Now, I have in mind a corporation known as the Mississippi Delta Cotton Exporting & Trading Co., with headquarters at Clarckdale, Miss. This corporation is organized with a large capital. Its directors are prominent bankers and planters in the South. The corporation is organized under the State of Tennessee, with domicile at Memphis, Tenn., and with branch offices in New York and different cities in Europe. They have already secured on a conversion basis 49 per cent of the cotton mills in Czechoslovakia. I am informed that other similar syndicates have been formed and are preparing to utilize the cheap labor in Germany and other central European states.

It must be self-evident to those who will give the matter any thought, that it means supplying cheap foreign labor where it can be utilized, and thus depriving our own citizens of a just means of earning a livelihood.

In this preamble I have only touched on a few of the many matters and conditions relative to the subject matter, my idea being to present in tabulated form all information obtained so that at the first meeting of the committee they may study every angle and be sufficiently informed to present such a brief to Congress as will be convincing to the honorable Ways and Means Committee when the matter of tariff on our industry comes up for hearing.

Now, in reaching my deductions of the questionnaires sent out to various enameled-ware manufacturers in the United States, we have received returns from 20 concerns, while 6 have made no reply to our several letters urging their cooperation. The 6 not replying are as follows: Lalance & Grosjean, Canton Stamping & Enameling Co., New England Enamel Co., Fletcher Enamel Co., Federal Enameling & Stamping Co., Baltimore Stamping & Enameling Co.

I desire to call your attention specially to the tabulation of the reports of the 20 concerns submitting questionnaires, including a conservative estimate of the concerns not returning questionnaires, showing a grand total of 13,583 persons employed directly in the enameled kitchen utensil business during the year 1920, and a normal force of approximately 15,000 people.

The tabulation of wages paid by the various concerns in the various lines of work in the industry show quite a variation, due undoubtedly to different methods in vogue in different factories; also due to local conditions and to the fact that some plants employ women for certain lines of work where men are used exclusively in others. Tabulations have been made on the basis of a 10-hour day, and the average for the 20 factories reporting shows wages paid of from \$7.65 per day for machine-shop employees down to \$3.75 per day for sorters and wrappers (female).

The average wages paid per hour in the entire industry figure at the rate of 57½ cents per hour, as determined by these calculations.

Against this we have tabulated the present German rates for the same classes of work, as taken from the detailed schedule of wages for machine industries, foundries, enameling works, etc., the highest rate on this schedule being taken in each case. Figuring the mark at a valuation of 2 cents in United States currency—which is much higher than its value to-day—it is shown that German workers are being paid the equivalent of 5 to 9 cents per hour in American money, or an average of 7½ cents per hour.

In other words, the cost of labor in Germany to-day, basing the value of the mark at 2 cents in American money, is just one-eighth what it is for the same work here.

The questionnaires tabulated show an average ratio of labor cost to the total cost of production of 37½ per cent. Adding onto this the indirect labor, such as clerks, foremen, office force, etc., it is seen that the total cost of labor in the enameling industry in the United States is easily 50 per cent of the total cost of production.

The present duty is based on the exchange value of the money of the country from which the shipment comes, as determined on the day of shipment from the home port. Consequently, with the value of the mark at less than 10 per cent of its normal value, the present duty of 25 per cent is in reality less than 2½ per cent when translated into United States values.

With reference to the other 50 per cent cost of manufacturing enameled ware, it would appear from calculations made from our own cost figures for last year, that this was divided almost equally between stamping materials, such as steel, hoop iron, wire, etc., and the other raw materials such as chemicals, fuel, packing, and wrapping materials, etc.

Regarding these raw materials, the comparative cost as between Germany and the United States is very much affected by the question as to whether they are produced in Germany or are purchased from the outside world, either in the raw or semifinished form.

From the data we have, those which are produced in Germany almost without exception stand at a lower cost value (even figuring the mark at par) than the same materials in the United States. Germany has long been known as a producer of the various chemical products entering into the manufacture of enameled ware, glassware, etc., such as soda, potash, various coloring oxides, etc. Likewise, it is self-contained as to feldspar, fluor spar, silica, etc., which largely make up the enamel mix.

Also, as to the steel used as the base for our product, it would appear that the bulk, if not all, of the steel used in Germany to-day is self-produced.

The only important materials which Germany is obliged to purchase on the outside are borax and oxide of tin.

Translating the cost of raw materials into United States values, basing the mark at 2 cents, the same situation applies to the 50 per cent of the cost of manufacture represented by raw materials as applies to the labor cost. In other words, the cost for export when translated into American dollars, is so low that any duty that might be

imposed would be of little avail in preventing our market from being flooded, unless such a duty were to be based upon the value of the goods as produced in this country, rather than on the value in Germany with duty figured on the depreciated rate of exchange as is the case at the present time.

The exchange situation is such a complicated one, and one that is bound to vary as the months go on, that it is impossible to suggest any rate of duty that would protect us at this time, unless such a rate were based upon the cost of production here. If it were possible to obtain a duty of this kind, it would appear as if a rate of 80 per cent would not be any too high to cover the present situation. (In this connection we understand Spain has recently placed a duty of 100 per cent on the importation of enameled ware to protect the several enameled-ware factories established there during the war.) A report from London, dated March 1, is to the effect that the House of Commons, with the consent of the Government, decided that the German reparation bill, providing for a sufficient levy on the purchase price of imported German goods, shall not come into effect until March 31, the measure having passed its second reading in the Commons on Monday last, March 14.

From the information above given, your chairman offers as a suggestion for the committee's consideration the advisability of advocating what it would appear now to be the opinion of those in Congress who have given the subject of tariff consideration:

1. The importance of advocating an enactment of an antidumping bill prior to full consideration of a revised tariff, covering the importation of foreign-made goods, taking American valuation of home product as a basis for duty purposes.

2. The passage of a measure as an amendment to the existing tariff law which would assess duties on the basis of value in American dollars at port of entry, instead of the value of the fair market-selling prices in the countries in which goods are produced; that a duty of not less than 80 per cent be asked for.

Comparative American and German prices of enameled kitchen utensils.

[We have taken the weight and cubic measurements of the different cases. The quantities vary according to sizes, but have reduced the weight and cubic measurements to basis of 1 dozen each.]

Item.	Case.	Size.	Gross weight per pound.	Cubic inches per dozen.	United States selling price.	Per cent duty at 5 cents per pound.	Amount of duty at 5 cents per pound.	Duty, 40 per cent ad valorem.	Total duty.	German selling price.	German prices, duty added.	United States selling price.
	<i>Dozen.</i>		<i>Dozen.</i>									
Washbasins.....	12	No. 28.....	11½	432	\$4.32	13½	\$0.58	\$1.73	\$2.31	\$1.80	\$4.11	\$4.32
Do.....	12	No. 30.....	13½	475	4.96	13½	.66	1.98	2.64	2.05	4.69	4.96
Do.....	12	No. 32.....	15½	576	5.76	13½	.77	2.30	3.07	2.25	5.32	5.76
Do.....	6	No. 34.....	18½	864	6.72	13½	.91	2.69	3.60	2.60	6.20	6.72
Do.....	6	No. 40.....	22	922	9.28	11½	1.10	3.71	4.81	3.25	8.06	9.28
Straight seamless cups.....	25	½ pint.....	6½	829	2.40	13½	.32	.96	1.28	1.02	2.30	2.40
Do.....	12	1 pint.....	7½	979	2.80	13½	.38	1.12	1.50	1.20	2.70	2.80
Chambers.....	6	No. 1.....	15½	2,890	5.12	15	.77	2.04	2.81	2.25	5.06	5.12
Do.....	6	No. 1½.....	19½	3,744	6.40	15½	.98	2.58	3.54	2.65	6.19	6.40
Do.....	6	No. 2.....	25	5,184	7.04	17½	1.22	2.82	4.04	3.20	7.24	7.04
Soap dishes.....	36	No. 60.....	4½	192	3.00	7	.21	1.20	1.41	1.60	3.01	3.00
Lip sancepans.....	30	No. 14, 1 quart.....	6½	461	3.82	9½	.34	1.41	1.75	1.45	3.20	3.82
Do.....	25	No. 16, ½ quart.....	8½	622	3.84	11½	.44	1.54	1.98	1.85	3.83	3.84
Do.....	18	No. 18, 2 quarts.....	12½	960	4.32	14½	.61	1.73	2.34	2.25	4.59	4.32
Do.....	12	No. 22, 3 quarts.....	15	1,152	5.44	13½	.75	2.17	2.92	3.20	6.12	5.44
General average.....						13½	.67	2.00	2.67	2.17	4.84	5.00

Figuring the above on net weight basis, the average net prices would be as follows: As applied to German prices, \$4.60, instead of \$4.84, this difference being 9 per cent on net weight, as against 13½ per cent on gross weight.

MACFARLANE & ROBINSON (LTD.),
New York, March 29, 1921.

Mr. HENRY C. MILLIGAN,
The Republic Stamping & Enameling Co., Canton, Ohio.

MY DEAR MR. MILLIGAN: I duly received your wire of yesterday requesting information regarding the selling prices of German-made white enameled ware for kitchen and household purposes, and hasten to state that the prices which are being made to the wholesale and export trade figure in most cases about 100 per cent lower than the fair market selling prices of similar American-made goods. Consequently, our branch office in New York has been put almost completely out of business. As to export trade, we are absolutely doing nothing, as we find it impossible to compete with the prices being made by German manufacturers.

It would seem that the different producers of enameled ware have formed sort of a combination, the prices being almost uniformly the same by all manufacturers. I am giving you below a few staple lines with which the prices being made, and which speak for themselves. Should you require the complete schedule for the entire line, kindly advise me and I will prepare the same for you.

The German selling prices to the trade are all figured per piece, and are computed for comparison per dozen, the same as the American prices are figured, per dozen. In converting these figures, I have taken the value of the mark at 2 cents American money.

American style or pattern.

Item.	Size.	Per dozen, net.	
		German prices.	American prices.
Washbasins.....	No. 28.....	\$1.80	\$4.32
Do.....	No. 30.....	2.05	4.96
Do.....	No. 32.....	2.25	5.76
Do.....	No. 34.....	2.60	6.72
Do.....	No. 36.....	2.65	7.55
Do.....	No. 40.....	3.25	9.28
Straight seamless cups.....	1-pint, No. 7.....	.90	2.00
Do.....	1-pint, No. 8.....	1.02	2.40
Do.....	1-pint, No. 9.....	1.20	2.80
Do.....	1 1/2-pint, No. 10.....	1.40	3.75
Our No. 1 chambers.....	No. 18.....	2.25	5.12
Our No. 1 1/2 chambers.....	No. 20.....	2.65	6.40
Our No. 2 chambers.....	No. 22.....	3.20	7.04
Our No. 3 chambers.....	No. 24.....	3.60	7.68
Our 2-quart pitchers.....	No. 13, 1.5 liters.....	4.70	9.60
Our 2 1/2-quart pitchers.....	No. 15, 2.6 liters.....	5.55	10.40
Our 3-quart pitchers.....	No. 17, 3.7 liters.....	7.10	12.80
Our 2-quart teakettles.....	No. 20, 2.1 liters.....	5.90	10.50
Our 3-quart teakettles.....	No. 22, 2.6 liters.....	7.25	12.00
Our 4-quart teakettles.....	No. 24, 3 liters.....	8.00	12.80
Our 5-quart teakettles.....	No. 26, 4.4 liters.....	8.80	14.40
Soap dish with drainer.....	No. 60.....	1.60	3.00
Our 1-quart lipped saucepans.....	No. 14.....	1.45	3.52
Our 1 1/2-quart lipped saucepans.....	No. 16.....	1.85	3.84
Our 2-quart lipped saucepans.....	No. 18.....	2.23	4.32
Our 2 1/2-quart lipped saucepans.....	No. 20.....	2.60	4.80
Our 3-quart lipped saucepans.....	No. 22.....	3.20	5.44
Our 4-quart lipped saucepans.....	No. 24.....	3.80	6.24
Our 5-quart lipped saucepans.....	No. 26.....	4.50	7.04

The following original letters and data covering Exhibits 1 to 9 were submitted to Hon. John Q. Tilson, chairman of subcommittee of the Ways and Means Committee, at Washington, D. O., Friday, March 25, 1921:

DOMESTIC EXHIBITS.

EXHIBIT 1.—Comparison of labor costs in Germany and United States.

[Taking the mark on basis 2 cents in United States currency.]

	United States, per hour.	Germany, per hour (value mark at 2 cents).	Germany, in marks.
	<i>Cents.</i>	<i>Cents.</i>	
Machinists.....	76½	9	4½
Pressmen.....	65	9	4½
Spinners, boarders, small punch presses.....	62	8	4
Riveters and welders.....	58½	5½	2½
Picklers.....	58	9	4½
Dippers (average of men and girls).....	53½	6½	3½
Inspectors (girls).....	45	5	2½
Burners.....	70½	9	4½
Sorters and wrappers (female).....	33	5	2½
Packers.....	58½	8½	4½
Common labor.....	47½	7½	3½
	11)631	11)81½	.....
Average wages per hour.....	57½	7½	3½

In other words, the cost of labor in Germany to-day, basing the value of the mark at 2 cents American money, is just one-eighth what it is for the same work here.

The labor rates taken to represent the German costs are taken from the detailed schedule of wages for machine industries, foundries, enameling works, etc., the highest rate being taken in each case and the mark figured at a value of 2 cents in United States currency, which is much higher than its value to-day.

EXHIBIT 2.—Tabulation of wages paid in 20 enameled-ware factories in United States, January, 1921.

[Basis: 10 hours per day for men.]

Factory No.	Machinists.	Pressmen.	Spinners, boarders, punch presses.	Riveters and welders.	Picklers, male and female.	Dippers, male and female.
1.....	\$3.50	\$3.50	\$7.00	\$1.50	\$3.30	\$1.50
2.....	7.00	6.00	7.00	6.00	8.00	4.00
3.....	8.50	7.25	7.25	6.75	7.75	5.50
4.....	7.50	6.00	6.00	6.00	6.75	5.75
5.....	8.00	7.30	6.00	5.25	5.50	4.50
6.....	8.50	5.50	4.75	7.00	5.50	3.90
7.....	7.50	6.00	6.00	4.00	5.00	5.00
8.....	6.90	5.90	6.50	6.55	7.65	5.90
9.....	7.00	7.25	5.50	7.10	4.50	7.50
10.....	7.50	8.00	7.50	7.50	6.50	7.00
11.....	7.00	6.50	6.25	5.75	6.25	6.00
12.....	7.50	6.30	6.75	5.20	4.50	6.35
13.....	8.00	6.25	7.00	6.25	6.15	3.25
14.....	8.10	6.30	5.40	4.20	5.75	4.80
15.....	6.65	4.25	4.00	5.85	8.20	2.60
16.....	7.00	6.70	6.70	6.85	5.30	5.95
17.....	9.50	5.00	4.50	4.50	4.60	3.75
18.....	9.00	6.60	5.20	4.00	6.25	5.90
19.....	6.00	6.65	7.75	6.65	5.00	7.20
20.....	8.25	7.20	6.65	7.20	4.20	6.65
Average for 20 factories, per day.....	7.65	6.47	6.18	5.85	5.78	5.36
Average for 20 factories, per hour.....	.76½	.65	.62	.58½	.58	.53½

EXHIBIT 2.—*Tabulation of wages paid in 20 enameled-ware factories in United States, January, 1921—Continued.*

Factory No.	Inspectors, male and female.	Burners, male and female.	Female sorters and wrappers.	Packers.	Common labor.
1.....	\$3.15	\$3.09	\$3.60	\$7.00	\$5.00
2.....	5.30	6.50	4.09	8.40	5.60
3.....	6.75	6.75	5.50	6.00	5.60
4.....	5.00	6.25	5.00	5.00	5.00
5.....	3.40	6.00	3.50	5.00	4.60
6.....	4.00	6.50	2.50	5.00	4.60
7.....	4.00	6.00	4.00	5.00	5.00
8.....	5.95	8.00	3.60	5.90	5.00
9.....	5.00	7.00	3.00	6.60	5.00
10.....	6.00	8.00	4.40	7.90	6.15
11.....	7.00	9.00	3.75	6.25	5.60
12.....	4.00	8.35	3.85	6.75	4.00
13.....	4.65	8.00	5.30	6.35	5.00
14.....	5.30	6.00	3.30	4.70	5.25
15.....	3.25	5.00	3.50	3.50	2.90
16.....	5.00	6.90	3.00	6.00	4.60
17.....	3.35	5.50	3.60	3.35	3.35
18.....	5.90	8.75	5.65	6.25	5.00
19.....	5.00	7.75	5.55	6.65	4.25
20.....	5.00	6.65	3.35	6.20	3.80
Average for 20 factories, per day.....	4.56	7.06	3.75	5.84	4.74
Average for 20 factories, per hour.....	.454	.704	.354	.584	.474

EXHIBIT 3.

Factory No.	Year 1920.		Normal times.		Cost of fuel.			Ratio labor cost to total cost of production.
	Number male employees.	Number female employees.	Number male employees.	Number female employees.	Coal per ton.	Fuel oil per gallon.	Gas per M foot.	
1.....	217	141	900	300	\$5.00	.....	\$0.65	Per cent.
2.....	279	111	380	140	5.25	.....	.....	40
3.....	250	75	250	75	9.00	.....	1.20	33½
4.....	172	50	172	50	.....	.....	.....	37
5.....	300	100	365	125	.....	.....	.....	28
6.....	138	64	138	64	5.00	.....	.52½	28
7.....	400	100	400	100	.....	.....	.....	28
8.....	400	100	350	75	9.00	.....	1.10	43½
9.....	466	183	466	183	4.35	.....	.65	40
10.....	738	182	738	182	6.75	\$0.10½	.....	39
11.....	110	30	145	35	\$4.00-12.00	.....	.....	60
12.....	825	327	825	327	3.50	.....	.....	40
13.....	254	62	200	40	5.20	.....	.70	44
14.....	52	17	52	17	.....	.....	.....	.....
15.....	62	18	66	12	.....	.....	.....	31
16.....	371	62	371	62	.....	.....	.....	.....
17.....	450	200	450	200	4.00-10.75	1.00½	.....	.....
18.....	610	304	610	304	.....	.....	.....	34
19.....	200	75	200	75	.....	.....	.....	34
20.....	360	120	375	150	4.70	.....	.43	37
Total 20 factories reporting	6,654	2,321	7,445	2,516	.....	.....	.....	17½637
Estimate 6 concerns not reporting.....	2,000	750	2,000	750	.....	.....	.....	.....
Total factory employees.....	8,654	3,071	9,445	3,266	.....	.....	.....	.....
Total factory employees, male and female.....	.....	11,725	.....	12,711	.....	.....	.....	.....
Superintendents, heads of departments, and office help, at 15 per cent.....	.....	1,758	.....	1,906	.....	.....	.....	.....
Grand total estimated number employees.....	.....	13,583	.....	14,617	.....	.....	.....	.....
Grand average.....	.....	.....	.....	.....	.....	.....	.....	37½
Labor overhead, clerks, foremen, etc. (estimated).....	.....	.....	.....	.....	.....	.....	.....	12½
Total labor, including overhead, in proportion to all expenses.....	.....	.....	.....	.....	.....	.....	.....	60

¹ Freight.

FOREIGN EXHIBITS.

EXHIBIT 5.

PIRNA, den 26 Januar, 1921.

Messrs. MACFARLANE & ROBINSON (Ltd.),
76-78 Southwark Street, London S. E.

DEAR SIR: In receipt of your favor of 11th instant, we beg to inform you that the approximate wages for labor paid now in our works are as follows for 46 hours:

	Marks.
Girls—dipping.....	160
Men—dipping.....	250
Burning.....	290
Girls—stamping.....	160
Men—stamping.....	350

SACHS, EMAILLRWERKE, GEBR. GEBLER.

EXHIBIT 6.

RONNEBY, SWEDEN, January 17, 1921.

WILLIAM MACFARLANE, Esq.,
Kampen House, 76-78 Southwark Street, London, S. E.

DEAR WILLIAM: Your kind letter of January the 11th reached me just now, and with regard to the wages we pay for labor, I beg to give you the following information:

	Kroner.
Girls—dipping, 48 hours.....	43. 20
Men—dipping, 48 hours.....	72. 00
Burning, 48 hours.....	82. 00

As a whole, we pay just as much as you, probably a little more. It depends on the value of your pound.

At the same time, dear William, I would like to inform you that I have retired from my position on the 1st of January. Mr. Gieseke is now my successor. At the end of January I will travel to Dresden, where I intend to take my permanent residence in the summer. I will give you my address as soon as I know it myself, and if you visit "The Sachsische Emailirwerke" do not forget to pay me a visit. Hans will accompany me to Dresden in order to see the place where I will live in future. He is then going back to Hughes in London and will take his way via Paris.

Mr. Erik Kockum, who is one of the directors in our concerns, intends to visit London in the beginning of February. I have given him your address and if he calls at your office, I am sure you will be to him as friendly as possible.

I hope you and your dear family are in good health. We have had a quiet X-mas time. All the children have been at home and we have made it as pleasant as we could for them, as it was the last X-mas we spent in Sweden.

ALBERT VOLTNER.

EXHIBIT 7.

FOREIGN OFFICE AND BOARD OF TRADE,
London, S. W. 1., January 24, 1921.

Messrs. MACFARLANE & ROBINSON (LTD.),
Kampen House, 76-8 Southwark Street, S. E. 1.

GENTLEMEN: With reference to your letter of 13th January, I have to inclose herewith a tariff of the rates of wages paid in the enameled hollowware industry and allied industries in Germany. I have to add that these rates have been in force in the Dusseldorf area since April last, and can be taken as representative, though, if anything, they are slightly higher than those paid in other districts.

Where piecework rates are resorted to, which is the general rule, it is stated that an average worker can earn at least 15 per cent more than the average hourly rate.

J. S. ANDREWS,
For the Comptroller General.

MACHINE INDUSTRIES, FOUNDRIES, LOCOMOTIVE, WAGON, AND ALLIED INDUSTRIES, AND ENAMELING WORKS.

Class I(a), skilled workers having a certificate of proficiency who can prove to have had a long and varied experience and practical training, capable of working independently in their trade. Doubtful cases are decided by a commission of experts:

Wages per hour—	Marks.
For workers over 25 years.....	4.30-4.50
For workers from 21 to 25 years.....	3.70-4.30
For workers who have finished apprenticeship up to 21 years.....	2.90-3.20

Class II(a), skilled workers without a certificate of proficiency:

Wages per hour—	
For workers over 25 years of age.....	4.10-4.30
For workers from 21 to 25 years.....	3.60-4.10
For workers from 19 to 21 years.....	2.80-3.10
For workers from 17 to 19 years.....	2.50-2.80

Class III(a), trained workers:

Wages per hour—	
For workers over 25 years of age.....	3.85-4.05
For workers from 21 to 25 years.....	3.55-3.85
For workers from 19 to 21 years.....	2.70-3.00
For workers from 17 to 18 years.....	2.40-2.70

Class IV(a), helpers or mates:

Wages per hour—	
For workers over 21 years of age.....	3.55-3.85
For workers from 18 to 21 years.....	2.70-3.00
For workers from 16 to 18 years.....	2.40-2.70
For workers from 14 to 16 years.....	1.90-2.20

Female workers doing men's work receive 20 per cent less than do male workers of the same class.

Classification in the sheet and metal punching and enameling trade.

(a) Mechanical workshop:

	Class.
Turner.....	I(a) III(a)
Fitter.....	I(a) III(a)
Smith.....	I(a) II(a)
Hammerman.....	III(a)
Planer.....	I(a) III(a)
Milling cutter.....	I(a) III(a)
Saddler (Sattler).....	I(a) III(a)

(b) Punch and planishing works:

Presser.....	I(a) III(a)
Cutter cutting rounds on circular shears.....	III(a) IV(a)
Cutter operating plate shears.....	III(a)
Cutter operating vertical shears.....	II(a)
Scrap binder and waste stamper.....	III(a)
Cutter.....	III(a)
Trimmer.....	III(a)
Straightener.....	I(a) III(a)
Hollow metal worker and drawer.....	I(a) III(a)
Warm plate puller (warmeinzeiher).....	I(a) III(a)
Black sheet iron presser.....	I(a) III(a)
Aluminum presser.....	I(a) II(a)
Grinder and polisher.....	I(a) III(a)
Annealer or furnaceman.....	II(a)

(c) Plumber's workshop:

Plumber.....	I(a) III(a)
Cutter.....	I(a) III(a)
Piercer.....	IV(a)
Electro-welder.....	II(a) III(a)
Oxy-acetylene welder.....	II(a) III(a)
Setter (anschlaeger).....	II(a)

	Class.
(d) Enamel works:	
Picklers.....	³ I(a)
Hollow metal worker.....	I(a) III(a)
Ground and finished enameler.....	I(a) III(a)
Ground and finished burner.....	I(a) ² III(a)
Furnace boy.....	⁴ IV(a)
Edger.....	III(a)
Sorter and improver.....	II(a) III(a)
Enamel painter.....	I(a) III(a)
Miller.....	I(a) II(a)
Smelter.....	II(a) ⁶ III(a)
Generator attendant.....	⁶ II(a)
Furnace stoker.....	⁶ III(a)
Annealer.....	II(a)
Box maker.....	I(a) III(a)
Packer.....	II(a) III(a)
Weigher.....	III(a)
Assembler.....	II(a)
First assembler.....	⁷ II(a)
Warehouseman.....	IV(a)
Female picklers.....	⁹ I(a)
Women cleaners in pickling shops.....	⁹ I(a)

Special female workers.

Wages per hour:	Marks.
For female workers over 21 years.....	2.50-2.70
For female workers from 16 to 18 years.....	1.70-1.90
For female workers from 18 to 21 years.....	1.90-2.10
For female workers from 14 to 16 years.....	1.40-1.60

In special female workers are included: Auftraegerinnen (Japanners), edgers, electro-oxy-acetylene welders, assemblers, printers, machine workers, cleaners in pickling shops (plus 10 pfenning per hour bonus, aprons, and clogs), and sprayers.

Helpers or mates (females).

Wages per hour:	Marks.
For female workers over 21 years.....	2.40-2.60
For female workers from 18 to 21 years.....	1.80-2.00
For female workers from 16 to 18 years.....	1.60-1.80
For female workers from 14 to 16 years.....	1.30-1.60

To these belong cleaners, washers, packers, other helpers.

SPECIAL PROVISIONS.

1. Payment of child allowance.

The child allowance is 1 mark per shift, and is payable for all children up to the age of 14 years, inclusive, or to the age of 16 years, inclusive, if still at school.

For weak and sickly people this child allowance is also paid above the age of 16, in so far as they are incapable of earning a living. A child allowance is also paid in the case of sole supporters of families.

2. Regulation concerning bonuses for foremen and gangers foremen, and gangers working on piece work receive an hourly extra of not less than 20 pfenning.

Foremen and gangers not working on piece work receive an extra payment of not less than 40 pfenning per hour.

INCREASED COST OF LIVING BONUS FROM APRIL 16, 1920.

This bonus is simply an additional payment per hour, the piece-work basis remaining the same as before.

¹ Clothing bonus (suit, apron, clogs, and rubber gloves).

² 20 pfennigs per hour for self-stoking and 20 pfennigs per hour for heating.

³ 10 pfennigs per hour for beating.

⁴ 30 pfennigs per hour for self-stoking.

⁵ 20 pfennigs per hour bonus.

⁷ Plus 10 pfennigs per hour bonus.

⁸ Less 20 per cent and clothing bonus (apron, clogs, and rubber gloves).

⁹ Less 20 per cent and 20 pfennigs per hour, clothing, bonus, aprons, and clogs.

(a) Male workers coming under the tariff (including apprentices) receive as follows, per hour:

	Marks.
From 14 to 16 years of age.....	0.20
From 16 to 18 years of age.....	.30
Above 18 years of age.....	.40
Above 19 years of age.....	.60
Above 20 years of age.....	.80
Above 21 years of age.....	1.00

(b) The increased cost of living bonus for female workers is as follows, per hour:

	Marks.
For workers above 25 years of age.....	0.80
For workers above 21 years of age.....	.50
For workers from 18 to 21 years of age.....	.30
For workers from 14 to 18 years of age.....	.20

Workers above the age of 23, who are sole supporters of their family, receive a bonus of 1 mark per hour.

EXHIBIT 8.

MACFARLANE & ROBINSON, (LTD.),
London, England, February 11, 1921.

H. C. MILLIGAN, Esq.,
The Carlton Hotel, Pall Mall, S. W.

My DEAR MR. MILLIGAN: Confirming our recent conversation, I should like to put on record the very disastrous competition from which all British manufacturers of enameled ware are at present suffering from German and Austrian exports, owing to the low value of the mark.

Last year approximately £500,000 worth of German and Austrian enameled ware was shipped and delivered in this country at prices at least one-third under the English cost of production. This business is, of course, quite profitable to the Continental manufacturers, in view of the fact that they are able to obtain their necessary supplies of raw materials in their own countries and the value of the mark is much higher there than is represented by the international exchange. They can thus easily afford to do business at the low prices charged. The result is that English manufacturers are working at a loss and have been compelled to partially close down.

As far as our own firm is concerned, we are only at present working 22½ hours per week and our experience is by no means in the common.

The British Association of Hollowware Manufacturers has already sent a deputation to the secretary of the board of trade, as it is absolutely essential that this British industry should be afforded a sufficient measure of protection against Continental "dumping." Further, and apart from capitalistic or manufacturers' interest, it is most essential that employment should be found for our workers and the State be saved payment of the present unemployment allowance.

The writer feels sure from his conversation with you that you entirely concur in these views.

WILLIAM A. MACFARLANE,
Managing Director.

EXHIBIT 9.

GEORGE A. ROYLE & Co.,
London, W. 14, February 10, 1921.

HENRY C. MILLIGAN, Esq.,
The Republic Stamping & Enameling Co., Canton, Ohio.

DEAR SIR: With reference to our conversation of Monday last upon the serious German competition already being experienced, it is perfectly evident that unless something is done to protect the enameled hollowware industry outside of Germany, the German manufacturers will not only very soon have recovered their lost markets but will obtain a still greater hold of the world's markets than they already possessed before the war.

Notwithstanding that wages in the German enameled ware industry have been considerably advanced over the prewar scale, yet these wages are still very much lower than those now paid in other countries.

The present German rate of wages per hour varies with the experience and age of the workers, ranging from mark 2.70 per hour for helpers or mates to mark 4.50 for skilled workers having a certificate of proficiency. Youths and female labor is paid on a correspondingly lower scale. In addition to the regular wages there is an "increase cost of living" bonus, and a special allowance for married men with families.

A further and most serious matter to be contended with is, of course, the great depreciation in the value of the mark. German manufacturers' prices are at present being quoted plus an advance of 550 per cent, but with the rate of exchange with the United Kingdom ranging around about mark 240 to pound sterling, the goods can be landed in this country at prices against which other manufacturers can not possibly compete, and with the adverse American rate of exchange, Canadian and American manufacturers are now completely shut out of the United Kingdom market. It is stated by merchants here that even if the German prices were quoted plus 1,000 per cent advance, they would still be strictly competitive.

Mr. Lloyd George has stated he has an uneasy suspicion that Germany is not trying to stabilize her money, and it is an undoubted fact that whilst the German mark remains at the present low value outside of Germany, the Germans are in a specially favorable position to compete against all other nations, whilst at the same time receiving an enormously high-mark value for their exports.

As a striking instance of this, a German competitor in our line of goods is offering hurricane lanterns at mark 35.50 each, D/D Hamburg. At the present rate of exchange this works out at 35/-37/ per dozen D/D Hamburg, or mark 426 per dozen. The prewar price of this same lantern was mark 22 per dozen, D/D any town in the United Kingdom. It will be readily seen that this represents an enormous appreciation in the mark value received in Germany over prewar rates, this manufacturer now receiving mark 426 for 1 dozen lanterns without having to pay the freight to England, whereas previously he only received mark 22, which included freight charges to any United Kingdom town. Comment is needless.

The mark is still a mark in Germany, and with such a high return for her exports, it would appear that Germany within a very short period will attain a position which must be very dangerous to the manufacturers of other industrial nations.

A high tariff wall against German-made goods, or alternatively restriction or prohibition of imports of German-made goods, appears to be the only means by which this most unfair German competition may be countered, unless our statesmen can find a means to stabilize the exchanges.

During 1919 and the early part of 1920, a greatly increased trade in enameled hollow-ware was being done by Canadian and American manufacturers with this country whilst the overseas demands for these products were far greater than the capacity of the factories could meet. But with the reappearance of German-made enameled ware on the world's markets, the demand quickly fell away in the summer of 1920, and many contracts were canceled in favor of German goods.

According to the table of imports of hardware and cutlery into the United Kingdom during December last, the following figures prove how Germany has completely cut out Canadian and United States enameled hollow-ware manufacturers:

	Quantity.	Value.		Quantity.	Value.
Hollow ware, wrought enameled:	Tons.		Hollow ware, wrought enameled—Continued.	Tons.	
Germany.....	369	£33,301	Sweden.....	21	£2,495
Canada.....	1	165	Netherlands.....	42	5,600
United States.....	2	329	Belgium.....	26	5,717

In other hardware lines Germany is showing similar heavy importations over other countries, and unless something is done to check this flow of German exports, the Allies may receive some part of the proposed indemnity, but many important industries outside of Germany must be crushed out of existence.

GEORGE A. ROYLE & Co.

STEEL SAWS.

[Paragraph 340.]

STATEMENT OF H. C. ATKINS, OF THE E. C. ATKINS CO., INDIANAPOLIS, IND.

Mr. ATKINS. Mr. Chairman, following the suggestion made by the chairman of this committee this morning to be brief and concise, I have conferred with the representatives of Henry Disston & Sons, of Philadelphia, and the Simons Manufacturing Co., of Fitchburg, Mass., who are both here, and speaking for my own company I hurriedly prepared a statement for your committee.

Senator WATSON. Representing all of you?

Mr. ATKINS. Yes; representing all three of us.

Senator SMOOT. Give me the names, please.

Mr. ATKINS. Henry Disston & Sons, of Philadelphia.

Senator SMOOT. And the names of the other companies?

Mr. ATKINS. I do not think their names are down on to-day's list.

Senator WALSH. Who is representing the Simons Manufacturing Co.?

Mr. ATKINS. Mr. Fox.

Senator SMOOT. Proceed, Mr. Atkins.

Mr. ATKINS. We ask that all saws carry an ad valorem rate based on the American valuation of 25 per cent, except band saws, which should carry at least 35 per cent ad valorem, and steel strips, tempered only or tempered and polished, a specific duty of 10 cents per pound and 20 per cent ad valorem.

Senator SMOOT. That is on jewelers' saws?

Mr. ATKINS. No; those rates would apply to saws for sawing metal, band saws for sawing metal or band saws for sawing wood. This is on paragraph 340.

Senator SMOOT. You want on band saws 35 per cent ad valorem; on the other saws you want 25 per cent ad valorem?

Mr. ATKINS. Yes; and then on tempered only or tempered and polished, band-saw steel, 10 cents a pound and 20 per cent ad valorem.

Senator WATSON. That is a new item in there, is it not?

Mr. ATKINS. Yes; and to explain that, the situation has been in the past that band-saw steel, tempered only, or tempered and polished, has been imported into this country and sold directly to the users of sawmills for their filers or the employees in their filing room to make up into finished saws, thereby putting a large amount of equipment out of commission in the saw factories.

It would not be so bad if that had been accustomed to coming in under that sort of a valuation. But it does not always do it. In fact, for a great many years the importations of band-saw steels so specified were almost negligible, whereas there was a large quantity of that material coming into the country continually and being used for that purpose.

Under the Payne-Aldrich bill ample protection was provided under the then existing conditions, which are changed by foreign exchange conditions now to some extent. The Underwood bill offered no protection, but was practically inoperative owing to the war conditions. At the beginning of the operation of the Underwood bill

saws began to come into the country in quantities considerably in excess.

Now, Canadian tariffs carry 30 per cent on saws. We operate a factory in Canada and we can make our saws over there, paying Canadian dollars for our work, and sell in the United States for United States dollars, and with the present duty now in effect it would just about even things up.

Under this bill it is difficult for me to tell where band-saw steel properly belongs, whether under paragraph 316 or paragraph 315; and as a suggestion, referring especially to paragraph 316, after the word "platinum" in line 2, page 49—

Senator WATSON. You have the bill which was introduced as it passed the House?

Mr. ATKINS. Yes.

Senator WATSON. That is where the mistake occurred. What is it you want?

Mr. ATKINS. Where the rates of duty are intended to cover band-saw steel there should be specific reference to steel strips in coils or otherwise, if tempered or polished, carrying a specific duty of 10 cents per pound and 20 per cent ad valorem, for the reasons given. In the old Dingley bill that carried a specific and an ad valorem duty, and it also did in the Payne-Aldrich bill.

The wage situation is reflected accurately in the foreign competition, and in our industry, for example, the wages paid here and abroad compare as follows: On our sawsmiths, from 65 to 80 cents an hour; in Europe, 31½ cents. For machinists, machine operators, from 55 to 80 cents; in Europe, 28 cents. On ordinary labor, 35 cents per hour—and I have put that down to the lowest limit—Europe, 19½ cents. Those European wages are not German wages; they are wages paid in France.

Senator SMOOT. Do you pay your employees in Canada the same as you pay your employees in the United States?

Mr. ATKINS. Nearly the same. There is not very much difference between Canadian wages and wages paid in the United States; that is, with our class of help.

Senator WALSH. Have all the saw manufacturing concerns plants in Canada?

Mr. ATKINS. No; not all of them. The Simons Manufacturing Co. has and Henry Disston & Sons have. We, also, have a factory at Hamilton, Ont. Then there are two other good-sized plants in Canada operated by Canadians.

To make a comparison between our own costs and foreign selling prices, we took, for instance, a band saw costing us 85 cents per foot. Peugeot Freres in France sells that now at 45 cents per foot. If duty were collected on the 15 per cent American valuation it would amount to 16 cents per foot, a total of 61 cents as against our cost of 85 cents.

On hack-saw blades, 12-inch by three-quarters, 22 gauge, our cost is \$7.90 gross. Ritzsche & Co., of Frankfort, are selling those blades at 3 francs 60 centimes per dozen, or \$3.24 a gross. Allowing 15 per cent American valuation of \$1.21, would leave those at \$4.45. In neither of those cases has any account been taken of landing charges. That would amount to something, although the ocean

freight on either article is not of very much concern, because the ocean freights would be small.

As a comparison of selling prices, on three sizes of narrow band saws, five-eighths, 1-inch, and 2-inch, our extreme price is \$1.51, compared to the French price of 65 cents for the same items. Fifteen per cent American valuation added to the foreigner's price is then only 88 cents.

Senator SMOOT. Mr. Atkins, if you can pass in your brief which you desire to file I wish you would do so and not take up the time of the committee right now.

Mr. ATKINS. All right, sir. I would rather copy it before presenting it, if I may be allowed to do that.

Senator SMOOT. You may copy it and change it in any way you desire and file it as a part of your remarks. You may also take your time in doing it.

Senator WATSON. Is that all you care to say now, Mr. Atkins?

Mr. ATKINS. Just one other thing, and that is this: The rates of duty, if this measure is a protective measure, should be protective in our industry as well as other industries because we can not buy in one market and sell in another. If it is a protective policy, then I feel, and all of us feel, that our industry should have adequate protection, as under the Payne-Aldrich bill or under the Dingley bill.

BRIEF OF H. O. ATKINS, REPRESENTING SAW MANUFACTURERS OF THE UNITED STATES.

We appear before your committee in reference to the tariff on saws, paragraph 340, House Bill 7456, and paragraphs 315 or 316, whichever paragraph applies to hand saw steel in strips. We represent an industry employing in its business invested capital of 20,000,000 to 25,000,000; 6,000 to 7,000 workers, exclusive of office and sales employees; with an output of 25,000,000 to 30,000,000 in product.

Under the Payne-Aldrich bill ample protection was provided under the then existing conditions, which have since been changed by the condition of foreign exchange. The Underwood bill offered no protection but was practically inoperative owing to war conditions. Canadian tariffs carry 30 per cent on saws. We can manufacture saws in Canada in our Canadian factory, paying Canadian dollars for labor, and sell in the United States at United States prices in American dollars at about even figures, as the duty is offset by the exchange rate.

We ask that all saws carry an ad valorem rate based on American valuation of 25 per cent, except band saws, which should carry at least 35 per cent ad valorem, and steel strips tempered or tempered and polished only should carry a specific duty of 10 cents per pound and 20 per cent ad valorem.

The wage situation is reflected accurately in foreign competition. In our industry, for example, wages paid here and abroad compare as follows:

Type of labor.	Wages in United States per hour.	Wages in Europe per hour.
Sawsmiths.....	Cents. 65-80	Cents. 31½
Machinists.....	55-80	23
Common labor.....	35	19½

European wages are not the low wages of Germany, but are wages actually paid in France and are figured on a basis of a franc at 8 cents.

In making the following comparisons between our costs and foreign selling prices we figure our load as it was, not as it is.

Band saw, 4-inch:	
Our cost, per foot.....	\$0.85
Peugeot Freres (France) sell at.....	\$0.45
Plus 15 per cent American valuation.....	.16
	<u>.61</u>
Hack-saw blades, 12-inch by 7-inch by 22 gauge:	
Our cost per gross.....	7.90
Ritzsche & Co., Frankfort, sell at 3.00 francs per dozen, or per gross. \$3.24	
Plus 15 per cent.....	1.21
	<u>4.45</u>
Loss.....	3.45
Narrow band saws, 1-inch wide:	
Our cost per meter.....	0.29½
Peugeot's price.....	\$0.18
Plus 15 per cent American valuation.....	.038
	<u>.218</u>

Comparison of selling prices on three sizes of narrow band saws, ¾-inch, 1-inch, and 2-inch. Our extreme price for three meters, 1 meter of each size, is \$1.15, compared to Peugeot's price of 65 cents for the same thing. With 15 per cent American valuation duty paid, the foreigner's price is only 88 cents.

Crosscut saws made in Sweden are available at a price of \$1.94 for a 5-foot common-tooth saw. Add 15 per cent American valuation on our price of \$2.80 and you buy the Swedish saw for \$2.36, and at 25 per cent ad valorem American valuation the Swedish saws can be bought at \$2.64.

Foreign selling prices on circular saws vary from \$1.66 per unit in France to \$2.35 in Sweden, as compared to our extreme selling price of \$3.20 for same unit. It can readily be seen that 15 per cent is wholly inadequate, and even 25 per cent is only adequate on the theory that landing charges would absorb the difference.

Referring especially to paragraph 316, after the word "platinum," line 2, page 59 of original draft copy, where the rates of duty are evidently intended to cover band-saw steel, there should be specific reference to "steel strips in coils or otherwise if tempered or tempered and polished" carrying a specific duty of 10 cents per pound and 20 per cent ad valorem, for the reason that such tempered or tempered and polished strips are sold to the user to be toothed and finished, thereby rendering valueless much expensive equipment now available in this country for complete manufacture of the finished band saws.

At this time there are in the United States two representatives of the largest saw manufacturer in Europe gathering complete information regarding the selling prices of hand saws over here, and while we have no authentic information what their selling prices will be we feel sure that the same comparisons will exist as on other articles articles that have been mentioned. Canadian manufacturers are in excellent position under duties as proposed in H. R. 7456 to come in here in competition, as explained in a previous paragraph.

Any inadequate protection to one industry under a protective tariff policy places that industry at the disadvantage of buying material and labor in a protected market and selling in a free market.

The rates of duty as proposed in H. R. 7456 are not protective, as shown by the various examples in the foregoing paragraphs, and unless changed will leave the saw industry in exactly that unfortunate position.

STEEL PENS.

[Paragraph 351.]

STATEMENT OF F. T. BLAKEMAN, NEW YORK, N. Y., REPRESENTING THE SPENCERIAN PEN CO. AND JOSEPH GILLOTT & SONS.

Senator SMOOT. Do you also desire to speak for Mr. Lloyd Smith?

Mr. BLAKEMAN. Yes, sir.

Senator SMOOT. On paragraph 351?

Mr. BLAKEMAN. Yes, sir. We request that the present specific duty of 8 cents a gross be allowed, and we base our request chiefly on the fact that the volume of imported steel pens is very small in comparison with the total number of domestic pens made in this country and the fact that the importers of steel pens are unable to quote a price which will successfully compete with the prices of domestic manufacturers. I would like to go very briefly over this synopsis of the brief which I have submitted. I represent the Spencerian Pen Co. and Joseph Gillott & Sons, the largest importers of steel pens. All of these importations are made from Great Britain with the exception of a very few gross of steel pens imported from France and Germany—roughly 1,000 gross. The amount is negligible. Last year there were 2,950,000 gross manufactured in the United States. There were 750,000 gross imported, 97 per cent of which were imported by the Spencerian Pen Co. and Joseph Gillott & Sons. As against this importation figure there were 450,000 gross manufactured in the United States which were exported, and the prices quoted by the domestic manufacturers on these exportations were from 25 to 33½ per cent less than the price offered to the home trade.

Senator SMOOT. Will you let me know briefly just what changes you want in paragraph 351?

Mr. BLAKEMAN. We request that the present specific rate of 8 cents per gross under the Underwood bill be allowed to remain. The prices of the Spencerian Pen Co. and Joseph Gillott & Sons to the trade are, respectively, 46 per cent and 57 per cent higher than the lowest price quoted to the trade by domestic manufacturers; and the prices quoted by the Spencerian Pen Co. on Federal and school contracts, which represent a very large part of the domestic business, are 66 per cent higher than the domestic quotations. As a result the Spencerian Pen Co. gets no school bids at all and a very, very small portion of the Federal business.

Very recently the Government has accepted a bid of 43 cents offered by domestic manufacturers on a Porto Rican school proposal. So you will see, gentlemen, that the Spencerian and Joseph Gillott prices, which are from 95 cents to \$1.02 a gross, can hardly compete with 43 cents.

It has been asserted by the domestic manufacturers, in the recent hearings of the Ways and Means Committee, that the labor cost in England of these imported pens is 30 per cent of the total cost. Since that statement was made I have gone very carefully into the matter, and I would beg to contradict that statement, as to my best knowledge and belief the cost of the English labor is 66 per cent of

the total. The remaining 34 per cent is the cost of the raw material, the maintenance of buildings, insurance, etc.

If the American manufacturers can, under the present rate of duty, undersell the imported article in the United States and can afford to offer their products abroad so much under the domestic price, it is evident from the above comparisons and prices, which are more carefully set forth in a brief to be filed with the committee, that the sale of domestic steel pens is not endangered by the sale of our pens. We therefore submit that an increase in duty would result in the importation of less pens, with a constant decrease in revenue to the Government, and we request that the present specific duty of 8 cents per gross be allowed to remain. I thank you.

BRIEF OF F. T. BLAKEMAN, NEW YORK, N. Y., REPRESENTING THE SPENCERIAN PEN CO. AND JOSEPH GILLOTT & SONS.

We hereby respectfully submit the following memoranda: The steel-pen industry is not affected by the importation of steel pens, as shown by the sale in this country last year of 2,950,000 gross of domestic pens, out of which 450,000 gross were exported as against the sale of 775,000 gross of imported pens, 97 per cent of which were imported by the Spencerian Pen Co. and Joseph Gillott & Sons.

The Spencerian Pen Co. was formed in 1853 by American citizens and the stock is entirely held by Americans.

The net trade prices of Spencerian and Gillott pens are, respectively, 46 and 57 per cent higher than the list of domestic net trade prices and Spencerian pens are 66 per cent higher than the prices quoted on school and Federal contracts by domestic manufacturers, Spencerian pens having only one price.

Average list of comparative net trade, school, and Government prices of pens per gross.

	Domes- tic.	Foreign.	
		Spence- rian.	Gillott.
Lowest net trade price.....	\$0.65	\$0.95	\$1.02
School price.....	.57	.95	.65
Government price.....	.56	.95	.....

Trade, school, and Government prices per gross of leading domestic pens.

	Ester- brook's.	Hunt's.	Eagle.	Miller.
Lowest net trade price.....	\$0.71	\$0.70	{ \$0.60 0.50 }	\$0.60
School price.....	.61	.60	.52	.55
Government price.....	.58	.58	.55	.55

† Eagle Perfection.

Comparison of domestic and export prices of the Esterbrook Manufacturing Co., as per letters which they issued to the trade in June, 1920 (copies attached hereto), show that they quote for export from 25 to 33½ per cent lower prices than for their home trade. If the American manufacturer can, under the present rate of duty, undersell the imported article in the United States and can afford to offer their product abroad so much under the domestic price, it is evident that they are not in danger of competition with foreign-made steel pens.

The price of imported pens are fixed by the manufacturing costs, which are governed by the export skill required for the hand processes and the special steel used in high-grade imported pens. Added to the manufacturing costs are the freight charges and

a reasonable amount of profit which has determined the price of imported pens, irrespective of the prices asked for pens of domestic make.

We therefore again respectfully submit, having in mind the sharp advance in the general costs of doing business, that the increase of 4 cents will work an undue hardship on the importers of steel pens and especially on the Spencerian Pen Co., who imports 67 per cent of the foreign pens used in this country, and, furthermore, that, owing to the high price of imported pens, the interests of the domestic pen manufacturers are not jeopardized.

P. S.—Since filing the above brief the purchasing agent for the Government of Porto Rico has accepted the bid of a leading domestic pen manufacturer of 43 cents per gross on a school-supply proposal.

JUNE 17, 1920.

To the trade:

We have found it necessary, effective from to-day (June 17, 1920), to advance the list prices of Esterbrook pens, as follows:

	Advanced price.
All pens listed at \$1.20 per gross.....	\$1.40
Radio and silver plated pens listed at \$1.50.....	1.60
Gold-plated pens listed at \$1.50 per gross.....	1.75
No. 343 red ink pen listed at \$1.50.....	1.60
Assortment No. 1.....	16.80
Assortment No. 3.....	4.20
Assortment No. 5.....	44.80
Assortments Nos. 7, 10, 11.....	1.40
Assortment No. 14.....	4.80
Assortment E.....	1.40

Nos. 334, 335, 336, 486, 487, 488 (text writers) No. 344 double-line ruling pen, also drawing and lettering pens, to remain the same as heretofore.

The above prices subject to the same terms and discounts as heretofore.

Yours, very truly,

THE ESTERBROOK STEEL PEN MANUFACTURING CO.

JUNE 16, 1920.

To the export trade:

We have found it necessary, effective from to-day (June 16, 1920), to advance the export prices on Esterbrook and Penesco pens, with the exception of No. 314 relief, as follows:

	Advanced price.
All pens now listed at \$1 per gross.....	\$1.10
Radio and silver plated pens now listed at \$1.25.....	1.35
Gold plated pens now listed at \$1.25 per gross.....	1.50
No. 343 red ink pen now listed at \$1.50.....	1.60
Assortment No. 1.....	13.20
Assortment No. 3.....	3.30
Assortment No. 5.....	35.20
Assortments Nos. 7, 10, 11.....	1.10
Assortment No. 14.....	4.05
Assortment E.....	1.10

Nos. 334, 335, 336, 486, 487, 488 (text writers), also No. 344 double line ruling and 314 relief pens to remain the same as heretofore.

The above prices subject to export trade discount of 50 per cent and a cash discount of 2 per cent.

Our stock of goods is very complete and we are in position to take care of all your orders immediately upon receipt of same.

Awaiting your favors, we remain,

Yours, very truly,

THE ESTERBROOK STEEL PEN MANUFACTURING CO.

MECHANICAL PENCILS.

[Paragraphs 352 and 1449.]

STATEMENT OF C. J. FRECHETTE, SECRETARY AND ASSISTANT TREASURER THE WAHL CO., CHICAGO, ILL.

Mr. FRECHETTE. Mr. Chairman and gentlemen, I am representing the Wahl Co., of Chicago, manufacturers of metal pencils. We are interested in paragraph 352, which deals with metal pencils, and also paragraph 1449, which deals with leads, refills.

I have prepared a memorandum for the conservation of time, which I desire to file, if permitted to do so. I also ask permission to file a supplemental statement dealing more specifically with the lead, which is covered by paragraph 1449.

Senator SMOOT. Did you file this brief in the hearings before the Ways and Means Committee of the House?

Mr. FRECHETTE. No, sir.

Senator SMOOT. Then, you may file it as a part of your remarks, and try and confine your remarks before the committee to-day to points outside of your brief. There is no need of taking up the time of the committee in discussing the points presented in your brief.

Senator CALDER. You represent whom?

Mr. FRECHETTE. I represent the Wahl Co., of Chicago. Winston, Strawn & Shaw are down on the list as representatives of the Wahl Co.

At the outset I would like to make just a summary statement, that the Wahl Co. represents the pioneer concern in metal pencil manufacture in this country. They started in business in 1914 and went along with indifferent success until three years ago when, by large investments and advertising and special machines which make this pencil possible at prices offered, they succeeded in building up quite a profitable business.

Senator WATSON. What is it that you make?

Mr. FRECHETTE. "Eversharp" pencils. Under the old law these metal pencils, plated with gold or silver, were classified as jewelry, and as such there was a tariff protection of something like 50 per cent.

Senator WATSON. What law was that?

Mr. FRECHETTE. I can not tell exactly.

Senator WATSON. If you can not tell offhand you need not look it up. You do not mean the Payne-Aldrich law, do you?

Mr. FRECHETTE. I believe so. Under the new tariff bill we would be accorded, if it be allowed to stand as written, 20 per cent under paragraph 352 and 15 per cent on the leads under paragraph 1449. We ask for 50 per cent ad valorem on American valuation.

Senator SMOOT. You have penholder tips, penholders and parts thereof, gold pens, combination penholders, comprising penholders, pencil, rubber eraser, automatic stamp, or other attachment, 25 cents per gross and 20 per cent ad valorem.

Mr. FRECHETTE. Yes, sir; and on mechanical pencils made of base metal and not plated with gold, silver, or platinum, 45 cents per gross and 20 per cent ad valorem. We ask that that be increased to 50 per cent, American valuation.

Senator SMOOT. And still keep the 25 cents per gross?

Mr. FRECHETTE. It is 45 cents; yes. Just increase it from 20 per cent to 50 per cent, for the reason that we can not compete with the foreign manufacturer.

Senator WATSON. You say you are willing to have this 25 cents per gross stricken out?

Senator SMOOT. No; he wants both.

Senator WATSON. You want both and 50 per cent ad valorem.

Mr. FRECHETTE. Yes.

Senator SMOOT. Are you interested in the mechanical pencils made of base metal and not plated with gold, silver, or platinum, 45 cents per gross and 20 per cent ad valorem?

Mr. FRECHETTE. Yes, sir.

Senator SMOOT. Do you want any change in that?

Mr. FRECHETTE. We want all the metal pencils coming in under paragraph 352 protected by a 50 per cent tariff.

Senator SMOOT. Besides the 45 cents per gross?

Mr. FRECHETTE. Yes, sir.

Senator McLEAN. How much would that add to the price of the pencil?

Mr. FRECHETTE. In answer to that, Senator, our pencil costs us, the dollar pencil, for instance, of which this is a sample----

Senator DILLINGHAM. Do you call that the dollar pencil?

Mr. FRECHETTE. Yes, sir; it retails at a dollar. It sells to the dealer at \$1, less 40 per cent; net to us, 60 cents. That pencil costs us 57 cents, approximately; a little over 57 cents. The German cost of that we estimate at 28 cents. In other words, their cost, compared to ours, is about 50 per cent.

Senator SMOOT. The manufacturer makes a little less than 3 cents on it and the retailer makes 40 cents?

Mr. FRECHETTE. Yes, sir; that is, he makes 40 cents gross. He has his overhead to pay out of that.

The other pencil referred to in a memorandum which we are filing is this one here, which retails at \$3. That brings that net to us at 40 off \$1.80. That pencil, according to our estimate, can be manufactured by German concerns at around 70 cents, 69.03 cents, as against our \$1.37.

Senator WALSH. Is there equally as good material in it?

Mr. FRECHETTE. Presumably so.

Senator SMOOT. As I understand, on the silver, which costs you 57 cents, you want 45 cents per gross, and then 50 per cent ad valorem?

Mr. FRECHETTE. Yes, sir; American valuation.

Senator CALDER. What is the present duty?

Mr. FRECHETTE. It depends on the classification. It runs between 50 and 60 per cent, classified as jewelry.

Senator CALDER. That is based on the foreign valuation?

Mr. FRECHETTE. Yes, sir.

Senator CALDER. On the American valuation the duty collected would be double, would it not?

Mr. FRECHETTE. Yes, sir.

Senator McLEAN. If you get 60 cents and it is sold for \$1, what does it cost you to make them?

Mr. FRECHETTE. Fifty-seven cents. The labor in that pencil costs us, approximately, 34 cents, and the material 23 cents, making 57 and a fraction cents.

Senator DILLINGHAM. That is on the \$1 pencil?

Mr. FRECHETTE. That is on the \$1 pencil. On the \$3 pencil it costs approximately 81 cents, and the other expense attached would amount to 56 cents, \$1.37 all told. If we were given 50 per cent protection there, we would have an advantage of about a cent and a half against German manufacturers on the \$1 pencil.

Senator SMOOT. Germany would have to sell it here at 27 cents, with all expenses added, to make it equal with you?

Mr. FRECHETTE. Yes, sir; and we estimate that they can sell it here for about 28 cents. We are very poorly protected patent-wise.

Senator SMOOT. Have you not a patent on these?

Mr. FRECHETTE. Just certain features of the pencil; the tip, which is very easily surmounted by a competitor and which offers very little protection. For instance, I will offer here for your consideration a German ad which appears in a regular German publication, which copies exactly this pencil in offering it to the public. The cut is a precise cut of this pencil, which is the \$1.75 variety.

Senator DILLINGHAM. At what price do they offer the pencil?

Mr. FRECHETTE. Fifty marks, which is really 55 cents in United States money.

Senator SMOOT. They are offering it at 50 marks?

Mr. FRECHETTE. Yes, sir.

Senator SMOOT. That is 62½ cents.

Mr. FRECHETTE. This pencil costs us 93 cents to make, and, notwithstanding the fact that we have special machinery employed in the manufacture of these pencils, if we are not accorded ample protection, they will really be junk, because they are specially made and specially designed and would not be usable in any other industry.

Senator SMOOT. What name do you give to those pencils?

Mr. FRECHETTE. "Eversharp."

Senator SMOOT. That is the trade name?

Mr. FRECHETTE. Yes, sir.

Senator SMOOT. But do you designate them just as pencil holders, penholders, or pencils?

Mr. FRECHETTE. They are pencils.

Senator SMOOT. You designate them as pencils?

Mr. FRECHETTE. Yes, sir.

Senator SMOOT. If we put on the ad valorem that you are asking for here on ordinary, common pencils, it would be out of all reason, would it not?

Mr. FRECHETTE. On mechanical pencils we ask that the specification be mechanical pencils, unplated and plated.

Senator SMOOT. What is the change you ask for in the paragraph to specifically designate your kind?

Mr. FRECHETTE. "Mechanical pencils made of base metal and plated with gold, silver, or platinum, 45 cents per gross and 20 per cent." That classification is sufficient other than having 20 per cent changed to 50 per cent.

Senator WALSH. You are reading now from the House bill?

Mr. FRECHETTE. This is the report of the Chamber of Commerce of the United States on the bill.

Senator SMOOT. That is in your brief, is it?

Mr. FRECHETTE. Yes, sir.

Senator McLEAN. I do not quite understand. Paragraph 352 applies only to pencils made of base metal and not plated with gold, silver, or platinum. Your pencils are plated with gold or silver, are they not?

Mr. FRECHETTE. In paragraph 352 as referred to in the Chamber of Commerce report of the bill it stated "Mechanical pencils made of base metal, plated with gold, silver, or platinum."

Senator McLEAN. This bill as printed here says, "not plated."

Senator WALSH. It must be a typographical error.

Senator DILLINGHAM. There is no sense in this paragraph as written in the House bill.

Senator WALSH. The witness says that there is no such thing as mechanical pencils not plated with gold, silver, or platinum.

Senator SMOOT. Then, it falls outside of those brackets, the way the House has written this bill. This says 45 cents per gross and 20 per cent ad valorem, the way the House has written it, but it does not apply to Mr. Frechette's goods.

Senator McLEAN. Not at all. He has to have a new bracket. The question is, Are there pencils imported of base metal that are not plated with gold or silver? Is there any such article?

Mr. FRECHETTE. It is hardly likely, Senator. I could not answer that question definitely, but I do not know of any, because the base metal would be brass or tin.

Senator McLEAN. Take an aluminum pencil, for example.

Mr. FRECHETTE. There is such a possibility.

Senator McLEAN. That would not need to be plated and yet would be a very fine pencil, would it not?

Senator SMOOT. Well, it says "or platinum" in this bill. It would not be plated if it were of aluminum; it would be made of aluminum.

Senator McLEAN. Yes; that is what I mean.

Mr. FRECHETTE. There is a possibility of a plate on aluminum, and it might be covered, such as this pencil, with enamel.

Senator McLEAN. Did you appear before the Ways and Means Committee of the House?

Mr. FRECHETTE. I did not; no, sir.

Senator SMOOT. I think that the House has tried here to exempt these articles? They have exempted these things from paragraph 352 and they are not mentioned in any other paragraph. Therefore, they will fall in the basket clause of this schedule, paragraph 393. That would be 45 per cent.

Senator WALSH. This provision in the House bill would cover enameled pencils but not plated pencils. There is evidently no provision for plated pencils.

Senator McLEAN. Excepting the basket clause, and I understand that is 45 per cent.

Senator SMOOT. It is 45 per cent. So you would not be hurt there, would you, Mr. Frechette?

Senator McLEAN. Yes; he wants 50 per cent ad valorem besides.

Mr. FRECHETTE. We are not specially interested in the 45 cents per gross. The 45 cents per gross is immaterial. We might suggest that the 45 cents be omitted altogether, and just make it 50 per cent based on American valuation.

Senator SMOOT. If you fall in the basket clause you will have 45 per cent on American valuation. You will not be hurt, even under

the House provision. And I think that is what the House intended; I think the House intended to give you 45 per cent.

Senator WALSH. Mr. Frechette can leave his brief with us, Senator Smoot?

Senator SMOOT. Yes; he can leave his brief. Under this bill you fall under paragraph 393, "articles or wares not specifically provided for, if composed wholly or in chief value of platinum, gold, or silver, and articles or wares plated with platinum, gold, or silver, or colored with gold lacquer, whether partly or wholly manufactured, 45 per cent ad valorem."

Mr. FRECHETTE. Then, we would get protection, Senator, I understand, on the 45 per cent basis?

Senator SMOOT. Yes; under these provisions of the House.

Mr. FRECHETTE. Without any change being made in paragraph 352?

Senator SMOOT. Without any change being made in that whatever.

Mr. FRECHETTE. May I have permission, then, to deal with the lead situation by filing a supplemental statement?

Senator SMOOT. Will you just file it following your statement here as to the lead?

Mr. FRECHETTE. I was about to say, concerning these leads, that the Eversharp created a demand for this diameter lead, and if allowed to come in under section 1449 on a 15 per cent basis, we would really have no advantage whatsoever on the demand created for this by our pencil.

Senator SMOOT. Have you got a patent on it in this country?

Mr. FRECHETTE. No; we are not patent-wise protected, except as to the packing; but we do submit that if this lead is made in Germany it would put us out of business on this particular product.

Senator SMOOT. Well, what do you want for that?

Mr. FRECHETTE. The same as for the pencils.

Senator SMOOT. You want 45 per cent for that?

Mr. FRECHETTE. Yes.

BRIEF OF C. J. FRECHETTE, REPRESENTING THE WAHL CO., CHICAGO, ILL.

The Wahl Co. was organized under the laws of the State of Delaware on December 19, 1910, for the purpose of manufacturing adding-machine attachments for typewriters. The company pursued this line of manufacture exclusively for several years succeeding, until the year 1916, when it absorbed the Eversharp Pencil Co., an Illinois corporation with a capitalization of \$50,000.

The Eversharp Pencil Co. was originally incorporated as Keeran & Co., an Illinois corporation, on April 28, 1914, for the purpose of manufacturing and dealing in mechanical pencils, with an authorized capitalization of \$25,000. Subsequently, February 19, 1915, the capitalization was increased to \$50,000. Later, August 10, 1916, the name of the corporation was changed to the Eversharp Pencil Co.

At the time the Eversharp incorporation was absorbed by the Wahl Co., late in 1916, the original capital of the former company had been fully impaired by expenses encountered in the introduction of a mechanical pencil known as Eversharp, the company having encountered the usual vicissitudes as the pioneer company in the metal mechanical-pencil field.

On January 1, 1917, at the time the Eversharp Pencil Co. was absorbed, the Wahl Co. had an authorized capital of \$2,500,000, of which there was issued and outstanding \$2,327,400.

It is to be noted that during the first four years the industry was not a paying venture, the original stockholders having exhausted in excess of their original investment.

Prior to the advent of Eversharp in the metal pencil field there had been a number of metal pencils introduced on the market, all of which met with very indifferent success, due principally to faulty design and imperfections of manufacture, together with a lack of capital which made it impossible to properly advertise and introduce the mechanical pencil to the world.

Early in 1917 The Wahl Co., having previously, by the expenditure of large sums of money in experimental work in the development of a mechanically perfect tip, which is the outstanding feature of Eversharp, began a vigorous selling campaign embracing a large advertising and sales expense.

It was not, however, until about the close of 1918 that results commensurate with the investment and outlay for expenses were attained. Thus the metal-pencil industry was approximately five years in the making. Below are presented for your consideration the results of operation for the period January 1, 1918, to June 30, 1921, together with other relevant data relating to invested capital, etc., for the period under review.

Income and profit and loss account.

	1918	1919	1920	6 months of 1921.
Net sales.....	\$1,414,133.34	\$3,662,616.22	\$7,382,850.22	\$2,413,773.47
Manufacturing cost, selling and administrative expenses.....	\$1,064,428.43	\$2,609,697.06	\$4,660,631.73	\$1,917,494.80
Ratio to sales..... per cent..	75.27	71.25	61.77	79.43
Net profit before taxes.....	\$349,709.91	\$1,052,919.14	\$2,622,318.49	\$496,278.67
Ratio to sales..... per cent..	24.73	28.75	35.23	20.57
Federal income and excess profits tax..	\$108,305.85	\$341,239.20	\$772,002.72	\$113,168.98
Ratio to sales..... per cent..	11.90	9.32	10.46	4.69
Surplus net profit.....	\$181,404.06	\$711,679.94	\$2,060,315.77	\$383,109.69
Ratio to sales..... per cent..	12.83	19.43	27.77	15.86

Please observe that on a turnover of \$1,400,000 in 1918 the surplus net profit, after taxes, was 12.83 per cent, while the surplus net profit in 1920, on approximately five times the turnover, was 27.77 per cent. The retail price of our products has been very materially reduced during the last six months to accommodate the line to the readjustment conditions which has reduced the surplus net profits to something under 16 per cent after deducting less than 5 per cent for Federal taxes as against an average of 10 per cent in the previous years.

It is to be noted also that with decreased volume due to general business depression and reduced prices that the ratio of manufacturing, selling, and administrative expense is considerably higher than at any previous period under consideration, with a consequent reduction of from 5 to 18 per cent in net profits before taxes. This fact is significant for the reason that it does not permit of any leeway to meet German competition by further reduction in prices as the result of operations for the six months ended June 30, 1921, indicate that only a reasonable profit of approximately 15 per cent is in prospect.

Investment in land, buildings, machinery, tools, equipment, etc. (after depreciation).

January 1:

1918.....	\$480,140.94
1919.....	520,573.63
1920.....	834,302.62
1921.....	1,513,781.49

Increase Jan. 1, 1918, to Jan. 1, 1921..... 1,033,640.55

The company owns and uses in its metal-pencil manufactory, located at Chicago, Ill., a five-story, modern, fireproof, steel and concrete building, 450 by 125 feet, containing 6 acres of floor space and employing at full capacity approximately 2,000 operators, capacity 40,000 pencils and 10,000 fountain pens per day.

Wages paid.

Year.	Amount.	Average rate per hour.
1918.....	\$388,356.46	Cents. 47.00
1919.....	823,557.74	48.00
1920.....	1,619,166.41	55.50
1921 (seven months).....	747,823.68	50.50
Total.....	\$3,678,908.49	53.28

GENERAL ARGUMENTS FOR A MORE ADEQUATE PROTECTIVE TARIFF.

The Fordney tariff bill provides as follows:

Section 352. "Mechanical pencils made of base metal and plated with gold, silver, or platinum, 45 cents per gross and 20 per cent," later changed to include unplated pencils.

Section 1442. "Pencil leads not in wood or other material, 15 per cent."

The above percentage to apply on the price at the date of exportation at which comparable and competitive products of the United States are offered for sale in this country.

The tariff rates provided in the bill aforementioned are grossly inadequate to protect the metal-pencil industry for the following reasons:

1. The investment of this company as of January 1, 1918, in land, buildings, machinery, tools, and equipment, was \$480,140.94, as against \$1,513,781.49 on January 1, 1921, an increase in three years of over \$1,000,000. This large investment of over one million and one-half consists largely of special machinery, designed and made in our own establishment which, if adequate protection is not provided, will be rendered worthless, as the machines are not capable of being used for any other than that for which they were specifically designed.

2. Although metal pencils were manufactured and offered for sale upward of a quarter of a century ago, it was not until the advent of the Eversharp that it was ever considered seriously by the public and classified as a utilitarian. To-day there are in excess of 10,000,000 pencils of our manufacture in use throughout the world in various designs and styles, representing sales in the approximate aggregate of \$12,000,000 at wholesale, or about \$20,000,000 at retail prices. In addition to these sales the company has enjoyed a lead refill business to June 30, 1921, of something in excess of \$900,000 at wholesale prices, equivalent to over \$1,500,000 at retail, which business would be utterly destroyed if not protected by adequate tariff provisions on a basis hereinafter outlined.

This prosperous business has been developed by an enormous investment of capital unknown heretofore in the industry, by large outlay in the way of experimentation, as well as generous appropriations and expenditures for advertising and preliminary work during the pioneer stages of the industry.

This company is the largest manufacturer of metal pencils in the world, and as such, uses more metal tubing and employs larger manufacturing facilities and more employees than all of the other metal pencil companies in the world combined.

3. We submit as a further reason for more adequate protection the enormous contribution of the industry to the support of the Government in the way of taxes, both by direct payment on the part of the company, and indirect payments made to the Treasury Department through the operations of section 905, of the revenue act of 1918. This company has paid in income and excess-profits taxes, for the three years ended December 31, 1920, over \$1,250,000 as shown by the within exhibits, in addition to taxes paid by dealers in our products during the same period, the sum of \$300,000 on retail sales.

The discount accorded retail dealers is 40 per cent of list which conservatively estimated indicates that it produces approximately 25 per cent net income to such dealers, allowing 15 per cent for overhead. In addition to taxes contributed by the company and its dealers direct, there is a further contribution received by the Government through the employees of the company, which averaged from 1,200 to 1,500 in number, during the last three years of operation, and who have contributed in taxes on a conservatively estimated basis at least \$100 each, every year. All of this wealth thus produced by the industry, exclusive of the private incomes derived therefrom in the way of dividends to stockholders, will be completely dissipated if the industry is not accorded more adequate protective tariff.

4. *Discrepancy in wages paid in the United States versus foreign countries.*—Reference to schedule of wages aforementioned indicates that the average rate per hour paid to skilled workmen in this industry including all productive labor from highly skilled men, such as toolmakers, draftsmen, designers, engravers, etc., down to apprentices indicates an hourly compensation of over 59½ cents. This rate, in comparison to wages to skilled workers in Germany, is on the approximate basis of six to one.

In May, skilled metal workers in Germany were paid 6.6 marks per hour, equivalent, at the present rate of exchange to about 10 cents United States money. (See New York Journal of Commerce, July 29, 1921; see also report of Francis R. Stewart, consul on detail, Hamburg, Germany, dated June 30, 1921.)

5. *Cost of living in Germany.*—According to commerce report of August 5, 1921, page 666, cost of foodstuffs in Germany in April, 1921, was twelve times the price of

the same commodities on the average, in 1913-14; heat and light was fourteen times the cost in 1913-14; rents, taken on the basis of rents obtaining in four principal cities of Germany, were only one and one-half times the prewar figure.

From the above it will be seen that the average cost of living in Germany in the recent months of this year was in the neighborhood of twelve times the cost in the prewar period. Despite this fact, the wages of metal workers in Germany at the present time are not in excess of eight times that of the prewar period as reflected by the following data:

The wages of metal workers in Germany are as follows: Sixty-three per cent receive eight times the wages of 1913-14, 36 per cent receive five to eight times greater, 1 per cent receive less than five times greater compensation. (See Commerce Report, July 15, 1921, p. 266.)

It will be noted from the above that despite the fact that living costs are higher in Germany by about twelve times the cost obtaining in 1913-14, the wages paid are not in excess of eight times those paid in 1913-14. The explanation for this condition being Government subsidy and control of food distributing stations by which medium the Government buys on a wholesale basis the foodstuffs for the workmen and distributes the same at less than cost, thus virtually making private industry in this country, which does not enjoy such Government cooperation, competitive with the German Government.

6. *German subsidies to industry.*—It is our information that certain industries of Germany, especially steel and metal, are subsidized to the extent of inland and ocean freight, such subsidies even extending to duties exacted by importing countries in order to render competition by other countries, especially America, impossible. As an instance of the effect of these cooperative movements on the part of the German Government, we are informed that German steel can be laid down in Pittsburgh at \$2.10 per hundredweight versus \$2.75 American cost in Pittsburgh. It will thus be seen that should encouragement be given to German manufacturers of pencils that it would be only a matter of a short time before this company's business would be utterly destroyed, in the event that your committee does not amply protect from such practices the industry which has been almost exclusively developed in this country.

Your attention is respectfully directed to an article appearing in the Chicago Daily News of August 17, 1921, based on the statement of D. E. Hulbert, president of the Merchants Loan & Trust Co., Chicago, who is authority for the statement that the clock industry of Winsted, Conn., has ceased operations entirely, due to German competition which makes possible the delivery of German-made clocks in New York more cheaply than the identical clocks can be produced in the Winsted, Conn., factory.

7. *Project for decreasing unemployment in Germany.*—Your attention is respectfully directed to Commerce Reports, November 24, 1920, page 867, dealing with the matter of the German Government intervention in case of suspension of operations in factories on account of lack of capital, raw materials, coal, etc. This plan is as follows:

Factories employing more than 20 workmen which are intended to be closed down permanently would be required to furnish the Government six weeks' notice; factories intending to close down temporarily would be required to give four weeks' notice. The Government would thus be in a position to investigate, and if the suspension was attributed to lack of capital, shortage of raw material, labor disputes, or any other cause, they would be in a position to render aid through their wholesale purchasing establishments, the proposed National Economic Bank, and through any other agencies of the Government which would be deemed expedient in the premises. The effect of this project is that private capital in this country being amenable to competitive methods and dependent upon the support of private capital and agencies would virtually be in competition with the German Government.

8. We respectfully request that more ample protection be also given to an adjunct of the metal-pencil industry, namely, lead refills under section 1449 of the tariff bill. It is proposed that leads not encased in wood or other materials, be taxed 15 per cent.

It is suggested that the tariff rate be increased commensurate with the added protection prayed for on metal pencils, and that refills be placed on the same basis. In consideration of the fact that many styles of metal pencils are sold on a very small margin of profit in order to make their use logical for industrial purposes, the refill is virtually the one source of profit attendant upon such sales. The Eversharp has created the demand for refills of small diameter leads, and we consider that a protection to this adjunct of the pencil business is highly important to the welfare of the industry, especially looking to the day when a saturation point will be reached in the metal-pencil business, and for the further reason that this small diameter lead is part

of the process relating to the Eversharp invention, and for that reason any advantage should accrue to the owners of the patent.

In conclusion we submit a comparative schedule of costs of metal pencils produced by American capital and workmen, as against a similar article produced in Germany by German capital on the basis of wages paid in Germany in the equivalent of United States money.

Comparison of costs, American "Eversharp" versus German metal pencil.

	No. 20 pencil, to retail at \$1 net to Wahl Co., less 40 per cent, equals 60 cents.		No. 60 pencil, to retail at \$3 net to Wahl Co., less 40 per cent, equals \$1.80.	
	Labor.	Materials.	Labor.	Materials.
AMERICAN "EVERSHARP."				
Total cost to manufacture and place on market, June, 1921:				
Manufacturing cost—				
Our (Wahl) direct labor.....	\$0.0807		\$0.0773	
Direct material.....	.0880		.4937	
Factory burden (supervision, maintenance, supplies, etc.).....	.1139		.1162	
Total factory cost.....	.2826		.6772	
General overhead (cost to advertise, sell, etc., including salaries of executives, salesmen, clerks, etc.), 103 per cent of factory cost.....	.2911		.6975	
Total cost to manufacture and market.....	.5737		1.3747	
Reclassified as to labor and material—				
Our (Wahl) direct labor.....	\$0.0807		\$0.0773	
Estimated division of material supplied us by outside manufacturers, 75 per cent labor, 25 per cent material.....	.0690	\$0.0220	.3628	\$0.1209
Actual division of our factory overhead labor (superintendents, foremen, material handlers, etc.), equivalent to 79.6 per cent of direct labor.....	.0642		.0615	
Material, etc. (supplies, heat, light, power, depreciations, etc.), equivalent to 20.5 per cent of direct labor.....		.0497		.0347
Division of our (Wahl) general overhead, labor (executive, salesmen, clerical, etc.), 44.8 per cent of total general overhead.....	.1304		.3125	
Material and sundries (advertising, insurance, telephone, office supplies, etc.), 55.2 per cent of total general overhead.....		.1607		.3850
Total labor in cost.....	.3413		.8141	
Total material and sundries in cost.....		.2324		.5606
Total cost American pencil.....		.5737		1.3747
GERMAN METAL PENCIL.				
Labor: German metal workers paid approximately 10 cents per hour against our 60 cents per hour, equivalent to one-sixth of our labor cost.....	.0569		.1357	
Material: Material and other items taken at same figure as ours.....		.2324		.5606
Total cost German pencil.....		.2893		.6963
Per cent German cost to American cost.....		50.4		50.6
20 per cent (as provided in section 352) on wholesale prices of comparable articles, namely, 60 cents and \$1.80, respectively, added to German cost would cost American importer.....		\$0.4063		\$1.056
Balance in favor of German manufacture.....		.1644		.3184
PROPOSED TARIFF.				
50 per cent on wholesale price of comparable articles of United States manufacture added to German cost, or.....		.5893		1.5963
50 per cent on retail price of comparable article of United States manufacture added to German cost.....				
Balance in favor of American manufacture.....		.0156		.2216

Summary, Eversharp pencils.

	No. 20: Retail, \$1; wholesale, 60 cents.	No. 60: Retail, \$3; wholesale, \$1.80.
Estimated German cost.....	\$0.2893	\$0.6963
Tariff required to equalize price with United States costs: 30 per cent on retail price of \$1 and \$3; 50 per cent wholesale price of 60 cents and \$1.80.....	.3000	.6000
Total cost in United States.....	.5893	1.2963
Cost to manufacture in United States.....	.5737	1.3747
Difference in favor of United States.....	.0156	.2216
Per cent.....	2.7	16.1

NOTE.—No. 20 class pencils: Silver plate on brass constitute 58.85 per cent of total pencils produced and sold.

Please observe that according to the conservative estimates employed in the foregoing schedule, the ratio of German costs to United States costs is about 50 per cent. In order to give the metal pencil industry an even chance of competition with foreign made articles of the same character and to obviate any possibility of the entry of foreign goods in competition therewith on a preferred basis, we point out to your committee that the tariff rates proposed are figured on a basis which will only equalize the foreign costs to domestic figures and we pray, therefore, that the suggested rates be given earnest and favorable consideration.

POCKETKNIVES.

[Paragraph 354.]

STATEMENT OF CHARLES F. ROCKWELL, PRESIDENT MILLER BROS. CUTLERY CO., MERIDEN, CONN., REPRESENTING THE POCKET CUTLERY MANUFACTURERS.

[Representing also the following pocket cutlery manufacturers: Baldwin Cutlery Co., Tidoute, Pa.; Canton Cutlery Co., Canton, Ohio; W. R. Case & Sons Cutlery Co., Bradford, Pa.; Clay Cutlery Co., Andover, N. Y.; Challenge Cutlery Corporation, Bridgeport, Conn.; Cattaraugus Cutlery Co., Little Valley, N. Y.; Cronk & Carrier Manufacturing Co., Elmira, N. Y.; Empire Knife Co., Winsted, Conn.; Golden Rule Cutlery Co., Chicago, Ill.; Hollingsworth Cutlery Co., Kane, Pa.; Lackawanna Cutlery Co., Nicholson, Pa.; Lander, Frary & Clark, New Britain, Conn.; Miller Bros. Cutlery Co., Meriden, Conn.; New York Knife Co., Walden, N. Y.; Novelty Cutlery Co., Canton, Ohio; Ohio Cutlery Co., Massillon, Ohio; Robeson Cutlery Co., Perry, N. Y.; John Russell Cutlery Co., Turners Falls, Mass.; Schatt & Morgan Cutlery Co., Titusville, Pa.; Schrade Cutlery Co., Walden, N. Y.; Thomaston Knife Co., Thomaston, Conn.; Ulster Knife Co., Ellenville, N. Y.; Union Cutlery Co., Olean, N. Y.; Utica Cutlery Co., Utica, N. Y.; Valley Forge Cutlery Co., Newark, N. J.; Walden Knife Co., Walden, N. Y.; Warwick Knife Co., Warwick, N. Y.; Winchester Repeating Arms Co., New Haven, Conn.; Remington Arms Co. (Inc.), Bridgeport, Conn.]

Mr. ROCKWELL. We have consolidated the representation of 30 American pocketknife manufacturers, and I shall make my statement very brief, indeed.

We feel that the rates provided in paragraph 354 of the Fordney bill do not equalize the increased difference between labor in this country and abroad, particularly as over 80 per cent of our foreign competition is with Germany.

Senator SMOOT. Do you mean the 40 per cent?

Mr. ROCKWELL. Yes.

Senator SMOOT. What about the specific duty?

Mr. ROCKWELL. We would ask, sir, that the rates as provided in paragraph 354 be continued as provided.

Senator SMOOT. You want the House provisions?

Mr. ROCKWELL. Yes; we want the House provisions of paragraph 354.

Senator SMOOT. What have you to say with regard to the statement made by the former witness?

Mr. ROCKWELL. I will say that this is the first objection or criticism that we have heard on the part of the importing concerns. I may add that the tariff committee of the American industry will be very glad, with your permission, to file a brief in rebuttal, and to supply a representative display of samples, which I think will convince the committee that we are justified in the request that we make.

Senator SMOOT. Let me ask you a question about that. What about the 33-cent knife that was spoken of? Do you know anything about that?

Mr. ROCKWELL. So far as I know, there is no such value as that in American goods.

Senator SMOOT. Is there in the foreign goods?

Mr. ROCKWELL. I imagine so. I did not see the knife at the time it was shown. The importations which have come in since July of last year have been in such tremendous volume that some of them are as low as prewar figures. Some, on the other hand, are as high as 50 per cent advance over prewar values. I should say they would run from 25 to 50 per cent over the prewar figures. That would fairly represent the value of the importations.

Senator SMOOT. Have you a sample of the American knife?

Mr. KASTOR. I will show you some, Senator. This is one that I got at a Woolworth store. It must have been sold by somebody.

Mr. ROCKWELL. My understanding is that the Valley Forge Cutlery Co., during the war, started the manufacture of that knife, found that it was not salable, and sold it out as a job lot.

Senator SMOOT. You mean the American knife?

Mr. ROCKWELL. Yes. It was an article that they got out especially during the war when it was difficult to get a bone stag knife and when cheap knives were difficult to produce. They got out that pattern with the idea that they might be able to retail it at 50 cents, I think it was.

Senator SMOOT. That was a dollar a dozen?

Mr. ROCKWELL. Do not confuse that with this [indicating]. This is the one he said he picked up at the Woolworth store.

Senator SMOOT. I want to get the comparison that was made. I do not want to bring in any other knife.

Mr. KASTOR. This [indicating] is the knife.

Senator SMOOT. This is the 33-cent German knife?

Mr. ROCKWELL. They are of similar pattern, Senator, but not similar value.

Senator SMOOT. That is, the knife is not the same in any respect?

Mr. ROCKWELL. It is similar in kind, but not in quality or value.

Senator SMOOT. Then it would not be comparable at all as to duty.

Mr. ROCKWELL. No, sir.

Senator McLEAN. Your idea is, as I understand it, that the tariff on that knife would have to be figured on the export valuation. There is no comparability or similarity for duty purposes?

Mr. ROCKWELL. It would be similar in kind and construction, but not in quality, as I understand the method of appraising under this bill.

Senator SMOOT. Do you know whether there is an American knife made that would compare with that in any way?

Mr. ROCKWELL. Yes; there has been. It was not manufactured during the war period, but was made in the prewar period. There was a knife similar to that made according to American standards.

Senator SMOOT. What was the American price?

Mr. ROCKWELL. I could not say. Our company did not make it. I do not recall what the price was.

Mr. DEVINE. That was sold for as low as 90 cents. That represented about 25 cents below cost.

Senator SMOOT. Can the American manufacturer make a knife that will compete with the German knife referred to by the former witness?

Mr. ROCKWELL. No, sir.

Senator SMOOT. At a price of 33 cents?

Mr. ROCKWELL. No, sir.

Senator SMOOT. Suppose you made a knife like that, or as nearly as one could be made like that by human skill, what could the American manufacturer sell it for?

Mr. ROCKWELL. Under the present basis of cost, I think that would be in the neighborhood of \$2.50 a dozen.

Senator SMOOT. Instead of 33 cents?

Mr. ROCKWELL. Yes; but it would be a knife. There would be a corresponding pattern.

Senator SMOOT. I do not mean the pattern; I mean the same material and construction.

Mr. ROCKWELL. That class of knives could be made at \$2.50 a dozen—the American knife.

Senator SMOOT. If Germany can make a knife for 33 cents and the American manufacturer can not make it for less than \$2.50, you had better leave it alone, had you not?

Mr. ROCKWELL. Yes.

Senator SMOOT. Then you do not want a duty to take care of it at all, do you?

Mr. ROCKWELL. We would like to get—

Senator SMOOT (interposing). In other words, you want 800 per cent to make it even?

Mr. ROCKWELL. We would on that class of knife; yes; but ours would be a real knife.

Senator SMOOT. You do not think that Congress ought to pass any such rate as that, do you?

Mr. ROCKWELL. That is a pretty cheap sort of knife, Senator. It is hardly a representative knife. It is not fair to pick out a knife of that kind.

Senator SMOOT. I am perfectly aware of that. I want to get the figures on both classes.

Mr. ROCKWELL. Yes.

Senator SMOOT. Is there the same kind of comparison as to the scissors?

Mr. ROCKWELL. I am not familiar with scissors. Mr. Gerard can answer that question.

Senator SMOOT. Take the higher-priced knives that you really do make, and let us see where we will land.

Mr. ROCKWELL. It should be borne in mind, Senator, that as to German pocketknives it is a well recognized fact—that is, imported pocketknives—that there are three grades. There is what is known as the standard grade, which would include knives of the character

of Joseph Rodgers and the IXL brands of English knives, and the Boker and Henckel brands of German manufacture. Then there is a medium grade, which might be described, as Mr. Kastor has said, as the Morley brand. There is then a third quality which is not the equal of the Morley brand. That might be described as the Kastor-Wadsworth line and the Wiebusch-Lafayette line. Now, it would make quite a considerable difference as to whether you were comparing the second or third grade quality knives on which the price is different.

Senator SMOOT. Take these two knives that I hold in my hand. Is that a fair comparison?

Mr. ROCKWELL. I should say that it is not, Senator. I should say that that would not be fair.

Senator SMOOT. Is the German knife the heavier knife?

Mr. ROCKWELL. I have no desire to reflect at all upon the class of merchandise manufactured by any American concern, but in order to justify our argument, I think it is perhaps conceded that this line of merchandise is regarded in the trade as a low-price line, largely because of the methods—the quantity-production methods—employed in the factory of this particular company. I say that, too, in the friendliest sort of way, but I believe that is universally recognized throughout the wholesale jobbing trade of the country.

Senator WALSH. You mean to say that the German knife is the better of the two knives?

Mr. ROCKWELL. Yes; that is, the Boker knife.

Senator WALSH. What is the difference as to these two classes of knives?

Mr. ROCKWELL. The German knife costs \$4.78, while the domestic knife costs \$12.25.

Senator WALSH. And yet the German knife is the better of the two?

Mr. ROCKWELL. Yes.

Senator CALDER. The German knife is the better knife.

Mr. ROCKWELL. The standard American premium stag knife of that pattern can be purchased at \$12.50. Mr. Kastor's price of \$12.75 is high.

Mr. KASTOR. That American knife has a nickel-silver lining, and it is not made in wholesale quantities. It is a special grade of knife. That is a knife that we got \$16 and \$18 per dozen for until recently.

Mr. ROCKWELL. It is not a knife that is ordinarily comparable with the Boker pattern. I understand the Boker pattern is of nickel silver.

Mr. KASTOR. I will tell you why we selected that. The other pattern was picked out first. That was a knife for about \$9.75 per dozen. But it was thought that Mr. Rockwell would say that that was not a fair basis of comparison.

Senator SMOOT. Do you import this knife yourself?

Mr. KASTOR. The German knife is imported by the Boker Co. It is a splendid knife.

Senator SMOOT. Do you make this American knife that I have in my hand?

Mr. KASTOR. Yes; you bet we do.

Senator SMOOT. And you have been selling it at \$12.75?

Mr. KASTOR. I would like to take an order from the Senator for 100 dozen right now at \$12 per dozen.

Senator SMOOT. I am not in the knife business.

Mr. ROCKWELL. We will make it \$10.50.

Mr. KASTOR. But not that pattern.

Senator SMOOT. Can any importer import this German knife for \$4.78?

Mr. KASTOR. Yes.

Senator SMOOT. Do you say that, too, Mr. Rockwell?

Mr. ROCKWELL. Certainly.

Senator SMOOT. The American valuation on that same knife is \$10.50.

Mr. ROCKWELL. The Boker knife? I wish you would refer to Mr. Divine.

Mr. DIVINE. Are you referring to the American knife? The price is \$10.50 to \$11 a dozen. That would be the value on the standard finish knife. Of course, there is a wide difference. There are knives with special finish of nickel-silver linings, burnished springs, full crocus polished blades, and knurled or milled scale edges. These run in price from \$11 up to \$12, \$14, and even \$15.

Mr. KASTOR. I think Mr. Divine has a knife in his line that he will agree is the equal of the foreign knife.

Senator SMOOT. Do you manufacture a knife comparable with it?

Mr. KASTOR. Comparable with the Boker knife?

Senator SMOOT. Yes.

Mr. KASTOR. I also manufacture a cheaper knife known as the P. M. S. It has polished marked sides.

Senator SMOOT. Then it is not the same knife?

Mr. KASTOR. No, sir.

Senator SMOOT. What I want to get at is this: Why would you want to manufacture a knife comparable to this German knife if it costs you \$10 and you can import the German knife for \$4.75?

Mr. KASTOR. In the first place, it costs \$4.78 on the other side and there is 55 per cent on that under the Underwood bill. My cost here is \$7.91. The German knife is sold for about \$13, and costs with duty, \$7.40; that is why I want to make it in the United States of America in competition with the Germans even under the duty provided for in the Underwood-Simmons bill.

Senator WATSON. What does it cost laid down in New York?

Mr. KASTOR. Fifty-five per cent on \$4.78, plus 5 per cent for freight and other charges. It would amount to about \$7.70. My American cost would be about \$7.91.

Senator CALDER. Mr. Rockwell, is there an association of pocket-knife manufacturers in this country?

Mr. ROCKWELL. Yes, sir; they have an association. It was in December, I think, and just about at the close of the war, that the National Chamber of Commerce held a convention in Atlantic City of the war service committees and war service organizations of all the industries throughout the country. I was chairman of the several cutlery branches, and it was at that meeting that it was urged very strongly upon all manufacturers by Mr. Culver, of the War Trade Board, and by Mr. Redfield, then Secretary of the Department of Commerce, that during the reconstruction period the various groups which had been doing such splendid work, continue during the reconstruction period the work of cooperation in the way of education as to methods and costs, and so on.

Senator CALDER. And as to selling prices?

Mr. ROCKWELL. No, sir; absolutely nothing in that regard. It had nothing to do with selling prices.

Senator CALDER. Were any selling prices fixed?

Mr. ROCKWELL. No; we understand what the Sherman antitrust law is.

Senator CALDER. Hasn't there been at times a distribution of price information?

Mr. ROCKWELL. We have distributed price lists, after they have been made, but that has been as far as it has gone. We understood we were entirely within our rights in so doing. We make no reports as to distribution or production which might in any way be construed as—

Senator CALDER. I have been informed that you gather information from members and distribute that to others with the idea of indicating what you are getting for the different articles, and that at the same time you are using numbers and letters as designations of certain things.

Mr. ROCKWELL. There is no mystery whatsoever about that. The numbers and letters which are used to identify articles are numbers and letters which have come down from war-time classifications authorized by the War Industries Board.

Senator CALDER. Don't the manufacturers in this association attempt to maintain uniform prices?

Mr. ROCKWELL. No, sir.

Senator CALDER. I wanted to be sure of that.

Senator McLEAN. How many men are employed in this industry in this country?

Mr. ROCKWELL. A year ago there were 6,200 employed in the pocketknife industry. At the present time there are less than 1,800 employed, and at least 600 or 800 of these are working on short time.

Senator WATSON. You do not think that has all been brought about by excess importations?

Mr. ROCKWELL. Not altogether. However, the records which are available to you will show tremendous importations. They will continue to retard sales.

Senator McLEAN. How do the wages paid in Germany compare with those paid in America for the same kind of work?

Mr. ROCKWELL. A German cutlery operative receives in American equivalent \$3.75 per week as contrasted with \$30 per week for the corresponding American workman.

Senator McLEAN. What percentage of the cost is labor?

Mr. ROCKWELL. Eighty per cent is labor cost.

Senator McLEAN. Eighty per cent?

Mr. ROCKWELL. Yes.

Senator CALDER. In estimating the difference between the American valuation and the foreign valuation, how much greater duty do we levy, assuming the rate to be the same?

Mr. ROCKWELL. That would vary on different patterns, Senator.

Senator CALDER. Would it be double?

Mr. ROCKWELL. Yes; I think it would be more than double.

May I have permission to file a brief?

Senator SMOOT. You may file any brief you desire.

CUTLERY.

[Paragraphs 354, 355, 357, 358, and 361.]

STATEMENT OF ROBERT N. KASTOR, REPRESENTING CUTLERY IMPORTERS' ASSOCIATION.

Mr. KASTOR. I am speaking for all importers.

The CHAIRMAN. For all importers?

Mr. KASTOR. I am also an American manufacturer and a number of importers that I represent are American manufacturers as well, but I am speaking for the Cutlery Importers' Association, which comprises all the regular cutlery importing houses.

Senator McLEAN. What are your paragraphs, Mr. Kastor?

Mr. KASTOR. 354, 355, 357, and 358.

The CHAIRMAN. What is your occupation?

Mr. KASTOR. I am a manufacturer and importer of cutlery.

The CHAIRMAN. Where do you reside?

Mr. KASTOR. I reside in New York City, sir.

The CHAIRMAN. Where is your place of business?

Mr. KASTOR. In New York City.

The CHAIRMAN. Where do you manufacture?

Mr. KASTOR. At Camillus, N. Y.

The CHAIRMAN. What do you make?

Mr. KASTOR. Pocketknives.

The CHAIRMAN. Go ahead.

Mr. KASTOR. As I was about to say, sir, the Cutlery Importers' Association represents 80 per cent of the imports of cutlery into this country, and its membership comprises all the large leading cutlery importing houses. These houses in most cases are interested in American factories; in fact, all but one of the members of our tariff commission signing this brief have large American interests. And I also speak for myself; we have one of the largest American pocketknife factories in this country. I do not hesitate to put it on a par with any of them, and here is a picture of our Camillus plant showing about what our development has been in the last few years under the Payne-Aldrich, Dingley, and Underwood bills.

Senator CALDER. How many men do you employ, Mr. Kastor?

Mr. KASTOR. At the peak of the boom we employed 325 men.

Senator CALDER. How many do you have employed now?

Mr. KASTOR. About 200, and we are working full time.

Senator CALDER. Are you a manufacturer and importer of pocketknives?

Mr. KASTOR. Yes, sir.

Senator CALDER. What proportion of your distribution do you import?

Mr. KASTOR. During the war 100 per cent American; since the war I should say 75 per cent American and 25 per cent imported.

Senator SMOOT. Before the war?

Mr. KASTOR. Before the war 50-50.

Senator SMOOT. What are your future prospects?

Mr. KASTOR. That depends upon you gentlemen.

Senator SMOOT. That is what I thought.

Mr. KASTOR. We maintain, and will prove to you, that the present rates of duty, combined with American valuation, as amended by

your Finance Committee, are absolutely prohibitive and are an embargo against all imports of cutlery, and I include all the paragraphs that I have mentioned.

Senator SMOOT. That is, paragraphs 354 and 355?

Mr. KASTOR. Yes, sir; and paragraphs 357 and 358.

Senator WATSON. Do you make more than you import?

Mr. KASTOR. I just answered that question, Senator; 75 per cent and 25 per cent.

Senator SMOOT. You mean that the Underwood rates are prohibitive under the American valuation?

Mr. KASTOR. No, sir; I mean that the proposed Fordney rates are prohibitive under the American valuation plan.

Senator SMOOT. You said "the present rates," and therefore I wanted to know just what you meant by that.

Mr. KASTOR. "The proposed rates," I should have said. Thank you, Senator. In the first place, we will show you that the combination of varied specific duties with ad valorem duties is unscientific and arbitrary with reference to classification; in the second place, it is unjust and unfair in operation; and, in the third place, it is prohibitory for a large class of goods, even if the American valuation were not to stand.

We suggest to you that you amend the clause in connection with the branding of the items in question in each of the paragraphs about which I am speaking. I shall go into that in detail a little later. But what we want is to have it read the same way it did in the Underwood-Simmons and the Payne-Aldrich bills.

In the fourth place, in order that we do not appear merely destructive in our criticism, we suggest actual rates which will prove fair to the domestic producer; in short, rates that will provide him with adequate protection and at the same time will permit importation, which will be a good thing for the consumer. Those rates are 40 per cent ad valorem in paragraphs 354, 357, and 358, namely, pocketknives, scissors, and razors, and 20 per cent in paragraph 355, table cutlery.

We also suggest a 20 per cent rate on nail nippers in paragraph 361, but we do not want to go into that in full detail.

Now, gentlemen, I have come before you with actual samples.

Senator SMOOT. That is, you want a straight 20 per cent ad valorem with no specific duties?

Mr. KASTOR. Yes, sir; no specific duties. We urge that specific duties be dropped, and I hope before I am through I shall be able to convince you that they should be dropped, Senator Smoot.

Now, gentlemen, let us go into this American valuation proposition in a little detail. I have here an imported one-blade pocketknife, a boy's knife, that costs abroad, at the Federal Reserve rate at the time it was brought in—and I am taking actual cases—33 cents per dozen. It was pretty cheap.

Senator CALDER. That is 2½ cents apiece.

Mr. KASTOR. Yes, sir. This same item sells—we made it ourselves—for \$1 a dozen in America. Now, let us just assume, for the sake of argument, that the appraiser considers these comparable. I do not ask you gentlemen to consider them comparable, but let us say that the appraiser considers them comparable. What will the duty be on that basis? The knife is valued at \$1 per dozen. The

appraiser asks the American manufacturer what he gets for them, and he says \$1 a dozen. They are dutiable under the Fordney rates at 5 cents each and 30 per cent ad valorem, which together is 90 cents; but I just said they cost 33 cents on the other side. Needless to say, I could not sell in competition with the American item if it cost me, without expenses, transportation costs or profits, \$1.23 to land under the provisions of the Fordney bill.

Now, that is just a case with American valuation. But you gentlemen have provided, and wisely probably, that in case the appraiser does not find the article similar, that he take the imported value; now import value as you gentlemen define it is the importer's wholesale selling price here. That knife sells for \$1 a dozen here. Before I go ahead you can automatically see that that bears the same duty on import value as it does on domestic. Five cents each and 30 per cent ad valorem is 90 cents a dozen, plus 33 cents, is \$1.23. We are absolutely excluded, we can not compete.

You have also provided, in case the item has never been imported before, for its valuation on the export value, and I am prepared to show you that the duty on export value and cost of production practically amounts to the same as the other two classes.

The duty in the Fordney bill is 40 per cent. This plus 5 per cent for freight, transportation, and expenses, is 47 cents. Add not less than 16 per cent for profit, and you have 55 cents, making a dutiable value of 55 cents per dozen, 5 cents each, and 30 per cent ad valorem, making 77 cents. Now, 77 cents plus 33 cents is \$1.10. Again the item is thrown out. I do not want to take just one instance.

Senator McLEAN. Wait a minute. Here is a knife that is made in Germany, I assume.

Mr. KASTOR. Yes, sir.

Senator McLEAN. At 33 cents per dozen?

Mr. KASTOR. Yes, sir.

Senator McLEAN. That is 2½ cents apiece.

Mr. KASTOR. Yes, sir.

Senator McLEAN. And here is an American knife, which cost—

Mr. KASTOR. It costs 85 cents a dozen.

Senator McLEAN. What rate of duty would the American manufacturer have to have to protect him against a German knife on the foreign valuation?

Mr. KASTOR. Seventy-five per cent, but we are not talking about foreign valuation, sir. The domestic value, I have been impressed by the committee, is what we are here to figure on to-day. These Fordney rates are to apply on the American valuation.

Senator McLEAN. Yes; but I was thinking of what we would have to have on foreign valuation.

Mr. KASTOR. I buy my marks before I make my purchases. I have to protect myself. You must not figure the mark at the Federal Reserve rate or the consulated rate in arriving at our actual cost. We buy our marks in advance of our orders, and we have paid 2 cents, 4 cents, or 8 cents for the marks in the past two years.

This article that I have here was consulated at \$1.26, but I might have paid 2 cents for my marks. The actual knife might have cost me 40 or 50 cents. Values are so uncertain to-day that you can not figure it down that close.

Senator WATSON. When did you bring those knives into this country?

Mr. KASTOR. On July 26.

Senator CALDER. Did you get a cheaper price on them?

Mr. KASTOR. This German knife? No, sir; that is the regular price.

Senator SMOOT. When did you buy your marks for 2 cents and 4 cents and 8 cents?

Mr. KASTOR. I have been buying them right along from 8 cents down. We have to average them up, you see.

Senator SMOOT. Oh, if you are averaging them for two years or so.

Mr. KASTOR. No, sir; not one or two years but ever since we have been importing. I have to figure my correct cost.

Senator SMOOT. When you paid 8 cents you figured 8 cents on the goods that you imported at that time?

Mr. KASTOR. Yes, sir.

Senator SMOOT. But that was in July?

Mr. KASTOR. I probably paid around one and one-half for them.

Senator SMOOT. You ought to have bought them for one and a quarter.

Mr. KASTOR. I buy them lower now.

Senator SMOOT. During the month of June they were 1.3 cents. Then in July they fell to 1.22 cents.

Mr. KASTOR. Senator, I place my orders in advance——

Senator SMOOT. Well, it is not material.

Mr. KASTOR. I want to go on record as saying before you gentlemen that the scissor schedule, with or without American valuation, will prove to be an absolute embargo, and I will go into figures with you on scissors. Take this 5½-inch scissor. That scissor costs 85 cents.

Senator WATSON. Under what paragraph do scissors come?

Mr. KASTOR. Paragraph 357—3 cents, 15 cents, and 20 cents specific and 35 per cent ad valorem.

Senator WATSON. Steel laid scissors and shears?

Mr. KASTOR. I am glad you brought that up. That is a good interruption. Steel-laid scissors and shears are made only in this country, and I have not even discussed that paragraph. I do not know what manufacturer had that put in or why he did put it in, but I have never heard of a steel laid shear made outside of this country. I will go on record as saying that, and I will explain to you what a steel laid shear is. It means a piece of steel is taken and a piece of iron is laid on top of it and they are riveted together.

Senator WATSON. You say they are not imported?

Mr. KASTOR. They are not made anywhere except in this country. I have never heard of them being made in Germany or elsewhere.

Senator SMOOT. No scissors?

Mr. KASTOR. I said steel laid shears, sir.

Senator SMOOT. Well, there are scissors made elsewhere.

Mr. KASTOR. Yes, sir; and I am going into the subject of scissors right now. This pair of 5½-inch scissors, No. 9338, cost 85 cents abroad. They were consulated at 1.44 cents to the mark on April 15. That was the last invoice of that particular importer of these particular scissors. But the domestic scissors are sold by the Acme Shears Co. at Bridgeport in the usual quantities for \$2.27. Just

turn to your schedule on scissors and see what duties you have to pay on them.

Senator WATSON. What do you pay abroad?

Mr. KASTOR. Eighty-five cents per dozen abroad. They sold for \$2.27 here. Now, let us see what the duty works out to. The bill provides as follows:

Valued at more than \$1.75 a dozen, 20 cents each and 35 per centum ad valorem.

Senator WATSON. What do you say it is?

Mr. KASTOR. Scissors over \$1.75 a dozen.

Senator WATSON. The illustration is over \$1.75.

Mr. KASTOR. It is \$2.27, the comparative American sample. I am working on American valuation, trying to demonstrate how it will actually work out.

Senator WATSON. Valued at more than \$1.75 per dozen, 20 cents each.

Mr. KASTOR. Yes, sir; and 35 per cent ad valorem. That would mean that that particular pair of scissors would pay \$3.19 per dozen, the duty alone. The American manufacturer sells them for \$2.27. I ask you gentlemen whether or not this is an embargo.

Senator WALSH. The duty would be \$3.19?

Mr. KASTOR. Yes, sir.

Senator WALSH. Then, the cost to the European maker is 85 cents?

Mr. KASTOR. Well, add \$3.19 and 85 cents and you have \$4.04. There are no profits, no expenses, no freight, and no insurance in that \$4.04. And that is the sort of competition we are supposed to be up against.

Senator WALSH. Now, take up some other item.

Mr. KASTOR. I will take razors. No. 525, five-eighths square point, is a razor that we import ourselves. We imported one on May 10, 1921, at the rate of 1.49 cents to the mark.

Senator WATSON. What paragraph does that come under?

Mr. KASTOR. Paragraph 358. That works out at \$1.17 a dozen. Now, gentlemen, that razor is sold by the J. R. Torrey Razor Co. for \$3.25 a dozen. The duty on that \$3.25 a dozen, if you follow the razor schedule on articles valued at over \$3, 16 cents each and 30 per cent ad valorem. So the duty is \$2.90.

Senator WALSH. Plus \$1.17, the purchase price in Europe, which makes \$4.07, and the American price is \$3.25.

Mr. KASTOR. Yes, sir.

Senator CALDER. What is the American price?

Mr. KASTOR. \$3.25, without transportation expenses or other charges.

Senator WALSH. How do you know these are the same material?

Mr. KASTOR. I do not claim that they are the same. I will value it for you in any way you want. If you say they are not the same, I will take the import value, and I will prove to you that the duty is just as much. If you say, "What if you did not import them before?" I will take the export value, and I will prove that you have drawn this so that it does not make any difference how you value them; that with the schedules in the Fordney bill it is an embargo; and I stick by it.

Senator SMOOR. How is it that in the past you have not driven all these people out of business?

Mr. KASTOR. What people, sir?

Senator SMOOT. The American manufacturers. If you can bring that knife in here under the duties imposed in the Underwood bill or the Payne-Aldrich bill at 53 cents, and it is sold here at a dollar, why on earth did you not wipe them out entirely?

Mr. KASTOR. It was not possible to do that until after the war, was it?

Senator SMOOT. It was before the war.

Mr. KASTOR. Well, as an American manufacturer I will offer you an interesting instance. We sold knives for \$3.25 a dozen, and the customers preferred to have them—this is the wholesale price—as against the imported article for \$1.50 a dozen.

Senator WATSON. When?

Mr. KASTOR. In 1913.

Senator SMOOT. That is, the American people would pay \$3.25 for an American knife that was not as good as the German knife?

Mr. KASTOR. No; it was much better than the German knife. The American knife is made of crucible steel, and the German knife is made of Bessemer steel.

Senator SMOOT. If that is the case with the ones that you are showing here, they are different goods entirely.

Mr. KASTOR. Senator Smoot, I have explained that I have done my best to get similar patterns. You can look yourself, or ask Mr. Rockwell to come over here and see if he can find anything closer than these patterns.

You provide for four values—domestic value, import value, export value, and cost of production: If you say, Senator Smoot, that these are not similar, I will then take your word for it, and I will figure the whole thing out on import value and show you that the whole thing is prohibitive.

Senator WALSH. You admit that there should be a duty?

Mr. KASTOR. Yes, sir.

Senator WALSH. You say these rates are so high that they amount to an embargo?

Mr. KASTOR. That is just exactly what I have repeated several times.

Senator SMOOT. Senator Walsh, before you go any further, I want to say this: It has been tentatively agreed to change the American valuation plan. No committee has decided as to what changes shall be made in the rates. I have not any doubt but what there are many rates here that should be changed in this bill.

Senator WALSH. That is why I think that this is illuminating. If you are going to adopt the American valuation plan you want to know by concrete illustrations just how it is going to operate. I do not think you, any more than I, want to stand for unnecessary embargoes.

Senator SMOOT. I think there could be a better example shown than he is showing here now.

Mr. KASTOR. Now, gentlemen, I want to interrupt myself to go into the question of branding.

The branding clause, as it reads at the present time, is to the effect that all articles must be stamped, not only with the name of the country of origin, but with the name of the maker. That, gentlemen, is a little joker that has been slipped in. I am not sure just who did it,

but I am sure that no American manufacturer suggested that. All that it would do would be to advertise the foreign manufacturer who made cutlery. It would, at the same time, wipe out with one swoop 40 years of hard work that we importers and jobbers throughout the country have put in to make good our special brands. There are special brands. For instance, we run what is known as the Morley brand.

Senator SMOOT. If this law goes into effect, it advertises the foreign brand and lets the purchaser in the United States know that the article was made in a foreign country.

Mr. KASTOR. No, sir. That is not the point. The "made in Germany" tells him that.

Senator SMOOT. But that is put on there so that they can not tell it.

Mr. KASTOR. This will do this. It will tell every dealer in the United States—every Tom, Dick, and Harry—where to go to buy his goods; and they will all go direct to buy, possibly over the heads of the American manufacturers.

Senator SMOOT. You mean over the head of the American importer?

Mr. KASTOR. No, sir.

Senator SMOOT. Well, do not forget the importer.

Mr. KASTOR. I am not; that is what I am here for.

Senator WALSH. You fear that it will put the unreliable maker on an equal basis with the substantial and reliable maker?

Mr. KASTOR. And the importer. That is the whole story.

Previous bills have recommended "maker or purchaser." I urge that you allow it to be "maker or purchaser." I suggest that you allow the act to stand as the Underwood-Simmons Act and the Payne-Aldrich Act did stand, with "maker or purchaser."

I want to make one more point in that connection. England, many years ago, started this "made in Germany" proposition, when she required that every article made in Germany should be so stamped and automatically advertised.

Senator MCLEAN. I have just been noting the pocketknife importations in 1919. They amounted to 128,000 dozen. That is for 1919. In 1920 the importations amounted to 200,000 dozen; for 1921, up to date—and that is probably for the fiscal year—440,000 dozen. The importations evidently are increasing very rapidly.

Mr. KASTOR. They may be increasing very rapidly, Senator, and in that connection here are some very interesting figures. The exports of cutlery from the United States for 11 months ending in November amounted to \$6,866,727, as against imports of \$2,624,446. Those figures are taken from your Government statistics. That refers to table cutlery.

Senator MCLEAN. I am not talking about table cutlery. I am talking about pocketknives.

Mr. KASTOR. These figures include all.

Senator MCLEAN. Now take scissors. In 1919 we imported 39,000 dozen; in 1920 the number of dozen is not given, but the value is double that of 1919. In 1920 the value was \$154,000.

Mr. KASTOR. And in 1921 it was \$821,392. I can give you that to save you the time.

Senator MCLEAN. I have been reading the wrong figures, I think. The value was \$260,000 in 1920 and in 1921 the value was \$936,000.

Mr. KASTOR. Yes. That bears out the figures that I have.

Senator MCLEAN. That shows active competition.

Mr. KASTOR. Take this pair of scissors—No. 9358, 5½-inch. Figured out on the American valuation plan it is \$2.27. At 40 per cent you get a duty of 90 cents, which, plus cost, is \$1.70. That is without profit to the importer, without transportation, and without insurance. I ask you if that is too much margin to give to compete with the American manufacturer?

Take this pocketknife. No. 6666 is a premium stock knife that I have here. The domestic value is \$12.25 per dozen. I have here our own German-silver knife on which I would like to take orders for about 100 dozen right now at \$12.25 per dozen. The duty on that basis is \$4.90, which makes the importer's cost \$9.68 per dozen. As a matter of fact, I have the cost figures on that knife. That knife costs \$7.91 in the American factory, and the European one costs the importer to land, without insurance, freight, or expense of any kind, \$9.68. Isn't 40 per cent enough, in view of that? Isn't that \$2 margin enough? As a matter of fact, the American knife is a better knife. It has a German-silver lining.

Gentlemen, this table in the brief, if it is studied carefully, proves what I have said—that the 40 per cent ad valorem rate on scissors, razors, and pocketknives will prove adequate protection to the domestic manufacturer, and, at the same time, will give the importer a chance to import and will give the consumer competitive goods.

I just want to add one thing, and that is that several gentlemen who will follow me are in the American manufacturing line. If you want to recall me to ask any questions, I shall be at your service either this afternoon or to-morrow morning.

BRIEF OF ROBERT H. KASTOR, REPRESENTING THE CUTLERY IMPORTERS' ASSOCIATION.

The Cutlery Importers' Association comprises all the well-known, long-established cutlery importers in the United States, whose aggregate imports represent fully 80 per cent of all the cutlery imported into this country.

The members of the association have given the provisions of H. R. 7456 serious consideration, and it is their opinion that the rates of duty on cutlery, based upon American valuation, as defined in the Senate Finance Committee's revision of section 402 of the bill, will prove to be an effectual bar against importations of almost all cutlery, excepting special designs and patterns not manufactured in the United States, and even as to such goods as are capable of being imported despite the tremendously high duty, the uneven and widely varying rates resulting from the imposing of varying rates of specific duty, in addition to the ad valorem, will prove prohibitory as to a large class of goods.

We herewith assert and shall discuss seriatim the following propositions:

- I. The proposed rates, computed on American valuation, will prohibit importation.
- II. (a) The combination of ad valorem duty with widely varying rates of specific duty is wrong in principle and unfair in operation. (b) There should be an ad valorem duty only.
- III. The branding clause in each of the paragraphs should be amended so as to read as in present Underwood and former Payne-Aldrich bills.
- IV. The rates should be revised so that there be a straight ad valorem duty provided for in each of the above paragraphs not to exceed the following rates: Paragraph 354, pocketknives, etc., 40 per cent. Paragraph 355, table cutlery without handles, 20 per cent; table cutlery with handles, 20 per cent. Paragraph 357, scissors, 40 per cent. Paragraph 358, razors, 40 per cent.

I. The proposed rates, computed on American valuation, will prohibit importation.

The discussion of the foregoing proposition is predicated upon the text of section 402 of the bill as amended and revised by the Senate Finance Committee, the phraseology of which we understand to be substantially as in the addenda of this brief.

It is our understanding that the Finance Committee has definitely decided to retain the American valuation plan in the bill, and that that question therefore, so far as the committee is concerned, is no longer open for discussion. Accordingly, we shall attempt no argument against the theory of American valuation, and content ourselves with the mere statement, for the purposes of record only, that in our opinion, based upon an experience of over 40 years on the part of most of our members, and even bearing in mind the present chaotic condition of the monetary systems abroad, the change in the method of valuation of imported merchandise is unwise, more costly of administration, provocative of many new and unsolved problems, and probably productive of a vast amount of litigation.

Section 402, as amended, provides for and defines four kinds of value: 1. Domestic value. 2. Import value. 3. Export value. 4. Cost of production value.

Before submitting data and tables under each of these methods of valuation, we desire to make a few preliminary observations.

The "domestic value" of the several thousand articles of cutlery is not easily ascertained.

To illustrate the difficulty which an appraiser would have, we desire to cite as an example recent bids which were made on request of the Engineer's depot of the War Department of the United States Government for 5,000 of a standard jackknife, in May, 1921. In all, 13 bids were received; 7 from high-grade standard pocketknife factories and 6 from agents. These bids for the identical article fully described by the Engineers' depot ranged in price from the lowest at 43 cents to the highest at 63.8 cents—a difference of a little over 20 cents apiece or \$2.40 per dozen between the highest and lowest bid.

It is fair enough to ask, if it is so difficult to get the exact wholesale price of an easily recognized standard jackknife—how can an appraiser be expected to fix the correct domestic value of the thousand and one odd patterns of pen and pocket knives, razors, scissors, and table knives covered by the cutlery schedules.

It is a well-known custom of the cutlery industry that customers are in the habit of placing orders for import in advance for delivery at a later date, which they can not place unless they know the prices of the articles in question. The importer is naturally asked to quote a definite price on such orders, but with American valuation in effect the importer, if he is uncertain whether or not there is a similar article of domestic manufacture, can not know for a certainty whether, in assessing the duty, a domestic value or the export value will be applied. The difference in duty may be considerable, and in this dilemma he would naturally have to pass up all business of this character which forms a great part indeed of the general cutlery imports.

The primary object of a tariff bill, in addition to producing revenue, is to protect the domestic manufacturer against the lower production cost of the foreign manufacturer. If the foreign cost and the domestic cost of similar articles were definitely known and if normal conditions prevailed so that these respective costs could reasonably be expected to continue without substantial change, then the problem of framing the tariff schedules would be simplified.

However, the production cost, both domestic and foreign, is a fickle quantity to-day. So far as domestic cost is concerned, it would seem to be safe to assert that substantially all changes within the next 12 months at least will be by way of reduction. Some initial reductions, both in labor and in cost of raw materials, have already been made in our domestic cutlery factories, followed by a more or less proportionate reduction in the factory selling prices. Further, and probably greater, reductions are expected to occur within the coming year.

What changes in cost of production, computed in American dollars, will take place in foreign countries, particularly in Germany, with its enormously depreciated currency, can not be foretold. Heretofore when the value of German marks in dollars went down, the cost of German goods in marks went up, so that the cost in American dollars was not materially changed. Then, again, there have been periods in the past six months when the rate of exchange fluctuated from 85 marks to the dollar to 40.35 marks to the dollar without any change in selling price, in marks, of a German-made article. Recently the exchange value of the mark has touched the lowest level for the current year and yet, doubtlessly because of the internal economic distress, the selling prices in marks have not made the customary corresponding advance.

The fact remains that economic and monetary conditions in Germany are so chaotic that cost of production is a constantly changing factor. No one can foretell the future with certitude. Many believe the turning point is about to be reached, i. e., either Germany will fall into the depths to which Austria has fallen, or she will adopt such measures as will make for deflation of its currency and greater industrial stability. If the latter course is taken, we can reasonably expect higher selling prices in Germany,

measured in American dollars, to meet the extraordinarily heavy tax burdens which Germany must carry to enable her to meet her tremendous obligations.

Hence we have these two conditions affecting the question of the amount of protection needed by the American manufacturer, (a) the American cost of production is practically certain to undergo a substantial reduction in the near future, and (b) the German cost of production, if conditions are stabilized, will probably be increased. The nearer the two relative costs of production approach each other, the more prohibitory the cutlery schedules in the Fordney bill become with respect to importation.

THE PROPOSED RATES ARE PROHIBITORY.

In order to illustrate graphically the prohibitory effect of the proposed rates of duty when computed on the value of the imported merchandise in accordance with the provisions of section 402, as amended by the Senate Finance Committee, we submit herewith a "Table of duty based on American valuations," showing the amount of duty computed on the four kinds of value prescribed in the aforementioned section. We have selected articles of cutlery which are fairly representative of the great mass of cutlery customarily imported, and which articles were all included in recent invoices of the leading cutlery importers.

Duty based on American valuations.

Article.	Importer.	Invoice date.	Rate of exchange (marks).	Similar domestic article.	Domestic manufacturer.	Foreign cost in marks.	Foreign cost in United States currency.
POCKET KNIVES.							
		1921.					
401	A. K. & B.	July 26	\$0.0126	5628	C. C. C.	26.00	\$0.33
614 D W	A. K. & B.	May 30	.0158	31199	C. C. C.	38.00	.60
N 2000 St.	A. K. & B.	June 14	.0137	62188	C. C. C.	58.00	.80
6042	H. B. & Co.	May 6	.0135	2003	V. F. C.	173.15	2.33
6059	H. B. & Co.	do.	.0135	67125	C. C. C.	353.40	4.78
1028 P	J. A. H.	May 24	.0166	.....	.....	1,149.54	19.08
SCISSORS.							
9338-5½-inch	Griffon....	Apr. 15	.0144	9123-6-inch	Acme S. C. ...	58.30	.85
8764-3½-inch	M. Klaas...	May 25	.0149	4061-3½-inch	Klaas (Inc.)..	90.56	1.35
1533-3½-inch	J. A. H.	May 23	.0153	23	N. C. C.	210.15	3.23
2610-7½-inch	J. A. H.	May 12	.0166	10-7½-inch	N. C. C.	308.55	5.13
RAZORS.							
520-½ S. P.	A. K. & B.	May 10	.0149	110-½ S. P.	J. R. Torrey..	78.40	1.17
101-½ S. P.	H. B. & C.	May 6	.0135	7004-½ S. P.	Korn	461.70	6.23
TABLE CUTLERY.							
Butcher knives, Wilson, 6-inch.	H. B. & C.	May 28	13.6100	L. F. & C., 6-inch.	L. F. & C.	115 6	2.79
55 stag (carving set)	J. A. H.	July 4	.0134	20803-9-inch .....	.....	1,743.00	23.35

¹ Sterling.

A. K. & B. Adolph Kastor & Bros., 109 Duane Street, New York.
 C. C. C. Camillus Cutlery Co., Camillus, N. Y.
 H. B. & C. H. Boker & Co., 101 Duane Street, New York.
 V. F. C. Valley Forge Cutlery Co., Newark, N. J.
 J. A. H. J. A. Henckels, 107 Chambers Street, New York.
 Griffon Griffon Cutlery Works, 151 West Nineteenth Street, New York.
 Acme S. C. Acme Shear Co., Bridgeport, Conn.
 M. Klaas Max Klaas, 5 Union Square, New York.
 Klaas, Inc. Max Klaas (Inc.), Newark, N. J.
 N. C. C. Newark Cutlery Co., Newark, N. J.
 J. R. Torrey J. R. Torrey Razor Co., Worcester, Mass.
 Korn Korn Razor Co., Little Valley, N. Y.
 L. F. & C. Landt, Fray & Clark, New Britain, Conn.

Duty based on American valuations—Continued.

Article.	Domestic value.	Duty.	Percentage duty on foreign cost.	Cost to importer.	Import value.	Duty on import value.	Percentage duty on foreign cost.	Valuation per export value.	Duty on export value.	Percentage duty on export value.
POCKETKNIVES.										
404.....	\$1.00	\$0.90	272	\$1.23	\$1.00	\$0.90	272	\$0.59	\$0.77	233
614 D W.....	2.75	2.02	337	2.62	1.50	1.65	275	1.65	1.70	283
N 2000 St.....	3.60	3.48	435	4.28	3.00	2.10	262	2.00	1.80	225
6042.....	7.00	4.50	193	6.53	6.00	4.20	110	5.25	3.98	171
6086.....	12.25	7.27	152	12.05	13.00	7.50	157	10.50	6.75	141
1028 P.....					48.00	18.00	90	34.59	13.97	73
SCISSORS.										
9333-54-inch.....	2.27	3.19	373	4.04	2.00	3.10	365	3.60	3.66	431
8761-34-inch.....	3.70	3.69	274	5.04	3.25	3.55	264	4.40	3.94	292
1533-34-inch.....	5.75	4.13	128	7.36	8.50	6.37	166	8.00	5.28	183
2610-74-inch.....	8.66	5.33	104	10.46	13.50	7.82	152	12.00	6.40	125
RAZORS.										
520-1 S. P.....	3.25	2.90	247	4.07	3.00	2.82	241	3.30	2.91	247
101-1 S. P.....	11.70	5.91	95	12.14	15.00	6.90	111	12.50	6.12	98
TABLE CUTLERY.										
Butcher knives, Wilson, 6-inch.	3.50	3.14	113	5.93	6.00	4.02	144	7.00	4.33	172
55 stag (carving set).	50.40	23.40	100	46.75	96.00	39.30	169	45.35	21.65	93

In presenting this table to the Finance Committee we have prepared the same to show what the duty would be, were the appraiser to take domestic value—that is, the wholesale selling price of a similar American-made article—and we give the competing American manufacturer's number with his wholesale selling price, the duty thereon, and the percentage such duty is of the foreign cost.

We then have assumed, in order to fully demonstrate our contention, that the appraiser was unable to find a similar article, and that he was compelled to compute the duty on "import value." We have then figured what the duty would be on the import value, which is the importer's present wholesale selling price.

But in order to further illustrate the full effect of the amended section, we have further assumed that the appraiser was unable to find an "import value" and have, therefore, figured out the duty on the so-called "export value" of the various articles in question in the following manner: We have taken first the price at which the foreign article is freely sold in wholesale quantities, packed in the usual packages and cartons for export to the United States. Then we have figured the duty on this export value in accordance with the rates provided in the Fordney bill. To the aggregate of these two figures (selling price and duty) we have added 5 per cent to cover freight, insurance, and expenses to the United States, a percentage which experience has proven will approximate the actual expenses of transportation, freight, and insurance. To the sum total of these figures we have added a profit of not less than 16 per cent, as provided in the bill. On this final basis we have determined the duty in accordance with the provisions of the Fordney bill, as provided in section 402, subdivision (j) 3. Inasmuch as the figures for cost of production are not available to us, and as the clause (e) of section 402, entitled "Cost of production," is obviously framed to make cost of production equal to export value, we have assumed that the duty on cost of production is equal to the duty on export value and have, therefore, omitted this from the table.

In giving the foreign value in American currency of the articles in question, we have in each case taken the rate at which the particular invoice of the various importers was consulted; but that does not mean that the importer in question paid that rate for the foreign money with which he paid the particular invoice. As a matter of fact, in most cases he paid much more. It has been the custom of all importers since the war, to provide payment for the merchandise which they order by buying foreign bills of exchange far ahead of the time of delivery. As a matter of fact, the importer usually covers for his purchases on the very day he places his order, so that in most cases the importer paid for his marks or sterling considerably more than the rate at which the invoices in question were consulted. This is quite a factor in the import-

ing business as it has been conducted since the war, and should be well borne in mind by the committee whenever they see a quotation of prices in foreign currency. It is not fair to take the arbitrary figure at which the mark may be ruling to-day, to establish the cost of merchandise, as in the violent fluctuations which have taken place in the past two years only an average much higher than the low point and much lower than the high point at which the mark or other currency has been quoted should be taken.

The briefest analysis of our table will serve to show that the duties as at present provided for in the bill are absolutely prohibitive for all of the articles which we have cited, and in fact for all cutlery, for we believe that the examples we have taken are fairly representative of the various grades and kinds of cutlery which are customarily imported.

To be more specific, take the case of knife No. 404, the foreign cost of which is \$0.33 per dozen: The duty on this item is based on the American wholesale selling price (domestic value) of a similar article (5626) and figures to \$0.80, as in our table; \$0.80 plus \$0.33 (foreign cost) equals \$1.23, which means that this article plus the duty as figured, and without including any costs of transportation, insurance, freight, or general expenses, and without allowing one cent of profit to the importer, costs the importer 25 per cent more than the same article is sold for in the usual wholesale quantities by the American manufacturer, figuring a liberal profit.

The same thing can be stated with equal force in the case of article 6066, in which the duty, plus foreign cost, amounts to \$12.05, without including freight or expenses or any profit for the importer, as against a selling price of \$12.25 per dozen of a similar article of American manufacture.

But these cases of pocketknives are mild when compared to examples in the scissor schedule. For example, article No. 9338, 5½", figures out to \$4.04 per dozen with the duty, but without any amount added for freight, insurance, and without any profit to the importer, whereas a Bridgeport manufacturer sells a similar article of as good a quality, at \$2.27 per dozen. This example speaks for itself, and the other three examples of scissors, given in the table, show that the rates of duty are proportionately just as high and just as prohibitive.

We do not deem it necessary to comment specifically on the razors, carvers, and butcher knives contained in the table. The figures in the table speak for themselves, and only the slightest study of them will serve to convince any impartial reader that the schedules as drawn, in conjunction with American valuation, are unquestionably prohibitive for all the articles in question.

But we have thus far confined ourselves practically to the duty figured on domestic value only. The facts are, however, as the table shows, that section 402 is so framed that the duty figured on import value, export value, and cost of production is almost as high and in some cases higher than the duty figured on domestic value. In short, even where no similar articles can be found or are produced in this country; the duties are so high (as the percentages in our table will show) that they would necessitate selling prices higher than the consumer would or could pay. Therefore, even in the case of articles on which there is actually no competition, they could not be imported, as they could not be sold at the tremendous prices at which the high duties would compel their sale.

Inasmuch as the articles given in the table are, in our opinion, fairly representative of all the cutlery customarily imported, we believe that it is fair and just to state that the rates on cutlery provided for in the Fordney bill and computed in accordance with the Finance Committee's amendment are absolutely prohibitive and will most effectually bar the further importation of any cutlery, no matter what the country of origin may be.

To illustrate the enormous increase in duty resulting from the adoption of the American valuation plan, instead of computing the Fordney rates on foreign value, we present the following figures for three articles each of pocket knives, scissors, and razors, the three articles in each group costing \$1, \$2, and \$3, respectively:

Increase in duty when employing Fordney rates with American valuation over duty employing same rates with foreign valuation.

Article.	Foreign value.	Duty.	Percentage.	Duty on domestic value.	Percentage on foreign value.	Increase in percentage of duty on foreign value.	Duty on import value.	Percentage on foreign value.	Increase in percentage of duty on foreign value.	Duty on export value.	Percentage on foreign value.	Increase in percentage of duty on foreign value.
Pocketknives:												
N 9090.....	\$1.00	\$0.90	90	\$3.76	376	286	\$2.10	210	120	\$1.90	190	100
5791.....	2.00	1.80	90	4.65	232½	142½	4.20	220	130	3.80	190	100
7913 P.....	3.00	2.10	70	7.65	255	185	6.30	210	140	7.23	241	171
Average.....			83		287	204		213	130		207	124
Scissors:												
102-41''.....	1.00	2.15	215	3.52	352	137	3.45	345	130	3.73	373	158
1060-6.....	2.00	3.10	155	4.50	225	70	4.50	225	70	4.66	228	73
950-6.....	3.00	3.45	115	5.20	173	58	4.67	158	43	5.11	170	55
Average.....			162		250	83		243	81		257	95
Razors:												
225.....	1.00	1.50	150	2.90	290	140	2.82	282	132	2.83	283	133
1552.....	2.00	2.04	102	4.50	225	123	4.20	210	108	3.51	190	88
1100.....	3.00	2.82	94	5.40	180	86	6.00	200	106	4.50	150	56
Average.....			115		231	116		231	116		208	93

Take knife N 9090, costing \$1; the duty, as per Fordney rates, computed on the foreign value, is \$0.90, or 90 per cent; but the duty, as per Fordney rates, computed on domestic value, is \$3.76, or 376 per cent on foreign cost. With the same rates in force, and by the simple expedient of shifting to the American valuation, the duty has been increased 418 per cent.

The foregoing table, briefly stated, shows: On pocketknives, ranging from \$1 to \$3 in foreign value, the average duty on that value as per Fordney rates is 83 per cent.

But when the Fordney rates on these same goods are computed on the American valuation you increase the average percentage rate from 83 per cent to 287 per cent if domestic value is used, 213 per cent if import value is used, and 207 per cent if export value is used.

So, also, on the scissors the average duty of 162 per cent on foreign value is increased to 250 per cent for domestic value, 243 per cent for import value, and 257 per cent for export value.

On razors the average duty of 115 per cent (foreign valuation) is increased to 231 per cent for domestic value, 231 per cent for import value, and 208 per cent for export value.

We respectfully submit that rates of duty on cutlery, as high as those shown above, are not only unprecedented, but are certain to be destructive of the entire import business in cutlery. If the decision to incorporate the American valuation plan is irrevocable, then it is imperative that the rates be very much lowered, unless it is a matter of indifference to the committee whether the importation of cutlery is barred or not. If, in order to protect the public against the excessive profits which the domestic manufacturer will be able to enforce if the bill in its present shape is enacted into law, the importation is to be allowed to continue on a basis which gives the domestic manufacturer ample protection, then rates substantially as suggested later in this brief should be adopted.

II. (a) The combination of ad valorem duty with widely varying rates of specific duty is wrong in principle and unfair in operation. (b) There should be an ad valorem duty only.

If the Finance Committee, in view of what has been submitted above, should conclude that the rate of duty as now provided for in H. R. 7456 on cutlery are too high, then we most earnestly urge the committee, in its revision of such rates, to eliminate the specific duties altogether. As a matter of fact, the rates given in the bill, even if computed on foreign valuation, would be prohibitive as to a very large portion

of goods which are now being regularly imported, especially those which fall within that part of each classification where the abnormally high approximate percentages of duty prevail, as shown in the tables given below for pocketknives, scissors, razors, and table cutlery.

A. Pocketknives (par. 354):

The experience of 12 years under the Dingley bill and of 3 years under the Payne-Aldrich bill has shown beyond all doubt that the combination of specific and ad valorem duties on articles of cutlery as embodied in these bills is—

(a) Unscientific and arbitrary with reference to classification.

(b) Unequal and unfair in operation.

(c) Prohibitory as to a large class of goods.

The proposed act, like the tariff act of August 5, 1909, makes arbitrary divisions for the imposition of specific duties. No good reason can be assigned for fixing upon the prices of \$1.25 and \$3 as the division lines, all knives costing \$1.25 or less (to 50 cents) per dozen, paying 5 cents each, knives from \$1.25 to \$3, 10 cents each, and those in excess of \$3, 20 cents each, all in addition to the ad valorem duty of 30 per cent.

From the following detailed table of the duties and percentages on pocketknives, the uneven and inequitable operation of the schedule can be seen at a glance:

POCKETKNIVES.

Value per dozen.	Rate of duty.	Actual duty.	Approximate percentage.	Value per dozen.	Rate of duty.	Actual duty.	Approximate percentage.
\$0.40	40 per cent.	\$0.16	40	\$3.20	20 cents each and 30 per cent.	\$3.36	105
.42	1 cent each and 30 per cent.	.24	58	3.40	do.	3.42	99
.45	do.	.25	57	3.50	do.	3.45	96
.50	do.	.27	54	3.80	do.	3.51	83
	Average.....		56	4.00	do.	3.60	90
.55	5 cents each and 30 per cent.	.76	139	4.20	do.	3.66	87
.60	do.	.78	130	4.40	do.	3.72	81
.70	do.	.81	115	4.60	do.	3.78	82
.80	do.	.84	105	4.80	do.	3.84	80
.90	do.	.87	96	5.00	do.	3.90	78
1.00	do.	.90	90	5.20	do.	3.96	76
1.10	do.	.93	84	5.40	do.	4.02	74
1.20	do.	.96	80	5.60	do.	4.08	73
1.25	do.	.97	78	5.80	do.	4.14	71
	Average.....		102	6.00	do.	4.20	70
1.30	10 cents each and 30 per cent.	1.59	122	6.25	do.	4.27	68
1.40	do.	1.62	115	6.50	do.	4.35	66
1.50	do.	1.65	110	6.75	do.	4.42	65
1.60	do.	1.68	105	7.00	do.	4.50	65
1.70	do.	1.71	100	7.25	do.	4.57	63
1.80	do.	1.74	96	7.50	do.	4.65	62
1.90	do.	1.77	93	7.75	do.	4.72	61
2.00	do.	1.80	90	8.00	do.	4.80	60
2.10	do.	1.83	87		Average.....		77
2.20	do.	1.86	84	8.50	30 cents each and 30 per cent.	6.15	72
2.30	do.	1.89	82	9.00	do.	6.30	70
2.40	do.	1.92	80	9.50	do.	6.45	68
2.50	do.	1.95	78	10.00	do.	6.60	66
2.60	do.	1.98	76	10.50	do.	6.75	64
2.70	do.	2.01	74	11.00	do.	6.90	62
2.80	do.	2.04	72	11.50	do.	7.05	61
2.90	do.	2.07	71	12.00	do.	7.20	59
3.00	do.	2.10	70	12.50	do.	7.35	58
	Average.....		89	13.00	do.	7.50	57
				13.50	do.	7.65	56
				14.00	do.	7.80	55
				14.50	do.	7.95	54
				15.00	do.	8.10	53
					Average.....		61

Leaving out of consideration the very cheap knives, we can at once see the curious results of the specific and ad valorem duties combined. Knives costing 50 cents per dozen pay only 54 per cent total duty, while those costing 55 cents per dozen pay 139 per cent, or almost two and one-half times as much. As the cost gradually increases, the total duty decreases, until we reach the price of \$1.25 per dozen, on which the

duty is 78 per cent. What possible reason can there be for such a tremendous variance in a customs tax on the same line of goods, ranging from 78 per cent to 139 per cent?

Now, however, comes one of the arbitrary division lines, for goods costing only 5 cents more per dozen, namely, \$1.30, pay a duty of 122 per cent as against 78 per cent on goods costing \$1.25.

As the prices continue to increase up to and including \$3, the total duty again correspondingly decreases from the high mark of 122 per cent to the level of 70 per cent. Then comes another arbitrary line of division and classification, and, by again changing the rate of specific duty on knives costing in excess of \$3, the total duty on knives valued at \$3.20 leaps up to 105 per cent—just 50 per cent more duty than the \$3 knife yields. It is absolutely without justification that two similar articles, differing so slightly in cost, should be taxed at such widely dissimilar rates of duty.

As the cost again continues to increase, the duty decreases, so that with the importation of an \$8 knife the duty is 60 per cent, whereas with a knife costing \$8.10 the duty is 75 per cent.

A most cursory examination of the table of duties given above must soon convince the most ardent defender of the system of dual duties that such a wide divergence in rates as the table discloses is bound to keep out of our markets all such articles as would have to pay the comparatively higher rates, and, therefore, that as to them at least the proposed tariff act is prohibitive. For instance, you will find very few, if any, imports of knives costing from \$1.35 to \$1.65 per dozen which would have to be taxed at the practically prohibitive rates ranging from 122 per cent to 105 per cent. Likewise, you will not find many knives imported costing from \$3.10 to \$3.90 on which the duty ranges from 103 per cent to 93 per cent.

Our tables and the figures which we have cited above show the practically prohibitive rates on most classes of pocketknives in the proposed act, figuring the duties on foreign valuation. It must be remembered that the pocketknife industry is one that is well established in this country for a period of well over a quarter of a century, and figures of recent years indicated that the domestic industry turned out an amount of pocketknives equal to \$10,000,000 a year. This, compared to the imports of pocketknives for the 11 months ending May 31, 1921, of \$764,747, is a tremendous sum indeed and dwarfs by comparison this amount of imports. It is our conclusion, therefore, that the duties as proposed for these schedules are as already stated:

- (a) Unscientific and arbitrary with reference to classification.
- (b) Unequal and unfair in operation.
- (c) Prohibitory as to a large class of goods.

B. Scissors (par. 357):

In a much greater degree all that has been said above in reference to the operation, effect, and character of the system of specific and ad valorem duties combined on pocketknives is true of and applicable to the specific and ad valorem duties combined on razors and scissors.

The schedule for scissors worked out in table form below will show the tremendous percentages of duty provided for under this new act, and the actual facts are that these duties, even figured out on the foreign valuation, are absolutely prohibitive, and range from the lowest duty on a very high-grade scissors of 83 per cent to the tremendous duty on a cheaper grade scissors of 334 per cent.

The actual increases in duty in dollars and cents over the present duty as provided for in the Underwood bill are staggering and are shown clearly in the table:

SCISSORS.

Value per dozen.	Rate of duty.	Actual proposed duty.	Actual present duty.	Approximate percentage of proposed duty.	Value per dozen.	Rate of duty.	Actual proposed duty.	Actual present duty.	Approximate percentage of proposed duty.
\$0.40	3 cents each and 35 per cent.	\$0.50	\$0.12	125	\$1.80	20 cents each and 35 per cent.	\$3.03	\$0.64	168
.50	do.	.53	.15	106}	1.90	do.	3.06	.57	161
	Average..			115	2.00	do.	3.10	.60	153
.60	15 cents each and 35 per cent.	2.01	.18	331	2.10	do.	3.13	.63	149
.70	do.	2.04	.21	292	2.20	do.	3.17	.66	144
.80	do.	2.08	.24	260	2.30	do.	3.20	.69	139
.90	do.	2.11	.27	235	2.40	do.	3.24	.72	135
1.00	do.	2.15	.30	215	2.50	do.	3.27	.75	131
1.10	do.	2.18	.33	198	2.60	do.	3.31	.78	127
1.20	do.	2.22	.31	185	2.70	do.	3.34	.81	123
1.30	do.	2.25	.39	174	2.80	do.	3.38	.84	120
1.40	do.	2.29	.42	163	2.90	do.	3.41	.87	117
1.50	do.	2.32	.45	155	3.00	do.	3.45	.90	115
1.60	do.	2.36	.48	147	3.20	do.	3.52	.96	110
1.70	do.	2.39	.51	141	3.40	do.	3.59	1.02	103
1.75	do.	2.41	.52	138	3.60	do.	3.66	1.08	98
	Average..			202	3.80	do.	3.73	1.14	93
					4.00	do.	3.80	1.20	93
					4.20	do.	3.87	1.23	92
					4.40	do.	3.94	1.32	89
					4.60	do.	4.01	1.33	87
					4.80	do.	4.08	1.44	85
					5.00	do.	4.15	1.50	83
	Average..					Average..			119}

The actual facts in connection with the scissors industry in this country are that in two branches of the industry there is practically no competition whatsoever from abroad, and that the product of these two branches is exported to every corner of the world:

1. Steel laid shears, which are made nowhere but in the United States of America, but for which a duty of 10 cents each and 30 per cent ad valorem has been provided.

2. Cast scissors, which have always been more successfully produced in this country than in any other country in the world, as our export statistics clearly prove.

American cast scissors enter into competition with all other scissors in the world markets and have successfully met all competition from all sources.

An interesting sidelight on the actual state of the American cutlery trade is provided by the monthly summary in the Bulletin of Foreign Commerce of the United States, a monthly publication issued by the United States Government, which shows as follows:

Exports and imports for 11 months ending May 31, 1921.

Exports:		
Table cutlery.....		\$2,618,044
Safety razors.....		1,323,587
All other razors.....		253,533
All other cutlery, not specified, including scissors.....		2,671,563
Total exports of cutlery.....		<u>6,866,727</u>
Imports:		
Pocketknives.....		764,747
Razors.....		579,639
Scissors.....		831,392
All other.....		448,668
Total imports of cutlery.....		<u>2,624,446</u>

In short, as against a total of all cutlery exported of \$6,866,727, there was imported but \$2,624,446. In fact, the one item alone in our export statistics headed "All other

cutlery, not specified, including scissors," amounts to more in dollars and cents than the total of all cutlery imported, including table cutlery.

It would appear on the surface that the American manufacturer is well able to compete with other countries in the world markets.

When it is borne in mind that scissors are an article of household use and that the proposed tariff will compel the American householder to pay 50 cents for a 25 cent article and between 75 cents and \$1 for a 50 cent article, the actual effects of the scissors schedule will be promptly borne home to every household and school.

C. Razors (par. 358):

What we have said about scissors and pocket knives is equally applicable to razors, and the table which we cite below indicates the tremendous percentage of duty specified in the proposed act. The lowest percentage duty is 54 per cent and the highest 150 per cent, as against 35 per cent and 55 per cent under the Underwood bill.

RAZORS.

Value per dozen.	Rate of duty.	Actual duty.	Approximate percentage.	Value per dozen.	Rate of duty.	Actual duty.	Approximate percentage.
\$1.00	10 cents each and 30 per cent.	\$1.50	150	\$3.80	16 cents each and 30 per cent.	\$3.08	80
1.20	do.	1.56	130	3.95	do.	3.10	78
1.40	do.	1.62	115		Average.....		85
1.60	do.	1.68	103				
1.80	do.	1.74	96	4.00	20 cents each and 30 per cent.	3.60	90
1.90	do.	1.77	93				
1.95	do.	1.78	91	4.20	do.	3.66	87
	Average.....		112	4.40	do.	3.72	84
2.00	12 cents each and 30 per cent.	2.04	102	4.60	do.	3.78	82
2.20	do.	2.10	95	4.80	do.	3.84	80
2.40	do.	2.16	90	5.00	do.	3.90	78
2.60	do.	2.22	85	5.50	do.	4.05	74
2.80	do.	2.28	81	6.00	do.	4.20	70
2.95	do.	2.32	79	6.50	do.	4.35	67
	Average.....		89	7.00	do.	4.50	64
3.00	16 cents each and 30 per cent.	2.82	94	7.50	do.	4.65	62
3.20	do.	2.88	90	8.00	do.	4.80	60
3.40	do.	2.94	86	8.50	do.	4.95	58
3.60	do.	3.00	83	9.00	do.	5.10	56
				9.50	do.	5.25	55
				10.00	do.	5.40	54
					Average.....		71

In the case of razors, the heaviest percentage of duty bears on the cheaper grade of razors, which will, of course, compel the man in the street to pay an exorbitant price for his cheap razors, which, due to the general liquidation, have just gotten down to a modest basis again.

D. Table cutlery (par. 355):

A further reference to the export and import statistics given on page 21 will show the inconsistency of the very heavy specific and ad valorem duties proposed for table cutlery.

When it is realized that the exports of table cutlery for the 11 months ending May 31, 1921, amounted to \$2,618,044, but \$6,000 less than the total imports into this country of all cutlery, it seems somewhat out of date to treat this as an infant industry and to provide specific and ad valorem duties ranging as high as 150 per cent for the cheaper grades of table cutlery.

The table-cutlery industry, by which is meant table knives, butcher knives, kitchen knives, carvers, and all other articles enumerated in paragraph 355, has been dominated by the American manufacturers for years. What have been imported have been specialties that are not made here and certain grades of table knives, butcher knives, and carvers, all of which had to be sold at higher prices with the present duty of 30 per cent than goods of American manufacture that were similar.

The present law exacts a duty of 25 per cent ad valorem on all such articles without handles and 30 per cent with handles. We are recommending that this paragraph be changed or amended so as to provide 20 per cent ad valorem, on American valuation, which rate of duty affords more than ample protection to the American manufacturers of these goods, and any substantial increase in the rate will prove prohibitive.

Our domestic manufacturers have competed successfully with foreign manufacturers in foreign markets in these articles, as may be seen by the table of statistics which we give you herewith and which was taken from Government records.

We would further call your attention to the contemplated change in the duty on carvers and table-knife blades, finished or unfinished, from which you will see that it is proposed to classify these blades with the finished article of the highest grade, such as have pearl handles attached, etc.

We herewith give you a comparison showing how the proposed duty would work out as compared to the finished article:

	Value.	Rate of duty.	Actual proposed duty.	Present duty.	Total percentage of proposed duty.
Table-knife blades.....	\$1 per dozen.	16 cents each and 35 per cent.....	\$2.27	<i>Per ct.</i> 25	227
Finish'd table knife, with the same blade, but with a celluloid handle.	\$2 per dozen.	8 cents each and 25 per cent.....	1.66	30	81

The foregoing analysis and review of the proposed cutlery schedules in H. R. 7456 demonstrate beyond doubt that they are arbitrary in classification, unequal and unfair in operation, and prohibitory as to a large class of goods. The proposed rates, as they stand, would be prohibitory even if computed on foreign valuation, as has always been the practice. But when these rates are put into operation and applied on the American valuation they will surely be found to be absolutely and irretrievably prohibitory. The substitution of the American valuation for the foreign valuation has the effect of doubling and trebling the duty, although there is no change in rates.

III. The branding clause in each of the paragraphs, 354-361, should be amended so as to read as in present Underwood and former Payne-Aldrich bills.

We respectfully refer to the clause in paragraphs 354, 355, 357, 358, 359, 360, and 361, reading:

"*Provided further*, That all the articles specified in this paragraph, when imported, shall have the name of the maker and beneath the same the name of the country of origin die sunk conspicuously and indelibly on the shank or tang of at least one, or, if practicable, each and every blade thereof."

This paragraph is quite a change from all previous tariffs, including the Underwood, Payne-Aldrich, and Dingley, which always provided that the articles specified in the cutlery schedule when imported shall have the name of the maker or purchaser, instead of merely the name of the maker, stamped or die sunk conspicuously and indelibly on the shank or tang of at least one, or, if practicable, each and every blade thereof.

The actual result of compelling each article to bear the name of the maker would be three-fold:

1. It would destroy the hard work of 40 or 50 years which cutlery importers have put in to establish their own trade names and brands. In some instances extensive advertising campaigns have been entered into by importers who have spent thousands of dollars in protecting and making their names good before the public. This act would compel each importer to put the name of the various manufacturers from whom he purchases his goods abroad on each and every article, and would give away his trade secrets to every customer.

2. Many customers of the importers insist on buying their merchandise under their own special brand and mark which they in turn have established after years of hard pioneering and at considerable expense. This paragraph, as now worded, would, however, with one sweep set aside legally protected trade-marks and would violate long established property rights by compelling the customers of the importers to have the name of the foreign manufacturer stamped on the merchandise they buy.

3. This provision would eventually prove to be as big a boomerang as the famous "Made in Germany" provision was for England. It will be recalled that the English were the first to compel all articles to be stamped with the country of origin. The result was that "Made in Germany" became a by-word, not only in England and all her colonies, but throughout the world for certain classes of merchandise, and Germany got more free advertising through this provision than she could possibly have hoped

to get by the expenditure of hundreds of millions of dollars. In this instance, the American Congress would be providing every foreign manufacturer with the best kind of free advertising and far from protecting Americans by the provision, would undoubtedly do incalculable harm, as the American public would become accustomed to the names of the various German manufacturers and would, if satisfied with their product, insist on their merchandise.

We would recommend therefore that the wording of this clause read as follows:

"Provided, further, That all the articles specified in this paragraph, when imported, shall have the name of the maker, or purchaser, and beneath the same the name of the country of origin die-sunk or branded conspicuously and indelibly on the shank or tang of at least one or, if practicable, each and every blade thereof."

as it did in the previous bills, without harm to any American manufacturer.

IV. The rates should be revised so that there be a straight ad valorem duty provided for as follows:

	Per cent.
Paragraph 354, pocketknives.....	40
Paragraph 355, table cutlery.....	20
Paragraph 357, scissors.....	40
Paragraph 359, razors.....	40
Paragraph 361, pliers and nippers.....	20

It has always been the policy of the Cutlery Importers' Association to advocate rates of duty on cutlery which would be fair to both the domestic manufacturer and to the importer, as well as to the public.

This attitude was evidenced in the hearings before the Ways and Means Committee in 1913 when the Underwood bill was in the making, at which time, although the Underwood bill as originally framed provided a duty of 35 per cent for pocketknives and razors and 30 per cent for scissors, this association went on record as advocating a duty of 50 per cent on pocketknives and razors and 35 per cent for scissors.

But rather than seem to be merely destructive in our criticism, and in order to provide for a tariff in which the schedule affecting cutlery shall be fair and just to the importer, to the domestic manufacturer, and to the consumer, we have suggested the rates appearing above, and have prepared a table showing the foreign cost of several specific articles, which cost is taken from actual import invoices of recent date, and, as shown thereon, the corresponding domestic value, the duty based upon such domestic value, computed at 40 per cent ad valorem on pocketknives, scissors, and razors and 20 per cent ad valorem on table cutlery, and have also added a column showing the resulting cost to the importer of the imported article with the 40 per cent duty on the domestic value. It is to be noted, however, that this "cost to importer" does not include any charges for transportation, freight, insurance, and other incidental charges. In the last column of the table will be found the percentage which such duty, based on domestic value, is on the foreign cost. In scrutinizing the column of percentages, it will be found that the percentages are actually higher than the duties which have been levied in any previous tariff bill, including the Payne-Aldrich and Dingley bills.

It will also be observed from this table that the difference between the cost to importer and the domestic value is in no case greater than sound business principles would require, and in some instances, as, for example, article No. 2610, 7 $\frac{1}{2}$ -inch scissors, the domestic value is \$3.66, whereas the cost to the importer (exclusive of freight, transportation, insurance, and other charges), is \$3.59, or a margin of only 7 cents per dozen.

In the table are given examples of articles which are fairly representative of the great bulk of the goods imported, and what the table shows with reference to these specific articles will be found to be substantially true with reference to practically all the cutlery imported.

We submit that it is evident from the tables presented that a straight ad valorem duty of 40 per cent on pocketknives, razors, and scissors, and 20 per cent on table cutlery, as suggested, will provide more than adequate protection to the domestic manufacturer, and at the same time will permit the continuation of imports, which, however, will pay a much higher rate of duty than was received under either the Payne-Aldrich or Dingley bills.

Straight ad valorem duty of 40 per cent on pocketknives, scissors, and razors, and 20 per cent on table cutlery.

Article.	Foreign cost.	Domestic value.	Duty 40 per cent.	Cost to importer.	Percentage duty or foreign cost.
Pocketknives:					
404.....	\$0.33	\$1.00	\$0.40	\$0.73	121
614 DW.....	.69	2.75	1.10	1.70	183
N2000 St.....	.80	3.60	1.44	2.24	180
6042.....	2.33	7.00	2.80	5.13	120
6066.....	4.78	12.25	4.90	9.38	202
Scissors:					
9338, 5 1/2-inch.....	.85	2.27	.90	1.70	106
8731, 3 1/2-inch.....	1.35	3.70	1.48	2.83	209
1535, 3 1/2-inch.....	3.23	5.75	2.30	5.23	71
2610, 7 1/2-inch.....	5.13	8.66	3.46	8.50	67
Razors:					
5201 SP.....	1.17	3.25	1.30	2.47	111
1011 SP.....	6.23	11.70	4.68	10.91	75
Table cutlery:					
Wilson butcher knife.....	2.79	3.50	1.70	3.49	21
55 stag carver.....	23.35	50.40	10.08	33.43	43

¹ 20 per cent.

It must be remembered that this proposed duty of 40 per cent is based upon the American valuation, and that such duty is equivalent to rates anywhere from 67 per cent to 209 per cent upon foreign value, as may be seen from the table.

For the reasons more fully discussed under proposition No. "II," we again most earnestly urge the elimination of all specific duties on cutlery.

The Underwood bill provides two rates of ad valorem duty on pocketknives, namely, 35 per cent on articles valued at not more than \$1 per dozen, and 55 per cent on articles valued at more than \$1 per dozen. We know of no reason whatsoever why there should be two rates of ad valorem duty on knives any more than that there should be a combination of ad valorem and specific duty. The 35 per cent rate should be abolished. It is open to all the objections which may be urged against mixed duties, i. e., a combination of specific and ad valorem duties on the same articles, and which objections we have already fully discussed.

In reference to the duty on scissors and shears, we find that because of changed conditions of the past few years, the rate of 30 per cent as provided for in the Underwood bill, computed on foreign cost, does not at this time provide ample protection, either to the manufacturers who were engaged in this industry before the war, or to those manufacturers of scissors and shears who acquired and equipped their factories within the past three or four years. We do feel, however, that a duty of 40 per cent, computed upon American valuation, affords more than ample protection, because this rate, based on the American valuation plan, is actually equivalent to an average rate of well over 100 per cent, based on foreign valuation. In other words, the rate proposed by us is at least three times the amount of duty now in force under the Underwood bill.

Our reason for recommending a rate of 20 per cent on table cutlery as against 40 per cent on other cutlery, is that our experience under the Underwood bill has demonstrated that the American manufacturer of table cutlery does not need any protection greater than that provided for in the Underwood bill, and, therefore, in recommending a rate of 20 per cent, based on American valuation, we are suggesting a duty actually far in excess of the needs of the American manufacturer.

The fact that the domestic manufacturers of table cutlery do not need additional protection beyond that provided for in the Underwood bill is fully demonstrated by the table, setting forth exports of table cutlery from United States for the 11 months ending May 31, 1921.

This proves that the American manufacturers have fully demonstrated that they can compete successfully with foreign competition in the markets of the world as they have been doing in the past.

In conclusion we submit, that if the schedules in H. R. 7456, paragraphs 351-361, are revised in accordance with the suggestions herein made, adequate protection will be provided for the American manufacturers, and it will give just that stimulus, through foreign competition, which, according to the old adage, "is the life of trade."

SECTION 402, AS AMENDED BY SENATE FINANCE COMMITTEE.

SIMILARITY.

Sec. 402. (a) Wherever in this act reference is made to the similarity of merchandise (whether manufactured, partly manufactured, or unmanufactured) to other merchandise, such similarity to establish a price shall be based on similarity in material, quality, construction, and kind.

DOMESTIC VALUE.

(b) The domestic value of the imported merchandise shall be the price at the time of exportation of the imported merchandise, at which similar domestic merchandise, packed ready for delivery in the principal markets of the United States, is sold or freely offered for sale to all purchasers in such markets, in ordinary course of trade and in the usual wholesale quantities.

IMPORT VALUE.

(c) The import value of imported merchandise shall be the price, at the time of exportation of such merchandise, to the United States, at which such or similar imported merchandise is freely offered for sale, packed ready for delivery, to all purchasers in the principal markets of the United States, in the ordinary course of trade and in the usual wholesale quantities.

EXPORT VALUE.

(d) The export value of imported merchandise shall be the price, at the time of exportation of such merchandise to the United States, at which such or similar merchandise is freely offered for sale to all purchasers in the principal markets of the country from which exported, in the usual wholesale quantities and in the ordinary course of trade, for exportation to the United States, plus, when not included in such price, the cost of all containers and coverings and all other costs, charges, and expenses incident to placing the merchandise in condition, packed ready for shipment to the United States, less the amount, if any, included in such price, attributable to any additional costs, charges, and expenses, and United States import duties incident to bringing the merchandise from the place of shipment in the country of exportation to the place of delivery in the United States, and plus, if not included in such price, the amount of any export tax imposed by the country of exportation on merchandise exported to the United States.

COST OF PRODUCTION.

(e) The cost of production of imported merchandise shall be the sum of—

(1) The cost of materials of, and of fabrication, manipulation, or other process employed in manufacturing or producing, identical or substantially identical merchandise, at a time preceding the date of shipment of the particular merchandise under consideration which would ordinarily permit the manufacture or production of the particular merchandise under consideration in the usual course of business;

(2) The usual general expenses (not less than 10 per cent of such cost) in the case of identical or substantially identical merchandise;

(3) The cost of all containers and coverings, and all other costs, charges, and expenses incident to placing the particular merchandise under consideration in condition, packed ready for shipment to the United States; and

(4) An addition for profit not less than 8 per cent of the sum of the amounts found under paragraphs (1) and (2) equal to the profit which is ordinarily added, in the case of merchandise of the same general character, as the particular merchandise under consideration, by manufacturers or producers in the country of manufacture or production who are engaged in the same general trade as the manufacturer or producer of the particular merchandise under consideration.

VALUE.

(f) For the purposes of this act, the value of imported merchandise shall be—

(1) The domestic value.

(2) When the domestic value can not be ascertained to the satisfaction of the appraising officer, then the import value.

(3) If neither the domestic value nor the import value can be ascertained to the satisfaction of the appraising officers, then the export value, plus if not included in such price, duty, cost of transportation, insurance, and other necessary expenses from the place of shipment to the port of arrival in the United States and a reasonable addition for profits and general expenses not less than 16 per cent.

(4) If neither the domestic value, the import value, nor the export value can be ascertained to the satisfaction of the appraising officer, then the cost of production, plus duty, cost of transportation, insurance, and other necessary expenses from the place of shipment to the port of arrival in the United States and a reasonable addition for profits and general expenses not less than 16 per cent.

SUPPLEMENTARY BRIEF OF ADOLPH KASTOR & BROS.

In reply to request to classify hair clippers and toilet clippers under paragraph 357 (scissors and shears) instead of paragraph 393 (basket clause of Schedule 3) of H. R. 7456.

We earnestly urge your committee to allow hair clippers and toilet clippers to be classified, as they have been under all previous bills, in the basket clause, which is paragraph 393 of the Fordney bill, covering articles composed wholly or in chief value of iron, steel, etc., and are taxed at the rate of 35 per cent ad valorem.

It has been suggested by certain American manufacturers that clippers be classified specifically under paragraph 357, and that they bear a duty of 25 cents each and 35 per cent ad valorem.

We contend that they are correctly classified in the Fordney bill, and that 35 per cent ad valorem in conjunction with American valuation will provide more than adequate protection for the American manufacturer.

The most prominent clippers sold throughout the United States are the styles or sizes known as No. 1, No. 0, and No. 00, and we submit below some data based on these numbers, demonstrating that a specific duty of 25 cents per piece, plus 35 per cent ad valorem, will be prohibitive and act as an embargo, whereas an ad valorem duty of 35 per cent under paragraph 393 will afford the domestic manufacturer ample protection without strangling importation.

NO. 1 CLIPPER.

On a No. 1 cut clipper, which is a coarse cut, the price in marks is 23 marks per pair, which, figuring the mark at the rate of 1.20 cents, is 28 cents. The comparative American clipper is sold by the Universal Shear & Novelty Co. for 55 cents.

Under the rates requested by some domestic manufacturers the duty would be 25 cents each and 35 per cent ad valorem on 55 cents, which would total 44 cents. This sum, plus the foreign base cost of the clipper, without any charges for transportation, insurance, general expenses, or profits, would be 72 cents.

Obviously, this clipper could not be imported to compete with the American, which is sold for 55 cents.

NO. 0 CLIPPER.

On the No. 0 clipper the price is 27 marks, which, at the rate of 1.20, is 32 cents. But the American clipper, similar in material, quality, construction, and kind, is sold for 80 cents.

At the requested rates, the duty would be 25 cents specific, plus 35 per cent of 80 cents, which would total 53 cents. This sum, plus the base cost of 32 cents, amounts to 85 cents, without charges for transportation, insurance, general expenses, or profit. Needless to say, the importer could not sell this foreign clipper in competition with the American article.

NO. 00 CLIPPER.

No. 00 clipper is one of still finer cut. The price of this in Germany is 31 marks, which amounts to 37 cents; but the American clipper of like quality is sold in the usual wholesale quantities for 90 cents, so that the duty would be 25 cents each and 35 per cent of 90 cents, which would total to 57 cents. This, plus the original cost of the clipper would amount to 93 cents, without charges for transportation, insurance, and other expenses, so that the foreign clipper could not be sold against the similar American item, which is selling for 90 cents.

On the other hand, if the duty on each of these items is 35 per cent ad valorem only, as is the case under the Fordney bill, it would provide adequate protection

for the American manufacturer and still permit the importer to compete, as may be seen from the following:

Thirty-five per cent on the No. 1 clipper selling for 55 cents is 19 cents; plus the base cost of 28 cents, gives a total of 47 cents; so that the importer could not make even a very large margin of profit if he were to compete with the American article.

On the No. 0 clipper, 35 per cent of 80 cents is 28 cents; plus the base cost of 32 cents, gives a total of 60 cents, without transportation charges, insurance, and other expenses, which scarcely leaves the importer a sufficient margin to sell his clipper in competition with the American.

On the No. 00 clipper, 35 per cent of 90 cents is 32 cents; plus the base cost of 37 cents, gives a total of 69 cents, leaving the importer (without charges for transportation, freight, and other expenses) to compete with the American clipper selling for 90 cents.

We submit, moreover, that during the war, when there was no competition from abroad on clippers, that the American clipper manufacturers got monopoly prices, and that it was only under the influence of the foreign competition that these prices were brought down to a point where clippers could be bought by the man in the street.

American clipper manufacturers have for years exported their product in competition with the manufacturers of foreign countries to all parts of the world, and they are still doing so.

It must be remembered that under the Underwood-Simmons bill there was a duty of only 20 per cent on hair clippers, based on foreign valuation. With clippers in the basket clause, as at present, they will be dutiable at 35 per cent, based on American valuation, which is in itself an increase in duty of from 200 to 300 per cent.

We submit, therefore, that the facts do not justify the request for a specific duty in addition to 35 per cent ad valorem, and urgently request the Senate Finance Committee not to classify clippers in paragraph 357, but to allow them to remain in the basket clause in the Fordney bill as proposed at present and as was the case in all previous tariff bills.

STATEMENT OF J. A. CHRESTENSEN, REPRESENTING THE ONTARIO KNIFE CO., FRANKLINVILLE, N. Y.

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

Mr. CHRESTENSEN. I am with the Ontario Knife Co., of Franklinville, N. Y., and I am interested in paragraph 355 of this proposed tariff bill. I also represent American Cutlery Co., Chicago, Ill.; American Tap & Die Co., Greenfield, Mass.; John Chatillon & Sons, New York City; Clyde Cutlery Co., Clyde, Ohio; Goodell Co., Antrim, N. H.; Lamson & Goodnow Manufacturing Co., Shelburne Falls, Me.; Landers, Frary & Clark, New Britain, Conn.; Meriden Cutlery Co.; Meriden, Conn.; Northampton Cutlery Co., Northampton, Mass.; and John Russell Cutlery Co., Turners Falls, Mass.

The CHAIRMAN. What is it you want with reference to this bill, Mr. Chrestensen?

Mr. CHRESTENSEN. In the first place, I want to state that I represent not simply the Ontario Knife Co. but 12 manufacturers of cutlery who produce more than 90 per cent of all the cutlery manufactured in this country, as covered by paragraph 355.

I had not anticipated, Mr. Chairman, that it would be necessary, after the careful manner in which this matter was presented before the Ways and Means Committee, to make a further presentation, and to appear here to substantiate in any way the schedules which are already incorporated. I had planned to come here simply and ask permission to file a brief: but as the result of what I might term a vicious and rather hysterical attack against this schedule and the other cutlery schedules before this committee yesterday afternoon, I feel that it is up to us to substantiate to this committee the schedules which are already in this paragraph.

We propose to do that by a line of samples showing the imported values as compared with the American selling price.

The first item is a 9-inch cook knife that comes under paragraph 355. This knife was made in Germany, imported into this country at a price of 261 marks per dozen, and at the time it was brought into this country marks were on the basis of 85 marks to \$1, or about \$0.0117. I have figured it on that basis. I think the German mark to-day is somewhat below that figure. The last quotation, I believe, the closing market of yesterday, states it to be \$0.015½ as against \$0.0117.

That means, gentlemen, that this knife, in terms of dollars, was \$3.07 per dozen.

I have here a sample of a comparable knife in every respect made by Landers, Frary & Clark, of New Britain, Conn., the selling price of which, to-day, and also at the time at which this knife was brought in, is \$11 per dozen.

The proposed tariff, which this gentleman yesterday afternoon told you is absolutely prohibitive, figures out in this way:

There is an 8-cent specific duty upon this knife. That means 96 cents specific duty per dozen. There is a 35 per cent ad valorem duty upon the American value, which figures \$3.85 per dozen, making a total tariff of \$4.81. Add that to the cost of \$3.07, and it makes \$7.88. For full measure add to the initial cost of \$3.07 5 per cent to cover ocean freight and insurance, and you have a landed cost laid down to the same trade that is sold to in this country of \$8.03 per dozen as against \$11 per dozen.

The next item, gentlemen, to which I wish to call your attention is an 8-inch butcher knife. This also was imported from Germany, at 147.2 marks per dozen. Figured on the same basis of value, this knife would cost in terms of dollars \$1.73 per dozen. I have samples of a knife made by the Ontario Knife Co. which, if you gentlemen wish to examine, you may. It is selling at \$5.86 per dozen. A knife made by the Northampton Cutlery Co., of Northampton, Mass., is \$6.10 per dozen. A knife made by Landers, Frary & Clark, of New Britain, Conn., sells at \$6 per dozen. We therefore have taken the average of these prices, which is practically \$6 per dozen, and figured our tariff upon that basis, the specific duty amounting to 96 cents per dozen; 35 per cent on the American value is \$2.10, giving a total tariff of \$3.06, with an initial cost of \$1.73, which makes a value of \$4.79. Adding again 5 per cent to cover ocean freight and insurance, it makes a landed value to the same trade to which we sell of \$4.88 as against \$6.10.

The next item, gentlemen—because I want to cover this as rapidly as possible—is a 10-inch butcher knife. This knife is brought in from Germany at 201.6 marks per dozen, which, translated into American currency, means \$2.37 a dozen.

Senator WALSH. Is that the wholesale price or the price the importer pays?

Mr. CHRESTENSEN. That is the price at which it comes in and at which anyone can buy it.

Senator WALSH. So, then, it is the wholesale price?

Mr. CHRESTENSEN. Yes, sir.

Senator WALSH. You are not giving us the importers' prices, but the wholesalers' prices?

Mr. CHRESTENSEN. I am giving you the price that goes to the same trade that we do. Understand this—

Senator WALSH. Is it not true that the importer adds something to that?

Mr. CHRESTENSEN. I do not know what they do.

Senator WALSH. Do you mean to tell me that you do not know that the importer buys and sells goods for the same prices? He does not put a commission on?

Mr. CHRESTENSEN. I do not know what their profit is.

Senator WALSH. Are you giving us the import price plus the profit of the importer or not?

Mr. CHRESTENSEN. I am giving you the price to the same trade to which we sell our goods. You may call them importers or what you please.

Senator WALSH. It is the wholesale price, then?

Mr. CHRESTENSEN. All right; it is a mere matter of terms. On comparable articles, a knife made by the Ontario Knife Co. sells to the trade at \$7.96 per dozen. A knife made by Lamson sells at \$9 per dozen—

Senator WALSH. These are the same kinds of knives?

Mr. CHRESTENSEN. These are comparable knives. A knife made by the Northampton Cutlery Co., of Northampton, Mass., sells for \$8.50. A knife made by the Clyde Cutlery Co., of Clyde, Ohio, sells for \$8.10 per dozen. A knife made by Landers, Frary & Clark, of New Britain, Conn., sells for \$8.30 per dozen. Taking the average price of these five representative American manufacturers it gives a price of \$8.37 to the wholesale trade. Figuring in again the specific duty under the new tariff, it is 96 cents per dozen; 35 per cent upon the American valuation, \$2.93, making a total tariff of \$3.89. Adding that to the initial cost of \$2.37, it gives a value of \$6.26. Adding 5 per cent again for freight and insurance, it gives a price of \$6.58 against an average price of \$8.37.

Senator WALSH. Do you mean to assert here—I do not mean to dispute you, but I want to understand the fact—that you can buy a German-made knife comparable to the five knives that you have described here as made by American concerns for \$2.37—did you say?

Mr. CHRESTENSEN. To which knife do you refer?

Senator WALSH. The German knife, the imported knife.

Mr. CHRESTENSEN. Which particular one?

Senator WALSH. This last sample that you have been describing here. You named five knives, three of which were made in Massachusetts, and you compared them with a German-made knife.

Mr. CHRESTENSEN. A 10-inch knife.

Senator WALSH. What is the price of the German-made knife, the wholesale price in America?

Mr. CHRESTENSEN. Including tariff and everything?

Senator WALSH. Including the tariff under the Underwood bill.

Mr. CHRESTENSEN. I have not figured it out. Under the proposed law it is \$6.38.

Senator WALSH. But you have attempted to give us the wholesale price of these five different knives produced by American concerns to-day, and you have not here with you a comparable German-made knife and can not tell us what the wholesale price of it is?

Mr. CHRESTENSEN. \$6.38.

Senator WALSH. That is what I asked you, and you could have told me before.

Mr. CHRESTENSEN. Is there anything further, Senator?

Senator WALSH. No.

Senator McLEAN. I do not quite understand. Is the price of the German knife \$6.38?

Mr. CHRESTENSEN. Yes, sir.

Senator McCUMBER. With duty and everything. Is that the duty on the American valuation?

Mr. CHRESTENSEN. Under the American valuation; under the proposed tariff.

Senator McLEAN. What was the price to the wholesaler here of that German knife?

Mr. CHRESTENSEN. \$6.38 laid down.

Senator McLEAN. But that is duty paid. I mean without the duty.

Mr. CHRESTENSEN. \$2.37.

Senator WALSH. Without the Underwood duty?

Mr. CHRESTENSEN. Without any duty.

Senator WALSH. And the Underwood duty, you say, is the difference between \$2.38 and six dollars and some odd cents?

Senator McCUMBER. No; that was the American article—

Senator WALSH. I am trying to have him tell me what the wholesale price of the German knife is in the market without any consideration of the Fordney or any other proposed legislation.

Senator McCUMBER. What does it cost to produce that knife in Germany and what is it sold in Germany for?

Mr. CHRESTENSEN. \$2.37 a dozen.

Senator WALSH. So that you can buy to-day on the open market a knife comparable to these five American-made knives that you say have an average price of \$8.50 for \$2.37?

Senator McCUMBER. In Germany, I asked him.

Senator WALSH. What is the price to-day in this country?

Senator McCUMBER. Six dollars and something, he says.

Senator WALSH. If that is so, the tariff rate and the profit of the importer is the difference between \$2.30 and \$6?

Senator McLEAN. No; he is talking about the American knife, as I understand it. Will you not explain that?

Senator WALSH. Can you give us the price on the open wholesale market to-day of that German-made knife that you have in your hand, with which you are making a comparison with five American knives?

Mr. CHRESTENSEN. May I make a statement here?

Senator WALSH. Certainly you may.

Mr. CHRESTENSEN. I am here for the purpose of substantiating the schedules under the proposed law. The statement was made here yesterday afternoon that those schedules were absolutely prohibitive. I am showing you what the price would be to the same trade to which we go to-day based upon those schedules.

Senator McLEAN. And that would be \$6.38?

Mr. CHRESTENSEN. Yes, sir. I have tried to make this as clear as possible.

Senator WALSH. So the difference to-day, then, between the German knife and the American samples that you produce here is about \$2?

Mr. CHRESTENSEN. \$2 per dozen.

Senator DILLINGHAM. That is, under the schedules of this bill?

Mr. CHRESTENSEN. Yes, sir.

Senator DILLINGHAM. I understand you to say that you have not made any computation under the Underwood bill, the existing law.

Senator SUTHERLAND. The price of that knife, \$6.38, duty added, is \$2.37 in Germany?

Mr. CHRESTENSEN. \$2.37 in Germany.

Senator WALSH. I would like to ask the members of the committee, if there is any member who can tell me, the price in the open market to-day of that German knife. I want it for the purpose of accuracy. We can then deduct the Underwood rate and find out what the German import price may be and the profit of the importer.

Senator SUTHERLAND. He has given you the German import price—\$2.37.

Senator WALSH. I wish you would figure it out for me if you can.

Mr. CHRESTENSEN. Twenty-five per cent of \$2.37 is 59 cents, which, added to the price, makes \$2.96, plus your 5 per cent, which would be 12 cents, making \$3.08 under the Underwood tariff.

Senator WALSH. So the wholesale selling price of that knife is \$3.08 and not \$6.

Senator McLEAN. That is under the Underwood bill.

Mr. CHRESTENSEN. I have not stated that the price to-day was \$6.

Senator WALSH. The price to-day is three dollars and how many cents?

Mr. CHRESTENSEN. \$3.08 under the Underwood tariff.

Senator WALSH. So that you can go into the market and buy a dozen of these knives for \$3.08, and you have to pay for the same knife made in America \$8.50?

Mr. CHRESTENSEN. You can go to the German market, import those knives and pay the duty, and have them landed in New York for \$3.08.

Senator WALSH. That is what I understood you to say.

Mr. CHRESTENSEN. Yes, sir.

Senator McCUMBER. Then there is a profit to the importer.

Mr. CHRESTENSEN. I have not said anything about any profit to any importer.

The CHAIRMAN. Are these different kinds of cutlery from different countries of the same standard of efficiency and make-up? In other words, is the steel about equal in all of them?

Mr. CHRESTENSEN. Yes. All these various knives, samples of which I have shown, of German manufacture are of the best goods made in Germany.

The CHAIRMAN. Are they as good as similar goods made in America?

Mr. CHRESTENSEN. Those knives are as good as these knives made in America. I should say it was a fifty-fifty proposition.

Senator SUTHERLAND. I do not quite understand from the witness's statement how he arrives at the \$6.38.

Mr. CHRESTENSEN. Figuring upon the proposed schedule—

Senator SUTHERLAND. Just give the details of the figures—how you arrive at \$6.38. Take the German article and add the various additions that are necessary to be made.

Mr. CHRESTENSEN. The German price per dozen, translated into American money, is \$2.37 per dozen. The selling price of a comparable American-made article to the wholesale trade is \$8.37 per dozen. The proposed Fordney tariff levies a specific duty of 8 cents each, to begin with. That makes a specific duty of 96 cents per dozen. Then it provides that in addition to that there shall be an ad valorem duty of 35 per cent on the American value, which is 35 per cent of \$8.37—\$2.93. Add that to the specific duty of 96 cents and it makes \$3.89 that must be added to your cost of \$2.37, which makes \$6.26. Added to that I have taken 5 per cent of the \$2.37 to cover ocean freight and insurance, which makes the total landed cost to anyone who wishes to buy this, the importer or whoever he may be, \$6.38.

Senator WALSH. The experts say to me that you must add to that 25 to 30 per cent for the overhead charge of the importer. Is that a fact or not? You have not given a cent to the importer. You have put 5 per cent on for ocean freight and insurance. Is he going to get something out of this transaction? How much are you going to add for him?

Mr. CHRESTENSEN. I do not know.

Senator WALSH. The testimony is that they usually add 25 per cent.

Mr. CHRESTENSEN. Then let them add 25 per cent.

My contention is this, that we sell these 10-inch butcher knives to the trade, in New York, in Massachusetts, in Ohio, and California, and all over the country. Those same people to whom we sell that 10-inch knife at \$8.30 per dozen can go direct to Germany and buy them themselves and have them laid down in New York at \$6.38.

Senator DILLINGHAM. Under the provisions of the proposed law?

Mr. CHRESTENSEN. Yes, sir. That is the point.

Senator McLEAN. Mr. Kastor, who is an importer and has connections in Germany, can easily put that knife down in this country for the price that you have stated?

Mr. CHRESTENSEN. I assume that Mr. Kastor could purchase these knives through his German factory at German domestic prices, which are lower than German prices for export to the United States.

The next item, gentlemen, is a German-made so-called honing knife.

Senator SUTHERLAND. Do you know, as a matter of fact, what the price named by importers of that knife at this time would be, subject to this proposed tariff?

Mr. CHRESTENSEN. The only evidence, Senator, that I have is a bill for these samples purchased for us from the people who imported the knives—Graef & Schmidt, of New York City.

This 9-inch cook knife, which I have figured out, has a landed value under the proposed tariff of \$8.03, was sold to our customers upon their requisition for \$20 per dozen.

The 8-inch butcher knife, which I have figured under the proposed tariff as being able to be bought for \$4.88 per dozen, was sold to our customers under an invoice at \$12 per dozen.

Do you desire any more information beyond that?

Senator SUTHERLAND. That is the information I wanted to get. As a matter of fact, they are not putting those knives on the market

here at the low price of \$6.38 in competition with the American-made knives?

Mr. CHRESTENSEN. They are able to put them on the market at prices below what we can sell them for. If they are able to get 100 or 200 or 300 per cent profit and can get away with it, they will do it. As conditions change and they are compelled to reduce their prices, they will do so.

The CHAIRMAN. Is there any difference in quality between the German product and the English product?

Mr. CHRESTENSEN. No. As between the high-grade products of Germany, such as the Henckels line, and the high-grade products of Great Britain, there is in quality, so far as one can determine, probably no difference. The German knife is a better finished knife. It has a nicer appearance. The English goods are more crude.

Since you have brought up the matter of English knives, Senator, I want to say that the statement that was made yesterday afternoon that these schedules are prohibitive would apply to goods of English manufacture. We claim that these schedules are fair and do not at the present time cover the difference in cost between Germany and this country, because Germany is the country of the lowest priced production. English costs to-day are pretty comparable with our own, and therefore—

Senator WALSH. And Canadian costs are very much so.

Mr. CHRESTENSEN. There is practically no cutlery made in Canada.

Now, we are between the devil and the deep sea as to whether you are going to keep out English cutlery by a tariff or whether it would be kept out in competition, on a lower tariff, with the German goods that are brought into this country; because, positively, English goods when imported into this country could not compete with the German articles any more than could our goods. So you are going to keep them out either one way or the other.

Senator McLEAN. If we can equalize the exchange—

Mr. CHRESTENSEN. That is just what I was going to say. If in the wisdom of this committee you could devise anything which would equalize the difference in the depreciation as between those countries so that they will be brought to a nearer basis, the American manufacturers would be very glad to have it done.

Senator McLEAN. That would make possible some reduction in the duty and still give you ample protection?

Mr. CHRESTENSEN. Yes, sir.

Senator WALSH. Do you know of any way of doing that?

Mr. CHRESTENSEN. I do not.

Senator WALSH. There is a way, is there not—paying their debts and taking them on our own shoulders?

Mr. CHRESTENSEN. I would not at this time, under any consideration, take over the work of the Finance Committee.

The CHAIRMAN. It is a hard job.

Mr. CHRESTENSEN. It surely is.

I have some other samples in other lines here.

Senator McLEAN. I think we understand it.

Mr. CHRESTENSEN. There is just one thing, if I may ask for just a moment.

In the brief submitted here yesterday afternoon—and I have had only a very few minutes to go over it in a very cursory way—I wish to call your attention to the exhibits in the schedules pertaining to table cutlery, paragraph 355.

This gentleman appeared here yesterday afternoon representing more than 80 per cent of the total importations of cutlery into this country. He came here and stated, or left the impression with this committee, I believe, that practically every one of those importers were at the same time honest-to-goodness American manufacturers of cutlery with large investments in this country in manufacturing plants, giving work to American workmen. That, gentlemen, you can investigate as well as I. The only exhibit that this gentleman puts in under table cutlery is an English butcher knife imported by Herman Boker & Co. I do not believe that Herman Boker & Co., in the first place, are in the habit of importing any considerable quantities of English-made knives; and the very fact that this association, made up of those who have large interests in Germany, could not find in the whole range of their importations a German-made butcher knife that they could present to this committee, is evidence that they have a pretty weak case, and that they have got to get an English butcher knife in order to prove their case. We grant that the proposed tariff is an embargo, practically, upon some English cutlery.

Furthermore, as a matter of interest—

Senator WALSH. Wait a moment. The proposed tariff bill you say is an embargo on all English-made goods?

Mr. CHRESTENSEN. Upon some English cutlery.

In addition, this Wilson butcher knife would be imported into this country—I do not care whether you put 500 or 1,000 or 2,000 per cent upon it; all the Wilson line of butcher knives have been imported into this country for years and they go to a peculiar trade that demands their knives and their knives only. They will not have any others.

You will find that under the column of tariff upon these butcher knives this figures out \$3.14. If this gentleman in any way can figure that beyond \$2.18 under the proposed tariff, I would like to see his figures.

May I have permission to file a brief later?

The CHAIRMAN. You may.

SCISSORS AND SHEARS.

[Paragraph 357.]

STATEMENT OF CAMILLE L. GAIROARD, REPRESENTING J. WISS & SONS CO., NEWARK, N. J.

The CHAIRMAN. You will simply speak on what has already been heard by the committee, will you not?

Mr. GAIROARD. No, sir.

Senator McLEAN. He represents the American producers.

Mr. GAIROARD. The American manufacturers of scissors and shears in this country that were established before the war.

The CHAIRMAN. What is your occupation?

Mr. GAIROARD. I am sales manager of J. Wiss & Sons Co., Newark, N. J. I am also chairman of the tariff committee of seven large manufacturers of shears and scissors who previous to the war practically furnished 90 per cent of the total that was turned out in the United States.

The CHAIRMAN. Briefly speaking, what do you want with reference to the bill? Are you satisfied with the way it was passed in the House?

Mr. GAIROARD. We are, Senator; but we think we should have at least five minutes to counteract the effect that was attempted to be produced yesterday regarding valuation.

The CHAIRMAN. The committee has exhaustively heard everyone on valuation. You are satisfied with the rate that the House has given, are you not?

Mr. GAIROARD. I am; but I just want to have five minutes to say something which I think will interest you.

Senator McLEAN. Mr. Chairman, you were not here yesterday afternoon—

The CHAIRMAN. Some of the time, but not all the afternoon.

Senator McLEAN. The witness who closed yesterday claimed that these rates would operate as an embargo against German importations, and it is in reply to that that this witness wishes to put in some exhibits.

The CHAIRMAN. Go on. Of course, you must bear in mind that all of these rates will be carefully examined by the Treasury expert, and this committee, I think, is not going to permit any prohibitive rates.

Mr. GAIROARD. We understand that. We do not want any prohibitive rates. We think that all that is before this committee is the question of wages which have to be equalized.

Our importing friends come here and talk about the dear American public: We think that the dear American public is the workmen—

Senator McLEAN. We understand that. Get right down to your reply to Mr. Kastor.

Mr. GAIROARD. I have here a 7½-inch barber shear imported by A. Witte, of New York City, about January 1, 1921, at about 344.80 marks, which makes the United States value \$4.69 per dozen, plus a duty of \$1.37 per dozen under the Underwood bill. That is sold by a retailer for \$3 per pair. A pair of American barber shears comparable to the above would sell wholesale at \$11.40 per dozen. Based on the proposed tariff the duty and German cost would equal \$10.89 per dozen.

I am citing that to show you that the American public would not suffer if the proposed tariff were to be put on a barber shear of that kind.

The CHAIRMAN. Were there any shears imported recently into the United States?

Mr. GAIROARD. Yes, sir.

Senator McLEAN. Very large importations.

Mr. GAIROARD. The importation into the United States previous to the war averaged about 400,000 dozen per year.

The CHAIRMAN. Steel-laid scissors and shears?

Mr. GAIROARD. Very few steel-laid scissors and shears are imported, but of all other shears and scissors 400,000 pairs on a yearly average were imported into the United States.

During the month of June, 1921, over 57,000 dozen were imported. That shows you the condition of affairs. The factories that are making these goods are working half time with half forces, and if the importations continue for six more months I think the United States will have a sufficiency for the next two years.

Mr. McLEAN. Take up the line of goods referred to by Mr. Kastor yesterday, if you have anything to say with regard to them.

Senator WALSH. He did not get down to scissors, but he left some samples to be examined to-day.

Senator McLEAN. He had something to say about scissors.

Mr. KASTOR. If there is anything brought up here that you are not sure about, I request that I be asked about these particular samples.

Senator McLEAN. I suppose you want to reply to the witness who testified yesterday with regard to some samples which he showed. Do you not?

Mr. GAIROARD. Exactly.

The witness yesterday said that under the present valuation system and the proposed tariff it would mean an embargo on these goods. What I am to show you is that it would not mean an embargo on these goods at all. Here is a scissors which is imported from J. Henckels, of Germany, which he says costs \$5.13 in Germany. In the United States that scissors sells to the user for \$3 per pair.

The American sample shown by the German importer is not comparable.

J. Wiss & Sons Co., of Newark, N. J., make a comparable barber scissors which they sell to the wholesalers at \$12.40 per dozen.

The cost of the imported scissors plus proposed tariff would be: German cost \$5.13, duty \$6.74, total cost \$11.97 per dozen, against American price of \$12.40 per dozen.

Furthermore, you will find that the importer has figured the German marks much higher than the existing rate.

Senator McLEAN. He gave some figures here estimating the duty that would be assessed under the proposed rates, showing that on the prices of those scissors there would be an embargo against German manufacturers.

Mr. GAIROARD. It would not. I am proving that right here. That would not be an embargo. A scissors of that kind could sell for—

Senator WALSH. What is the price of that scissors you just had in your hand?

Mr. GAIROARD. In Germany, \$5.13.

Senator WALSH. What is the duty under the Fordney bill with American valuation? \$8.66, is it not?

Mr. GAIROARD. The duty based on American wholesale price of \$12.40 would be \$2.40 per dozen specific and 35 per cent on \$12.40, which is \$4.34, making a total duty of \$6.74 per dozen.

Senator WALSH. Then, that is \$13.79. You say you can produce it in this country for \$12.40?

Mr. GAIROARD. We could.

Senator WALSH. Does not that amount to an embargo?

Mr. GAIROARD. No.

Senator WALSH. Those are the scissors he used yesterday.

Mr. GAIROARD. Why did he not use these scissors here [indicating]?

Senator WALSH. Show it. We are not taking sides here.

Mr. GAIROARD. No. 9123, 6-inch—

Senator WALSH. What is the foreign cost?

Mr. GAIROARD. 85 cents per dozen.

Senator WALSH. The domestic value of that is what?

Mr. GAIROARD. The domestic value, he claims, is \$2.27. We claim it is \$1.58.

Senator WALSH. Under the Fordney bill the duty upon that is 85 cents, making \$3.10. So it makes it more of an embargo than even he claims.

Mr. GAIROARD. 85 cents a dozen makes it how much?

Senator WALSH. \$3.10, he claims.

Mr. GAIROARD. That is wrong.

Senator WALSH. That is the way he figured it out.

Mr. KASTOR. That is correct if based on \$2.27. I can figure it out for you very easily on \$1.58. Fifteen cents apiece is \$1.80; 35 per cent on \$1.58 would, roughly, be 50 cents. That is \$2.30. The duty is \$2.30, which is absolutely an embargo—

The CHAIRMAN. It will be very difficult for the stenographer to take this running debate.

Mr. GAIROARD. I suggest that you take their brief and we will file a brief, and you review it.

The CHAIRMAN. We will leave it that way.

Mr. GAIROARD. We can show the difference.

Senator WALSH. Have you any more scissors that you want to point out?

Mr. GAIROARD. No, sir.

Senator WALSH. You have shown us two already on which you admit that the duty amounts to an embargo.

Mr. GAIROARD. In this particular case here.

The CHAIRMAN. Are you through?

Mr. GAIROARD. The point that I desire to make is this, that while the German importer may claim that he has to sell these for \$8.66, the fact of the matter is that he does not have to sell it for \$8.66. He is selling it for considerably more than that. It is in the selling price, and he can go ahead and pay the duty.

The CHAIRMAN. Have you a brief that you desire to file?

Mr. GAIROARD. We are going to file a brief.

**BRIEF OF CAMILLE I. GAIROARD, REPRESENTING J. WISS & SONS CO.,
NEWARK, N. J.**

You will find upon close study that the brief filed on behalf of the Cutlery Importers' Association is very misleading. Here are the main points on which their arguments are deceptive:

1. They use a very high mark value, which in one case is about 60 per cent higher than the present-day average of the mark value.

2. They base their comparisons on goods that do not at all compare us to value.

3. They base most of their American selling prices on goods made and sold in this country by firms largely interested in German industries, and have at the present time small temporary American factories.

One can not help but be impressed with the fact that the gentlemen representing the Cutlery Importers' Association have selected articles imported at times when the mark value was very much higher than it has been or is now. The German mark has been decreasing steadily, and very likely will decrease still further. It is very possible that before the proposed tariff bill is finally acted upon that German scissors, which they claim now cost \$5.13 per dozen in United States currency, will cost only \$3.03 $\frac{1}{2}$ per dozen, in United States currency, due to the mark declining to \$0.01 or perhaps less. Records of the United States Customs Service show that while the mark is decreasing in value, the cost of scissors imported from Germany is likewise decreasing. The German manufacturers are not increasing their price in marks while the value of the mark is decreasing, and in the meanwhile the cost to the importer in this country is decreasing accordingly.

A scissor similar to No. 1535, 3 $\frac{1}{4}$ -inch, imported from J. A. Henkel, Germany, is comparable as to quality and finish with a scissor made by J. Wiss & Sons Co., Newark, N. J., No. 633 $\frac{1}{2}$, which is sold by the American manufacturer at \$0.50 per dozen wholesale. Assuming that the imported cost of \$3.23 in United States currency would be correct, the proposed tariff would make this cost \$8.95, against the American wholesale selling price of \$0.50. But it was shown to the Ways and Means Committee by samples and actual invoices that Wester Bros., a large importer of New York City, is importing a scissor similar to the J. A. Henkel scissor, No. 1535, 3 $\frac{1}{4}$ -inch, No. 150, at 133.00 marks per dozen on a mark cost of 1.10, or \$1.52 in United States currency. This scissor, which is also comparable to the Wiss scissor, would therefore cost the importer under the proposed tariff \$6.65 per dozen, which certainly allows the importer more than a chance to compete with the American scissors at \$9.50.

Scissors No. 2610, 7-inch, imported from J. A. Henkel, Germany, does not at all compare with the sample offered as sold by the Newark Cutlery Co. It compares with a scissor such as made by the W. H. Compton Shear Co., Newark, N. J., or J. Wiss & Sons Co., Newark, N. J., which sells to the wholesale trade at \$12.40 per dozen for the same quality and finish as the imported Henkel scissor. Figuring the cost of this Henkel scissor at \$5.13 per dozen United States currency is correct at the mark value, which they claim, the proposed duty would bring the cost of the German article at \$11.87 per dozen against the American wholesale selling price of \$12.40 per dozen. But that same scissor figured at a mark value of 0.01 would bring the cost to the importer to \$9.83 per dozen, including proposed duty, against the American selling price of \$12.40 per dozen.

In the office of the Ways and Means Committee is a sample of a 7-inch solid steel trimmer handle scissor imported from J. A. Henkel, Germany, at a cost of 216.80 marks, which, figuring the mark at 1.10, equals in United States currency \$2.38 per dozen. This scissor is comparable to a scissor, No. 337, made by J. Wiss & Sons Co., Newark, N. J., which is sold by them to the wholesale trade at \$12 per dozen. Figuring the proposed duty on the German scissor will bring the cost to \$8.98, which also gives the importer more than a chance to compete. Similar comparisons can be made on the entire line.

I also wish to call your attention to the fact that when comparing German-made scissors with American-made scissors the Cutlery Importers' Association has been very careful to make the comparison not with scissors made by American factories which existed previous to the war but with factories under the control of principals whose interests have always been in the importing of German-made cutlery. It is only since the war that M. Klass started in the scissor business in the United States. It is only since the war that the Newark Cutlery Co. has been making scissors in the United States. The Newark Cutlery Co. is owned by the principals of a firm who have acted for years as agents in the United States for J. A. Henkel, of Germany. It is only natural to assume that their interests are greater in Germany than they are in the United States, and that their small American factories are only serving a temporary purpose. Certainly if those interests could continue to import scissors under the Underwood tariff or under a minimum tariff their American factories would be closed as far as the manufacture of scissors is concerned.

The comparison of the M. Klass scissor, No. 876 $\frac{1}{2}$, 3 $\frac{1}{4}$ -inch, made in Germany, with a scissor made by M. Klass, of Newark, N. J., is odious. The quality of the German scissor is considerably better and it is better finished, and the Klass scissor made in Newark, N. J., does not at all compare with it. There are other scissors made in the United States which would be comparable with it which naturally sell at a higher price than the Klass scissor made in Newark,

N. J. But the other scissors are naturally not used by the Cutlery Importers' Association for the purpose of comparison. The very same argument holds good with the No. 1535 and No. 2610 J. A. Henkel, of Germany, scissor. They are compared with scissors made by the same principals in their American factories, and the scissors made in their American factories are not of the same high quality or the same high finish as other scissors made in the United States, and therefore could not be considered a comparable article. Other American manufacturers make comparable scissors which are sold at a higher price than those sold by the Newark Cutlery Co., but if the representatives of the Cutlery Importers' Association used samples of these scissors their contention would fall, because at the price at which the American factories sell scissors that would compare with the J. A. Henkel scissor, plus the proposed duty, the American scissors would be much higher in price, thereby permitting the German importer to compete.

It has been insinuated by the Cutlery Importers' Association that higher duty will mean a higher cost on scissors to the consumer in the United States. My experience has been that no matter how low the cost of importation has been the selling prices of the German importers have always remained high enough to merely undersell the American manufacturer. Take their own brief and you will find that they acknowledge that to-day their No. 2610, 7½-inch scissor, imported from J. A. Henkel, Germany, and which they claim cost \$5.13 per dozen and on which the present duty is \$1.53½, making a total cost to the importer of \$6.66½, is sold by them to the wholesale trade at \$15.50 per dozen, or at 137½ per cent profit, and in turn this is sold by the wholesale trade to the consumer at \$3 each.

Government publications, mostly taken from the Department of Commerce, show that the average earnings of experienced men in the scissor trade in Germany is about 50 cents for a day of eight hours. In the United States the same class of men have to be paid not less than \$4 per day of eight hours. From 75 per cent to 80 per cent of the total cost of a scissor represents labor. The proposed tariff bill as written will permit the American manufacturers to pay their men a reasonable rate of wages and still compete with the cheap labor cost of Germany and Japan.

Bear in mind that the scissor industry in the United States is an infant industry which was very necessary during the war. Our Army and Navy Medical Departments had to have thousands of pairs of surgical scissors, which were not made in this country before the war. The then existing American factories successfully equipped their factories and trained men to do this work. You will therefore recognize that special care must be taken of this industry or else we are going back to the conditions which prevailed previous to the war, when over 95 per cent of the scissors used in this country were imported.

The objection of the Cutlery Importers' Association to the branding clause is ridiculous. The proposed tariff has in mind the protection of the consumer in the United States. By all means the clause as to branding should stand as written in the proposed bill.

PRUNING SHEARS AND HAIR CLIPPERS.

[Paragraph 357.]

STATEMENT OF CHARLES F. WIEBUSCH, REPRESENTING J. T. HENRY MANUFACTURING CO., HAMDEN, CONN., AND OTHERS.

Senator DILLINGHAM. You are from New York?

Mr. WIEBUSCH. My address is 110 Lafayette Street, New York City.

Senator DILLINGHAM. You wish to be heard on paragraph 357?

Mr. WIEBUSCH. Yes. I really represent two groups of manufacturers: First, manufacturers of hair clippers, and also manufacturers of pruning shears, and with your permission I should like to speak on pruning shears first.

Senator DILLINGHAM. Under what section?

Mr. WIEBUSCH. I would like to have it under section 357, where shears are provided for.

In order that we may visualize the articles I will discuss, I here display a few samples of pruning shears. Pruning shears are made by a number of manufacturers: The J. T. Henry Manufacturing Co., Hamden, Conn., of which Mr. Henry is here; the Peck, Stow & Wilcox Co., of Cleveland, Mr. T. J. Ray, vice president of the company, being also here; Seymour Smith & Son (Inc.), Oakville, Conn.; Boker Cutlery & Hardware Co., of New York, with factory at Hilton, N. J.; the Cronk & Carrier Manufacturing Co., of Elmira, N. Y., and the Clyde Cutlery Co., of Clyde, Ohio.

Pruning shears are cutlery, so recognized among manufacturers and the trade generally, and until the end of the year 1916 were always classified for customs purposes as shears under the cutlery schedule in the tariff of 1913, under paragraph 128.

In 1916 a firm of importers representing a Swiss manufacturer protested against the payment of duty on the ground that pruning shears were agricultural implements, and as such should come in free of duty. The matter came before the Board of General Appraisers and the Court of Customs Appeals, and their decision (T. D. 36904) classified pruning shears as agricultural implements and since then they have come in duty free. While the war lasted this was not so important, as no goods could come from Germany, and Swiss and French manufacturers had only a limited output and asked high prices, but now that Germany is sending large quantities of goods here at unprecedentedly low prices the situation is becoming very serious for the American manufacturers.

Just to give an instance of present German prices we will compare a recent German quotation on a leading style of pruning shears, California pattern, black handle, 9-inch, with a corresponding American pruning shear. The German is quoted at marks 159.36 per dozen, which, figured at the present rate of exchange and allowing 10 per cent for expense to bring the goods here, figures less than \$3 per dozen, much below the actual cost of production of a corresponding American shear which sells here for \$6.50 per dozen. Many other patterns have been compared and show a similar ratio. It would be useless to give you all the figures, but on polished and nickel-plated shears and some different models and patterns, the ratio is practically the same as in this particular pattern.

Senator McLEAN. Do you mean to say that these articles do now come in free?

Mr. WIEBUSCH. They do come in free of duty.

Senator McLEAN. Under what paragraph should they be placed?

Mr. WIEBUSCH. In about two minutes I will reach that point, if you will allow me to continue. It is well known that labor in Germany is now being paid about one-third or less than American labor, and considering that about 75 per cent of the cost of a pruning shear is labor, it will be seen how imperative it is to suitably protect the American industry if it is to survive.

Senator WATSON. You mean under the Underwood law these all come in free?

Mr. WIEBUSCH. Under the Underwood law, until the court decision was rendered, they paid the duty, but since this decision was rendered by the Court of Customs Appeals they have all come in free of duty. They are coming in free of duty to-day.

Senator WATSON. Do they come in under agricultural instruments and are on the free list?

Mr. WIEBUSCH. Yes, sir. Referring again to the court decision already mentioned, we would say that the court in deciding that pruning shears are agricultural implements gave a highly technical interpretation, and we believe that could the framers of the tariff have foreseen such a decision they would certainly have made special provision for pruning shears under the cutlery paragraph. While it is true that quite a few pruning shears are used for pruning in vineyards and orchards, for which reason the court held that they were to be classified as agricultural implements, there are as many or more used by gardeners, nurserymen, and thousands of individuals who have their own gardens and prune trees, shrubs, hedges, and flowers, who would not be classified as farmers or agriculturists.

Senator WATSON. Where do you think they ought to be?

Mr. WIEBUSCH. My next paragraph tells. In the present tariff pruning knives which are used for the identical purpose as pruning shears are specially mentioned and dutiable, which we consider correct and more logical than to class pruning shears with plows, harvesters, reapers, and agricultural implements used for tilling the soil. Our recommendation is that under Schedule 3, paragraph 357, there be inserted after the words "All other shears and scissors and blades for the same," the words "also pruning shears of all kinds." The situation is a very serious one for the American manufacturers of pruning shears, and we hope that our request that pruning shears be made dutiable as cutlery will be granted.

Senator WATSON. Why not say "all other scissors and shears, including pruning shears"?

Mr. WIEBUSCH. The way I suggested was the way I thought it might be best, but you gentlemen who carefully examine the wording of these tariffs and have had so much experience in the matter will undoubtedly see that it is properly inserted so that the pruning shears will pay the same duty exactly as other shears.

Senator DILLINGHAM. I think they understand your point.

Mr. WIEBUSCH. I have made myself as brief as possible. While I am here, let me say that I represent another group of manufacturers, and I will take no more time on that than I have on pruning shears.

I represent Mr. Priest, president of the American Shear Manufacturing Co., Nashua, N. H., who is scheduled to be here, but unfortunately he could not come; also the Coates Clipper Manufacturing Co., Worcester, Mass.; and the Boker Cutlery & Hardware Co., of New York, with a factory at Hilton, N. J.

Hair clippers, including toilet, horse, and fetlock clippers, have never been specially mentioned in any tariff, but have always been classified for customs purposes as "manufactures of metal." Under the tariff of 1913, which is now in effect, the duty is 20 per cent ad valorem. In the Fordney tariff, paragraph 393, the rate of duty on articles composed wholly or in chief value of iron, steel, etc., has been made 35 per cent ad valorem, and if no special provision is made for hair clippers this is the rate that would apply when the bill becomes a law. This rate, however, even based on the American valuation plan, is entirely inadequate protection under existing conditions.

During the last 12 months thousands of pairs of clippers, sold at ruinously low prices, have flooded this market from Germany; according to an estimate several hundred thousand pair in all, and the goods are on the shelves of practically every jobber and retailer of this class of goods in the country. Only a few houses whose policy has been not to buy any German goods, irrespective of price inducements, have confined their purchases to the American articles. The result has been that the demand for American clippers has dwindled to insignificant proportions, and the very existence of the industry is menaced.

Clippers are offered by German manufacturers at 48 marks, 30 marks, 27 marks, and even less each, which figures even with 35 per cent duty added makes the cost laid down here considerably less than the cost of production of corresponding American models. American manufacturers feel that their industry is entitled to the same protection that is accorded to similar articles in the cutlery line, as clippers are cutlery the same as knives, shears, etc. All the arguments that apply to tariff protection for pocket knives, table knives, shears, scissors, surgical instruments, etc., apply with equal force to hair clippers.

We recommend that under Schedule 3, paragraph 357, before the word "provided," there be inserted: "hair clippers, 25 cents each and 35 per cent ad valorem."

The condition in regard to marking the goods with the name of the country of origin should also be enforced for these goods the same as for shears, scissors, etc.

The hair-clipper industry is not one of the large industries of the country but nevertheless important. If the industry languishes, it affects more than the manufacturers and their employees for whom I speak. It will mean that they will buy less steel from the steel manufacturers, fewer malleables from the foundries, fewer castings from the manufacturers who make these; fewer screws, supplies, boxes, labels, and many other items that go to make up the product. Unless the goods can be sold at a profit, however small, over the cost of production the industry is bound to decline, and this will react all along the line to the miners of metal and coal. There is no industry that is more deserving of consideration than the hair-clipper industry, and we confidently trust that the necessary protection will be granted.

I wish to add just one matter, which perhaps is not essential but is of interest: The hair-clipper industry really started in the city of Nashua in 1865, where Mr. Priest made some of the first clippers that were ever made. It was peculiarly an American industry, and in the eighties and nineties thousands of pairs of American clippers were sent to Europe. It was only after that time that Germany began to make clippers, at first satisfying the European demand, thereby stopping the exportation of American clippers to Europe; and now we have come to a point where the things are turned around and German clippers are coming into this country, where they originated and were first produced and exported.

There, I think, is a logical argument that if there is any industry that needs protection against the lower cost of production in Germany it is the clipper industry.

BRIEF OF CHARLES F. WIEBUSCH, REPRESENTING J. T. HENRY MANUFACTURING CO. AND OTHERS.

Supplementing my testimony, in which I recommended a duty of 25 cents each and 35 per cent ad valorem for hair clippers, I will give an estimate of the cost of importing clippers under conditions existing to-day.

One of the most popular clippers which has been imported very largely from Germany is a No. 00 neck shave, which can be bought to-day in Germany at marks 40 each, and under the proposed duty the cost laid down in New York would figure as follows:

Marks 40, at 1.25 cents per mark.....	\$0.50
Expense—freight, insurance, etc.....	.02½
Duty, 35 per cent on American valuation of \$1.60.....	.56
Specific duty.....	.25

Total cost laid down in New York.....	1.33½
Compared to American selling price of.....	1.60

A more expensive clipper, corresponding to one that is sold by American makers at \$2, figures as follows:

Marks 50 each, at 1.25 cents per mark.....	\$0.625
Expenses—freight, insurance, etc.....	.031
Duty, 35 per cent on American valuation of \$2.....	.70
Specific duty.....	.25

Total cost laid down in New York.....	1.60½
Comparable American clipper.....	2.00

In applying the proposed duty to the very cheapest clippers sold at marks 20 and marks 27 each, the cost, laid down in New York, would come a little higher than the prices now established by American makers, but if the duty as proposed would go into effect it is more than likely that the efficiency and ingenuity of the German manufacturers would enable them to produce competing clippers at a still lower cost abroad, and, furthermore, the appraiser might consider that such cheaper clippers might be compared to cheaper grades that are made in this country, thereby reducing the American valuation correspondingly lower.

The large bulk of importations, however, has been on the kinds of clippers which are covered by the estimate first given.

RAZORS.

[Paragraph 358.]

STATEMENT OF H. L. HENBY, REPRESENTING THE GENEVA CUTLERY CORPORATION AND OTHERS, GENEVA, N. Y.

The CHAIRMAN. Where do you reside?

Mr. HENRY. Geneva, N. Y., sir.

The CHAIRMAN. What is your occupation?

Mr. HENRY. Manufacturer of standard razors.

The CHAIRMAN. What is your company?

Mr. HENRY. The Geneva Cutlery Corporation. I represent nine manufacturers of standard razors, as follows: J. R. Torrey Razor Co., Worcester, Mass.; W. R. Case & Sons, Bradford, Pa.; S. R. Droscher, Cranford, N. J.; Henkle Clauss Co., Fremont, Ohio; National Razor Manufacturing Co., Fremont, Ohio; Union Cutlery Co., Olean, N. Y.; George W. Korn Razor Manufacturing Co., Little Valley, N. Y.; Poughkeepsie Cutlery Co., Poughkeepsie, N. Y.; manufacturing practically 100 per cent of all the standard razors made in the United States.

The CHAIRMAN. In different parts of the country?

Mr. HENRY. Yes, sir. The nine factories referred to employ normally about thirteen hundred highly skilled artisans.

The CHAIRMAN. What is it that you want with reference to this bill?

Mr. HENRY. I wish to show, sir, that some of the testimony already given is not accurate; that the rates which we went over in great detail and on which we spent considerable time with the subcommittee of the House would put us in shape so that we could start our idle factories again. While the rates would not be sufficient, we feel that in the course of a reasonable length of time, at least, by further shop economy, we could meet competition based on the proposed rates in the House bill.

The CHAIRMAN. Are these shops closed now, largely?

Mr. HENRY. Yes, sir; very largely. Our own factory, for instance, normally employing 650 to 700 people, is running about 90 to 100, and running on half time—a skeleton organization.

I want to say, gentlemen, that the plants that I represent, including my own, have no divided interests. We have no foreign investments, nor have we any desire to bill from abroad to ourselves in this country at temporarily convenient prices.

I think you gentlemen will recall considerable activity on the part of the American manufacturers of cutlery in the years 1912 and 1913, occasioned by very flagrant undervaluations. It was so serious that the very life of our industry was threatened. The Treasury Department interested itself; Secret Service men were used, and eventually that practice, in so far as we know, at least, was largely stopped.

That reminds me that the gentleman testifying yesterday made a very strenuous plea for ad valorem rates. There is no better way of putting a quietus on undervaluation than by specific rates.

The CHAIRMAN. That is Republican doctrine.

Mr. HENRY. Yes, sir; and it is a very good doctrine.

There were some samples shown yesterday. There were prices quoted by the importer, who stated that he also was an American manufacturer, and I think he left the impression generally in this room that he was an American manufacturer of standard razors. So far as I know, this German importer has never made any quantity of standard razors in the Camillus plant. I believe practically all their razors are made in their own factory in Germany and in other German plants.

A comparison was shown here between a German razor, which, at 78.40 marks, the stated German price per dozen, at the exchange rate quoted, I believe, would figure \$1.17 per dozen in American currency. The so-called American comparative was a Torrey razor, which the witness testified he bought from the Torrey Co. himself, and paid \$3.25 per dozen for.

Wishing to check that statement and testimony, I talked with Worcester, Mass., over the phone last night, and I have here a telegram signed by the J. R. Torrey Razor Co., and I will read it:

Last quotation to Kastor, April 14, 1920, \$4.05 per dozen. Last order August 12, 1918, \$3.70. If more information is wanted, wire or phone.

J. R. TORREY RAZOR CO.

That, gentlemen, I think, throws out absolutely the testimony in regard to comparatives on that grade of razors.

Another comparison was a Boker "Red Injun" razor. The American equivalent or comparative was a razor made by one of the smaller American factories. They are not comparable in any sense of the word, except, possibly, in price, and that I am not prepared to state.

The Boker razor is a beautiful piece of work, made by bonus-paid workmen. Personally, I do not believe there is any better razor made than that Red Injun.

The Geneva Cutlery Corporation make razors that are comparable with the Boker razor, and we would be very glad to submit, and will submit, comparative samples and prices.

The CHAIRMAN. What is the peculiarity of this razor and its special excellence?

Mr. HENRY. Beautifully ground, Senator. They are beautifully finished, nicely balanced, and made from excellent steel.

I want to refer just a moment to the razor submitted by the witness yesterday and also to its so-called American comparative. The German cheap razor is made, in most cases—those razors that come at \$1 a dozen—of Bessemer steel or a very cheap grade of Swedish steel. They have no quality. They are roughly finished, but they have the advantage of a ridiculously low price to the wholesale purchaser in the United States. I can buy them and have bought them. I was forced to buy them under the Payne-Aldrich and the Underwood laws. They were landed at 35 per cent duty. Prior to that time the Geneva corporation made a great volume of medium-priced razors, but we, like other American manufacturers of standard razors, made them out of high-grade steel, and, regardless of the price, those razors were guaranteed for shaving service, and they would stand up and would shave.

That cheap razor eventually got to the consumer at approximately the same price as the other razor.

These cheap German razors were often packed in individual cases printed "fully concave, fully warranted." I have some in my bag here, samples that have come in within a few months, some of them in cases marked \$3 or \$3.50 each—a practice which we were forced to follow in an effort to hold trade, but a practice which we would be very glad to get away from.

Senator WALSH. Do you consider that those cheap German razors are inferior to the American cheap razors?

Mr. HENRY. Not in appearance, but in quality; yes.

Senator WALSH. Do they compete with your razor?

Mr. HENRY. Not in quality, but unfairly in price to the trade.

Senator WALSH. To certain people it could be discovered that there is a difference, and yet they were put on the market at the same price?

Mr. HENRY. Not always; and in the last turnover, or in the last purchase, the men in the street, not knowing the difference, did pay a price at which they should have been able to buy shaving quality.

Senator WALSH. Of course, we can not legislate to make the American purchaser discern the difference between two articles.

Mr. HENRY. I quite agree with you; but the point I want to make is that it would be a kindness on the part of this committee to get that stuff out of the country and keep it out.

I want to state that in the last analysis you gentlemen are here to conserve the industry of the United States and the welfare of the Commonwealth. All that any clean-cut American manufacturer asks for is an opportunity to compete on a fairly even basis. The importations of standard razors are increasing by leaps and bounds. The Government stores are carrying enormous stocks to-day. They are coming in in increasing volume. Gentlemen, it is only going to be a question of a few months when there will have accumulated in the United States stocks of German make sufficient to carry this country's normal consumption for a long, long while to come.

Senator McLEAN. I see they have more than doubled since last year.

Mr. HENRY. Yes, sir. I wish to plead for quick action. Primarily, that is what I am down here for. We want relief, and we have got to have it soon. If we do not get it, God knows this industry will be ruined.

Senator McLEAN. You are more interested in protection of your business than you are in the reduction of excess-profits taxes?

Mr. HENRY. Very much so. The excess-profits taxes are not going to worry us this year. If we can survive the enormous losses that are going to pile up this year, we will be mighty fortunate. We hope our banks will carry us.

I wish to add in regard to these increasing importations and the vital necessity of haste that I hope the committee can arrive at a workable plan for some equalizing of exchange or a retroactive feature in the tariff bill that will tide us over until the passage of the bill. I have really little else to say, except that I shall request and do request the privilege of filing a brief.

The CHAIRMAN. You may file your brief and correct your statement.

Senator WATSON. Is your factory closed down?

Mr. HENRY. Our factory is employing about 90 men out of a normal 650 or 700, and we are working those 90 alternate weeks.

Senator WATSON. How much of that is due to the imports and how much to general industrial conditions of the country?

Mr. HENRY. That is a rather hard question to answer.

Senator WATSON. I am asking your opinion about your own business.

Mr. HENRY. In our own business, I would say that I presume it is about equally divided.

Senator WALSH. The witness yesterday, who was an importer, submitted a brief in behalf of the cutlery importers' association, in which he has a diagram which I would like to ask you to examine. He attempts to show a certain grade of razors, what they cost in Germany and what they cost in America, and how the Fordney tariff bill will operate as amounting to an embargo. Have you examined these statements he has made up?

Mr. HENRY. No; I have not.

Senator WALSH. So you are not able to say whether it is accurate or not?

Mr. HENRY. No, sir.

Senator McLEAN. Suppose you spend a little time on it and give it to the committee in your brief.

Mr. HENRY. I will do that; yes, sir.

DENTAL INSTRUMENTS.

[Paragraph 359.]

STATEMENT OF DR. HOMER C. BROWN, COLUMBUS, OHIO, REPRESENTING THE NATIONAL DENTAL ASSOCIATION.

Senator SMOOT. Dr. Brown, there are a number of witnesses here on dental and surgical instruments. Mr. John J. Douglas and Mr. Julius M. Meirrick are present to speak on that subject. Do you speak for them?

Dr. BROWN. I only speak for the National Dental Association.

Senator SMOOT. Mr. Meirrick also speaks for that association.

Dr. BROWN. Mr. Meirrick is not authorized to speak for the National Dental Association. I am their official representative. I do not know him, neither do I know if he is here. And I will say this, that no one except myself is authorized to speak for the National Dental Association upon this subject at this time.

Senator SMOOT. Proceed, then, Doctor.

Dr. BROWN. Mr. Chairman and gentlemen of the committee, as chairman of the legislative committee of the National Dental Association, an organization with approximately 30,000 members, I appear before you to present our protest against the duties relating to dental instruments as provided in paragraph 359 of H. R. 7456, which is under consideration at this time.

The provisions of this paragraph place surgical and dental instruments in the same classification in all respects, while these industries are quite dissimilar in at least two particulars.

First, the manufacture of dental instruments is a wholly developed American industry whose preeminence is as well recognized throughout the world as that of the American dentist. In fact, the preeminence of each has been through the close harmony and cooperation of both, and as an evidence of this the ratio of exports to imports is in excess of 20 to 1. Therefore, no unusual protection is required for this industry, as may be advocated by the surgical instruments manufacturers.

Second, many or probably most of the dental instruments coming within the provisions of this paragraph are very small and inexpensive, and the specific duty of 60 cents per dozen adds so much for this item of expense that it becomes wholly out of proportion to the cost of the same.

Senator SMOOT. Will you simply suggest what you have in mind as to the proper rate?

Dr. BROWN. Yes; I will in just a moment.

Senator SMOOT. The House provides for a value of not more than \$5 a rate of 60 cents per dozen. What would you suggest?

Dr. BROWN. I have one brief statement prior to reaching that, Mr. Chairman.

I want to first emphasize the fact, in connection with the statement that I just made about small and inexpensive instruments, that nerve broaches and burrs, torturous as they are to those upon whom they are used, are two of the items most frequently imported, and the wholesale price of them is such that the duties under this paragraph, under the present system of valuation, increases the pres-

ent duty of from 20 to 30 per cent to 175 to 300 per cent, and in some instances in excess of that. Therefore, any revenue which might accrue from such duties is completely nullified, for such duties will prohibit any importations.

Further, this supposed protection becomes a farce and will soon work to the disadvantage of all.

In view of this I respectfully recommend that the words "and dental" be stricken out of paragraph 359, and that a new paragraph to be known as paragraph 359-A be inserted, as follows:

Dental instruments, or parts thereof, composed wholly or in part of iron, steel, copper, brass, nickel, aluminum, or other metal, finished or unfinished, 35 per centum ad valorem: *Provided*, That all articles specified in this paragraph, when imported, shall, when practicable, have the name of the maker and beneath the same the country of origin die sunk conspicuously and indelibly on the outside, or if a jointed instrument on the outside when closed.

The unreasonableness of these duties appears somewhat similar to the dental profession and the dental manufacturers, as is evidenced by the fact that the officers and representatives of these two groups held a conference on July 30 with the result that the changes outlined were agreed to as being fair and equitable to all interests concerned; and when I say "all interests," please bear in mind that this includes all those we serve professionally; since in the final analysis they are the ones assuming all of such overhead increases in tariff duties as well as other sources.

I again desire to emphasize the fact that we do not wish in any way to interfere with what may be considered ample protection for the surgical instrument industry in order to develop this important activity in our country, but, on the other hand, there is no good reason why the separation should not be made as recommended and also the elimination of all specific duties from the dental instrument paragraph.

In conclusion, we, like many others, are more or less confused with reference to the American valuation plan as incorporated in this bill. The ad valorem duty of 35 per cent as recommended may be approximately four times the present duty on dental instruments, artificial teeth, dental supplies, toothbrushes, etc. If that is the case, it should be adjusted accordingly.

Please understand that dental service is a well-recognized factor in health conservation; and in presenting our protest to this increased duty we consider that we are promoting the best interests of the American public.

For further information and specific data I respectfully refer you to hearings before the Ways and Means Committee of the House of Representatives, January 14, 1921.

Senator WATSON. Doctor, do you use foreign instruments altogether?

Dr. BROWN. No, sir. The American dental manufacturers export twenty times as much goods as are imported into this country.

Senator WATSON. Are the American instruments quite as good as the others?

Dr. BROWN. Quite as good, sir, and even better in most instances; but there are a few items which are manufactured abroad which many dentists like to have access to.

Senator WATSON. What are some of those?

Dr. BROWN. Tube teeth, a platinum pin tooth. Others are nerve broaches and burrs that are of very excellent material and well made and that can be brought into this country under a reasonable tariff duty.

Senator WATSON. And the like of which are not made in this country?

Dr. BROWN. No; not that.

Senator WATSON. Or not made so well?

Dr. BROWN. No. They are well made in most instances, and they can bring them into this country and pay a duty which will help in revenue and they can be sold, then, on a parity basis with the goods that can be purchased here.

Senator WATSON. From what country do you procure those goods?

Dr. BROWN. Principally from England and Germany. In fact, most of the supplies that come in come from England and Germany.

Senator WATSON. Do any come from Japan?

Dr. BROWN. I have not used any myself.

Senator WATSON. Surgical instruments do?

Dr. BROWN. Yes; but Germany and England are the principal makers of dental instruments in foreign countries.

SURGICAL INSTRUMENTS.

[Paragraph 350.]

STATEMENT OF JOHN J. DOUGLAS, REPRESENTING FRED HASLAM & CO., BROOKLYN, N. Y.

The CHAIRMAN. Mr. Douglas, where do you reside?

Mr. DOUGLAS. Brooklyn, N. Y.

The CHAIRMAN. What is your business?

Mr. DOUGLAS. The manufacture of surgical instruments. I am president and general manager of the Fred Haslam & Co., and I also represent the American surgical instrument manufacturers.

The CHAIRMAN. You want a duty on surgical instruments?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. Are you satisfied with the bill as it passed the House?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. Then you do not want any change made?

Mr. DOUGLAS. No, sir; but I just want to speak on a matter that was brought up by the dental association in reference to similar matters, if I may. I have a short statement.

The CHAIRMAN. On what subject?

Mr. DOUGLAS. On surgical instruments.

The CHAIRMAN. You say you do not want any change made?

Mr. DOUGLAS. We want the change made suggested by Dr. Homer C. Brown yesterday, who represented the National Dental Association. We are satisfied to have the change made, and dental instruments taken out of the surgical instrument clause, that is, from paragraph 350, so that this paragraph will apply only to surgical instruments. Our reason for this is the advance in dentistry—

Senator WATSON (interposing). Do you make dental instruments?

Mr. DOUGLAS. No, sir.

Senator WATSON. Then why argue their case? They have argued their own case. They have already testified about dental instruments.

Mr. DOUGLAS. Very well, unless you will permit me to say something: I want to state that the present tariff as designed by the committee, containing the American valuation, will be satisfactory, because it will enable us to make from 60 to 65 per cent of the goods in the United States, and that is what we should have, to give us a little opportunity in times of war as well as peace.

Senator SUTHERLAND. By the "present tariff," you refer to the Fordney tariff bill pending before this committee?

Mr. DOUGLAS. Yes, sir. Under the Underwood bill we only made 20 per cent in this country, which was a handicap during the war.

Senator WATSON. You have an ever increasing importation of surgical instruments from Japan as well as from Germany?

Mr. DOUGLAS. Yes, sir. The Japanese goods are not as high grade as the German, and the Germans are the ones that we fear; they keep us down to 20 per cent production.

I do not think it is necessary to take up any of your time. I have said all I have to say, and I am saying it for the American surgical instrument manufacturers. We are willing to write volumes; we have done it for a year and a half, and we had the bill up to the House all but passing.

I may speak for our own factory, with which I am entirely familiar. We are working only 20 per cent of our force that we had a year ago. If that bill had been passed a year ago, we would have had four or five times as many men employed as we have now.

Senator SUTHERLAND. I would like to have the gentleman say briefly why he thinks the dental instruments should be left out of this paragraph.

Mr. DOUGLAS. I will say this, the dental industry is fundamentally an American institution. The world looks to America to matters dental, and even the Kaiser had an American dentist, Dr. Davis, and the dental instrument manufacturers are exporting quite largely, as in the case of surgical instruments it is less than 2 per cent. As a matter of fact—

Senator SUTHERLAND (interposing). Only 2 per cent of the surgical instruments manufactured in this country exported?

Mr. DOUGLAS. Yes, sir; about 1½ or possibly 2 per cent. Canada buys from us because we are nearby; they do not buy so much because of price, but because of the accommodation we can give them.

STATEMENT OF JAMES A. GARVEY, REPRESENTING THE HOSPITAL CONFERENCE OF THE CITY OF NEW YORK, THE HOSPITAL ASSOCIATION OF PHILADELPHIA, THE WISCONSIN HOSPITAL ASSOCIATION, AND THE ILLINOIS CONFERENCE OF THE CATHOLIC HOSPITAL ASSOCIATION.

As you have under consideration at the present time the Fordney tariff bill, H. R. 7456, 1, as the representative of the Hospital Conference of the City of New York, the Hospital Association of Philadelphia, the Wisconsin Hospital Association, and the Illinois Conference of the Catholic Hospital Association of the United States (credentials of which are attached hereto), take this opportunity to present to you the protest of the above associations against the proposed tariff on surgical instruments, scissors, and other hospital supplies.

The hospitals and sanatoriums of this country are a very great asset to the Nation, and as such are entitled to as just and equitable a protection as manufacturing industries.

To give you an idea of the tremendous work that is being performed and the large field covered by them, I will give you the figures just published by the official organ of the American Hospital Association, which association has already appealed to the Ways and Means Committee for the protection of the interests of our hospitals.

In January, 1921, there were in the United States 9,471 hospitals and allied institutions with a total hospital bed capacity of 720,092.

The industry of the manufacture of surgical instruments, according to the figures submitted to your Tariff Commission, consisted of 25 firms in the year 1914. The Wholesale Surgical Trade Association, consisting of American manufacturers and importing firms, had a membership of 21 firms in 1914, 5 of which manufactured only furniture and sterilizers, 3 of which made thermometers, syringes, etc., leaving only 13 firms manufacturing surgical instruments (Tariff Information Series 7), 2 employing normally possibly 100 people, 5 employing normally about 50 people, 6 employing normally about 15 to 25 people.

There were only about 958 people employed in the manufacture of surgical instruments in the year 1914. I am quoting 1914 because this was the most recent year that could be considered normal in this industry. The World War created an unnatural and unprecedented demand for instruments and the Council of National Defense allocated the manufacture of surgical instruments to jewelry and fine-tool makers. Even under the heavy strain of war emergency there were only 2,150 people employed in this industry.

Compare this industry, employing normally less than 1,000 people, with the field of operations covered by 9,471 hospitals and allied institutions having a daily resident population of over a million and consider that each year more than 8,000,000 persons become resident patients in hospitals, with an average stay of from 17 to 18 days each.

From a questionnaire directed to the entire field it was found that a conservative valuation of hospital grounds, buildings, and equipment is \$3,279,520,372. If the valuation were figured on the basis of present day costs, it is safe to assume that the total valuation would be in excess of \$5,000,000,000.

The hospitals of the country are always under a severe financial strain and almost every one of them reports a deficit every year.

As a whole, the hospitals and surgeons of the country are opposed to any unnecessary increase in tariff. I quote the following:

"The Hospital Conference of the City of New York passed a resolution on April 13, 1921—

"Resolved, That the conference would respectfully call the attention of Congress to the injustice that would be wrought upon charitable institutions by an increase in the tariff on surgical instruments."

"On April 21, 1921, the Hospital Association of Philadelphia passed a resolution as follows:

"Resolved, That the Hospital Association of Philadelphia would respectfully call to the attention of Congress the injustice that would be wrought upon charitable institutions by an increase in the tariff on surgical instruments."

In a letter of May 28, 1921, pertaining to the tariff on surgical instruments, Dr. Charles H. Mayo, of Rochester, Minn., says:

"It is my opinion that any tax which adds to the cost of, or hinders the education of, our people or the care of their health is a mistake in policy."

The Illinois Conference of the Catholic Hospital Association of the United States and Canada passed the following resolution:

"Resolved, That the Illinois conference would respectfully call the attention of Congress to the injustice that would be wrought upon charitable institutions by an increase in the tariff on surgical instruments."

Rev. C. B. Mouliner, president of the Catholic Hospital Association of the United States and Canada, says in a letter dated June 8, 1921:

"As this will affect hospitals in a very large measure there should be no hesitation on the part of those interested in hospitals to oppose such measure. I feel, therefore, that I am justified in saying that the 574 hospitals conducted by Catholic sisters will suffer from such an increase in tariff to a measure that should not be countenanced by legislators who have at heart the interests of such valuable and charitable institutions. Their financial burden is already a very heavy one. I therefore, as president of the Catholic Hospital Association, protest against any such legislation, in the name of this vast body of devoted workers in the cause of better health for our people."

A resolution was unanimously adopted by the convention of the Catholic Hospital Association of the United States and Canada, June 24, 1921:

"That the Catholic Hospital Association goes on record as opposed to the bill now in Congress imposing an increase in the tariff on imported surgical instruments for the reason that it will entail greater hardships on our charitable organizations."

A letter dated June 8, 1921, from Dr. Sol. G. Kahn, secretary of staff of the Holy Cross Hospital of Salt Lake City, Utah, says:

"At a recent meeting of the staff of Holy Cross Hospital it was resolved that we indorse the action taken by the Hospital Conference of the City of New York regarding the proposed increased tariff on imported surgical instruments and laboratory supplies."

On June 16, 1921, St. Francis Hospital, of San Francisco, Calif., passed this resolution:

"Resolved, That the trustees of this institution would respectfully call to the attention of Congress the injustice that would be wrought by an increase in the tariff on surgical instruments."

On June 15, 1921, St. Francis Hospital, of Wichita, Kans., passed this resolution: "That the St. Francis Hospital of Wichita, in the State of Kansas, is opposed to this increase because of the additional burden it will entail in our charitable work."

On or about June 7, 1921, the Council of the Sisters of St. Mary, representing St. Mary's Infirmary, St. Louis, Mo.; St. Mary's Hospital, Madison, Wis.; Mount St. Rose Sanatorium, St. Louis, Mo.; St. Francis Hospital, Blue Island, Ill.; St. Joseph's Hospital, St. Charles, Mo.; St. Mary's Hospital, Kansas City, Mo.; passed the following resolution:

"That the council would respectfully call to the attention of Congress the injustice that would be wrought upon charitable institutions by an increase in the tariff on surgical instruments."

Under date of June 9, 1921, C. E. Sparrow, superintendent of the Delaware Hospital, writes:

"Kindly add the name of the Delaware Hospital to the list of hospitals protesting against the increased tariff on surgical instruments."

Under date of June 5, Lucia L. Jaquith, superintendent of the Worcester Memorial Hospital, of Worcester, Mass., writes:

"The trustees of the Memorial Hospital of this city fully indorse the resolutions of the Hospital Conference of the City of New York, as the burdens now placed upon charitable institutions is almost more than they can bear."

Mrs. J. H. Boyin, corresponding secretary of the board of trustees of the Jamaica Hospital, Jamaica, N. Y., writes under date of June 9, 1921:

"The board desires to go on record as favoring legislation looking toward the remission of duties on all surgical instruments used by charitable institutions."

G. W. Boot, M. D., president of staff St. Francis Hospital, Evanston, Ill., writes under date of June 10:

"The executive committee of St. Francis Hospital wish to protest against any increase in tariff on surgical instruments and laboratory supplies. When dealers are charging \$9 for tracheotomy tubes, which we formerly bought for \$3, we feel that any increase in tariff will work an injustice."

Dr. Fred W. Phifer, chief of staff of the Wheatland Hospital, of Wheatland, Wyo., writes under date of June 8, 1921:

"We are heartily in sympathy with the resolution passed by the Hospital Conference in the City of New York, opposing the bill to increase the tariff on surgical instruments."

Mr. Daniel D. Test, superintendent of the Pennsylvania Hospital, Philadelphia, in a letter to Hon. Joseph W. Fordney, dated July 22, 1921, wrote:

"You doubtless realize that nearly all of the best instruments are hand forged, and you may have been informed that nearly all the instrument makers in this country capable of making these fine instruments are of foreign birth. Many of them left this country during the war and very many have not returned, so it is an absolute fact which can not be successfully challenged that to-day it is possible to buy in this country only a small percentage of the grade of instruments that are used in the Pennsylvania Hospital and other prominent institutions of the country and by our better surgeons everywhere.

"To-day we are compelled to use a grade of instruments which we would not have thought of buying a few years ago and for more than nine months I have had orders in for certain instruments which are vital in our work and which I can not get because they are not being made in this country. There are not enough men in Philadelphia who can make high grade instruments in the quantities needed and I am told that the same condition exists in New York City.

"Only recently I had an inquiry from the superintendent of one of the most prominent hospitals in a large eastern city asking me whether there was any instrument maker in Philadelphia who would be able to successfully handle their instruments, making and repairs, as it was impossible for him to get satisfactory service in his own city. I was compelled to tell him that we were in the same fix and that Philadelphia could not help him.

"The statements which I am making can not be truthfully contradicted as I know the situation throughout the east generally. My statements will be contradicted by manufacturers of second and third grade instruments who are interested in foisting upon the hospitals and surgeons a cheap grade of instruments at a high price."

Sister Superior of St. Nicholas Hospital, Sheboygan, Wis., writes, under date of August 1, 1921:

"We wish to enter the protest of St. Nicholas Hospital against tariff bill 7456. This hospital as the servant annually of many hundreds of your constituents respectfully urges you to secure exemptions of medical and surgical supplies from this proposed tariff."

Dr. Geo. F. Clover, superintendent of St. Luke's Hospital, New York, testified before the Tariff Commission (see Tariff Information Series 7) as follows:

"I know of no institution that ought not to be enlarged."

And again:

"A great many instruments used in hospitals are not made here at all, other instruments made here are not as good as those which we get from abroad. Some American instruments are of a very good quality, these are made of the softer metals, which we do use and shall continue to use."

It is interesting here to state that the American instruments of soft metal are sold at a lower price in the United States than the imported, and, therefore, do not need protection. In Tariff Information Series 7, on page 25, the statements of three manufacturers of instruments regarding the effect of tariff reduction on business are quoted below (referring to the tariff reduction of 1913, when it was reduced from 45 to 20 per cent):

"The reduction of duty did not seriously affect the manufacturers of soft metal goods. It must also be acknowledged as a fact that the status of soft metal goods is different from that of the steel goods. Even though the duty on instruments, under the Underwood bill, was lowered to 20 per cent, nevertheless the manufacturers of soft metal goods found it possible, under this new duty, not only to continue their business at a profit, but also to expand and enlarge in some cases four times their original capacity."

In many countries, notably our neighbor Canada, surgical instruments are admitted free of duty and classified as scientific apparatus for educational and charitable purposes. Before the customs laws of 1913 went into effect, Congress made a very careful research and it was then determined that the surgical industry did not need any greater protection than 20 per cent and the duty was lowered from 45 to 20 per cent ad valorem.

The total operating expenditure of the hospitals of the United States is estimated at \$550,287,119 yearly. Of this amount private benevolence contributes about \$440,000,000 and Government, State, county, and municipal authorities about \$110,000,000 all together.

Statistics show that about 65 per cent of the cases treated are free or charity cases, and therefore it is easy to deduce that private benevolence spends about \$286,000,000 yearly for the alleviation of pain and saving of life among the poor. Is it fair to tax these private contributions to charity?

Take the scales of justice. On the one side place the small surgical-instrument industry and the small sum that an increased tariff would yield in revenue; and on the other side place the fact that our private benevolence has given to charity \$286,000,000 in one year. Again place on the one side the 1,000 people employed normally in this industry and on the other side the 5,200,000 people treated annually free of charge. Would not the interest of our hospitals appear paramount?

Does it not seem reasonable that tax should be levied on articles that are luxuries or show financial gain, rather than on those that are used for charitable purposes?

Competent hospital and health authorities estimate that fully \$2,000,000,000 must be expended during the next five years on new hospitals in order to meet the needs of our country. How can this be accomplished if we are subjected to an increased tariff? It is only a question of time when our burden will become too great to carry and we shall be forced, against our will and desire, to turn the charity patients over to the Government, State, county, or city for care and attention.

The chaotic state of business in our country to-day demands that all efforts be concentrated on keeping the cost of maintenance of our charitable institutions down to a minimum.

We therefore appeal to your sense of justice that you allow the tariff on surgical instruments to remain as it is, or place on the free list surgical instruments and laboratory supplies used in hospitals founded and maintained for charitable purposes, so that we may be able to continue in our great work and increase and expand in proportion with our growing population.

Our objections may be summarized as follows:

First. A very large number of surgical instruments used by specialist surgeons are not made in this country and must be imported, for the reason that either the domestic quality is not good enough or that the cost of production is prohibitive, due to the small quantities of each type consumed.

Second. Any increase in the tariff would inevitably result in an advance of the prices of the domestic goods to the hospitals, otherwise the domestic manufacturers could not justify their clamor for a higher tariff.

Third. Our surgeons would be deprived of the advantages resulting from foreign invention in the art of surgery, due to the exorbitant cost of imported instruments, and the progress of science resulting from interchange of new ideas would be retarded.

Fourth. That revenue would fall very far short of expectations because the importations will fall off in proportion to the rise in tariff.

STATEMENT OF DAVID WALKER, REPRESENTING THE KNY-SCHEERER CORPORATION, NEW YORK, N. Y.

The CHAIRMAN. You desire to address the committee with reference to surgical instruments?

Mr. WALKER. Yes, sir.

The CHAIRMAN. The committee is very familiar with the surgical-instrument proposition.

Mr. WALKER. I just want to address myself to the question of what the rates in the proposed bill mean as applied to surgical instruments.

The CHAIRMAN. Whom do you represent?

Mr. WALKER. The Kny-Scheerer Corporation, of New York City. The old Kny-Scheerer Corporation was taken over and sold by the Alien Property Custodian.

Senator SMOOT. Are they importers?

Mr. WALKER. Yes, sir.

I may say that the whole breadth of the surgical instrument line probably covers 10,000 items. The items of domestic manufacture probably cover no more than 20 per cent, so that it would make no difference if a Chinese wall were built around the United States, there would have to be some importation of surgical instruments from abroad.

I may say that shortly after the war was over one of the men who will appear here before the committee as a domestic manufacturer came into my office and asked me to come down to Washington and secure a provision in the consular regulations—and he was the first man in Europe to buy.

The rate provided in the proposed bill is 60 cents a dozen on a \$5 valuation or less, and in addition thereto 35 per cent. Inasmuch as the vast majority of surgical instruments cost over \$5 a dozen, the limit of \$5 may be discontinued, as far as that is concerned. It simply means 12 per cent plus 35 per cent, which is 47 per cent. That is plain.

The Payne-Aldrich law provided 45 per cent under the omnibus metal schedule.

A vast amount of these instruments must come from abroad. It is noted that in Canada these goods are admitted free of duty. Last year Canada imported from the United States \$567,299 worth of surgical and dental instruments. With no duty at all, the American manufacturer sent more than twenty times the surgical instruments into Canada than he imported.

If you take the noncomparable surgical instruments as imported and apply the rates of the proposed bill you get a rate of duty of exactly 220 per cent. That is what this bill means when applied upon noncomparable goods.

I have prepared a statement of comparative costs that I would like to submit to the committee covering the importation of certain surgical instruments, and I have put against that the prices as sold in the United States.

Let me say in this connection that the supply must of necessity be limited. It covers 137,000 surgeons and 9,000 hospitals. That is to say, the field can not be increased. The vast amount of surgical instrument items, numbering 10,000, means a tremendous manufacturing proposition. If you make the rate prohibitive, even then the American manufacturer could not cover all the surgical needs of this country, because his overhead would be so vast that the cost of production would put them absolutely out of reach. Inasmuch as it is a highly specialized industry it must have a world market in order to get the production necessary to bring down the cost.

With reference to the noncomparable—

Senator SMOOT. If it is noncomparable, under the provisions that will be adopted if the American valuation plan is adopted, it would not take the same rate as provided in this bill.

Mr. WALKER. Senator, then I am speaking of something that I do not know anything about.

Senator SMOOT. I am only telling you.

Mr. WALKER. I am glad to know it. It is a comfort, at least. I have prepared these sheets that show just what the rates would mean when applied to the present situation.

Senator LA FOLLETTE. Make that a part of your statement.

Mr. WALKER. If you take a hæmostatic forceps, it is \$5.28. The Kny-Scheerer Corporation make it for \$10.20; Haslam, \$10.20; Sklar, \$10.20; and Pilling, \$12. Taking the American valuation and adding it, it would bring the cost at New York from \$9.33 to \$11. You will find here that the rate of duty applied upon the American selling price of the comparable article is 123 per cent. That simply makes it so that merchandise which this paragraph covers will be absolutely prohibited under the present bill.

The CHAIRMAN. Did you present that objection to the Ways and Means Committee of the House of Representatives?

Mr. WALKER. No, sir; I do not think it was presented there.

Senator SMOOT. Mr. Chairman, this will always show in the profits wherever there is an article such as scissors and knives and surgical instruments the profit on which is over 100 per cent.

Mr. WALKER. Let me say, in answer to the Senator from Utah, that that probably is true, but it must be borne in mind that in curing for the surgical-instrument demands in this country there must be a tremendous stock.

Senator SMOOT. Nobody questions the statement that you made in the first place. I recognize that, and I think the committee does.

Mr. WALKER. You can not do a surgical-instrument business to-day without 50 per cent profit on your selling price. I figure, on the non-comparable merchandise which you tell me is not necessary to produce because the bill is to be changed—

Senator SMOOT. On the item that you speak of, forceps, the cost in New York is \$5.28. You say that article sells as high as \$12.

Mr. WALKER. That is the Pilling price.

Senator SMOOT. Yes; \$10.20 is the next price. So there is 100 per cent difference there, or within 1 per cent. Others are over 100 per cent, and that would make the difference.

Mr. WALKER. If you will take the Kny-Scheerer Corporation price of \$10.20 and allow them 50 per cent profit on that, it would give \$5.10. That is exactly 18 cents less than the landing cost. Is not that fair?

Senator SMOOT. It is absolutely the case, and I say that it must necessarily be where there is 100 per cent difference in the cost as to a foreign article and an article made in this country.

Mr. WALKER. I do not see how it could be less when you have to take care of the tremendous amount of stock to care for the domestic needs.

(The statement referred to is as follows:)

Comparative cost of surgical instruments.

Title.	Present cost.		Present selling price of imported and domestic makes.				Under proposed American valuation.		
	Germany.	New York.	Kny-Scheerer Corporation.	Haslam.	Sklar.	Pilling.	Cost will be in New York.	Equal to duty of—	Based on average American selling price per dozen.
Hæmostatic forceps, 20 per cent.....	\$4.20	\$5.28	\$10.20	\$10.20	\$10.20	\$12.00	\$9.33	Per ct. 123	\$11.00
Minor operating knives, 20 per cent.....	4.20	5.28	7.60	6.60	7.60	.....	7.63	70½	7.00
Bandage shears, 30 per cent...	6.00	8.16	16.20	12.48	12.00	15.00	12.00	94	12.00
Thumb forceps, 20 per cent...	2.40	3.00	5.40	4.00	4.20	4.50	5.79	98	5.00
Sponge forceps, 20 per cent...	6.60	8.28	16.20	12.00	12.00	12.00	12.64	80½	12.00
Dressing forceps, 20 per cent...	6.60	8.28	15.60	13.20	13.20	15.00	13.20	99½	14.00
Uterine dilator, 30 per cent...	33.00	41.28	72.00	48.00	13.20	66.00	57.21	80½	60.00

NOTE.—If the American-valuation plan is adopted, we respectfully suggest that the proposed specific duty be eliminated and the ad valorem duty be fixed at 10 per cent, or at most 15 per cent, ad valorem, because we find that the present revenue on a basis of 20 per cent duty would (if applied to "American valuation") be equal to 7-11 per cent.

Mr. WALKER. I would like to have the consent of the committee to file a brief.

The CHAIRMAN. You may file a statement.

STATEMENT OF E. J. SOVATKIN, REPRESENTING THE SKLAR MANUFACTURING CO., BROOKLYN, N. Y.

Mr. SOVATKIN. Mr. Chairman and gentlemen of the committee, I represent the manufacturers of surgical instruments, and I have come here to ask you gentlemen to give us a fair rate of tariff that will give us an opportunity to compete with the importers of German instruments. They are our sole competitors.

Before the war about 80 per cent of the instruments used in this country were imported from Germany. During the war period the

industry was built up to quite an extent, a large amount of capital was invested in the business in this country, and surgical instruments are made in six different States, normally employing about 4,000 men.

Senator SMOOT. Are you interested in the manufacture of dental instruments?

Mr. SOVATKIN. No; just surgical instruments.

Senator WALSH. How many men does your company employ?

Mr. SOVATKIN. Normally, a little over 200 men.

Senator WALSH. How many of the 10,000 varieties of surgical instruments do you make?

Mr. SOVATKIN. In our own plant a little over 3,000.

I understand a witness yesterday made the statement there were about 10,000 different styles of surgical instruments, and only about 20 per cent made in this country. I know there are over 7,500 patterns of surgical instruments made in this country. He also made the statement that \$567,299 worth of American-made surgical and dental instruments were imported in Canada in one fiscal year. I don't believe that over 10 per cent of that was surgical instruments. It may have been dental instruments, but not surgical. We do not export 2 per cent of our product to all parts of the world.

Senator WALSH. Give the name of your company.

Mr. SOVATKIN. The Sklar Manufacturing Co., located in Brooklyn, N. Y.

In the making of surgical instruments anywhere from 75 to 95 per cent is the labor cost. Our mechanics are earning now from 40 to 75 cents an hour, and in Germany the same class is being paid 5½ to 8½ marks an hour, equivalent at the present ratio of the German mark to about 6 cents an hour. I know that German factories are working with increased forces on full time.

Senator SIMMONS. Do you think that the German mark in Germany will not buy any more than 8 cents will buy on this market?

Mr. SOVATKIN. Let me get your question again, please.

Senator SIMMONS. Do you think that 8 German marks in Germany will not buy any more than—probably it should be—12 cents in this country?

Mr. SOVATKIN. Hardly that.

Senator SIMMONS. I am asking you about what it will buy.

Mr. SOVATKIN. Yes.

Senator SIMMONS. Do you believe it will only buy about what 12 cents will buy on this market?

Mr. SOVATKIN. I think it will buy more, Senator.

Senator SIMMONS. It will buy more?

Mr. SOVATKIN. I think it will. I have just come back from Germany.

Senator SIMMONS. You think that the purchasing power of 8 German marks is more than their gold value, measured by the America standard?

Mr. SOVATKIN. Yes, sir.

Senator SIMMONS. How much more?

Mr. SOVATKIN. I can not figure it out in cents. I could give you the prices of foodstuffs in Germany in July of this year, because I was there.

Senator SIMMONS. I wish you would.

Mr. SOVATKIN. I could give them to you right here. I have got the prices of certain foodstuffs that I took notations of when I was over there.

Senator McCUMBER. Are those wholesale or retail prices?

Mr. SOVATKIN. Retail prices marked on the windows of the stores in Germany.

Senator SIMMONS. These are retail prices?

Mr. SOVATKIN. Yes, sir. Meats sold from 9 to 10 marks a pound. That is the German pound, which is, I believe, 10 per cent more than our pound. Their pound is heavier than our pound.

Senator SMOOT. Two thousand two hundred and forty pounds to a ton?

Mr. SOVATKIN. It is more than 16 ounces.

Senator SIMMONS. Meats were selling for what?

Mr. SOVATKIN. Nine and ten marks a pound, without the bone.

Senator SIMMONS. What sort of meat?

Mr. SOVATKIN. Steak.

Senator SIMMONS. How much would that be measured in gold?

Mr. SOVATKIN. 12½ cents.

Senator SIMMONS. Per pound?

Mr. SOVATKIN. Yes, sir.

Senator SIMMONS. How much would 12½ cents buy on this market?

Mr. SOVATKIN. I don't believe that it would buy more than a quarter of a pound of good steak, would it?

Senator SIMMONS. Then you can take that 12 cents over there and buy a pound with it, or with the mark?

Mr. SOVATKIN. Yes, sir.

Senator SIMMONS. And it will take how much American money to buy a pound in this country? Would it be 40 cents?

Mr. SOVATKIN. I believe so.

Senator SIMMONS. Forty cents would buy a pound?

Mr. SOVATKIN. I think so.

Senator SIMMONS. So that the German laborer with his hour's work can buy a pound of meat, and you pay your labor 40 cents an hour and it takes an hour of his work to buy a pound of meat on the American market? Is that not so?

Mr. SOVATKIN. Yes, sir.

Senator SIMMONS. So that the wages that a German gets for an hour's work will buy as much meat on that market as the wages you pay your common laborers will buy on this market?

Mr. SOVATKIN. That is right. Do you want any more of these food prices?

Senator WALSH. Yes.

Mr. SOVATKIN. Margarino. There is not very much butter there. They use a lot of margarino. That sells at 6 marks a pound. Eggs at 12 marks a dozen, fresh eggs. Beans are 2 and 3 marks a pound. Peas are from 3 to 5 marks a pound. Bread is from 1½ to 3 marks a pound.

Senator SMOOT. Have you reduced the kilos to pounds?

Mr. SOVATKIN. They sell it in pounds there.

Senator SMOOT. I never knew that.

Mr. SOVATKIN. That is the way they sell at retail.

Senator SMOOT. I never heard of that before.

Senator SIMMONS. The long and short of it is that the wage the German laborer receives will buy as much food products over there as the wages you pay in this country will buy over here?

Mr. SOVATKIN. I think the average will probably buy more. The same thing applies to clothing and shoes. I priced clothing and I priced shoes. I stopped at the best hotel in Tuttlinger, which is a southern German center for making surgical instruments, where the largest surgical-instrument plant in the world is located.

Senator SIMMONS. The value of the dollar is measured by what it will buy?

Mr. SOVATKIN. Yes; that is right. I was there eight days, and my bill for the eight days, including all meals and some liquid refreshments with every meal, was 409 marks and 20 pfennigs, for eight days.

Senator SIMMONS. What is that in our money?

Mr. SOVATKIN. That would be about \$5.50 for the eight days, including half a bottle of wine with every meal.

As I said before, the wages are 6½ to 8½ marks an hour in northern Germany and 5½ to 7½ marks an hour in southern Germany. That is just the reverse of what it was before the war. The mechanics in southern Germany were paid higher wages before the war than the mechanics in northern Germany were paid. It is just the reverse now, because foodstuffs are cheaper down there.

Paragraph 359 of this proposed tariff bill provides 35 per cent ad valorem plus a specific rate of 60 cents a dozen on surgical instruments costing \$5 a dozen or less, and 12 cents per dozen for every dollar per dozen over that. That is on the American valuation. With that rate of duty I believe that we could manufacture perhaps 50 per cent of the instruments that are required in this country.

I would recommend a rate of 60 per cent ad valorem, plus that specific rate. I think we could then make about 90 per cent of the instruments used in this country.

Senator SMOOT. You mean 60 per cent instead of 35 per cent ad valorem.

Mr. SOVATKIN. Yes, sir.

Senator SMOOT. And the specific?

Mr. SOVATKIN. Yes, sir; because in the making of instruments so much of it is included in the cost of labor. It is almost all the cost of labor.

Senator McLEAN. Have you made an estimate of the difference in the cost of labor in this country and over there?

Mr. SOVATKIN. No; this is based on the cost of the instruments laid down here. I have got the invoices for goods I bought while I was over there this last summer. I know what the goods cost landed here; I know what they cost in Germany; I know what it costs to manufacture them here, and I know what the wholesale selling prices are here. The importers of German instruments to-day are not basing their selling price on the cost of the goods laid down here. They are basing it on the American selling price, and cutting enough under it to get the business. The result is that our plant is running about 20 per cent.

Senator McLEAN. And your idea is that they could sell them much cheaper?

Mr. SOVATKIN. They could sell them for half the price they are selling them now and make a profit. And, furthermore, the price

the German manufacturer is charging for his goods now, on the American market or any foreign market, is higher than they are selling the goods for inland. The reason for that is they want a differential so they can reduce their price when the tariff in these other countries is raised. They told me that when I was there. The different organizations have taken that attitude. Every industry over there is organized.

Senator McLEAN. Basing your estimate on the selling price here, you need 60 per cent ad valorem plus the specific rate you refer to?

Mr. SOVATKIN. Taking it on the selling price here we need the 60 per cent to be able to make 90 per cent of the goods required here. If you would put a duty of 100 per cent on surgical instruments you would not keep all German goods out.

Senator SIMMONS. What are the importations now?

Mr. SOVATKIN. There is no way of telling, Senator.

Senator SIMMONS. I am advised by the experts that there are practically no importations now. Is that true?

Mr. SOVATKIN. Senator, I can show you invoices right now for goods that have arrived in this country, and some are on the way.

Senator SIMMONS. I know some are coming, of course.

Mr. SOVATKIN. Large quantities.

Senator SIMMONS. How many?

Mr. SOVATKIN. I have 500,000 marks worth of instruments consigned to our firm now on the water or in the customshouse in New York.

Senator WALSH. Why do you get instruments from Germany if you are an American manufacturer of surgical instruments?

Mr. SOVATKIN. We imported them before the war.

Senator WALSH. Is it because you can not make them as cheaply in your own factory?

Mr. SOVATKIN. No; they are cheaper and we have to have them to stay in business.

Senator WALSH. You went over to Germany and bought how much?

Mr. SOVATKIN. I bought about 2,000,000 marks worth of instruments.

Senator WALSH. You imported them to this country and went into the importing business here?

Mr. SOVATKIN. We have been in the importing business a good while.

Senator WALSH. And some of these instruments are identical with those you make here?

Mr. SOVATKIN. Yes, sir.

Senator WALSH. So you practically intend to close down that part of your factory and sell German instruments?

Mr. SOVATKIN. If the tariff is not put on there we will have to close it down.

Senator WALSH. Some of the dumping that has been going on has been done by the manufacturers themselves.

Mr. SOVATKIN. We are just getting our goods in. We are not dumping them. We will have to sell them at the same price the other importers are selling them and will have to go out of the manufacturing business altogether if we don't get a tariff.

Senator WALSH. How much less could you buy them for from the Germans than you could from the importers in New York?

Mr. SOVATKIN. I have not asked for any quotations from New York importers on their goods.

Senator SMOOT. Have you bought heavier this year than heretofore?

Mr. SOVATKIN. Yes, sir.

Senator SMOOT. If you have a great quantity of goods on hand, and we give you the protective tariff that you are asking for here, you will make a handsome profit on those goods you have already bought.

Mr. SOVATKIN. That is also true of all the importers.

Senator SMOOT. Is that the reason you went over and bought heavier this year than you generally do?

Mr. SOVATKIN. Well, Senator, we have had a bill—I appeared before this committee in 1919 and asked for a tariff on surgical instruments. You may recall that.

Senator SMOOT. I am aware of it.

Mr. SOVATKIN. We were turned down. There was nothing left to do but to import German instruments if we were going to stay in business. We have been in the surgical instrument business for 28 years and expect to remain in it, either as manufacturers or importers.

Senator SIMMONS. You say you bought 2,000,000 marks worth?

Mr. SOVATKIN. Yes.

Senator SIMMONS. That is about \$30,000 is it not?

Mr. SOVATKIN. Yes; hardly that.

Senator SIMMONS. What was the output of your factory?

Mr. SOVATKIN. In 1918 our output was a little over a million dollars.

Senator SIMMONS. And you imported about \$30,000 worth this year?

Mr. SOVATKIN. Yes, sir. We have one factory in Philadelphia that has a larger output.

Senator SIMMONS. Is that your plant?

Mr. SOVATKIN. No, sir. There are about 50 manufacturers all told in the United States, by and large.

Senator SIMMONS. You have not taken the trouble to find out, although you are here asking for 60 per cent tariff, what the importations of last year were.

Mr. SOVATKIN. There is no way of determining that, because they are included in the basket clause. That is where surgical instruments are. They have no separate classification. We have tried to get it and could not.

Senator SMOOT. Do you export surgical instruments.

Mr. SOVATKIN. Very little.

Senator SMOOT. What do you call "little?"

Mr. SOVATKIN. I don't believe we export 2 per cent of our product.

Senator SMOOT. The statistics show there were about \$800,000 worth of surgical instruments exported from the United States last year. Do you know what manufacturers in America exported those goods?

Mr. SOVATKIN. I can not tell you. I could easily ascertain by questioning our other manufacturers and requesting them to give

me a statement of what they exported last year That must include other than surgical instruments.

Senator SMOOT. No; it does not.

Mr. SOVATKIN. It must include dental instruments.

Senator SMOOT. No; it does not include dental instruments at all. It simply includes what is designated as surgical instruments, \$800,000 worth of goods exported from America last year. What I want to know is how much you exported of those \$800,000 worth?

Mr. SOVATKIN. I could give you the exact figure by looking it up.

Senator SMOOT. Have you imported goods from Germany and exported any of those German goods?

Mr. SOVATKIN. Not that I know of.

Senator SMOOT. To Canada or South America?

Mr. SOVATKIN. Very little, if any. In Canada we have no duty at all on instruments, and they import direct from Germany and England.

Senator SMOOT. We sell a good many goods over there, a good many surgical instruments from America.

Senator SIMMONS. You do not make in this country all kinds of surgical instruments, do you?

Mr. SOVATKIN. Almost all kinds.

Senator CURTIS. It was demonstrated during the war that we could make in this country nearly any surgical or medical instrument made in the world. There is no question on earth about it. We can make them all.

Senator SIMMONS. That was not the question I asked him. I asked if he did make them all.

Mr. SOVATKIN. We make every instrument that is required in surgery. We made them during the war period, and I believe they are being made to-day.

Senator SIMMONS. You make every instrument being used in surgery?

Mr. SOVATKIN. Oh, no.

Senator SIMMONS. That is what I asked you.

Mr. SOVATKIN. There are some special patterns we do not make.

Senator SIMMONS. Can you tell us what part of these instruments that are imported to this country are not made in this country?

Mr. SOVATKIN. I can not tell you that, Senator Simmons.

Senator SIMMONS. Do you make all the kinds of instruments that are imported?

Mr. SOVATKIN. No, not all.

Senator SIMMONS. What percentage of this \$30,000 worth that you imported are of kinds that you do not make?

Mr. SOVATKIN. Perhaps 10 per cent.

Senator SIMMONS. Not over 10 per cent?

Mr. SOVATKIN. I don't think so.

Senator McLEAN. Do you sell your imported articles for less price than those you manufacture?

Mr. SOVATKIN. We have not had any imported articles to sell. They are on the way now.

Senator McLEAN. Have you not imported them in the past?

Mr. SOVATKIN. Before the war.

Senator McLEAN. Is it customary to sell those at a less price than you sell your own manufactured article?

Mr. SOVATKIN. Yes, sir.

Senator McLEAN. Is it your judgment that if you are driven out of business and prevented from producing them in this country you will be able to supply the American market at a lesser price?

Mr. SOVATKIN. Yes, sir. There was something said before the Ways and Means Committee on this bill in regard to that.

Senator SIMMONS. How do the surgical instruments made in this country compare with the German article as to quality?

Mr. SOVATKIN. I think they are just as good in every case, and in some cases better.

Senator CURTIS. Mr. Chairman, it was demonstrated and shown at the special hearings last year that there were better articles produced in this country than in any other country in the world.

Senator SIMMONS. That is true of a large part, but it is not true of all of them.

Senator CURTIS. I did not say all of them. I said it was true as to certain articles.

Senator SIMMONS. That would be true as to many, but taking it as a whole, how do they compare?

Mr. SOVATKIN. I think they compare very favorably.

Senator SIMMONS. Some are better and some not so good?

Mr. SOVATKIN. Some are better and some not so good.

Senator SIMMONS. Are there some instruments that the operators in this country prefer the German make over the American make?

Mr. SOVATKIN. I don't know. There may be some special types of instruments, special instruments that are made only in Germany, which the American surgeon or specialist would prefer.

Senator SIMMONS. Not made in this country at all?

Mr. SOVATKIN. Yes, sir. We have some types that are only made abroad.

Senator McCUMBER. Is there any reason why we can not make them here?

Mr. SOVATKIN. I don't know that there is.

Senator McCUMBER. As far as material and skill are concerned, we can produce them?

Mr. SOVATKIN. As far as material and skill are concerned, we can produce them.

The Tariff Commission held hearings in New York in 1918 on surgical instruments, and in the report that they published is a statement that the Bellevue Hospital and allied hospitals of New York spent one-tenth of 1 per cent of their appropriation for surgical instruments. You can see what a small item it is in the entire expenditure. One hospital in Brooklyn that I am connected with and which opened last November, the institution costing something over half a million dollars to put in their equipment, and the total expenditure for the initial equipment of surgical instruments was a little over \$2,100. You can see what a small percentage it is. The general practitioner, the doctor, does not spend very much for surgical instruments. He does not have to have them. It is the surgeon or specialist that buys them, and in proportion to the fees they get their expenditures for surgical instruments are not very great.

Senator CURTIS. You are going to file a brief, are you not?

Mr. SOVATKIN. I have not prepared one. I will be glad to file one if it is desired.

Senator CURTIS. Mr. Chairman, I would like this witness to prepare a brief and submit it within a reasonable time for printing in the record. I do that for the reason that he has been in Germany recently, and knows the wages and costs and can supply information of that kind which will be valuable to the committee. In our hearing a few months ago the only thing we did not have was the price of commodities and also the wages paid. If we had that now we could take the old hearings and we have a complete case made. We went into this question very thoroughly, heard witnesses for days, but we did not have the wages then paid in Germany or what they were paying for their product.

Senator SIMMONS. Have you any other competitors in the production of these articles except Germany?

Mr. SOVATKIN. We did have Japan as a competitor, but they never came up to the American or German instrument in quality, so that they do not figure very much.

Senator SIMMONS. I have not been able to find that we have any competition anywhere in the world, from the testimony at these hearings, except Japan and Germany.

Mr. SOVATKIN. In surgical instruments we have not.

Senator SIMMONS. We have not in anything else that has been talked about since these hearings began.

The CHAIRMAN. You mean in number?

Senator SIMMONS. We have not got the number yet.

If you were given a 60 per cent protection, do you think there would be any further importation of surgical instruments into this country?

Mr. SOVATKIN. I believe there will be some; yes, sir.

Senator SIMMONS. Do you think the amount that will come in under that rate will be more than a very negligible quantity?

Mr. SOVATKIN. I believe somewhere from 10 to 20 per cent of the instruments used here will be imported just the same.

Senator WALSH. No matter what the rate is.

Mr. SOVATKIN. I said at 60 per cent.

Senator SIMMONS. No matter what the rate is. Why?

Mr. SOVATKIN. Because of special types of instruments made over there.

Senator SIMMONS. If no rate will keep them out, tell me why?

Mr. SOVATKIN. There are certain special instruments made there that are not made here. There are new instruments being designed all the time.

Senator SIMMONS. Then you say with a 60 per cent duty practically no importations of those articles would come in, except those that are not produced in this country?

Mr. SOVATKIN. Yes, sir.

Senator SIMMONS. Then you are asking an absolute prohibitive duty as to instruments produced in this country?

Mr. SOVATKIN. We are asking for a rate of duty that will protect our industry here.

Senator SIMMONS. You practically said it would be prohibitive as to all instruments produced in this country.

Mr. SOVATKIN. I can give you the figures of what the 60 per cent duty would mean with the present prices in Germany and present selling prices here.

Senator SIMMONS. I do not want your figures. I want your judgment and your testimony. As I have understood your testimony—and if you want to change that testimony, you have that privilege—but as I understood you, you said that 60 per cent would practically exclude all instruments not produced in this country.

Mr. SOVATKIN. I did not say that would exclude them. It would put us on an even par with them. If their goods laid down here cost almost the same as ours then we can compete with them. We can not compete with them now.

Senator SIMMONS. I asked you, if that 60 per cent rate is imposed would there be any importations into this country, and I understood you to say there would practically be none except as to articles not produced in this country.

Mr. SOVATKIN. I misunderstood you then. If you will permit me, I would like to change that.

Senator SIMMONS. All right.

Mr. SOVATKIN. No matter what the rates of duty may be, there are certain special types that will be imported anyway. This 60 per cent tariff, the way I estimate it, will bring the German goods into this country at about the same price that the wholesale price is and give us a chance to compete with them, and that is all we are asking for. It will not be an embargo on them. It will not be a tariff wall that will prevent importation. They will still import them.

Senator SIMMONS. It will not be a tariff wall, but it will be so near a tariff wall that you can not tell one from the other.

Mr. SOVATKIN. They will be about the same selling price here.

Senator SIMMONS. I think I understand you.

Senator McLEAN. Put in your brief the total production in this country, and the nature of competition.

Mr. SOVATKIN. Yes, sir.

The CHAIRMAN. Senator Curtis, you wanted to have a brief filed?

Senator CURTIS. Yes. I would like to have this gentleman or some other party to bring to this committee for our inspection the instruments made in this country, together with similar instruments made in other countries. It would be most interesting to this committee to see. We had those exhibits before the committee heretofore, and I would like to have this committee see them.

The CHAIRMAN. Could you do that before next Wednesday?

Mr. SOVATKIN. I believe I can. Some of these goods are on the way now and probably will not get in by Wednesday. I would like to bring some of those German instruments here and compare them with the American-made instruments.

Senator CURTIS. We had some exhibits before the committee a few months ago that will answer the same purpose.

The CHAIRMAN. I think what is available will be sufficient. If you can come along between now and next Wednesday the committee will be glad to hear you, at Senator Curtis's request, in the way you have described.

Mr. SOVATKIN. Very well. I thank you.

Senator SMOOT. Did you have some exhibits before the Ways and Means Committee?

Mr. SOVATKIN. I don't believe we did, Senator. We had them before your committee.

Senator WATSON. They had exhibits before our special committee of instruments made in the United States, Germany, and Japan.

ENGINEERING AND SCIENTIFIC INSTRUMENTS.

[Paragraph 360.]

STATEMENT OF JAMES G. BIDDLE, PHILADELPHIA, PA.

Mr. BIDDLE. My business is that of a merchant who sells engineering and scientific instruments, including some optical instruments. I may add that I have been engaged in this business for more than 30 years, 25 years of that period having been on my own account. I have been identified with manufacturing to some extent, largely with importing, and also with buying and selling instruments of American manufacture.

As of to-day probably 75 per cent of my business is importing and 25 per cent is in goods that are produced in this country.

The paragraphs that interest me are Nos. 228, 360, and 393. Actually they are all more or less alike, and if you please I will confine my remarks to paragraph 360, as really covering the general situation.

First of all, I should like to request that the committee consider the advisability of striking out from paragraph 360 the requirement as to name of maker.

In general I have no objection to that. In fact, when we are importing high-class instruments we prefer that the maker's name shall be on them, because it helps to give them standing; but occasionally we uncover on the other side, just as is done here, some article produced by an unknown maker, and my feeling is that when an importer in the same way as a dealer over here, does something in the way of introduction he is entitled to the protection that comes from not disclosing the name of the maker.

By all means have the name of the country of origin on the instrument, as we have had under previous acts, but I would like to see the requirements as to the name of the maker omitted.

It is very difficult for one who has grown up in Philadelphia to be anything but a Republican. That has been my background all these years, and I am not opposed to a tariff. But I do feel very strongly that the tariff as suggested in paragraph 360 interpreted in terms of American valuation, if I am able to understand what that means, will be largely prohibitive in the matter of a great many scientific instruments, to this extent: Either they will not be imported at all, because the scientist or purchaser can not afford to pay the price—

Senator SMOOT. What do you want?

Mr. BIDDLE. If we must have American valuation, I believe that the equivalent of 40 to 45 per cent would be 15 per cent in terms of American valuation. I confess that I do not know just what it means, but that is as near as I can come to it.

I will illustrate this point a little further. I have been importing for some 30 years under tariffs varying from 20 to 45 per cent, accompanied at the same time with free trade for educational institutions. I understand that this bill contemplates withdrawing the duty-free privilege. It is a fact that I have not been able to see in all these years any variation in the effect on the business of importing, whether the tariff is 20 per cent or whether it is 45 per cent. In other words, scientific instruments are selected almost entirely on the basis of quality and fitness for a given purpose, and not on price.

I remember, back in 1890, when I was quite a young fellow, the Weston Electrical Instrument Co. was established over at Newark, N. J. Dr. Weston—he was Mr. Weston then—had the ability to develop a line of electrical instruments, ammeters and volt meters, which were absolutely better than anything which had been made before. I was then connected with the old house of James W. Queen & Co. We were importing such instruments from France and England.

When the Weston instruments were put on the market at substantially higher prices than we were charging for the foreign instruments, we were absolutely put out of business in those instruments, and deservedly so, because the Weston instruments were infinitely better.

Take the business of X-ray apparatus. I remember very well when Prof. Roentgen made his announcement back in 1895. At that time we were importing induction coils and such things from Europe. To-day all of those things are made in this country. It is not a question of tariff protection; it is a question of superior goods. The General Electrical Co. to-day is manufacturing X-ray tubes that are selling for \$125 on merit, whereas tubes from the other side can be laid down here and sold for perhaps \$25. But they do not sell. They do not fill the bill. Forty per cent duty, ad valorem, in terms we have known in the past I should not object to. I think it is a bit high, but I should not object to it. But actually, if I have any conception of American valuation, it is equivalent to not less than 100 per cent duty in terms of foreign value. In other words, if we take the—

Senator SMOOT. Your statement before was 300 per cent.

Mr. BIDDLE. I do not think so, if you will pardon me.

Senator SMOOT. You said 45 per cent was equal to 15, or 45 per cent on foreign value was equal to 15 per cent on American value. So that is a 300 per cent increase.

Mr. BIDDLE. I was not attempting to how exactly to the line. I do not know whether 15 is just right or not.

Senator SMOOT. In other words, on foreign valuation, in order to make it equivalent, the instrument which you would import here at \$1 would sell for \$3?

Mr. BIDDLE. No. I can answer your question, perhaps, with another illustration which I happen to remember, if I may.

Senator SMOOT. Yes.

Mr. BIDDLE. This is entirely empirical. We will take an instrument which may cost \$36 in England or Germany or Switzerland. We will assume it costs about 10 per cent to land it over here. We will assume that the importer is satisfied with a gross profit of 20 per cent on the selling price out of which his expenses must be paid. That is too low, but we will assume that for the argument; 40 per cent of \$100 is \$40. That is the duty; add \$10 to your cost of \$40 and you have a total cost of \$80 and you sell for \$100, because you are allowing a gross profit of 20 per cent on the selling price out of which the importer's expenses must be paid—

Senator SMOOT. Why do you not carry on your illustration which you started with? You started with \$36. Ten per cent of that would be \$3.60; 20 per cent would be \$7.20.

Mr. BIDDLE. Twenty per cent profit on the selling price?

Senator SMOOT. I am speaking of the importer's price on the foreign goods, now. You got that far, and then you quit and went back to \$100. Why did you not carry your case on in the way you started?

Mr. BIDDLE. The purchase price, Senator, is \$36.

Senator SMOOT. The foreign price?

Mr. BIDDLE. The importing expenses are \$4.

Senator SMOOT. Three dollars and sixty cents, you said—10 per cent.

Mr. BIDDLE. I thought I said \$4.

Senator SMOOT. The profit for the importer is 20 per cent—

Mr. BIDDLE. On the selling price over here, Senator—

Senator SMOOT. I am trying to get at what they would come in now for under existing law.

Mr. BIDDLE. I will tell you exactly how that would work out. I have the comparison as between American valuation and foreign valuation.

Senator SMOOT. I wanted to figure it out, and then I could tell you exactly what it would be; but if you have not got it I will not crowd you any further in getting that information, but let you put it in the way you want to.

The proper way to get at it is to take an instrument that costs \$36 now in a foreign country, on foreign valuation, and add your profits and all the expenses to it, and then the duty at 40 per cent. Then take the American valuation on that same identical instrument and figure it out the same way—

Mr. BIDDLE. I think I have the equivalent of that here. Perhaps I have gone at it backwards, from your viewpoint. If I have done my figuring correctly, if we sell this instrument for \$100 on the basis of American valuation, the importer's gross profit is \$20, 20 per cent of the selling price. Its cost is \$36. I have added \$4 for expenses, making \$40, or a total cost of \$80 landed, or f. o. b. warehouse, including duty. That is on the basis of American valuation.

Senator SMOOT. Why do you not say that if you would sell it for \$200 or \$300, then you would show a bigger difference than that?

Mr. BIDDLE. Certainly.

Senator SMOOT. Are you selling \$36 goods for \$100?

Mr. BIDDLE. We would have to if we have to pay 40 per cent duty on American valuation.

Senator SMOOT. Then you want to get \$40 on that?

Mr. BIDDLE. No, sir; only \$20.

Senator SMOOT. Well, go on.

Mr. BIDDLE. It is absolutely clear, Senator. On the basis of 40 per cent duty, on foreign valuation, the selling price would be \$70, and the gross profit would be 20 per cent. The importer would make \$14. I am sorry that I do not make myself clear to you, but it is absolutely clear to me.

Senator SMOOT. If you could make all profits that way and count them up that way you would be well off at the end of the year.

Mr. BIDDLE. I do not think I am singular in that, am I?

Senator SMOOT. No; I do not think so.

Senator McLEAN. You say it costs one-third as much to manufacture these articles abroad as it does here?

Mr. BIDDLE. I do not know. I know this, that—

Senator McLEAN. According to your figures I should judge it was about a third.

Senator SMOOT. Not one-third.

Senator McLEAN. Not quite; no.

Senator SMOOT. That is why I said if you would put it at \$200 you could make it even better than that as against American valuation.

Mr. BIDDLE. That just illustrates my inability to understand American valuation. Evidently I am wrong; but I have figured out that a duty of 40 per cent under American valuation would be five times the duty that we would pay to-day on similar goods under the Underwood bill.

Senator SMOOT. Under what rate?

Mr. BIDDLE. Twenty per cent.

Senator SMOOT. Then, in other words, your proposition is immediately this, that on those goods you want 250 per cent, and if that is what you are making on scientific instruments, then your figuring is right.

Mr. BIDDLE. I am not making that.

Senator SMOOT. Then the proposition is not right. Five times as much at 20 per cent—

Mr. BIDDLE. We would not do that, Senator. I am trying to show that 40 per cent on American valuation is equivalent to five times 20 per cent on foreign valuation.

Senator SMOOT. Five times twenty is a hundred, is it not?

Mr. BIDDLE. Yes.

Senator SMOOT. And two and a half times 40 is a hundred. Of course, if you make 250 per cent, then it will be what you say—five times as much. If you want to make 500 per cent, it will be ten times as much.

Mr. BIDDLE. Who could do that?

Senator SMOOT. Who could make 250 per cent? We are not trying to protect you or anybody else for 250 per cent.

Mr. BIDDLE. I do not want you to, Senator.

Senator SMOOT. I mean, to give you the advantages you say you have had in the past, or a profit of 250 per cent. That is just what it means. It does not mean anything else. I will admit what you say if you admit that you are making 250 per cent profit.

Mr. BIDDLE. I do not admit it, Senator.

Senator SMOOT. Then I do not admit the other.

Senator SIMMONS. This is a very interesting controversy. I would like to know what it is about.

Mr. BIDDLE. I thought I knew something about my business, but apparently I do not.

Senator SMOOT. You say 40 per cent, American valuation, is five times the amount of a valuation of 20 per cent. That is your statement, is it not?

Senator McLEAN. That is, the duty would be that.

Senator SMOOT. Is not that your statement?

Mr. BIDDLE. The duty would be equivalent to five times the duty on 20 per cent foreign valuation.

Senator SMOOT. Or, in other words, five times the duty at 20 per cent, which is equal to 40 per cent, is 100 per cent. It is two and one-half times 40 per cent, which is 100 per cent, to make it equal. There is a profit of 250 per cent, and if you are going to have that profit, then your statement is absolutely correct.

Mr. BIDDLE. I do not say we are going to have it at all, Senator. I am merely trying to indicate—

Senator SIMMONS. Let me see if I can understand this.

Senator WALSH. Wait a moment. Are any of these instruments made in this country?

Mr. BIDDLE. Yes. I am thinking in terms of instruments that are not made here.

Senator WALSH. What is the duty upon those?

Mr. BIDDLE. Under the bill we are discussing?

Senator WALSH. Yes.

Mr. BIDDLE. Forty per cent, American valuation.

Senator WALSH. Is not that a high duty for goods that are not made here at all?

Mr. BIDDLE. It would be practically prohibitive.

Senator WALSH. Even on goods that we have got to have and that are not made here?

Mr. BIDDLE. A man has got to have a big pocketbook to bring them over.

Senator WALSH. Some of the finest and most necessary instruments are made abroad and not here?

Mr. BIDDLE. Absolutely.

Senator McLEAN. You said that the price does not count on American made goods; it is the quality.

Mr. BIDDLE. Within certain limits that is true.

Senator McLEAN. Of course, I do not suppose you could tell what the price is over there. You do not know what the foreign valuation would be on those articles, so that you could tell us what the price would be?

Mr. BIDDLE. No; I do not know. I have made a mistake, apparently, in attempting to make an empirical illustration. I do not know how it came about.

Senator McLEAN. I do not think so.

Senator SMOOT. We have present the experts from the Treasury Department, and I will ask one of them.

What would you judge from the statement the witness has made? Is it not five times the amount of duty?

Mr. McCoy. His claim, reduced to simple terms, would be that the proposed rate of duty is five times the Underwood rate.

Senator SMOOT. That is exactly what I said.

Mr. BIDDLE. Yes; that is what I claim. That is what I was trying to say.

Senator SIMMONS. I was not here when you started. What were you talking about?

Mr. BIDDLE. Apparently I do not know, Senator.

Senator SMOOT. It is paragraph 360.

Mr. BIDDLE. I was trying to talk about scientific instruments, and I am trying to suggest—

Senator SIMMONS. What is the present duty?

Mr. BIDDLE. The present duty under the Underwood bill is 20 per cent.

Senator SIMMONS. On foreign valuation?

Mr. BIDDLE. Yes, sir.

Senator SIMMONS. If you substitute the present duty under American valuation, how much would it increase that duty, so far as potential protection is concerned?

Mr. BIDDLE. I should say it would increase it two and a half to three times.

Senator SMOOT. You just said five times.

Mr. BIDDLE. Pardon me. Senator Simmons is speaking of 20 per cent:

Senator SIMMONS. Under the present duty, if you apply the American valuation instead of the foreign valuation it would increase the Underwood duty three and a half times.

Mr. BIDDLE. Two and a half to three times—if I understand what American valuation means.

Senator SIMMONS. It is proposed to double the Underwood rate, is it not?

Mr. BIDDLE. That is my understanding.

Senator SIMMONS. If you double the Underwood rate, instead of increasing the present rate of potential protection two and a half times, you increase it five times?

Mr. BIDDLE. That is what I think.

Senator SMOOT. That is what I told him.

Senator SIMMONS. Then the American valuation, you think, so far as applied to this item, would raise the protection that the American producer would get about two and a half times. Under the new schedule if you double that rate it will raise it five times?

Senator SMOOT. That is, provided—

Senator SIMMONS. I am just trying to find out how much this American valuation is going to raise the duty.

Senator SMOOT. That is, providing the importer makes 250 per cent.

Senator SIMMONS. I do not understand he has made any proviso about it.

Senator SMOOT. If they were both exactly the same, they would not be increased that much.

Mr. BIDDLE. I shall have to go home and think that over, because I did not realize that I was making that much profit. I am glad to know about it.

Senator WALSH. Will you give us for the record a list of these scientific instruments that are commonly used and that, under the terms of the tariff, will be prohibited from entrance here?

Mr. BIDDLE. That is rather a difficult thing to do, Senator. That was covered rather fully in a paper which was prepared by the Tariff Commission perhaps in 1919. That is quite completely covered.

Senator SMOOT. Are these instruments made exactly the same in the United States?

Mr. BIDDLE. There is another great difficulty. Two scientific instruments are about as much alike as two horses.

Senator SMOOT. Then the American valuation would not apply. Under the plan that this committee has agreed to virtually the American valuation would not apply at all.

Mr. BIDDLE. May I ask what you have in mind there? That is the best news I have heard to-day.

Senator SMOOT. I have this in mind: An instrument such as you speak of, where we have not anything exactly like it in this country, is dutiable under the foreign price, plus the freight and the casing and the expense to handle to New York, and whatever profits there are on such an instrument sold by the importer. The price is just the

same as it is to-day where there are no goods made in this country like them.

Mr. BIDDLE. I see.

Senator SMOOT. We will cut out comparison and competition entirely.

Mr. BIDDLE. Do I understand that the tariff which the importer will pay on these instruments which are not comparable or competitive will be precisely the same within 5 per cent of what he would have paid under the Payne-Aldrich Act with the 45 per cent duty?

Senator SMOOT. It would be whatever the wholesale price of those goods is in that country.

Mr. BIDDLE. That is American valuation, is it not?

Senator SMOOT. It is American valuation as to what the importer sells the goods for. If he makes that profit here of 250 per cent, of course he would pay under that arrangement a duty on that profit.

Mr. BIDDLE. The profit, Senator Smoot, that I have figured in this case I gave you is 20 per cent, not 250 per cent.

Senator SMOOT. Then I could tell just exactly what it would be here under the valuation plan.

Mr. BIDDLE. The instrument costs \$40 in New York.

Senator SMOOT. And your profit is what?

Mr. BIDDLE. Twenty per cent on the selling price.

Senator SMOOT. No, I am speaking of your profit on what it costs you.

Mr. BIDDLE. That adds 25 per cent.

Senator SMOOT. Then your profit is 25 per cent. That would be \$50. That is exactly what the duty would be on \$50. That is your wholesale price.

Mr. BIDDLE. That would make the instrument \$90?

Senator SMOOT. No; 40 per cent on \$50; that would be \$70.

Mr. BIDDLE. Yes; \$70. I did not know of that plan. Under those conditions that 15 per cent might be changed slightly for the American valuation on instruments which are not comparable or competitive under it.

In regard to instruments that have been imported free of duty for educational institutions, I understand that it is intended to withdraw that privilege. I have in my hand what you gentlemen have all received—a resolution adopted by the American Association for the Advancement of Science, a scientific body of 12,000 members, which requests that this duty-free privilege shall be continued.

Senator SMOOT. Just put that in the record. Every one of the committee has received one.

Mr. BIDDLE. I would like to have it in the record.

(The document referred to is as follows:)

DUTY ON SCIENTIFIC APPARATUS FOR EDUCATIONAL INSTITUTIONS.

The following resolution regarding duty-free importation of scientific materials and scientific books in the English language into the United States by educational institutions have been passed by the American Association for the Advancement of Science:

"Whereas the scientific education of the youth of the United States is among the most fundamental and important functions of the Republic, education being the only means by which the advantages of present civilization may be surely transmitted to coming generations of citizens and by which the future progress of the Republic may be assured; and

- "Whereas the prosecution of the said scientific education of the youth requires unrestricted employment of the apparatus and materials of science in educational institutions, this being increasingly true for more advanced education; and
- "Whereas the scientific materials and apparatus to be used in educational institutions ought to be selected, as far as possible, without consideration of their place of origin, since science is world-wide in its scope; and
- "Whereas any increase in the cost of scientific equipment for education is to be greatly deplored, since the funds available for its purchase by educational institutions are invariably inadequate in comparison with the great needs and possibilities of education; and
- "Whereas institutions for higher education must still be relied on for the most fundamental and far-reaching steps in the advancement of knowledge, through the scientific researches of their faculties and students; and
- "Whereas both financial and patriotic considerations clearly require that the Republic should aid fundamental scientific research in every possible way, especially avoiding the erection of artificial barriers across the path of the advance of true knowledge; and, finally,
- "Whereas in consideration of the foregoing clauses, the American Association for the Advancement of Science, with its 12,000 members, almost all of whom are citizens of the United States—representing the fundamental scientific interests of the country from the standpoint of scientific research as well as from that of instruction, and representing especially the institutions for higher education and their staffs—views with very serious concern the proposal to repeal section 573 of the tariff act of October 3, 1913, which allows the duty-free importation of scientific materials by educational institutions: Therefore be it

"Resolved, That the American Association for the Advancement of Science respectfully calls the attention of the Congress of the United States to the very great hindrance and burden that would be imposed upon the scientific education and research in the Republic if its educational institutions were to be deprived of the privilege of duty-free importation of scientific apparatus and materials, which they have enjoyed for many years.

"Resolved further, That the American association also respectfully urges the restoration of the corresponding privilege of duty-free importation of single copies of scientific books in the English language by recognized educational institutions and the faculties, such books constituting an important item of both institutional and personal equipment for advanced instruction and research, especially since it is undesirable that scientific publications in languages other than English should be artificially favored in the United States.

"Resolved finally, That these resolutions be forwarded to the proper committees of the Congress of the United States to the National Academy of Sciences, to the National Research Council, and to the secretaries of the scientific societies affiliated with the American association, that they be published in Science, official organ of the association, and also that they be sent to each member of the association."

Mr. BIDDLE. I am a member of that association, and personally it makes very little difference to me whether these goods are admitted free of duty or not, but I am absolutely sincere in believing that it will work a great hardship on our colleges and schools and I believe will not be of corresponding benefit to American manufacturers.

Senator McLEAN. Why?

Mr. BIDDLE. Because the American manufacturers have been confronted by this free trade for many years, and manufacturers of scientific instruments have been growing and developing in this country right along in the face of it.

Senator McLEAN. Do I understand you to say that the free importation of these instruments for educational institutions will not benefit them?

Mr. BIDDLE. Oh, yes; it will benefit the institutions, but I do not think it will harm the manufacturers to any such extent as it will benefit the institutions.

Senator McLEAN. I did not understand you.

Mr. BIDDLE. That is the point I desired to make.

I think that is all I have to submit, Senator.

Senator Smoot, do we understand each other now on this great profit I am making?

Senator SMOOT. No; not on the American valuation, but where the goods are comparable we do.

STATEMENT OF HARVEY N. OTT, REPRESENTING THE CENTRAL SCIENTIFIC CO.

Senator SMOOT. You have appeared before, have you not, Mr. Ott?

Mr. Ott. Yes; with reference to another paragraph.

I am appearing now on paragraph 360 for Mr. Roberts, of the Central Scientific Co. He could not be here.

I will say that the duty of 40 per cent under paragraph 360 is satisfactory to the gentlemen interested. My chief object in appearing before you at this time is to refute some statements made by Mr. Biddle on Tuesday afternoon with regard to this matter. Mr. Biddle said, for instance, that these industries were large enough to take care of themselves. I do not have to go any further than to take some of the Government reports to show that that is a mistake.

Some of you gentlemen will remember that this matter was up in connection with House bill No. 7785 a year and a half ago. That bill did not pass. The Ways and Means Committee went into the whole matter very thoroughly. I want to read from a report of the Ways and Means Committee on this House bill 7785. Speaking of this optical glass and the scientific instruments, etc., the report says:

All of these industries, with the exception of dental and surgical instrument industries, which operated in a very limited manner, are new industries, brought into existence by the needs of America and the allied countries in successfully prosecuting the war against the Central Powers. Prior to 1914 the value of the products covered by this bill produced in the United States was negligible; this was due mainly to two reasons: First, the low rates of import duty, which enabled the manufacturers of Germany and Austria and other countries of Europe to undersell the American manufacturer; and, secondly, the duty-free provisions of paragraph 573 of the present tariff law and past tariff laws permitting religious, scientific, and educational institutions, and other similar institutions, to import scientific apparatus, utensils, etc., free of duty when used for educational purposes.

This accounts, to some extent, for Mr. Biddle's statement that he had not noted much difference between the duties under the different paragraphs.

The report goes on to say:

These new industries can well be termed "key" industries, for their products are not only necessary in the teaching of scientific studies in our schools and colleges but are essential to the very existence of many highly important industrial institutions. Chemical apparatus and scientific instruments are indispensable in the laboratories which control the manufacturing of steel, iron, rubber, dyes, chemicals, sugar, etc., and particularly munitions and explosives.

The committee went into a very exhaustive examination of this subject.

Senator SMOOT. Mr. Ott, we have that report. If I were in your place I would not take the time to read it, because we can refer to it when we come to your testimony.

Mr. Ott. I just want to call attention to the number of witnesses who are uninterested.

Then Mr. Parson's report states the vote of the American Chemical Society. The American Chemical Society, or its executive committee, voted 85 in favor of doing away with this duty-free clause.

Doubtless you gentlemen have received a little booklet from the American Association for the Advancement of Science in which is printed a resolution against the leaving out of this duty-free privilege. This resolution is printed in a booklet with other resolutions. The other resolutions were passed by the whole association at its meeting in Chicago in December—the latter part of last December—but this resolution with regard to the duty-free clause was not passed at that time, but was passed only by the executive committee of 11 members out of 12,000. That point should be noted. It should be remembered that that is not the word of the American Association for the Advancement of Science, as you might possibly be led to believe if you overlooked the fact that this resolution was passed on April 24 last; and the association meets but once a year.

Mr. Biddle also handed in some reports from the Tariff Commission against the leaving out of the duty-free clause and against the duty for some of these instruments. There was a report put out by the Tariff Commission to that effect. It was hurriedly gotten up, but when they went into the matter more carefully they got out a revised report which favored the bill. In fact, the Tariff Commission sent out a number of letters to different professors and to teachers of the different universities. They received about 20 answers. I can not say how many letters they sent out. Out of the 20 answers 17 were in favor of doing away with the duty-free clause; 1 was against it; 1 was noncommittal; and 1 made suggestions for alterations.

There was also a little propoganda put out, signed "Friends of Science," against leaving out the duty-free clause. This was taken up by Mr. Herty, and he printed an exposé of the source of this propoganda.

I will just leave with you some reprints of that exposé, and that will be all.

FILES.

[Paragraph 362.]

STATEMENT OF WALLACE L. POND, REPRESENTING NICHOLSON FILE CO., PROVIDENCE, R. I.

The CHAIRMAN. What is your address?

Mr. POND. Providence, R. I., Senator.

The CHAIRMAN. What is your business?

Mr. POND. File manufacturer. I am sales manager of the Nicholson File Co., of Providence, R. I., operating factories at Providence, Philadelphia, Paterson, N. J., and Anderson, Ind.

The Nicholson File Co., of Providence, R. I., being manufacturers in the United States of files and rasps, which I will simply speak of as files, respectfully suggest the importance of the careful consideration by your committee on an increase in the rates of duty on their product over the rates provided in House bill 7456, and submit for your consideration the following facts to reasonably justify their request:

There are in the United States some 25 to 30 makers of machine-cut files, with plants located in Illinois, Indiana, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania, Rhode Is-

land, and Wisconsin, employing, when in full operation, approximately 9,000 hands, besides from 30 to 40 smaller concerns scattered throughout the country.

There exists and has always existed between the file makers of this country actual and active competition of the keenest kind. These file makers are, at least in so far as this company is or has been concerned, or is aware, entirely independent of each other in the conduct of their business, with no trade agreements or relations of any character, either directly or indirectly, affecting their affairs.

The manufacture of files is a complex process, and one which can be undertaken successfully only by workmen long skilled in the industry. Each file from the time when it is cut from a bar of specially rolled steel until the time when it is placed in our finished stock ready for shipment must pass through from 20 to 26 processes or operations, and must be handled from 75 to 90 times.

The making of files is not in any sense of the word an automatic process. While machinery is used to perform the principal operations, each machine requires one, and in many cases two attendants, and in the great majority of cases the operation includes only one file at a time.

No less than 6,000 varieties of files are regularly made by this company. Every one of these files is a fine-edged tool, and after passing the cut stage is a very delicate tool and easily ruined or damaged if not handled with the utmost care.

In this industry only skilled workmen, together with a small number of helpers and laborers, are employed. This skilled class of labor, having been trained for many months before becoming proficient, is invaluable to the industry, and commands extremely good wages—wages far in excess of those paid in any other country in the world for the same class of labor.

In the manufacture of files the percentage of labor cost is very high; in many cases as high as from 80 to 90 per cent of the total cost.

We present herewith, marked "Exhibit A," a 2-inch round file. In producing these files 1 pound of steel, costing 38 cents, will make 83 dozen files, having a net value of \$144.89. The labor expended on this pound of steel enhances its value three hundred and eighty-one times.

We also present herewith, marked "Exhibit B," a 5½-inch needle file. One pound of this steel, costing 25 cents, will make 8 dozen files, having a net value of \$13.99, the labor enhancing the value of the steel fifty-two times.

We also present, marked "Exhibit C," a 14-inch flat bastard file. One dozen of these files requires 21 pounds of steel, at a cost of 4½ cents per pound, or 94½ cents for the dozen files. These files have a net value of \$4.92 per dozen, the labor enhancing the value of the steel five and two-tenths times.

A casual examination of the samples shown will, we believe, demonstrate the reason for the great percentage of labor cost in the cost of any finished file.

Prior to the year 1915 the Nicholson File Co. had made no advance in the price of any of their products for a period of upward of 15 years, but had, year by year, constantly and continuously reduced their prices in competition with other file makers, these reductions

in price having been effected during that time in spite of the fact that manufacturing costs within the same period had greatly increased, due to advances in rates of wages paid, cost of material, fuel, and supplies, and also due to large increases in fixed charges through reductions in operating time enforced by State legislation.

Since the year 1915 the selling prices of the products of the Nicholson File Co. have increased an average of 113 per cent. On March 1 of this year these prices were reduced an average of approximately 15 per cent, and a further reduction of about the same amount was made effective July 1. It is a gratifying fact that while the selling prices of numerous other articles manufactured from steel as a base, and in which the cost of labor does not carry as high a percentage as it does in the cost of files, have increased in the last six years anywhere from 200 per cent to 300 per cent, files advanced only 113 per cent. It may also be noted that advances in prices made by this company for their product have been materially less than advances in prices that have been made by several other file manufacturers.

During the World War in order that the demands of the Allies and of our own Government might be met in the fullest manner and with the utmost of promptness, the Nicholson File Co. made extensive additions to their manufacturing facilities. If these manufacturing facilities are to be steadily and continuously employed it is essential that the duty on files shall be placed at such a figure as not to materially permit of any increased importation in volume.

The CHAIRMAN. There are no imports now?

Mr. POND. Some.

The CHAIRMAN. It is negligible, whereas the exports of the American products is very large?

Mr. POND. Yes; but of the class of files that are imported the importations are, in proportion to the quantity that is manufactured in this country, large.

The CHAIRMAN. The figures indicate a negligible condition there. I do not know about it.

Mr. POND. In the sum total they do.

The CHAIRMAN. It will be difficult, will it not, to defend a very heavy increase in duty, as none of the articles are being imported?

Mr. POND. It would not be difficult provided we could demonstrate to the committee the class of files that are being imported; but, unfortunately, that is hard to demonstrate.

The CHAIRMAN. Can you not make a classification that would apply only to those particular files?

Mr. POND. That would be extremely hard to do, because files are sold by size and kind; that would include those files in with regular files.

The CHAIRMAN. What kind of files are imported?

Mr. POND. Largely the smaller, finer-cut files, such as are made in Switzerland, in Sweden, and to some extent in France, and possibly also in Japan at the present time.

The CHAIRMAN. I should not think there would be any difficulty in defining them. But still, proceed.

The fact remains that the importations seem to be nothing.

Mr. POND. Experience for the 10 years prior to the year 1914 shows that files were imported on a basis of approximately 70,000 dozen per annum. Immediately following the enactment of the Under-

wood-Simmons tariff law the volume materially increased, reaching a total during the year ending June 30, 1914, of 121,786 dozens. This increase was directly due to the reduction in the rate of duty made under the new law, and although the volume of the importations increased nearly twofold, the amount of duty collected was one-third less than the average duty collected per year for the preceding 10 years. The fact that importations of files increased nearly 100 per cent in volume during the first year of the operation of the Underwood-Simmons tariff law, when the law was actually in effect for only a portion of that year, is sufficient to demonstrate that had the war not intervened importations of files in succeeding years would have been vastly increased and to a point that would have caused a very material curtailment in the operation of file factories in this country. It is certain that in average years there will be approximately the same volume imported as occurred during the 10-year period prior to the year 1914, and there will be a distinct advantage in the matter of revenue from the enactment of a law carrying the increases in the rates of duty under this schedule that will hereinafter be suggested.

For over 35 years prior to the enactment of the Underwood-Simmons tariff law the duty on files had been specific. The specific duty is preferable because the actual duty is a fixed and certain amount based upon the quantity of goods actually imported and is not subject to the vagaries and fluctuations of foreign market values nor to fluctuations in value of exchange. Under a specific duty there would be no incentive for foreign file makers to undervalue invoices of files for the purpose of securing their entry into the United States at a low-duty cost. Undervaluation of invoices covering files would be exceedingly difficult to detect because of the fact that files of various grades and quality are so nearly alike in appearance that their difference could not be detected except by a file expert. This is well illustrated by the three samples herewith submitted, marked "Exhibit D." For these reasons this company strongly recommends specific rates of duty rather than ad valorem rates.

In every tariff law for the past 35 years prior to the enactment of the act of 1913 files were classified according to size and a graduated duty assessed under the different classifications. Under the tariff act of 1897, and again under the tariff act of 1909, files were in four groups, i. e., No. 1 files, 2½ inches in length and under; No. 2 files, over 2½ inches and under 4½ inches in length; No. 3 files, over 4½ inches and under 7 inches in length; No. 4 files, 7 inches in length and over.

This company is convinced after a careful study of the entire question through an experience covering many years that under usual conditions of the industry in this country and in the principal file-producing countries abroad the rates of duty given to this paragraph in the tariff act of 1909 were as low as could then be assessed without definite danger of an excessive volume of importations and the consequent curtailment of the industry here and loss of employment to American labor. In view, however, of the fact that prices of commodities in general have advanced heavily and with the certainty that these advances will in large part be maintained for a considerable number of years, because of the very excessive burden of taxation now existing and for some time sure to exist, and in

view of the further fact that it is desirable from the standpoint of revenue as well as the safeguarding of the industry itself, it is recommended that the following rates of duty per dozen be assessed on files:

Group No. 1, files 2½ inches in length and under.....	\$0.40
Group No. 2, files over 2½ inches and under 4½ inches in length.....	.75
Group No. 3, files over 4½ inches and under 7 inches in length.....	1.00
Group No. 4, files 7 inches in length and over.....	1.20

The above rates of duty are as low as should be included in the proposed tariff law when conditions of the industry both in this country and abroad are considered.

The principal file-producing countries of the world outside of the United States are England, Germany, France, Sweden, Switzerland, Austria, and Japan. Within the past three or four years very extensive increases have been made in the file-producing establishments in England and a vast amount of new and additional capital has been invested in the file industry there. One such concern recently incorporated had a capital of £2,000,000. Another manufacturer of iron and steel products, the largest in England, has very recently engaged in the manufacture of files, with the announced determination of intensively seeking an outlet for their product in all markets. It is inevitable that these file makers will strongly compete with domestic manufacturers here for the markets of the United States. While rates of wages paid to file operatives in England have advanced heavily during the war, they are to-day very much lower than the average wages paid for the same class of operatives in this country.

Some very extensive file-manufacturing establishments have been developed in Sweden, and these are also keenly competitive for the markets of the world. As to the actual rates of wages paid in these factories, there is no specific data, but a comparison of average rates of wages in Sweden and in the United States shows that operatives here in the same general classes receive a remuneration from 66½ to 130 per cent more than the same character of employment receives in Sweden.

Within the present year we have seen actual quotations in the hands of New York distributors quoting files made in Austria laid down in New York duty paid at fully 20 per cent lower than the lowest price now being quoted by American makers to the largest distributing trade.

In Japan there are at least two fully equipped file factories in active operation. It is from that source where rates of wages are only a very small fraction of the wages paid in this country that we must look for some very serious competition in years to come. It is without question that the ingenuity and perseverance of Japanese mechanics will produce, in any line of manufacture to which they may devote their attention, an article that will compare favorably in quality with the same article produced in other countries, and with their exceedingly small labor cost this material can be sent into this country in tremendous volume unless adequate preventives in the form of rates of duty are assessed against such importations.

For the reasons above given this company recommends the adoption of rates of duty applying to files that will conform with the schedule herein suggested.

Senator WATSON. What is a float?

Mr. POND. A float is simply a term applied to one kind of a file. It is a technical term.

Senator WATSON. It says here "Files, file blanks, rasps, and floats."

Mr. POND. A float is really and simply a file that has one course or row of teeth crossing it, called a "float file."

The CHAIRMAN. Is that all you desire to say?

Mr. POND. Two other largest makers, the Henry Disston & Sons Co. and the McCaffrey File Co., of Philadelphia, have both indorsed our brief in writing to the Ways and Means Committee.

BRIEF OF WALLACE L. POND, REPRESENTING NICHOLSON FILE CO., PROVIDENCE, R. I.

The undersigned, the Nicholson File Co., of Providence, R. I., being manufacturers in the United States of files and rasps (hereinafter included in the general term of files), respectfully suggest the importance of a careful consideration by your committee of an increase in the rates of duty on their product over the rates provided in House bill 7450, and submit for your consideration the following facts to reasonably justify their request:

There are in the United States some 25 to 30 makers of machine-cut files, with plants located in Illinois, Indiana, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, and Wisconsin, employing when in full operation approximately 9,000 hands, besides from 30 to 40 smaller concerns scattered throughout the country.

There exists and has always existed between the file makers of this country actual and active competition of the keenest kind. These file makers are—at least in so far as this company is or has been concerned or is aware—entirely independent of each other in the conduct of their business, with no trade agreements or relations of any character, either directly or indirectly, affecting their affairs.

THE MANUFACTURE OF FILES.

The manufacture of files is a complex process, and one which can be undertaken successfully only by workmen long skilled in the industry. Each file, from the time it is cut from a bar of specially rolled steel until the time when it is placed in our finished stock ready for shipment, must pass through from 20 to 26 processes or operations and must be handled from 75 to 90 times.

The making of files is not in any sense of the word an automatic process. While machinery is used to perform the principal operations, each machine requires one and in many cases two attendants, and in the great majority of cases the operation includes only one file at a time.

No less than 6,000 varieties of files are regularly made by this company. Every one of these files is a fine-edged tool, and after passing the cut stage is a very delicate tool and easily ruined or damaged if not handled with the utmost care.

In this industry only skilled workmen, together with a small number of helpers and laborers, are employed. This skilled class of labor, having been trained for many months before becoming proficient, is invaluable to the industry and commands extremely good wages, wages far in excess of those paid in any other country in the world for the same class of labor.

In the manufacture of files the percentage of labor cost is very high, in many cases as high as from 80 to 90 per cent of the total cost.

We present herewith (marked "Exhibit A") a 2-inch round file. In producing these files 1 pound of steel costing 38 cents will make 83 dozen files having a net value of \$144.89. The labor expended on this pound of steel enhances its value 331 times.

We also present herewith (marked "Exhibit B") a 5½-inch needle file. One pound of this steel, costing 25 cents, will make 8 dozen files having a net value of \$13.99, the labor enhancing the value of the steel 52 times.

We also present herewith (marked "Exhibit B") a 5½-inch needle file. One pound of this steel, costing 25 cents, will make 8 dozen files having a net 64½ cents for the dozen files. These files have a net value of \$4.92 per dozen, the labor enhancing the value of the steel five and two-tenths times.

A casual examination of the samples shown will, we believe, demonstrate the reason for the great percentage of labor cost in the cost of any finished file.

Prior to the year 1915 the Nicholson File Co. had made no advance in the price of any of their products for a period of upward of 15 years, but had year by year constantly and continuously reduced their prices in competition with other file makers, these reductions in price having been effected during that time in spite of the fact that manufacturing costs within the same period had greatly increased, due to advances in rates of wages paid, cost of material, fuel, and supplies, and also due to large increases in fixed charges through reductions in operating time enforced by State legislation. Since the year 1915 the selling prices of the products of the Nicholson File Co. have increased an average of 113 per cent. On March 1 of this year these prices were reduced an average of approximately 15 per cent and a further reduction of about the same amount was made effective July 1. It is a gratifying fact that while the selling prices of numerous other articles manufactured from steel as a base and in which the cost of labor does not carry as high a percentage as it does in the cost of files have increased in the last six years anywhere from 200 per cent to 300 per cent files advanced only 113 per cent. It may also be noted that advances in prices made by this company for their product have been materially less than advances in prices that have been made by several other file manufacturers.

During the World War in order that the demands of the Allies and of our own Government might be met in the fullest manner and with the utmost of promptness, the Nicholson File Co. made extensive additions to their manufacturing facilities. If these manufacturing facilities are to be steadily and continuously employed, it is essential that the duty on files shall be placed at such a figure as not to materially permit of any increased importation in volume. Experience for the 10 years prior to the year 1914 shows that files were imported on a basis of approximately 70,000 dozen per annum. Immediately following the enactment of the Underwood-Simmons tariff law the volume materially increased, reaching a total during the year ending June 30, 1914, of 121,780 dozens. This increase was directly due to the reduction in the rate of duty made under the new law, and although the volume of the importations increased nearly twofold, the amount of duty collected was one-third less than the average duty collected per year for the preceding 10 years. The fact that importations of files increased nearly 100 per cent in volume during the first year of the operation of the Underwood-Simmons tariff law, when the law was actually in effect for only a portion of that year, is sufficient to demonstrate that had the war not intervened importations of files in succeeding years would have been vastly increased and to a point that would have caused a very material curtailment in the operation of file factories in this country. It is certain that in average years there will be approximately the same volume imported as occurred during the 10-year period prior to the year 1914, and there will be a distinct advantage in the matter of revenue from the enactment of a law carrying the increases in the rates of duty under this schedule that will hereinafter be suggested.

For over 35 years prior to the enactment of the Underwood-Simmons tariff law the duty on files had been specific. The specific duty is preferable because the actual duty is a fixed and certain amount based upon the quantity of the goods actually imported and is not subject to the vagaries and fluctuations of foreign market values nor to fluctuations in value of exchange. Under a specific duty there would be no incentive for foreign file makers to undervalue invoices of files for the purpose of securing their entry into the United States at a low duty cost. Undervaluation of invoices covering files would be exceedingly difficult to detect because of the fact that files of various grades and quality are so nearly alike in appearance that their difference could not be detected except by a file expert. This is well illustrated by the three samples herewith submitted (marked "Exhibit D"). For these reasons this company strongly recommends specific rates of duty rather than ad valorem rates.

In every tariff law for the past 35 years prior to the enactment of the act of 1913 files were classified according to size and a graduated duty assessed under the different classifications. Under the tariff act of 1897, and again under the tariff act of 1909, files were in four groups, i. e., No. 1. Files 2½ inches in length and under. No. 2. Files over 2½ inches and under 4½ inches in length. No. 3. Files over 4½ inches and under 7 inches in length. No. 4. Files 7 inches in length and over.

This company is convinced after a careful study of the entire question through an experience covering many years that under usual conditions of the industry in this country and in the principal file-producing countries abroad the rates of duty given to this paragraph in the tariff act of 1909 were as low

as could then be assessed without definite danger of an excessive volume of importations and the consequent curtailment of the industry here and loss of employment to American labor. In view, however, of the fact that prices of commodities in general have advanced heavily, and with the certainty that these advances will in large part be maintained for a considerable number of years because of the very excessive burden of taxation now existing and for some time sure to exist, and in view of the further fact that it is desirable from the standpoint of revenue as well as the safeguarding of the industry itself, it is recommended that the following rates of duty be assessed on files:

	Per dozen.
Group No. 1. Files 2½ inches in length and under.....	\$0.40
Group No. 2. Files over 2½ inches and under 4½ inches in length.....	.75
Group No. 3. Files over 4½ inches and under 7 inches in length.....	1.00
Group No. 4. Files 7 inches in length and over.....	1.20

The above rates of duty are as low as should be included in the proposed tariff law when conditions of the industry both in this country and abroad are considered.

The principal file-producing countries of the world outside of the United States are England, Germany, France, Sweden, Switzerland, Austria, and Japan. Within the past three or four years very extensive increases have been made in the file-producing establishments in England and a vast amount of new and additional capital has been invested in the file industry there. One such concern recently incorporated has a capital of £2,000,000. Another manufacturer of iron and steel products, the largest in England, has very recently engaged in the manufacture of files, with the announced determination of intensively seeking an outlet for their product in all markets. It is inevitable that these file makers will strongly compete with domestic manufacturers here for the markets of the United States. While rates of wages paid to file operatives in England have advanced heavily during the war, they are to-day very much lower than the average wages paid for the same class of operatives in this country.

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Within the present year we have seen actual quotations in the hands of New York distributors quoting files made in Austria laid down in New York duty paid at fully 20 per cent lower than the lowest price now being quoted by American makers to the largest distributing trade.

In Japan there are at least two fully equipped file factories in active operation. It is from that source, where rates of wages are only a very small fraction of the wages paid in this country, that we must look for some very serious competition in years to come. It is without question that the ingenuity and perseverance of Japanese mechanics will produce in any line of manufacture to which they may devote their attention an article that will compare favorably in quality with the same article produced in other countries, and with their exceedingly small labor cost this material can be sent into this country in tremendous volume unless adequate preventative in the form of rates of duty are assessed against such importations.

For the reasons above given this company recommends the adoption of rates of duty applying to files that will conform with the schedule herein suggested.

SHOTGUNS, RIFLES, AND AUTOMATIC PISTOLS.

[Paragraphs 365 and 366.]

STATEMENT OF E. F. GEBHARD, REPRESENTING THE MILFORD CO., MILFORD, DEL.

We respectfully submit for your kind consideration the following suggestions and comments respecting the contemplated changes to be made in the present tariff law covering shotguns, rifles, and automatic pistols, as reported in paragraphs 365 and 366 of the Fordney Act:

Paragraph 365 says that the present duty of 35 per cent is to be retained on guns and rifles. In addition there is to be added to each gun or rifle, according to its value, a further sum of from \$1.50 to \$10.

Paragraph 366 says that there is to be a duty of 25 per cent on automatic pistols, and in addition there is also added the sum of \$1.25 to \$3.50 on each pistol, according to its value.

In addition to the above, the values of the imported articles are to be determined by the wholesale selling prices ruling in our country on similar goods.

To our mind, none of the above changes should be made if it is the intention of Congress to protect the American people against the already overprotected half dozen or so manufacturers of firearms in this country and the very few hundreds of laborers employed in said factories, who are also overprotected.

The present duty of 35 per cent under the Underwood law is more than ample to protect both manufacturer and laborer, as is shown by the fact that foreign-made guns and rifles are almost entirely off the American market to-day. And for this reason we think the duty of 35 per cent should be reduced if we are to have any competition at all. The few American manufacturers have the field to themselves to-day and require absolutely no further protection at the hands of Congress.

The manufacturers of firearms in this country are the best-protected, most prosperous, and richest manufacturers of such goods in the world. Where has one ever failed? They rolled in wealth before the war, coined money during the war, and now they ask you to further protect them by putting up a tariff wall that will absolutely prevent a foreign-made gun coming into our country. They are far behind their orders, can not fill an order for 50 guns for delivery this coming hunting season, so we have been told by a leading manufacturer.

Where will you find any foreign-made guns in this country to-day? You can not find them, for there are none.

Where will you find any foreign-made guns on the other side? You can not find them, for there are none.

Where will you find all this stuff that you hear so much about that is to be dumped into this country? Many have been looking for it, but no one has been able to locate the stuff at last accounts.

Go into the large wholesale or retail sporting goods stores in New York City and see how many foreign-made guns you can find on sale or how soon they think they can get just one gun across the pond for you.

Not many years ago you found listed in the great catalogues of the wholesale hardware houses, also in the catalogues of the large wholesale and retail sporting-goods houses, guns of foreign make. Where will you find to-day foreign-made guns listed in any catalogues?

That the American firearms manufacturers have anything to fear from foreign competition is simply rot, for the whole trade in guns to-day in this country is in the hands of the American makers. I am speaking of shotguns and rifles. There have been some foreign-made pistols sold, but after you consider what these contemplated tariff changes will do to the foreign-made pistol you will see what a slim chance one of them has of getting into this country should you adopt these changes.

The claim is made that these changes will not increase the cost to the consumer. Let us consider the facts as they are under the old and new schedules.

Under the present tariff a foreign-made gun invoiced at \$50 is taxed 35 per cent duty, or \$17.50. Package charge, freight, etc., stands the importer, say, 5 per cent, or \$2.50. Importer's profit, 10 per cent, is \$7; war tax, 10 per cent more, \$7.70; total cost to wholesaler, \$84.70. Add to this the wholesaler's profit of 25 per cent, and you have the wholesaler's price to the retailer of \$105.77. The latter's profit of 25 per cent makes the consumer's price of \$132.21.

Now, let us consider what happens to this same gun under the Fordney Act. The appraiser puts it in the same grade with Parker Bros. grade No. G. H. E., the wholesale price of which is \$112.38. Add to this 35 per cent duty, also the extra \$10 duty, and you have with the 5 per cent freight, package, etc., charge a total of \$101.83. Then add the importer's profit of 10 per cent and also the war tax and you have a total of \$123.21. To this add the wholesaler's profit of 25 per cent and you have the wholesaler's price to the retailer of \$154.01. Add the latter's profit of 25 per cent and you have the consumer's price of \$192.51, instead of \$132.21, as per the figures under the present tariff. The comparison made above with the Parker grade No. G. H. E. is very conservative, for they used to sell this Parker grade for around \$50 before the prices soared to the present absurd wholesale price of \$112.38.

Now, let us consider the facts as regards the pistol under the two schedules.

The manufacturer on the other side charges the importer, say, \$9 for a 32-caliber automatic pistol. The duty under the present tariff is 35 per cent, or \$3.15. The importer adds 5 per cent for freight, package charge, etc., also war tax, and 10 per cent profit, and you have a total cost to the wholesaler of \$15.19. The latter adds his profit of 25 per cent, and you have the retailer's cost of \$18.98. The latter adds his profit and you have the consumer's price of \$23.72.

Now, what happens to this same pistol under the Fordney Act?

The appraiser puts it into the same class with the Colt 32 caliber, the wholesale price of which is \$19.60 for 23 ounces of steel made by machinery into a pistol that can not possibly cost the manufacturer more than \$6. The importer adds to his invoice price of \$9, 25 per cent duty, also the extra duty of \$3.50. He further adds 5 per cent for freight, package charge, etc., 10 per cent profit, and 10 per cent war tax, and we have the price to the wholesaler at \$21.54. The latter adds his profit and you have the wholesaler's price to the retailer at \$26.92. The retailer adds his profit and you have the consumer's price of \$33.65, instead of \$23.72, under the present tariff.

And they would have the American people believe that they are not increasing the cost to the consumers by this Fordney Act. And they would have them believe that it does not put the importer out of business, nor enable our manufacturers to still further gouge the poor overburdened buying public, who are now and have been crying out to this very Congress for protection and relief from the profiteering prices that still rule in so many instances, especially in this true of the prices of the firearm manufacturers that rule to-day as will be seen in the list of wholesale prices of the guns produced by the few factories in our country. Examine these prices and ask yourselves what justification these manufacturers had in further advancing their prices only last year. Can you conceive of a worse case of profiteering outside of the one just discovered where they are selling coffins to the people of this country that cost \$30 for \$600.

Much has been said about the low value of foreign exchange, etc., and that for this reason the American valuation clause in the Fordney Act is necessary. The truth about this is that you seem to overlook the fact that the foreign manufacturer has made up for the low value of his money by asking much more for his goods, for instance, we have a gun in mind that before the war when the German mark was at par, the cost of this gun to the importer was 100 marks, or \$23.80 in our money; to-day this same gun costs 1,750 marks, figured at, say, 14 cents per mark amounts to \$26.25, and therefore the duty is as much if not more.

Much has been said about protecting American labor, but it must be borne in mind that American-made guns and pistols are machine made, and that the question of labor cuts very little figure. They are made interchangeable, all by machinery. You break a spring while hunting in the field and you send 85 cents to the manufacturer and he mails to you a new one, which you can put in yourself. The average weight of a shotgun is around 7 pounds. We refer to a double-barrel gun. Figure this weight at almost any fanciful price per pound and you can not help but realize what an enormous profit there must be in the turning out of machine-made guns. As an example, let us consider the wholesale price of the cheapest Parker gun made. We refer to their Trojan grade, which the wholesaler sells to the retailer at \$48.95. Divide this sum by 7 and you have a cost of almost \$7 a pound for the very cheapest machine-made gun turned out by the Parker Co. The highest possible cost of this gun to the manufacturers can not be over \$12.50 to \$15, for they sold it themselves at one time for \$17.50 and the wholesaler sold it at \$22.75.

Under the American valuation plan you select the ruling wholesale prices upon which the comparison of values are made. This we consider entirely wrong. The comparison should be made with the manufacturer's selling prices. The importer, to our way of thinking, is in the same position as the manufacturer; they both sell their product to the wholesaler. Why should the importer suffer still more by having the comparison made with the value of wholesaler, which has included the wholesaler's profit if the importer sold his goods to the retailer? Then we can see the object of making the comparison of value based upon the wholesale price.

Then the ruling wholesale gun and pistol prices to-day in the American market are profiteering prices and not fair values. Please compare the various prices in the schedule given herein and you will see what an unfair proposition this would be to the American people if such a basis were adopted. Why not select

some prior year when prices were somewhere near normal; say, select the year 1915 as a basis to start with; better still, let the manufacturers show their costs to the Government and then agree on a fair basis that will be satisfactory both to the manufacturer and the buying public.

The wholesaler should not be considered in any event, because by so doing you force upon the public a middlemen's profit, which everyone is trying to do away with wherever possible. There was a time when the wholesaler was a necessary cog in the wheel of business, but that time is past, and no up-to-date retailer to-day thinks of buying from the wholesaler unless he is compelled to. He strives to buy at all times from the importer or manufacturer direct and thereby save a profit which enables the retailer to sell cheaper to the consumer. The great success of the catalogue houses is due largely to the fact that they buy direct and save the wholesaler's profit, which they in turn pass on to the consumer.

Much has been said about the Government fixing prices. This American valuation clause may be the solution of that problem to some extent. Let the basis be the manufacturer's prices and then the Government and the people will be able to spot who the gouging middlemen are. Let us get at the fountain head of prices. Make the buying power of the American dollar as near equal as possible in every State in the Union plus the difference in carrying charges from factory to retailer. This can be done by making it impossible for any manufacturer to have more than one selling price to everyone, no matter what State his customer may be located in.

Our gun trade is mostly with farmers, their sons, and colored people. None of these can afford to buy guns at the prices asked to-day. The great majority of guns sold in this country is sold to the above class of trade. As a rule, they pay from \$10 to \$25 for a double-barrel hammerless shotgun. All of these priced guns are off the American market to-day. This class of guns came mostly from England and Belgium, so that in putting up a tariff wall to keep out foreign-made guns you are not hitting Germany as some may think, but you are hitting two of our late allies. The changes contemplated in the Fordney Act will prove to be a hardship on our farmers, their sons, as well as the colored people by depriving them from the little pleasure they get out of a day's hunt now and then. The farmer's son who craves the ownership of a cheap single-barrel gun from the time that he is able to tote a gun used to be able to buy these at \$3.50. Now this same gun costs him around \$12. We used to buy this same gun at \$2.75. Now the wholesaler asks \$9.65. The gun we used to sell the farmer for his own use at \$22 we must get now \$60. Parker Bros. Trojan grade gun was sold to the farmer at \$25 and even less. Now we must get from the farmer \$60 for the same gun, and when these reasonable prices ruled the manufactureres were not in business for their health.

There was a time years ago when the full dinner pail and protection to American industries cut some figure, but that time is past. The American people are in no mood to listen at this time about protecting either manufacturers or laborers. They have had quite enough of this during the past few years. They are crying out from all sections of our country to this Congress for protection from both profiteering manufacturers and laborers. Business is at a standstill because of the unreasonable demands of both. The manufacturer claims he can not reduce his prices because of the unjust demands of labor, and, on the other hand, labor claims they can not live because of the unreasonable prices of the manufacturer. Both statements no doubt are true. Then why make matters worse with this Fordney Act, which undoubtedly will enable the manufacturer to keep up his prices and even increase them if he so desires.

The writer has always voted a Republican ticket, but had the Fordney Act been the issue on election day last November instead of the League of Nations and the favoritism shown labor by the last administration, myself as well as millions of other Republican voters would undoubtedly have voted against our party. Let that verdict on last election be a warning. Pass this Fordney Act and deny relief to the overburdened taxpayers of our country who are so earnestly asking relief from the high prices that rule to-day, and which have put a stop to all business and you will witness a result at the coming elections that will make the 7,000,000 majority last November look small. I firmly believe that you will not permit this to happen by making the necessary changes in this tariff that will prove to be entirely satisfactory to masses instead of only a few already overprotected manufacturers.

Comparative wholesale prices to the retail trade for double and single barrel shotguns and pistols, covering several years.

Grade.	1915	1918	1919	1920	1921
Parker Bros.:					
Trojan.....	\$22.75	\$33.00	\$39.93	\$41.50	\$48.95
V. II.....	31.75	45.00	51.72	57.66	60.85
V. II., ejector.....	50.62	61.88	71.13	77.40	81.62
P. II.....	43.87	58.50	67.25	73.30	73.08
P. II., ejector.....	60.75	75.38	84.61	91.44	93.30
G. II.....	54.00	72.00	82.76	90.21	91.01
G. II., ejector.....	70.87	88.88	102.16	111.36	112.38
D. II.....	67.50	93.63	109.93	119.83	120.92
D. II., ejector.....	81.38	112.50	129.32	140.90	142.25
C. II.....	101.25	113.63			
C. H., ejector.....	118.13	148.50	170.70	194.00	197.77
B. H., ejector.....					302.00
A. H., ejector.....					410.00
A. A. H. E.....					610.00
A No. 1 special.....					725.00
Smith guns:					
Field.....	\$21.35	\$33.50	\$40.54	\$45.50	\$48.20
Ideal.....	31.85	41.70	50.49	56.10	57.03
Ideal, ejector.....	41.45	50.50	61.05	67.75	68.75
Trap.....	46.45	59.60	72.05	75.00	75.90
Trap, ejector.....	56.00	70.70	85.53	87.20	88.22
Specialty.....	54.20	71.20	86.13	90.63	91.72
Specialty, ejector.....	63.75	82.00	99.22	104.75	105.05
Eagle.....	100.00	128.50	155.49		158.13
Eagle, ejector.....	111.00	139.05	168.30		170.78
Sterlingworth guns:¹					
1915.....	21.00	28.00	35.25	40.65	46.75
Ejector.....	27.00	34.25	42.30	58.77	57.64
Fox guns:					
A.....	31.00	37.20	42.69	57.43	58.30
B.....	43.00	51.60	56.15		
AE.....	37.00	44.40	50.37	68.15	69.19
BE.....	49.00	58.80	63.84		
CE.....	61.50	74.80	80.00	98.20	92.55
XF.....	82.00	98.40	106.15	150.65	152.90
Ithaca guns:¹					
Field.....	16.50	27.63	34.83	38.07	38.07
IS.....	19.00				
I.....	21.35	31.88	39.20	46.54	46.54
14.....	26.50	36.13			
2.....	36.45	42.50	51.00	55.00	55.00
3.....	42.53	59.50	68.00	71.92	71.90

	1915	1921		1915	1921
Manhattan hammerless No. 2.....	\$13.00	\$35.97	Revolvers—Continued.		
Stevens hammerless:			Colt—Continued.		
No. 335.....	13.50	27.50	Army special.....	\$13.00	\$27.25
No. 315.....	13.50	31.00	Officer's model target.....	16.00	38.10
Kulckerbocker hammerless No. 6.....	11.00	21.00	Pocket positive.....	11.00	24.00
Davis hammerless No. DS.....	11.75	26.50	Police positive.....	12.00	24.50
Riverside hammerless No. 315.....	10.23	25.00	Police positive special.....	12.00	25.00
Riverside hammer No. 215.....	7.75	20.00	Police positive target.....	13.00	28.25
Davis hammer No. DS.....	8.50	21.75	Single-action Army.....	13.00	29.40
American Gun Co., hammer guns:			Smith & Wesson:		
No. 0.....	8.25	19.75	Safety hammerless .32 caliber.....	11.75	22.80
No. 28.....	9.50	22.00	Safety hammerless .38 caliber.....	12.78	24.40
No. 44.....	9.50	22.00	Hand ejector .22 caliber.....	11.50	
Harrington & Richardson single-barrel guns, no ejector.....	3.25	9.65	Hand ejector model 1903, .32 caliber.....	12.78	24.40
With ejector.....	3.50	10.00	Hand ejector military and police model 1902, .38 caliber.....	13.60	27.25
Marlin-Stevens and Winchester and Remington pump guns, regulation standard grade:			Hand ejector military and police model 1905, .32 and .38 caliber.....	13.60	27.60
Winchester.....	19.23	40.68	Hand ejector model 1908, .44 caliber.....	15.20	31.20
Remington.....	19.75	48.58	Iver Johnson:		
Stevens.....	18.00	41.25	.22, .32, and .38 caliber.....	1.60	4.25
Marlin.....	19.00		Automatic (hammer).....	4.00	9.65
Automatic pistols:			Automatic (hammerless).....	4.50	10.30
Colt, .32 caliber.....	13.00	19.60	Harrington & Richardson:		
Colt, .38 caliber.....	13.50	19.60	Hammer auto.....	2.60	7.50
Colt, .45 caliber (Government).....	18.50	33.75	Police auto.....	2.60	7.50
Savage, .32 caliber.....	12.50	19.25	Police premier auto.....	2.60	7.50
Savage, .38 caliber.....	13.00	20.50	Hammer bicycle auto.....	2.60	7.50
Smith & Wesson, .35 caliber.....	14.00	23.80	Hammerless auto.....	3.10	8.25
Revolvers:					
Colt—					
New service.....	14.00	30.50			
New service target.....	23.00	49.00			

¹ 1913, \$19; ejector, \$25.

² Ejector extra on each grade, \$8.75.

Prices paid for various items during years 1913-1917.

	Each.
Single-barrel guns, 12-gauge.....	\$2. 75
Feld grade Smith gun.....	27. 50
Sterlingworth gun.....	19. 00
Stevens gun, No. 235.....	10. 00

WATCH MOVEMENTS, WATCHCASES, AND PARTS.

[Paragraph 367.]

STATEMENT OF EMIL N. ZOLLA, REPRESENTING AMERICAN WATCH IMPORTERS AND ALLIED DOMESTIC INDUSTRIES, NEW YORK CITY.

Mr. ZOLLA. My name is Emil N. Zolla. I am general manager of the Helheim Stone Co. I represent the watch importers of this country and several allied domestic industries.

This is our first day in court. I say that for the reason that we had no hearing before the Committee on Ways and Means of the House. When the metal schedule was up for hearing, under which watches have always come, the American manufacturers did not appear, and we, being satisfied with the present tariff bill, made no attempt to get a hearing. Later on, under the sundry schedule, about a month later, the American watch manufacturers had a hearing without any notice to us. We did not know of it until after it was all over.

Although we are representing importers, we are not asking for a low tariff. We are asking for a tariff that approximates the rate under the old Payne-Aldrich bill.

Senator SIMMONS. You do not mean to say that the rates in the Fordney bill are higher than those in the Payne-Aldrich bill, do you?

Mr. ZOLLA. In this particular case they are, Senator. I will compare them for you.

Senator SMOOT. They are 70 instead of 75; \$1.85 instead of \$2.

Mr. ZOLLA. In the Fordney bill the rates on watch movements, whether imported in case or otherwise, or knocked down for reassembling, and having less than seven jewels, are 75 cents each. In the Payne-Aldrich bill they are 70 cents. That is what we are asking for.

Senator SIMMONS. How much does the American valuation plan change that statement?

Mr. ZOLLA. That is pretty hard to say on watches, as it is almost impossible under the American valuation plan, on account of the different grades of watches, different makes.

Senator SMOOT. You have all those different grades and makes to-day?

Mr. ZOLLA. It is a specific rate.

Senator SMOOT. It does not make any difference. You want the Payne-Aldrich rates?

Mr. ZOLLA. Yes; with the exception of certain provisions of the bill, such as the stamping provision.

Senator SMOOT. In the Fordney bill?

Mr. ZOLLA. The Payne-Aldrich bill is partly specific and partly ad valorem, and what we are trying to do is to have them all specific, and we have tried to measure it down to specific rates as it would have been under the Payne-Aldrich bill.

Senator SMOOT. I thought in the Payne-Aldrich bill we had the importers and American manufacturers as nearly together on the watch-movement paragraph as any section of the whole bill.

Mr. ZOLLA. I do not know; I can not speak on that schedule.

Senator SMOOT. I was here at that time.

Mr. ZOLLA. The Payne-Aldrich bill is entirely satisfactory, or would be except that it has 17-jewel watches at \$1.25 each and 25 per cent ad valorem. We have tried to reduce that to a specific rate.

Senator LA FOLLETTE. The American valuation would change that, would it not?

Mr. ZOLLA. Yes; it would run it up. We have tried to reduce that to a specific rate, and we have got the 17 jewels, instead of \$1.25 and 25 per cent ad valorem, at \$2.50 each.

We have made several changes in the classifications. For instance, the Fordney bill has watchcases classified with watch materials. A watchcase is a finished article. The cost of labor has gone into the case, and there is nothing left to be done except to slip the movement in with a few case screws. There is no reason why they should be classified among watch materials. We have set that out as a separate article by itself, and put a duty of 20 per cent on it.

Senator SMOOT. The Payne-Aldrich duty was 40 per cent?

Mr. ZOLLA. Yes, sir.

Senator SMOOT. You want 20 per cent?

Mr. ZOLLA. I will get to that.

Senator SIMMONS. What is the Fordney rate?

Mr. ZOLLA. This whole classification has always been sort of hodge-podge. In one bill chronometers would be among materials, and in another bill they would be classified among watches. What we are trying to do now is to get them classified on a logical basis. We have put down the rate to 20 per cent, for the reason that there are no importations of watchcases to speak of. The importations of watchcases have dropped from about \$58,000 in 1913 to some \$5,000 in 1919 or 1920.

Senator SMOOT. You want them classified the same as they are in the Payne-Aldrich bill?

Mr. ZOLLA. We want watchcases excluded from watch parts.

Senator SMOOT. We have that in the Payne-Aldrich bill.

Mr. ZOLLA. In the Payne-Aldrich bill they have it "watchcases and parts of watches."

Senator SMOOT. Yes.

Mr. ZOLLA. We contend it is not a part of a watch and does not belong there.

Senator SMOOT. It also has "chronometers, box and ship, and parts thereof."

Mr. ZOLLA. That refers to chronometers.

Senator SMOOT. Yes; I know that.

Mr. ZOLLA. I will get to that later, if you will permit me.

Senator SMOOT. I tried to follow it so I could make my copy of the bill correspond, but you may go on.

Senator SIMMONS. Do you contend there should be different rates upon watchcases and parts of watches?

Mr. ZOLLA. What I contend is that watchcases do not belong among watch materials.

Senator SIMMONS. You would not be damaged by reason of that fact, unless you wanted a definite rate as between those two things.

Mr. ZOLLA. That is exactly what we want. We want a definite rate between watchcases and materials, and for that reason we want them classified separately.

Chronometers, box or ship. I have a chronometer which you can see for yourselves, one of the high-grade precision watches. There is no logical reason why a chronometer should be put among watch parts.

Another thing about a chronometer, I think there is only one American factory that manufactures it. That is the Waltham people. There is very little or no competition.

We have classified it in the same rating as watches over 17 jewels, the highest classification the Payne-Aldrich bill had, \$5 on each chronometer boxed or shipped.

Senator SMOOT. How many jewels do they generally have?

Mr. ZOLLA. I could not answer that. They vary the same as watches do.

Senator SMOOT. Then they should get the same classification.

Mr. ZOLLA. In the Payne-Aldrich bill the highest rate is on watches over 17 jewels.

Senator SMOOT. I know, but you do not want to put a 7-jewel chronometer in a 17-jewel watch.

Mr. ZOLLA. Chronometers don't go less than 17 jewels.

Senator SMOOT. I asked you that question, and you said you did not know.

Mr. ZOLLA. I did not understand you. There are some that are 19 and 21 jewels. They go no less than 17 jewels.

Senator SMOOT. Then that would be fair?

Mr. ZOLLA. Yes. They are high precision instruments.

Now, we have put a 15 per cent ad valorem duty on watch materials instead of 35 per cent, as provided in the Fordney bill, or 40 per cent, as provided in the Payne-Aldrich bill. Our reason for that is that these materials are not in competition with American manufactures, materials that are imported are used for imported watches, and by reducing the duty on them it simply means you make the cost of repairs to the consumer that much more reasonable. It affords sufficient for revenue purposes, and is in no way injurious to the American industry, and there is no reason why there should be a higher rate of duty on such materials.

The Payne-Aldrich bill, as well as the Fordney bill, has jewels and dials under a separate classification, with a 10 per cent ad valorem duty. We have put jewels and dials among watch parts, as they are indisputably parts of watches, with a 15 per cent ad valorem duty.

Senator SMOOT. You mean that is what you want?

Mr. ZOLLA. That is what we want. The bill, as passed by the House, makes no provision—

Senator SIMMONS (interposing). You want the duty on parts increased?

Mr. ZOLLA. No; watch parts are decreased, but the dials are increased, because we have classified them among watch parts. We are trying to get a logical classification here, instead of having them in one classification in one bill and in another classification in

another. We are trying to get it under a classification where it belongs.

The bill makes no provision for what we call "timers." That is a watch which is designed to time comparative rates of speed.

Senator LA FOLLETTE. A stop watch?

Mr. ZOLLA. Yes. We have put in a duty of \$1 each on them, for the reason that 90 per cent of them are used by the Government of the United States.

Senator SMOOT. Suppose I had a watch which could be used as a stop watch; would you only want \$1 on it?

Mr. ZOLLA. That watch could not be used for general purposes.

Senator SMOOT. I know of some of the most costly watches we have that are stop watches.

Mr. ZOLLA. That stop watch takes it to the fraction of a second. This goes to the fraction of a second, which a pocket watch could not do.

Senator SMOOT. What I am thinking is that unless we specify something more than a mere stop watch, we will have the highest priced watches that come into this country coming in at \$1.

Mr. ZOLLA. The exact wording of what we have is "Timers constructed and designed to time comparative rates of speed."

Senator SMOOT. We will look at the wording of your brief.

Mr. ZOLLA. That is the wording we have, "Timers constructed and designed to time comparative rates of speed, \$1 each." As I said, 90 per cent of them are used by the Government.

Senator LA FOLLETTE. This watch you showed as an exhibit is not an ordinary stop watch at all. It can be used for no other purpose than timing speed?

Mr. ZOLLA. Timing comparative rates of speed.

Senator LA FOLLETTE. It has but one hand.

Mr. ZOLLA. Yes, sir; that is all it can be used for.

Senator LA FOLLETTE. But your description would include watches which could also have a stop attachment, while they do not mark speed in fractions of a second as that does.

Mr. ZOLLA. They could not very well time comparative rates of speed.

Senator LA FOLLETTE. I do not believe your description is comprehensive enough. It would include a watch with a stop attachment.

Mr. ZOLLA. We have no objection to amending that. We have no objection to making that so rigid that there could not be any possible misconstruction of it.

Senator LA FOLLETTE. I think it would be fine for this committee to have a stop watch.

Mr. ZOLLA. We have omitted from the bill all words or phrases or sentences pertaining to clocks, clock movements, or clock materials. You will find that in the bill, "lever clock movements, watch and clock dials." That is taken care of in paragraph 368, which refers to clocks. It should not be in here at all.

We have omitted any reference to position adjustments. The Fordney bill has made distinctions in what they call "position adjustments." They say "having 17 jewels and adjusted to temperature, \$3.50 each; having 17 jewels and adjusted to three positions, \$4.75 each; having 17 jewels and adjusted to five positions,

\$6.50 each." We have omitted any reference to position adjustment, for the reason that it does not mean anything. It is evidently attempted as a plausible reason to raise the duty from \$2 on the 15-jewel watch to \$6.50 on the 17-jewel watch. What does position adjustment mean? Every watch, in order to keep time at all, must be adjusted.

I will read you exactly the language, as furnished by the Tariff Commission, by one of the American manufacturers:

The watch is ready at this time to be put through the test for position rating, and it is run for 24 hours with the dial up, and a notation made of its rating in that position. The movement is then run with the dial down for 24 hours, and its rating is taken as before. In the third test the watch is run for 24 hours with the pendant upright, and a record made of its performance in that position.

If you take the same watch and adjust it to another angle of 55 degrees instead of 60 to the left, that would be the fourth position; and if you adjust it in the same degree to the right, that would be the fifth position. So that it gets down to a multitude of positions, all of which means that it is a precision instrument, which must be able to run and keep accurate time in any position in which it might be put while it is being carried. It has been commercialized as a selling proposition. They have made a distinction between the three and five positions, purely as a selling proposition.

Another feature that should be eliminated is that it is impossible of administration. No customs official, no customs duty man, could possibly tell by looking at a watch whether it was adjusted to the third or fifth position. He could not tell except by running it off in each position for 24 hours.

Senator SMOOT. I call your attention to the fact that your time has expired, and I am holding this stop watch. In relation to that, under the regulation that you have required, when a watch is imported into this country the number has to be stamped on the watch?

Mr. ZOLLA. Yes, sir.

Senator SMOOT. All of the importers know that.

Mr. ZOLLA. The number of the adjustment ought to be stamped on the watch, but that was insisted upon by the American manufacturers, and we have no objection to it.

Senator SMOOT. The same regulation will be applicable under the passage of this bill.

Mr. ZOLLA. That is the point. If you pass the bill as it was passed by the House—

Senator SMOOT (interposing). I recognize that.

Mr. ZOLLA. That is to us the most vicious part of the whole bill.

Senator SMOOT. My statement only referred to the administrative point that you were criticizing, not the increased duty that is provided for.

Mr. ZOLLA. The administrative part, in the number, has made no difference, because there has been no difference in the rate of duty.

Senator SMOOT. I am aware of that.

Mr. ZOLLA. If there is a difference in the rates, the administrative part will be impossible, because you could not tell by looking at it whether it was a third or a fifth position and what rate of duty must apply.

If you will just give me a moment more, I have on this point a test made of a Waltham made by the Bureau of Standards, supposed to be adjusted to the five positions. On the first test it failed by one second in 24 hours in the first position, being slow one second. In the second position it was fast 6 seconds; in the third position it was fast 17½ seconds; in the fourth position it was fast 12 seconds; in the fifth position it was fast 19 seconds. That does not mean the company did not turn out the watch as it represented it. It means it is impossible to have a standard test by which to examine these watches and test them accurately.

There is no need, as I will show here, of some of these stamping provisions. One feature of the present bill, which changes from the last bill, is the stamping position, where they ask us to stamp the number of jewels and adjustments. The Fordney bill provides that we must stamp either in words or Arabic numerals; or, rather, it provides it shall be in words and Arabic numerals. The Fordney bill says both words and Arabic numerals. The present tariff says either in words or Arabic numerals. If we stamp in both words and Arabic numerals, we do not have sufficient room, as you can see from the size of this watch. It is physically impossible, after stamping the name of the manufacturer, the number of jewels and adjustments, the name of the country of origin, to stamp it in both words and Arabic numerals.

Mr. SMOOT. I think this is the same watch we had in 1909 when complaint was made that it read either in words or Arabic numerals.

Mr. ZOLLA. I do not think that it is the same watch. The objection in 1909 was exactly the same that it is now, that there is not sufficient room there to do this stamping. That is why the present tariff has the words "either in words or Arabic numerals" instead of both.

Senator SMOOT. I remember it very well.

Senator LA FOLLETTE. If it was true then, and was a good illustration of the fault of the bill, it is true now and a good illustration?

Mr. ZOLLA. Yes, sir.

Senator LA FOLLETTE. The fact that it is the same watch does not disparage the illustration.

Senator SMOOT. Not at all.

Mr. ZOLLA. I know it is not the same movement. It may have been one similar to that.

There is one other thing I call attention to, and that is that the word "unadjusted," if it is not an adjusted watch, shall be stamped on the plate thereof. We can not understand why a negative representation of that kind should be required. The manufacturer should be held to strict accountability of all affirmative representations, but there is no reason, I should say, if he does not claim otherwise, why he should be held to a negative representation. If a watch does not give the number of jewels, or does not state whether it is adjusted or not, that is not a misrepresentation. Here is a watch from the Elgin Watch Co. It has not the words "adjusted" or "unadjusted" on it. We might just as well say that a case manufacturer turning out gold-filled cases should be required to put on there "This is not solid gold" if it is plated.

Senator SMOOT. Your time has more than expired.

Mr. ZOLLA. I wanted to show the importations.

Senator SMOOT. Is that in the brief?

Mr. ZOLLA. Yes, sir.

The brief filed by the American watch importers calls attention to the fact that the importations of watches increased tremendously, and infers that it was due to the fact that the Underwood tariff was too low. The increase was from \$2,933,964 in 1916 to \$4,975,901 in 1917. This was the year we entered the war, as a consequence of which these large importations of men's wrist watches, commonly called military watches, took place. This was increased in the year 1918 to \$8,274,853, and was due greatly to the fact that by that time we had increased our Army and Navy to almost 4,000,000 men.

As against these figures, please note that the last year the act of 1909, known as the Payne-Aldrich Act, was in operation, the year 1914, watch imports amounted to \$2,669,200. During the first year of the act of 1913, or the year 1915, watch imports decreased to \$2,301,323; and it was not until the year 1917, when we entered the World War, that there was any appreciable increase of watch imports over the last year under the act of 1909, and this was on account of reasons above stated.

The question is whether the American watch industry needs protection. I will just go along hurriedly on that.

In 1913 the American watch industry asked for exactly the same rates, claiming they must have them as a protection. Let us see if the facts and figures bear them out.

According to Tariff Information Surveys on Watches and Clocks, prepared by the Tariff Commission in 1921, on page 51 thereof, in 1914 there were 15 establishments engaged at that time in the manufacture of watches. The value of their products then was \$14,275,000. In a statement issued by E. F. Hartley, chief statistician on manufactures, of the Census Bureau, Department of Commerce, in 1919, there were stated to be 36 establishments. The value of their product then was \$32,100,000. The net gain of the value of the products of the American watch industry in the year 1919 over that of the year 1914, during which time the present tariff act was in existence, was the large sum of \$17,825,000.

Even the exports of American watches increased from \$1,460,424 in 1914 to \$2,155,969 in 1920, and this in spite of the fact that there was an actual shortage of American watches and movements in this country. They almost doubled the sale of their merchandise in Europe and competed with European manufacturers without any tariff of any kind between them and the European manufacturers.

As far back as 1914 the domestic consumption of watches and parts of watches was approximately \$1,500,000 larger than the domestic production. That is from the United States Tariff Commission reports.

The Elgin National Watch Co., in the year 1920, had a net earning of \$1,293,203.36. The profits were equivalent to 19.74 per cent on \$6,500,000 capital stock.

The Waltham Watch Co., on March 31, 1919, had a net working capital of \$6,049,022. On March 31, 1920, they had a net working capital of \$8,845,837. The net gain was \$2,796,815. They had a surplus gain in 1919 of \$1,673,977; in 1920, \$2,068,953. They had a surplus gain in 1920 over 1919 of \$394,976.

In addition to that, we quote from the Boston Transcript a statement appearing on or about August 1, 1921, as follows:

The Waltham Watch Co's. business at present is somewhat better than is the case in the general watch trade. Of the 55 different watch movements which the company manufactures it has an active demand for nearly all of them, and for 22 it has orders for more than it can manufacture in the balance of the year. Total unfilled orders to-day are approximately 150,000 watch movements and 50,000 automobile clocks.

I have several quotations of that kind which I do not want to take up your time with now.

The Hamilton Watch Co. declared dividends in 1915 of 15 per cent, and in 1916, 16½ per cent. Later dividends are not reported. It would be interesting to this committee to find out why. I think the reason is that the profits were such that they do not want to quote them.

Under date of April 8, 1921, a letter was sent from the Elgin National Watch Co. to the National Wholesale Jewelers' Association signed by De Forrest Hulbard, its vice president, part of which is as follows:

The watch business seems to be particularly favored, inasmuch as there has been an actual shortage of good American watches during the past few years. The supply has not yet caught up with the demand, and our jobbers have not been able to pile up any stock worth mentioning, but are, on the other hand, eager to get more goods in every grade and size.

The CHAIRMAN. Could not all these figures be printed instead of taking up the time of the committee by reading them at this time? If every gentleman took half an hour we would not get through until Christmas.

Mr. ZOLLA. Just a moment more, Mr. Chairman. According to the Census Bureau, the value of the case factories' product in 1914 was \$7,831,000, and in 1919 the value of their product was \$19,619,000. The American case factories turn out approximately 19,000 cases a day. There are 11,500 cases manufactured each day in excess of movements manufactured. If the case factories did not have these movements imported from Europe they would have to manufacture 11,500 cases less every day, which would mean that two of the American watch case factories could supply the entire market, and the balance—there are 33 altogether—could as well discontinue.

So that the importation of these movements is not only necessary for the encouragement of imports but necessary for the maintenance and sustenance of the American watchcase industry. Furthermore, the American factories, as proved by the profits that I quoted, are in no need of further protection, because the rates we ask are higher than the present tariff, and all these profits have been under the present tariff bill.

I thank you.

BRIEF OF EMIL N. ZOLLA, REPRESENTING THE AMERICAN WATCH IMPORTERS AND ALLIED DOMESTIC INDUSTRIES, NEW YORK CITY.

This is our first "day in court." We had no hearing before the Ways and Means Committee of the House of Representatives. We do not believe this was due to any intentional discourtesy on the part of the Ways and Means Committee of the House of Representatives, but rather to what we make bold to say was a procedure of "sharp practice," to put it mildly, by the representative of the American watch industry.

The hearings on watches were always had under the metal schedule, under which schedule watches were classified. The metal schedule, known as Schedule C, was,

according to "Notice of Tariff Hearings," issued by the Committee on Ways and Means, December 8, 1920, set for hearing under dates of January 12, 13, 14.

Our representative attended the hearings of the Committee on Ways and Means on these dates. Nobody appearing in behalf of the American watch industry to urge any changes in the present tariff rates on watches, our representative did not ask for a hearing in our behalf, as the present rates were satisfactory.

On February 9, 1921, under Schedule N—Sundries, Mr. Dueber appeared before the Committee on Ways and Means and filed the brief in behalf of the American watch industry.

No notice was given us, and we were entirely ignorant of the hearing until after it had taken place. This being an ex parte hearing, it is not surprising that the committee passed the recommendations exactly made by the American watch industry, with the one exception that it refused to double the duty on small movements.

These are the facts upon which we base our opening statement, this is our "first day in court."

CHANGES IN DUTIES RECOMMENDED.

Watch movements, whether imported in cases or otherwise, assembled or knocked down for reassembling, if having less than seven jewels, 70 cents each; having seven and not more than eleven jewels, \$1.25 each; having more than eleven and not more than sixteen jewels, \$1.50 each; having seventeen jewels, \$2.50 each; having more than seventeen jewels, \$5 each; watchcases, 20 per centum ad valorem; parts of watches, including jewels and dials for use in the manufacture of watches, 15 per centum ad valorem; chronometers, box or ship, \$5 each, parts thereof 15 per centum ad valorem; timers constructed and designed to time comparative rates of speed, \$1 each; *Provided*, That all watch dials, whether attached to movements or not, when imported shall have indelibly painted or printed thereon the name of the country of origin, and that all watch movements and plates, assembled or knocked down for reassembling, and cases, shall have the name of the manufacturer and the country of manufacture cut, engraved, or die-sunk conspicuously and indelibly on the plate of the movement and the inside of the case, respectively, and the movement and plates shall also have marked thereon by one of the methods indicated, the number of jewels, said numbers to be expressed either in words or in Arabic numerals, and none of the aforesaid articles shall be delivered to the importer unless marked in exact conformity to this direction: *Provided further*, That only the number of the jewels which serve a mechanical purpose as frictional bearings shall be marked as herein provided.

Reasons for substituting above recommendations in place of duties recommended by paragraph 367, Schedule 3, of the House bill:

After the specific rates on movements, beginning with the word "watchcases," we have made the following changes, viz:

Have separated "watchcases" from watch parts, chronometers, etc. It must be quite evident that a finished article such as "watchcase," consisting frequently of gold or silver, where the cost of labor has already entered, should not be classified and considered in the same category as "watch parts," which, for all practical purposes, is similar to raw material.

Our rate pertaining to watchcases is as follows: "Watchcases, 20 per centum ad valorem." The bill as passed by the House calls for 35 per centum ad valorem. Our recommendation is 15 per cent less. We make bold to say that with possibly one or two exceptions, not a single American watchcase company would ask for a higher rate than 20 per cent. Not only can not foreign case manufacturers compete successfully with American case manufacturers, but American case manufacturers are to-day successfully competing in Europe with European case manufacturers. (See later paragraph with reference to growth of case factories in America.)

We have omitted "chronometers, box or ship" from the classification of "watch parts," as this is a completed article and does not belong among "parts," but we have included "jewels and dials," which are undoubtedly "parts of watches," so that the change reads "parts of watches, including jewels and dials for use in the manufacture of watches, 15 per centum ad valorem." The bill as passed by the House provides, as follows: "35 per centum ad valorem on watch parts, 10 per centum ad valorem on watch jewels, 3 cents per dial and 35 per centum ad valorem on watch dials."

We will discuss them in the order mentioned. The ad valorem duty on "watch parts" should be reduced to 15 per cent, as this will provide a reasonable revenue. As the "watch parts" imported are used for movements imported from abroad, and are therefore in no form or manner in competition with watch parts for American movements, there can be no need of giving any "protection." The duty should be made reasonable, so that the cost to the American consumer of obtaining material necessary for the repair of a watch of foreign manufacture should not be too burdensome.

Jewels and dials being indisputably "parts of watches," there should be no arbitrary differentiation made in the rates of duty. The importation of dials enameled and dial plates decreased from \$54,771 in 1911 to \$7,292 in 1919. (Tariff information survey on watches and clocks prepared by the Tariff Commission in 1921.) To continue the formerly excessive rates would mean to eliminate dial importations altogether.

Chronometers, box or ship, being a completed article, we have taken from the classification with "parts of watches" as set out in the bill passed by the House, and made a separate proviso with a specific instead of an ad valorem duty, which reads "chronometers, box or ship, \$5 each; parts thereof, 15 per centum ad valorem."

The bill as passed by the House makes no provision for timers which are constructed and designed to time comparative rates of speed. As timers are not manufactured at all in this country, and as 90 per cent of all timers imported are used by the United States Government, we believe this article should have a separate classification, and we have therefore added the following sentence: "Timers constructed and designed to time comparative rates of speed, \$1 each."

All words, phrases, and sentences pertaining to clocks, clock movements, clock material, etc., have been omitted by us from paragraph 367, schedule 3, as clocks, clock movements, etc., are taken care of in paragraph 368, schedule 3, where it properly belongs.

These rates closely approximate the schedule of the act of 1909, commonly known as the Payne-Aldrich bill, which was admittedly a high-tariff bill. Being so close to the rates of the Payne-Aldrich bill, we believe they are particularly under the present economic conditions of the world, sufficient for revenue purposes and more than sufficient for "protection" to the American watch industry. Nowhere, in the brief filed by the American watch companies is there a line, word, or figure, showing the necessity for increased tariff duties. There are some "historical" facts mentioned enlightening for general purposes, most of which are obsolete and have been entirely changed by the economic processes resulting from the war; but no statistics, no figures of any kind or character, showing or even tending to show, that the American watch industry has in any way suffered under the existing tariff. Facts and figures speak louder than theories and empty assertions. We shall show later in this brief that not only have they not suffered under the existing tariff, but have greatly prospered—more than ever before.

We have omitted any reference to the "position adjustment" classifications among 17-jewel movements. This is vicious. It is an arbitrary classification contained in no other tariff bill and a distinction no other country in the world has made. To retain it would be to absolutely bar the importation of this class of movements. It would mean an increase of over 100 per cent over the rates of the Payne-Aldrich bill of 1909, an admittedly high tariff. It would apply also to ladies' small bracelet watches, which only two or three of American watch companies turn out in very small and very limited quantities, and thereby increase the cost of these watches to the American consumer over 100 per cent.

Position adjustments do not of themselves determine the value of the watch. A 15-jewel watch with only three position adjustments might be better and much more expensive than another 17-jewel watch with five or even eight position adjustments.

Every watch, in order to run and keep time, must be adjusted. Three adjustments of a watch is practically the lowest number of adjustments possible for any timepiece with any degree of dependability. What does three adjustments mean? It simply means that the watch is made to run while lying flat, with the dial upward, then lying flat with the dial downward, and then put in an upright position in which it is generally carried while in the pocket. This is a clear illustration of three adjustments. This applies equally as well to 15-jewel watches as it does to 17-jewel watches.

The net result, therefore, of the bill as passed by the House is, that while it calls for a duty of \$2 on 15-jewel watches of three position adjustments, it calls for a duty of \$4.75 for the same watch with two additional jewels. In other words, it adds a duty of \$2.75 for two jewels. In the case of the same 17-jewel watch being adjusted to five position adjustments—which simply means that the watch is further adjusted to two more angles—there is a difference of \$4.50 for the additional two jewels.

The average cost of two jewels to the American manufacturer of watches—bought by them in large quantities from Switzerland—is less than 50 cents. Is it not, therefore, quite obvious that this attempted classification of adjustments is merely a mask behind which it is hoped to mislead Congress into levying an exorbitant and prohibitive duty on 17-jewel movements?

If a watch is supposed to be valuable it must be adjusted to run in any position. No specified three or five positions will do. It must be adjusted to any position. And if the adjustor or regulator would find it not running while in a position or angle of 60 degrees, he would have to look into the movement and make it run at 55 degrees, or at 50 degrees, and would then come down to a multitude of numbers of positions.

All of which simply means that a good watch, like any precision instrument, must be regulated to run in the various positions it is put during its use. You will please observe that no attempt was made to make this classification on movements having more than 17 jewels—admittedly higher grade watches.

OBJECTIONS TO STAMPING PROVISIONS OF BILL AS PASSED BY THE HOUSE.

The act of 1913 provided for the marking of the number of jewels and adjustments upon watch movements—"either in words or in Arabic numerals." The bill passed by the House has changed the word "or" to "and," so that the language of the bill reads "said numbers to be expressed in words and in Arabic numerals." To retain the language of the present bill would make it impossible to import the very small movements. Some of these very small movements used in ladies' bracelet watches are smaller than a dime in diameter, and some of the movements used in ladies' lockets measure less than one-quarter of 1 inch across the dial. It must be quite evident that to attempt to put on so small a movement the name of the country of origin, the name of the manufacturer, and, in addition to all that, the number of jewels and adjustments in both words and Arabic numerals, would be physically impossible. It is all one can do, after putting on the names of the country of origin and manufacturer, to put on the number of jewels and adjustments in either words or in Arabic numerals.

The argument made by the American watch industry in their brief that "under the present law a 17-jewel movement could be imported, stamped merely with the numeral '7' and the duty paid accordingly, it being a simple matter to engrave the numeral '1' in front of the numeral '7,' making it '17' after the movement is imported, thus throwing open the door for fraud," is fallacious and will not bear analysis. Any examiner who is at all familiar with watch movements can immediately, with the naked eye, detect any 17-jewel movement that might be marked "7." Fraudulent practices of this kind, if they ever occurred, were of such infrequency and so unusual that no one in the trade ever heard of it being done. Permit us to repeat that to compel the foreign manufacturers of these very small watches or watch movements to stamp the number of jewels and adjustments both in words and Arabic numerals would make it impossible to import them.

In the phraseology of the stamping provisions we have omitted the words "and clock, lever-clock movements with jewels in the escapement" as these provisions properly belong in the clock schedule, which is an entirely different schedule. You will also please notice that in the same proviso after the semicolon, following the words "in Arabic numerals," we have omitted the following sentence "and if the movement is not adjusted, the word 'unadjusted' shall be marked thereon by one of the methods indicated." The reasons for omitting this last sentence is because we believe that stampings should be only affirmative representations and not negative. While the manufacturer should be held to a strict accountability for all affirmative representations made he ought not to be compelled to make a negative representation. One might just as well insist that the watchcase manufacturer who turns out gold-filled cases should have stamped thereon "this case is not solid gold." Provisions of this kind afford no protection whatsoever to American manufacturers but are extremely mischievous in their nature and designed to cause as much inconvenience as possible to American importers. Then again, suppose, for the sake of the argument, a movement is imported with the word "unadjusted" engraved upon the plate and after the movement is imported it is adjusted. In what way can the word "unadjusted" be removed? Only by removing the plate and putting in a new plate at a great cost of labor and material.

TARIFF HISTORY RELATING TO WATCH MOVEMENTS.

The act of 1894 had the ad valorem rate of duty of 25 per cent on all watches and parts thereof, making no distinction as to grades. In 1897 when this duty rate was changed to a compound rate by adding to the former rate a specific rate which varied from 35 cents to \$3 per movement, depending upon the number of jewels contained in the movement, the volume of imports decreased to nearly one-half of what they were during the preceding year of the old law, viz, from \$1,107,080 in 1897 under the old law, to \$566,674 under the new law. It did not recover in volume to equal the amount of 1897 import under the old law until the year 1901—four years later.

These facts seem to indicate that the Government of the United States does not necessarily receive a greater volume of revenue when the rates of duty are exceedingly higher, but on the contrary, it might, as it did in this instance, suffer a loss of revenue.

The statement that the act of 1913, which is the present schedule, in itself caused a great increase of importation of watches, is entirely misleading. Between that

time and including the year 1918, two specific factors caused this tremendous increase. The first was the importation of ladies' small bracelet watches, which according to Mr. Dueber, representing the American watch industry, in his testimony before the Ways and Means Committee on February 9, 1921, the American factories were not in position to turn out except at excessive prices. The second was the importation, in unusually large quantities, of men's wrist watches, commonly called military watches, which name was derived from the fact that 95 per cent of these watches were used by the American soldiers. Without these importations the American soldiers and sailors would have been deprived of the only kind of watch that was convenient and useful to any man in uniform. It is an admitted fact that the American watch manufacturers, either were not equipped or did not want to turn out these watches.

In speaking of the increased imports from Switzerland, the United States Tariff Commission in its Tariff Information Surveys on Watches and Clocks, page 32, 1921 issue, states as follows: "The increases were due to the greater demand in America for small watches. Upon the entry of the United States into the European war, gentlemen's wrist watches became very popular with the military; ladies' wrist watches and brooch watches also increased in popularity."

You will observe that the importation of watches increased from \$2,933,964 in 1916 to \$4,975,901 in 1917. This was the year we entered the war, as a consequence of which these large importations of men's wrist watches, commonly called military watches, took place. This was increased in the year 1918 to \$8,274,853, and was due greatly to the fact that by that time we had increased our Army and Navy to almost four million men.

As against these figures, please note that the last year the act of 1909, known as the Payne-Aldrich bill, was in operation—the year 1914—watch imports amounted to \$2,669,200. During the first year of the act of 1913—the year 1915—watch imports decreased to \$2,301,323, and it was not until the year 1917, the memorable year in which the United States entered the World War, that there was any appreciable increase of watch imports over the last year under the act of 1909, and this was on account of reasons above stated. The increase in prices during 1917 and 1918 as compared with former years also swelled the aggregate total in dollars and cents—at least 20 per cent. (These statistics were taken from Tariff Information Surveys on Watches and Clocks, prepared by the United States Tariff Commission in 1921.)

DOES THE AMERICAN WATCH INDUSTRY NEED FURTHER PROTECTION?

If under the existing tariff the American watch industry has prospered in a manner heretofore unknown, has tremendously increased its prices, has sold its entire production, and then found a very large demand which it has been unable to supply, is not this evidence of the most convincing character that they need no further protection? In 1913 the American watch industry asked for exactly the same rates, claiming they must have it as a protection. Let us see if the facts and figures bear them out.

According to Tariff Information Surveys on Watches and Clocks, prepared by the Tariff Commission in 1921, on page 51 thereof, in 1914 there were 15 establishments engaged at that time in the manufacture of watches. The value of their products then was \$14,275,000. In a statement issued by E. F. Hartley, chief statistician on manufacture of the Census Bureau, Department of Commerce, in 1919 there were 36 establishments. The value of their product then was \$32,100,000. The net gain of the value of the products of the American watch industry for the year 1919 over that of the year 1914, during which time the present tariff act was in existence, was the large sum of \$17,825,000.

Even the exports of American watches increased from \$1,460,424 in 1914 to \$2,155,969 in 1920, and this in spite of the fact that there was an actual shortage of American watches and movements in this country. They almost doubled the sale of their merchandise in Europe and competed with European manufacturers without any tariff of any kind between them and the European manufacturers.

As far back as 1914 the domestic consumption of watches and parts of watches was approximately \$1,500,000 larger than the domestic production. (Summary, Tariff Information Surveys, United States Tariff Commission, 1921.) Since that time the shortage has been larger. Statements hereinafter following, we believe, confirm this assertion.

PROFITS OF LEADING AMERICAN WATCH COMPANIES FOR PAST FEW YEARS.

Elgin National Watch Co.: Dividends 8 per cent per annum, paid quarterly. December 21, 1918, extra cash dividend of 2 per cent was paid, and on December 22, 1919, extra cash dividend of 3 per cent was paid. (Moody's Manual of Railroads and Corporation Securities, 1920. Industrial section.)

At the annual meeting of the stockholders of the Elgin National Watch Co., held June 9, 1921, the income account for 1920, as submitted to this meeting, reads as follows:

Earnings from operation.....	\$1,797,754.51
Earnings from investment.....	185,448.85
Reserve for taxes.....	690,000.00
Net earnings.....	1,293,203.36
Dividends.....	429,269.00
Balance for reserve and surplus.....	864,934.36

The year's net profits were equivalent to 19.74 per cent on the \$6,500,000 capital stock, or \$4.93 per share of \$25 par value.

Inventories were taken at cost or market figures, whichever was the lowest. It was announced that the company has no floating or funded debt, the only current indebtedness being monthly bills.

Waltham Watch Co.: Net working capital, March 31, 1919, \$6,049,022.

Net working capital, March 31, 1920, \$8,845,837.

Net working capital gain of \$2,796,815 for 1920 over 1919.

Surplus gain of 1919, \$1,673,977; in 1920, \$2,068,953.

Surplus gain of 1920 over 1919, \$394,976.

We quote from the Boston Transcript a statement appearing on or about August 1, 1921:

"The Waltham Watch Co.'s business at present is somewhat better than is the case in the general watch trade. Of the 55 different watch movements which the company manufactures it has an active demand for nearly all of them, and for 22 it has orders for more than it can manufacture in the balance of the year. Total unfilled orders to-day are approximately 150,000 watch movements and 50,000 automobile clocks."

The following is a portion of an advertisement appearing in the Jewelers' Circular under date of July 31, 1921, inserted by the Illinois Watch Co.:

"There will be no reduction in the prices of Illinois watches. That the trade recognizes the Illinois as the greatest values on the market is demonstrated by the fact that the demand for them continued to tax our manufacturing capacity to its utmost. We have no accumulated stock on hand."

Hamilton Watch Co.: Dividends 1915, 15 per cent; 1916, 16 per cent. Later dividends not reported.

We quote from a letter sent out broadcast to the trade in January 1921, by Jacques Depollier & Son, who are representatives of the Waltham Watch Co.:

"We have just passed through a period that has witnessed the public buying watches promiscuously, because the dealer was short in his stocks, giving the consumer little, if any, choice in his selection of watches, and the American watch manufacturers were physically unable to procure any quantities sufficient to meet the demand * * *. Many orders are in our books and we are eight months behind in deliveries of certain grades, so we feel that with our wide and varied experience, the trade will welcome this expression of opinion on watch conditions for 1921, * * *. Contrary to this decline in prices of Swiss watches, the American made watch has held its own position unassailed, because the increased demand has exceeded the increased output of the manufacturers. The American made watch to-day is in preferred demand by the consumer."

Under date of April 8, 1921, a letter was sent from the Elgin National Watch Co. to the National Wholesale Jewelers Association signed by DeForrest Hulbard, its vice president, part of which read as follows:

"The watch business seems to be particularly favored inasmuch as there has been an actual shortage of good American watches during the past few years. The supply has not yet caught up with the demand and our jobbers have not been able to pile up any stock worth mentioning, but are, on the other hand, eager to get more goods in every grade and size."

So completely and so thoroughly do the American watch manufacturers control their industry, and so independent are they, and unafraid of foreign competition, that only certain selected wholesalers who are put on their lists can obtain their watches. For illustration: In the cities of St. Paul and Minneapolis there are approximately 10 large wholesale watch houses, practically all very high rated, and of good standing, and yet, between these two cities—which is the gateway to the great Northwest—only one wholesaler is on the list of both the Waltham and Elgin Watch Co.'s. Nobody but this one wholesaler can obtain watches of either of these makes in this territory. The same plan applies all over the United States, and unless the wholesaler is placed on the favored lists of these watch companies, no matter how excellent his financial standing, or how large his volume of business, he is unable to

obtain watches from the American watch manufacturers. These facts are indisputable and known all over the country among people in that business and can very easily be proven by subpoenaing any wholesale dealer in American watches from any part of the country. In the light of the foregoing facts what need is there for any further protection?

OTHER PURELY AMERICAN INDUSTRIES AFFECTED BY UNREASONABLE TARIFF ON FOREIGN WATCH MOVEMENTS.

American watchcase factories, whose investments are almost as great as the watch-movement manufacturers, are dependent upon the importation of Swiss movements for about 65 per cent of their entire production. According to a statement given out by E. F. Hartley, chief statistician for manufacturers of the Census Bureau, the production of American watchcase factories in 1914 was \$7,831,000 and in 1919 \$19,619,000. According to the same authority there were 31 establishments in 1914 and 33 in 1919—only two additional establishments, while the production during the same time increased so stupendously. This enormous increase in the production of American watchcase factories is due directly to the increase of imported movements. For, after all, the watch movement is nothing but the basic product or raw material to the case factories. This \$19,000,000, therefore, of American industry must be materially curtailed if the rates of duty on foreign movements remain as passed by the House. These rates are so prohibitive that they will easily curtail the importation of movements to the extent of at least 50 per cent. We will take, for illustration, the estimated production per day of eight of the leading American watch movement companies, viz:

Elgin National Watch Co.....	3,000
Hamilton Watch Co.....	250
Hampden Watch Co.....	250
E. Howard Watch Works.....	100
Illinois Watch Co.....	600
South Bend Watch Co.....	250
Standard Watch Works.....	1,500
Waltham Watch Co.....	1,500

Making a total of 7,450 movements, as against which we find the seven leading case factories producing per day approximately the following number of cases:

Keystone Watch Case Co.....	4,000
Wadsworth Watch Case Co.....	4,000
Fahys Watch Case Co.....	2,500
Dueber Watch Case Manufacturing Co.....	1,500
Illinois Watch Case Co.....	4,000
Star Watch Case Co.....	2,000
North American Watch Case Co.....	1,000

A total of 19,000 cases.

From only this partial list it is quite evident there are at least 11,500 cases made every day in excess of the sum total of the American movements made. This amount of cases does not take into consideration over 50 other small case makers of fancy designs, who have the sum total production of at least 1,500 cases a day and who are entirely dependent for their continuation upon the importation of Swiss movements.

To furnish cases for the output of only American watch movement manufacturers would require only two of the very large companies. The rest could be discontinued. If such a situation should arise, and it is our earnest belief that if your committee will call before it the heads of the largest case factories they will substantiate our statement, it would result not only in great hardships to the stockholders interested in the case factories and in the unemployment of thousands of working men and women, but would also result in a serious loss of revenue to the Government, due to the fact that the income tax now paid by all these case factories would be materially reduced, if not entirely eliminated.

Another American industry that would be vitally affected adversely should there be a substantial curtailment of the importation of watch movements would be those companies engaged in the manufacture of watch bracelets, who are dependent, conservatively speaking, for the sale of at least 85 per cent of their production upon the importation of watch movements. As this industry has practically been almost entirely developed in recent years, since the importation of small ladies' bracelet watches, we are unable to give you statistics, but as bracelets are used only on ladies' small watches and as the quantity of ladies' small watches by American movement

manufacturers is negligible, it logically follows that this industry is almost entirely dependent upon imported movements.

The manufacturers of boxes for bracelet watches are also greatly dependent for this and other manufactures upon these imported movements.

MARKETS.

Congress must also take into consideration the fact that during the period of the war Switzerland, from whom we import about 95 per cent of our foreign movements, had closed to her the markets of the Central States, Russia, Italy, France, and Spain, who before the war, together with Great Britain, took over 60 per cent of the total Swiss exports. We quote from the Tariff Commission Catalogue under the heading "Foreign production and trade:"

"Great Britain and Germany have always been heavy importers of Swiss watches and parts of watches, taking in 1913 over one-third of Switzerland's entire export. Although the United States stood as the sixth largest customer of Switzerland for watches and parts in 1913, the ever-growing trade and special demand in watches for military purposes placed this country in the position of Switzerland's largest customer in 1917 and 1918. Other large customers of Switzerland before the war were Russia, Austria-Hungary, Italy, France, and Spain; these eight countries took over 70 per cent of the total Swiss exports in 1913."

The closing of these markets spurred Switzerland on to export her production as much as possible to the United States, but with the reestablishment of peace and the resumption of somewhat normal conditions, these markets will again be thrown open to her, and it is a well-known fact that the Swiss manufacturer, because of the proximity of these countries to the borders of Switzerland, thereby making trade relations easier, would sooner sell in the markets of these countries than to the American market. This, in itself, will cause a material decrease in the importations of watches to this country.

LABOR.

Since the International Labor Conference in 1919 watchmakers in Switzerland are working only 48 hours a week instead of 56, which means that the cost of labor as a result of this alone has increased 20 per cent. The average cost of labor to-day in Switzerland, figured in gold, is between \$25 and \$35 per week, and adjusters are paid as high as \$50 per week. The duty rates, as recommended in this brief, are equivalent to an ad valorem rate of at least 40 per cent, and in a few instances more than that. Adding 40 per cent to the lowest paid watchmaker to-day in Switzerland—which is \$25—would make the total \$35 for the lowest priced man. To this \$35 per week must be added at least another 30 per cent, which is the minimum of the importer's gross profits, which would make it a total of at least \$45 per week. The reason that the 30 per cent, representing the importer's gross profits, should be added in calculating the relative cost of labor is because in this country the manufacturer sells directly to the wholesaler, while the Swiss manufacturer sells at least 95 per cent of his products through the American importer, and the importer, in turn, sells it to the wholesaler on a gross profit, as stated heretofore, of at least 30 per cent. The average wage earned by the American watchmaker is to-day between \$35 and \$40 per week, with such factories as the Waltham and others announcing a reduction very recently of from 10 to 15 per cent in the wages of their men.

FIXED CHARGES AND OVERHEAD EXPENSES.

While the foreign manufacturers have not themselves the overhead expenses of keeping their watches in repair, the watch importers, through whom these foreign manufacturers sell their watches, have this overhead expense exactly the same as the American manufacturers and must consider it in arriving at the prices at which they sell their watches. They maintain large and expensive repair shops in which they back up their guarantees against defects and put in shape all movements which fail to keep accurate time. They, as well as the jobber through whom they sell, carry large quantities of materials available for the repair of all watches they sell.

Because, as shown by this brief, the American watch-movement manufacturers need no further protection than they already have, because we believe that for the protection of American watchcase factories the importation of foreign watches are necessary and indispensable, we respectfully ask that the duty on watches be prepared in accordance with the suggestions and recommendations herein contained.

(Names of some of the prominent firms represented: Tiffany & Co., New York; A. Wittnauer Co., New York; Gruen National Watch Case Co., Cincinnati, Ohio;

Gruen Watch Co., Cincinnati, Ohio; Brighton Watch Case Co., New York; Black Starr & Frost, New York; J. E. Caldwell & Co., Philadelphia; Hayden W. Wheeler & Co., New York; Concord Watch Co., New York; A. Schwob (Inc.), New York; Bigalke & Eckert Co., New York; E. E. Robert Co., New York; Hipp, Didisheim Co., New York; Phelps & Perry, New York; Helbein Stone Co. (Inc.), New York; J. F. Mansfield Co., New York; Omega Watch Co., New York; Paul Dittsheim Corporation, New York; Geo. W. Welshs Son, New York; Knickerbocker Watch Co., New York; Jos. Barfield, New York; Greenleaf Crosby Co., Jacksonville, Fla.; "Hallmark" United Jewelers (Inc.), an association of 800 retail jewelers; Wm. G. Knapp, New York; J. Gottlieb, New York; Will H. Beck Co., Sioux City, Iowa; Marcus & Co., New York; T. Kirkpatrick & Co., New York; Grogan Co., Pittsburgh, Pa.; Howard & Co., New York; Abercrombie & Fitch Co., New York.)

STATEMENT OF R. O. McCULLOCH, REPRESENTING THE HAMPDEN WATCH CO., CANTON, OHIO, AND OTHER AMERICAN WATCH MANUFACTURERS.

Mr. McCULLOCH. I represent, Mr. Chairman and gentlemen of the committee, the leading American watch manufacturers, including the Hampden Watch Co., of Canton, Ohio, of which I have been a director for a great many years, and I helped as attorney in the preparation of the evidence and the testimony during the consideration of the act of 1909 and the act of 1913, and am familiar in a general way with the business of manufacturing watch movements.

The CHAIRMAN. What business did you say?

Mr. McCULLOCH. The watch-movement manufacturing business.

I wanted to say just a word about the figures the gentleman who preceded me submitted. He said that the increase in importations of foreign watches was due to the war. I have a comparison here of the act of 1909, the act of 1913, and the Fordney bill; and at the bottom of the sheet I have figures showing the importations of watches and parts for every year from 1895 down to 1920, compiled by the Tariff Commission.

Taking the Underwood bill: In 1913 the importations were \$1,951,579; 1914, \$2,669,200; 1915, \$2,301,323; 1916, \$2,933,964; 1917, \$4,975,901; 1918, \$8,274,853; 1919, \$9,215,189; 1920, \$12,608,624. The importation of foreign-made watch movements during 1919 and 1920 certainly was not due to the war.

I suppose there has been no more thorough investigation and examination made of any paragraph of the Fordney bill than was made of the watch paragraph by the subcommittee of which Mr. Tilson was chairman. They went into every detail of it, and I venture to say no paragraph was more thoroughly investigated during the consideration of the act of 1909 than the watch paragraph.

At the bottom of the analysis or comparison of the paragraphs submitted I have given the gist of the changes in the Fordney bill as compared with the Payne-Aldrich bill. The Fordney bill covers movements knocked down for reassembling. In the brief that I will submit—I shall not enter into a detailed discussion about it—we show, and I think prove, that there was a practice, after the Payne-Aldrich bill went into effect, of "knocking down" watch movements, getting them all ready for assembling, and then bringing them in as material and assembling them in this country, thus evading the duty. The provision I have referred to I believe strengthens the bill.

The Fordney bill classifies clock watches separately. Clock watches were classified under the Payne-Aldrich law with seven-jeweled movements. A clock watch is simply a combination of wheels without jewels or adjustments. It probably has been timed in a general way, but it is not comparable as an effective time-keeping machine with a jeweled watch. In our opinion it was wise to classify seven-jeweled movements separate from clock watches, and therefore that classification was suggested to the subcommittee of the Ways and Means Committee and, after thorough consideration, adopted. We think that classification should be retained.

The Fordney bill also classifies 17-jeweled movements according to adjustments. Seventeen-jeweled movements are manufactured adjusted and unadjusted. The 7-jeweled movement, the 11-jeweled movement, the 15-jeweled movement are all almost universally unadjusted, and so regarded in the trade. Seventeen-jeweled movements, as I have said, are manufactured adjusted and unadjusted; and all movements having over 17 jewels are universally adjusted. A 17-jeweled movement, adjusted, will cost to produce and will sell for just about three times what a 17-jeweled movement unadjusted will cost and sell for.

Under the Payne-Aldrich law a 17-jeweled movement, unadjusted, came in at the same specific rate as the 17-jeweled movement, adjusted.

From a revenue-producing standpoint, as well as from the standpoint of protection, the classification of 17-jeweled movements as written into the Fordney bill should be retained.

The gentlemen who preceded me minimized the value of adjustments. The value of a watch movement is determined in two ways: First, by the number of jewels it contains; and, second, by the kind and number of its adjustments. I can not take the time to go into detail in regard to the mechanical differences between mere timing and adjusting, but I call the committee's attention to the statement of V. S. Cory, superintendent of the Hampden Watch Co., of Canton, Ohio, in regard to adjustments, in the brief I shall submit. Mr. Cory describes the many intricate and painstaking processes necessary in adjusting a watch movement so that under all conditions it will run within certain limits of error. A watch movement is an instrument of precision for computing time. In order that it may be an accurate and dependable machine it must be put through the processes described by Mr. Cory, and these processes, as he clearly states, frequently take several months before the watch will run within the required rating. Why a 17-jeweled movement, unadjusted, should come in for the same specific rate of duty that a 17-jeweled movement, fully adjusted, comes in for, when the one is three times as valuable as the other, is hard to explain.

I want to refer briefly to the marking provisions of this bill. The marking provisions of the Fordney bill, as far as they relate to the number of marks and figures that must be put upon the plate, are exactly identical with the marking provisions of the Payne-Aldrich bill. I submitted to the Senator from Utah the small movements he mentioned, marked in conformity with the tentative draft of the Payne bill, which evidently proved to the satisfaction of the Senator

that those marking requirements could be complied with. The law was in operation for a number of years and presumably complied with. If they could do it then, they can do it now.

I also exhibited to the Senator from Utah at that time this little coin [exhibiting] made at the mint, where they die-sunk upon a piece of metal this size the entire Lord's Prayer. There is no doubt about their being able to do it, but they do not want to do it, it seems, and why?

I want to respectfully refer the committee to the evidence of frauds set out in the brief I shall submit, with special reference to the matter of markings:

Effect of stamping provisions on railroad time service. Copy of letter of Webb C. Ball, general time inspector for American railroad systems, mileage of over 100,000 miles, who says:

To permit foreign watches to come into this country without such markings is tampering dangerously with human life and property.

Also letters and affidavits in regard to exhibit fraudulently marked "Time Ball Special," etc., detected in hands of employees of Chicago, Burlington & Quincy Railroad Co.

Also letter of Hamilton Watch Co. in regard to fraudulently marked Swiss movements.

Affidavit of George E. Hunter in regard to fraudulently marked Swiss movements.

All the American manufacturers of watch movements want or ask are rates that will equalize the difference in the cost of production at home and abroad. They are not seeking special favors or any special advantages.

We think that the Fordney bill is fair. The rates are practically the same as those of the Payne-Aldrich bill. We are satisfied with the Fordney bill, and feel that no change should be made in the watch paragraph without serious and careful consideration, which I know it will have.

I ask the privilege of submitting later a brief in detail, meeting the suggestions that were made by the gentleman who preceded me.

At this time I shall refer but to one or two of the recommendations made by him on behalf of the importers. Some of the recommendations made were clearly shown by the general discussion here to be impractical from the standpoint of the Government, for instance, the recommendations as to "stop watches." That recommendation would probably be good for the importer, if adopted, but unfair to the Government. It might be that if the recommendation were adopted all high-grade watches when imported would have the "stop-watch" attachment and come in for \$1. At least it is but logical that one recommendation of that kind shall put all the others on question. Importers of watches recommend an increase of 5 per cent on jewels, or from 10 per cent, the present law, to 15 per cent. I want to call the committee's attention to the facts about jewels. In 1909 it was shown that "the jewels used in the construction of a watch movement amount in many cases to about 50 per cent of the material cost of the movement." Jewels for watch movements have never been manufactured successfully in this country, so that the American manufacturer of watch movements is compelled to import them. I quote

the following from a letter of one of the leading manufacturers of watch movements in this country upon the subject:

To the American watch-movement manufacturer, watch jewels are the same as raw material. They can not be manufactured in this country successfully, and we are therefore at the mercy of the foreign producers, who by combination fix the price to suit themselves. Since 1914 they have increased prices more than 135 per cent, so that we are now paying duty on jewels in excess of 23½ per cent ad valorem on the prices prevailing when the tariff act of 1913 went into effect. There is no reason to suppose that the prices of jewels will not be still further increased up to the point where the combination of price and duty will check the production of watch movements in this country by compelling the manufacturer to increase the price of watches to such an extent as to lessen the demand. We submit that it is not to the interest of the Government or of the watch industry that production should decline.

There being no watch jewels produced in this country to amount to anything and it being impossible to produce them successfully, the duty provided in the Fordney bill of 10 per cent ad valorem we think is a fair revenue duty and should not be increased.

I want to refer also to the statement made by the representative of the importers that the rates he suggested on watch movements "closely approximate" the rates in the Payne-Aldrich bill. This is not correct; to illustrate: He suggests a specific duty of \$5 each on movements having more than 17 jewels. Under the Payne-Aldrich law, which provided for a duty of \$3 each and 25 per cent ad valorem, according to the figures in "imports and duties," dividing the number of movements cleared into the amount of duties collected shows an average specific duty for the years the law was in operation on movements having more than 17 jewels as follows:

Years.	Number.	Duties.	Specific duty.
Having more than 17 jewels, \$1 and 25 per cent ad valorem converted:			
1910.....	3,766	\$41,432	\$11.00
1911.....	5,410	55,036	10.17
1912.....	5,859	55,056	9.39
1913.....	5,549	56,776	10.50
1914.....	1,626	16,235	9.98

Under the Dingley law, which provided a duty of \$3 each and 25 per cent ad valorem on all movements having over 17 jewels, when converted into straight specific duties the average amount collected on all movements having more than 17 jewels during the entire operation of the law was \$10.73 each. The rates in the Fordney bill "closely approximate" the rates in the Payne-Aldrich bill.

I have covered fully in the brief I shall submit to-day the reasons for the classification of 17-jewel movements according to adjustments and have expressed our reasons for favoring the stamping provisions of the Fordney bill. I do not believe that any of the reasons advanced by the representatives of the importers for changing these provisions are sound aside and apart from the interest of the importers.

The paragraph in the Fordney bill, No. 367, as it relates to watches, is workable and, we believe, fair in every particular.

I may later desire to make some reference to the collateral matters referred to in the brief and statement of the representative of the importers.

I ask, Mr. Chairman, for the privilege of submitting a brief in behalf of American manufacturers of enamel ware—

Senator LA FOLLETTE. Before you leave this matter, will you state, Mr. McCulloch, whether you have any connection with the watch companies that you represent here in any other way than as an attorney?

Mr. McCULLOCH. No; no other way, except that I am director of the Hampden Watch Co.

Senator LA FOLLETTE. Do you know anything about the profits of the company?

Mr. McCULLOCH. Yes. I know there has been no dividend declared recently. But I will say to the Senator in that connection that I will furnish him, for confidential use, anything he wants on that subject. There has perhaps not been any industry in America that has had to struggle like the American watch industry.

Senator LA FOLLETTE. Your address is Canton, Ohio?

Mr. McCULLOCH. Yes, sir. I will furnish the Senator anything he wants on the subject.

I would like to have the privilege of filing a brief on behalf of the manufacturers of enamel ware, which is covered by paragraph 339, page 56, of H. R. 7546, and to say that the provision in the House bill is satisfactory to the manufacturers who signed this brief.

I should also like to have the privilege, Mr. Chairman, of submitting a brief on behalf of the manufacturers of ball bearings, roller bearings, and steel balls, covered by paragraph 321, page 51, of H. R. 7456. They are also satisfied with the Fordney bill.

The CHAIRMAN. Very well.

Senator LA FOLLETTE. Was this statement which you have furnished the members of the committee prepared for you, or did you prepare it yourself?

Mr. McCULLOCH. I prepared it myself, Senator.

Senator LA FOLLETTE. I just submitted the table of imports to Mr. McCoy, and he is not able to get from his records—I am just calling your attention to it—any figures that are in agreement with yours. I thought that perhaps you might wish to take that matter up with him.

Mr. McCULLOCH. Yes; I will see Mr. McCoy. I will tell you how I got these figures. I asked the Tariff Commission to furnish them, and these are their official figures. I will send the Senator a copy of them.

Mr. ZOLLA. Do the committee want to hear from a man who is an expert on the question of adjustments? He was born here and raised here, and has been in the watch business all his life. I would like to have the committee hear him on adjustments, if it is not imposing on your time.

The CHAIRMAN. Has he made an application for a hearing?

Mr. ZOLLA. He has not, because we did not know at that time whether we would be fortunate enough to be able to get him.

The CHAIRMAN. There are a number of gentlemen on the list who have been promised a hearing and who are waiting. It would hardly be fair to put him ahead of them. If you will send his name in to the clerk of the committee he will be glad to notify him. We may be able to hear him at some time to-morrow.

BRIEF OF R. C. McCULLOCH, REPRESENTING AMERICAN WATCH MANUFACTURERS.

COMPARISON OF WATCH MOVEMENT PARAGRAPHS IN ACT OF 1909, ACT OF 1913, AND FORDNEY BILL.

ACT OF 1909.

Watch movements, including time detectors, whether imported in cases or not, if having not more than seven jewels, 70 cents each; if having more than seven jewels, and not more than eleven jewels, \$1.35 each. If having more than eleven jewels and not more than fifteen jewels, \$1.85 each; if having more than fifteen and not more than seventeen jewels, \$1.25 each and 25 per centum ad valorem; if having more than seventeen jewels, \$3 each and 25 per centum ad valorem;

Watchcases and parts of watches, chronometers, box or ship, and parts thereof, 40 per centum ad valorem; lever clock movements having jewels in the escapement, and clocks containing such movements, \$1 each and 40 per centum ad valorem; all other clocks and parts thereof, not otherwise provided for in this section, whether separately packed or otherwise, not composed wholly or in chief value of china, porcelain, parian, bisque, or earthenware, 40 per centum ad valorem; jewels for use in the manufacture of watches or clocks, 10 per centum ad valorem; enameled dials for watches or other instruments, 3 cents per dial and 40 per centum ad valorem;

Provided, That all watch and clock dials, whether attached to movements or not, shall have indelibly painted or printed thereon the country of origin, and that all watch movements, lever clock movements with jewels in the escapement, and cases of foreign manufacture shall have the name of the manufacturer and country of manufacture cut, engraved, or die-sunk conspicuously and indelibly on the plate of the movement and the inside of the case, respectively, and the movements shall also have marked thereon by one of the methods indicated the number of jewels and adjustments, said number to be expressed both in words and in Arabic numerals; and none of the aforesaid articles shall be delivered to the importer unless marked in exact conformity to this direction.

ACT OF 1913.

Watch movements, whether imported in cases or not, watchcases and parts of watches, chronometers, box or ship, and parts thereof, lever clock movements having jewels in the escapement, and clocks containing such movements, all other clocks and parts thereof, not otherwise provided for in this section, whether separately packed or otherwise, not composed wholly or in chief value of china, porcelain, parian, bisque, or earthenware, 30 per centum ad valorem; all jewels for use in the manufacture of watches, clocks, or meters, 10 per centum ad valorem; time detectors, 15 per centum ad valorem; enameled dials and dial plates for watches or other instruments, 30 per centum ad valorem;

Provided, That all watch and clock dials, whether attached to movements or not, shall have indelibly painted or printed thereon the name of the country of origin, and that all watch movements, and plates, lever clock movements, with jewels in the escapement, whether imported assembled or knocked down for reassembling, and cases of foreign manufacture, shall have the name of the manufacturer and country of manufacture cut, engraved, or die-sunk conspicuously and indelibly on the plate of the movement and the inside of the case respectively, and the movements and plates shall also have marked thereon by one of the methods indicated the number of jewels and adjustments, said numbers to be expressed either in words or in Arabic numerals; and if the movement is not adjusted the word "unadjusted" shall be marked thereon by one of the methods indicated; and none of the aforesaid articles shall be delivered to the importer unless marked in exact conformity to this direction.

FORDNEY BILL.

Watch movements, whether imported in cases or otherwise, assembled or knocked down for reassembling, if having less than seven jewels, \$0.75 each; having seven and not more than eleven jewels, \$1.25 each; having more than eleven and not more than fifteen jewels, \$2 each; having more than fifteen and not more than seventeen jewels, unadjusted, \$2.75 each; having seventeen jewels and adjusted to temperature, \$3.50 each; having seventeen jewels and adjusted to three positions, \$4.75 each; having seventeen jewels and adjusted to five positions, \$6.50 each; having more than seventeen jewels, adjusted or unadjusted, \$10.75 each;

Watchcases and parts of watches, chronometers, box or ship, and parts thereof, 35 per centum ad valorem; all jewels for use in the manufacture of watches, clocks, meters, or compasses, 10 per centum ad valorem; enameled dials for watches or other instruments, 3 cents per dial and 35 per centum ad valorem;

Provided, That all watch and clock dials, whether attached to movements or not, when imported shall have indelibly painted or printed thereon the name of the country of origin, and that all watch movements and plates lever clock movements with jewels in the escapement, assembled or knocked down for reassembling, and cases shall have the name of the manufacturer and the country of manufacture cut, engraved, or die-sunk conspicuously and indelibly on the plate of the movement and the inside of the case, respectively, and the movement and plates shall also have marked thereon by one of the methods indicated the number of jewels and adjustments, said numbers to be expressed both in words and in Arabic numerals, and if the movement is not adjusted, the word "unadjusted" shall be marked thereon by one of the methods indicated, and none of the aforesaid articles shall be delivered to the importer unless marked in exact conformity to this direction.

Provided further, That only the number of the jewels which serve a mechanical purpose as friction bearings shall be marked as herein provided.

DUTIES IN FORDNEY BILL NO HIGHER ON AVERAGE THAN PAYNE LAW.

The Payne Act of 1909 provided straight specific duties on the lower grades and mixed ad valorem and specific duties on the so-called higher grades.

The following is a comparison of the act of 1909 (showing converted specific duties on all grades taken from figures in Imports and Duties) with the specific duties provided in the Fordney bill.

It will be noted that 7-jewel movements were heretofore classified with clock watches. Under the Fordney bill watches having less than 7 jewels are classified separately. So that the so-called clock watch is not placed in the same classification with the 7-jewel movement.

The Fordney bill classifies 17-jewel movements according to adjustments. Under the Payne law an unadjusted 17-jewel movement was brought in under the same specific rate of duty as a 17-jewel movement adjusted to temperature and five positions, no account being taken of the adjustments which as shown by the brief attached are so potent in determining the value of these watches. A 17-jewel movement adjusted to temperature and five positions will cost to produce and will sell for more than three times what a 17-jewel movement unadjusted will cost to produce and will sell for.

The specific rates in the Fordney bill on 17-jewel movements adjusted and unadjusted are low in comparison with the converted specific rates in the Payne law because the converted rates were, without doubt, largely based upon the value of the unadjusted 17-jewel movements.

PAYNE LAW.

[Specific duties on all grades.]

Having not more than 7 jewels, 70 cents each; having more than 7 and not more than 11 jewels, \$1.35 each; having more than 11 and not more than 15 jewels, \$1.85 each; having more than 15 and not more than 17 jewels, \$1.25 and 25 per cent ad valorem, converted as follows:

Years.	Number.	Duties.	Specific duty.
1910.....	11,680	\$34,998	\$2.99
1911.....	17,182	48,589	2.82
1912.....	20,244	54,349	2.68
1913.....	16,860	51,890	3.07
1914.....	2,415	8,706	3.60

Having more than 17 jewels, \$3 and 25 per cent ad valorem, converted as follows:

Years.	Number.	Duties.	Specific duty.
1910.....	3,766	\$41,432	\$11.00
1911.....	5,410	55,036	10.17
1912.....	5,859	55,056	9.39
1913.....	5,549	56,776	10.60
1914.....	1,626	16,235	9.98

FORDNEY BILL.

Having less than 7 jewels, 75 cents each; having 7 and not more than 11 jewels, \$1.25 each; having more than 11 and not more than 15 jewels, \$2 each; having more than 15 and not more than 17 jewels, unadjusted, \$2.75 each; having 17 jewels and adjusted to temperature, \$3.50 each; having 17 jewels and adjusted to three positions, \$4.75 each; having 17 jewels and adjusted to 5 positions, \$6.50 each; having more than 17 jewels, adjusted or unadjusted, \$10.75 each.

GIST OF FORDNEY BILL CHANGES.

1. The Fordney bill—covers movements knocked down for reassembling.
2. Classifies clock watch separately.
3. Classifies 17-jewel movements according to adjustments.
4. Provides straight specific duties on all grades which are no higher on an average than the duties provided in the Payne law.

5. The duties are based on prewar conditions.

6. Carries the marking provisions practically the same as the provisions of the Payne and Underwood bills. The provisions of the Underwood bill as to marking are followed almost verbatim with the exception that the provision of the Payne law requiring the number of jewels to be marked both in words and Arabic numerals is adopted in the Fordney bill. This requirement is made for the purpose of stopping the fraud resulting from bringing a 17 jewel movement in marked "7" jewels and then engraving the numeral "1" in front of the numeral "7" after the movement has been cleared, thus defrauding the Government.

The following are the official figures furnished on February 10, 1921, by the United States Tariff Commission, showing imports of watches and parts for each year from 1895 to 1920:

1895	\$988, 004
1896	1, 086, 855
1897	1, 107, 080
1898	566, 674
1899	747, 729
1900	969, 406
1901	1, 117, 255
1902	1, 237, 562
1903	1, 443, 184
1904	1, 559, 428
1905	1, 737, 678
1906	1, 912, 811
1907	2, 134, 037
1908	1, 555, 944
1909	1, 406, 805
1910	1, 253, 008
1911	1, 637, 857
1912	1, 660, 857
1913	1, 951, 579
1914	2, 669, 200
1915	2, 301, 523
1916	2, 933, 964
1917	4, 975, 901
1918	8, 274, 853
1919	9, 215, 189
1920	12, 608, 624

STATEMENT IN SUPPORT OF PARAGRAPH OF THE FORDNEY BILL RELATING TO WATCH MOVEMENTS.

The Fordney bill, paragraph 367, is satisfactory to the interests represented.

It has been demonstrated and will not be seriously denied that American-made watch movements are as accurate and reliable timepieces as are manufactured anywhere in the world. From the standpoint of the consumer, American watches have many advantages over the foreign-made product. First of all, they are made in America by American workmen. The quality is uniform, repairs are more easily made because of the interchangeable material which is always available, and the American manufacturer of known reputation stands back of his product. There are no fake watch-movement manufacturers in this country. The American consumer, therefore, gains nothing by buying a foreign-made watch movement.

There is no combination in the business, and the fiercest competition as to quality and prices is evidenced everywhere, so that the public is assured the highest quality obtainable at the lowest possible price consistent with American wages and conditions. From 80 to 90 per cent of the cost of producing watch movements in America is labor. In the light of such conditions, is there any reason in the world why the American market should be turned over to the producers of foreign-made goods?

A circular recently issued by watch importers states that "about 70 to 90 per cent of almost every jeweler's watch business these days is in watches the movements of which are imported." The circular then attacks the Fordney bill in general terms both as to rates and marking provisions, but does not set out the facts in regard to the rates or the marking provisions.

Attached hereto is a comparison and analysis of the paragraph relating to watch movements in the act of 1909, act of 1913, and revision of 1921. Examination of the paragraphs and the analysis will show that the rates of duty in the Fordney bill are

on an average no higher than the rates of duty in the Payne Act of 1909. The marking provisions are practically the same as the marking provisions of the Payne law and the Underwood law. The only real material change or difference is to be found in the strengthening of the provisions that will require the importer to be honest and not cheat the Government and American consumers.

Bearing in mind that the rates are not materially higher than they were under the Payne law and that the marking provisions are practically the same, I call attention to the following official figures of the Tariff Commission showing the history of the importation of watches and parts during every year from 1895 to 1920. These official figures show that the importations of watches and parts increased from \$1,951,579 in 1913 to \$12,608,624 in 1920. The importers claim that they control from 70 to 90 per cent of every jeweler's watch sales. Therefore, the provisions of the Fordney bill being no increase over the Payne law and the marking provisions practically identical, the bill is certainly not unfair to the importer, to say the least.

In connection with the stamping provisions, particular attention is called to the exhibits attached hereto, Exhibit No. 1 showing the effect of stamping provisions on railroad time service with a statement by the general time inspector for American railroad systems that "to permit foreign watches to come into this country without such markings is tempering dangerously with human life and property."

American watch manufacturers in making their recommendations to the Ways and Means Committee made it very plain that all they asked was to have the difference in the cost of production at home and abroad equalized on the basis of prewar conditions. They are seeking no special advantages or special favors. They recommended that duties be provided and that markings be required that will protect the consuming public and the Government against undervaluations and frauds and afford reasonable protection to the American manufacturer and employer of labor.

Some of the recommendations of American manufacturers were adopted by the Ways and Means Committee. Others were rejected. A number of hearings were had before the Ways and Means Committee in charge of the metal schedule. A great deal of evidence was submitted upon every point raised and every change made.

I shall take up in detail the changes that were made in the paragraph, setting out as clearly as I can the facts and arguments submitted in support of such changes.

ANALYSIS OF WATCH PARAGRAPH IN FORDNEY BILL AS COMPARED WITH THE PAYNE LAW.

Knocked-down movements: The words "assembled or knocked down" are added in the third line. Testimony submitted before the Ways and Means Committee showed that quite a business has been built up in this country through a system put into operation for the purpose of evading the payment of duties on completed watch movements.

Foreign-made movements which have been completed and timed are taken apart before being shipped to the United States and for the purpose of evading the duty are brought into this country as material, afterwards being assembled and sold in competition with American watches.

The following affidavit, which is part of the record of the testimony submitted to the Ways and Means Committee, explains fully the system, and the words "assembled or knocked down" added in the third line we believe will, to some degree, remedy and make impossible the continuation of this fraud upon the Government:

STATE OF ILLINOIS, *County of Sangamon*, ss:

Jacob Bunn, being sworn, says that he is the president of the Illinois Watch Co., of Springfield, Ill., a manufacturer of watch movements; that the accompanying watch movement, No. 100,090, being a 21-jewel movement of Swiss manufacture, was purchased in the city of Chicago for \$3; that affiant is informed that said watch movement was imported into this country "knocked down"—that is, all the parts of said movement were, according to affiant's information, brought in as watch material, on which there is a duty of from 10 per cent on jewels to 40 per cent on other parts. According to affiant's said information, all the parts sufficient to make said complete watch movement were brought in at a valuation of less than 65 cents. Affiant was informed further that said watch movement was imported by the "Arrow Watch Co., Chicago."

Affiant says that the model for said watch movement is an exact copy of a watch movement being manufactured by the Illinois Watch Co. and known as the Illinois Watch Co.'s recent 16-size bridge model. The Illinois Watch Co.'s imports for the recent 16-size model above referred to are the jewels (which in a grade similar to the accompanying movement would be 21 jewels), a balance, a mainspring, a hairspring, and three hands. Affiant says that the material alone which the Illinois Watch Co. imports for said movement is brought in at a valuation of over 70 cents, which, according to the information of affiant, is more than the value placed upon the entire watch movement accompanying this affidavit, imported as aforesaid. Affiant says that said accompanying watch movement was taken down in the factory of the Illinois Watch Co., and that each of the plates of said watch movement has a corresponding number, which is conclusive evidence to affiant that said movement was assembled and timed and adjusted (if it is adjusted, it being engraved adjusted to positions) in Switzerland. Affiant says that he showed the material in said movement to an importer, and that said importer informed affiant that the material in said movement is undervalued from 400 to 500 per cent.

JACOB BUNN.

Subscribed and sworn to before me this 3d day of February, 1913.

D. H. IRWIN, *Notary Public*.

Classification: Watch movements having less than seven jewels are classified separately, and the Fordney bill provides such a classification in the following language: "If having less than seven jewels, 75 cents."

Clock watches, which are known as the dollar watch, but which range in price anywhere from \$1 to \$3, contain no jewels. The value of the clock watch is determined upon an entirely different basis than the value of jeweled watches, as will be hereinafter explained.

American watches are nearly all jeweled as follows:

Seven-jewel grades have balance upper and lower end stones, balance upper and lower hole jewels, receiving and discharging pallet jewels, and a roller jewel.

Eleven-jewel grades have balance upper and lower end stones, balance upper and lower hole jewels, receiving and discharging pallet jewels, a roller jewel, third upper, fourth upper, escape upper, and pallet arbor upper hole jewels.

Fifteen-jewel grades have balance upper and lower end stones, balance upper and lower hole jewels, receiving and discharging pallet jewels, a roller jewel, third upper and lower, fourth upper and lower, escape upper and lower, and pallet arbor upper and lower hole jewels.

Seventeen-jewel grades have balance upper and lower end stones, balance upper and lower hole jewels, receiving and discharging pallet jewels, a roller jewel, and the third pinion, fourth pinion, escape pinion, pallet arbor, and center staff upper and lower pivots are journaled in hole jewels.

Nineteen-jewel grades have balance upper and lower end stones, balance upper and lower hole jewels, receiving and discharging pallet jewels, a roller jewel, and the third pinion, fourth pinion, escape pinion, pallet arbor and center staff, barrel arbor upper and lower pivots are journaled in hole jewels.

Twenty-one-jewel grades have balance upper and lower end stones, balance upper and lower hole jewels, receiving and discharging pallet jewels, a roller jewel, upper and lower third and fourth hole jewels, upper and lower escape pinion hole jewels and end stones, upper and lower pallet arbor hole jewels and end stones, upper and lower center staff hole jewels.

Twenty-three-jewel grades have the same jewels as 21-jewel movements, with the exception of two additional jewels for the barrel arbor pivots.

It would be impossible to determine the exact number of jewels in a watch movement without removing the dial and hands, and this may cause trouble of various kinds, as there is always the liability of disturbing the adjustments, breaking dials, pivots, jewels, etc., and the rating of the watch should be tested again to insure its being in good condition.

This change in the classification we approve:

Classification complete: Watch movements have been classified, for tariff purposes in the past, as follows: Having not more than 7 jewels, having more than 7 jewels and not more than 11 jewels, having more than 11 jewels and not more than 15 jewels, having more than 15 jewels and not more than 17 jewels, and having more than 17 jewels.

Seventeen-jewel movements are made unadjusted, adjusted to temperature, adjusted to three positions, and adjusted to five positions. All movements containing over 17 jewels are perhaps universally adjusted, being adjusted to temperature and to position; while movements containing less than 17 jewels are known as the lower-grade

movements, and are seldom adjusted. In order to make the classification of watch movements complete, therefore, 17-jewel movements should be classified as follows: Seventeen jewels, unadjusted; 17 jewels, adjusted to temperature; 17 jewels, adjusted three positions; and 17 jewels, adjusted five positions.

A 17-jewel movement adjusted to temperature and five positions will cost to produce and will sell for more than three times what a 17-jewel movement unadjusted will cost to produce and will sell for, so it is apparent that a classification of 17-jewel movements as contained in the Fordney bill will remedy a serious defect in former laws. The difference in the cost of production is due almost solely to the cost of labor in adjusting the movement. Under the Dingley Act, as well as the act of 1909, an unadjusted 17-jewel movement is brought in under the same rate of duty as a 17-jewel movement adjusted to temperature and five positions, no account being taken of the adjustments which are so potent in determining the value of these watches.

The classification in the Fordney bill can be considered complete for all practical purposes and would cover every kind and grade of watch movement manufactured: Having no, or less than 7 jewels; having 7 jewels and not more than 11 jewels; having more than 11 jewels and not more than 15 jewels; having more than 15 jewels and not more than 17 jewels, unadjusted; having 17 jewels, adjusted to temperature; having 17 jewels, adjusted three positions; having 17 jewels, adjusted five positions; and having more than 17 jewels.

It will be observed from the foregoing that watch movements are capable of a very simple and, at the same time, complete classification, because the grade of all watch movements and their approximate value is determined by the number of jewels each watch movement contains, together with the number of adjustments.

We urged before the committees of Congress in 1908 and 1909 that, in view of the simple classification above outlined and in view of the evidence submitted of cases of flagrant undervaluations, the ad valorem duties provided in the Dingley law on all grades of watch movements should be dropped and a straight specific duty should be provided on all grades. This suggestion was adopted as applied to the lower grades of watch movements, but the old combination specific and ad valorem duty was retained on the higher grades, where the temptation to undervalue the movement is so much greater. The Fordney bill contains the complete classification.

Methods of adjustment: We quote from the opinion of V. S. Corey, superintendent of the Hamden Watch Co., in regard to adjustments. His opinion is printed in tariff hearings.

"Seventeen-jeweled watch movements are not always adjusted, some of them being merely timed to run within a few seconds per day; others are adjusted to temperature only; some to temperature and three positions; and some to temperature and five positions. Nineteen, 21, and 23 jeweled watches are usually adjusted to temperature and five positions.

"Adjusted to 'temperature,' 'isochronism,' and 'position' are terms used in connection with watches which have been given the following treatment, and all movements adjusted to position are adjusted to isochronism: After the watches have been assembled they are run for a period of time, usually 24 hours, to ascertain whether the arcs of vibration of the balance are maintained within a certain limit. Isochronism, as applied to watches, means that when the long and short arcs of vibration of a balance are made in equal time, irrespective of whether the mainspring is fully wound or nearly run down, the hairspring which assists in the control of the balance is isochronal or isochronous. There are, however, certain influences which may disturb the isochronous spring, as a defective action of the escapement, difference in size of pivots, change in the weight of a balance, or a variation in the motive force.

"The movements are placed in a box constructed with a thermostat or regulator, which keeps a uniform temperature of about 102° F., for the purpose of adjusting them to temperature. After running in this box for a number of hours a note is made of the effect of the heat, and the watches are then placed in another box having a temperature of 34° F., and another run is made and the variation, if any, noted. If the watches show a variation in these extremes of temperature, changes are made in the position of the screws to compensate for the error. If this is not accomplished in one trial, similar treatment must be given them until they run correctly.

"In making the changes in the temperature adjustments, moving the screws to correct the error will, in most cases throw the balance 'out of poise.' This necessitates reposing the balance before proceeding with the position and test. The watches are then run with the pendant vertical and timed in this position until they run within a few seconds in 24 hours. The watch is ready at this time to be put through the tests for position rating, and is run for 24 hours with the dial up, and a notation made of its rate in this position. The movement is then run with the dial down for 24 hours, and its rate taken as before. In the third test the watch is run for 24 hours with the pend-

ant upright, and a record is made of its performance in this position. The fourth position test is with the pendant in a horizontal position, turned to the left, and a run of 24 hours is again made and its rate noted. The fifth position is with the pendant turned to the right, in a horizontal position, and the 24-hour run is made as before, and its rate recorded. After making these tests it is often found that the watches do not run within the required limit, and the watches are turned over to expert workmen, known as 'position men,' who make changes which, by long experience, have been found necessary to correct the errors which may have been caused in various ways, as hairspring being soft, not properly trued; defective collecting, studding, brequeting, and leveling of the hairspring; or it may be that the hairspring is not free between the regulator pins; the balance pivots may differ in size or be damaged in handling; and the hole jewels may not be well polished; or there may be too little or too much freedom between the pivots and the jewels, either in their annular bearings or between the end stones.

"The fork and roller action may be defective; the escapement may not be properly banked, the draft of the pallets may be unequal, the lock may be too strong or too light. The wheels and pinions of the train may be defective, or the pivots of the pinions may not be free in the jewels. Jewels may be set out of upright, or may be chipped or cracked.

"A mainspring with poor temper may cause much trouble, or the wheels which carry the hour and minute hands may be defective. After the changes which have been found necessary are made the movements are again run in the five positions mentioned before, and it is not an unusual thing that a watch may require this treatment many times, and it frequently takes several months before it will run within the required rating.

"The material used in manufacturing watch movements, with the exception of the jewels and settings, does not differ greatly in quality in the high and low grades, the nickel plates, brass wheels, steel from which the pinions, screws, springs, and wheels are made being of the same quality in high or low grade watches."

Duties: The Fordney bill provides specific duties only on all grades of watch movements. That watch movements are different from any other article with which the Congress has had to deal is clearly set out in a statement made January 26, 1912, on the floor of the House of Representatives, by Hon. A. Mitchell Palmer. His speech is reported on page 1432 of the Congressional Record, from which I quote the following:

"The only articles covered by the metal schedule where an ad valorem system of duties would be likely to result in serious undervaluations are cutlery and watches. The danger is possibly greater in respect to watches than any other articles in the tariff law. A watch movement is an extremely delicate piece of machinery, and its grade and approximate value are determined by whether or not it has been subjected to certain processes of manufacture which can not readily be discovered by the appraisers. The number of jewels and adjustments has always been and will continue to be the true standard for determining the value of the movement. The lowest grade of movements, as classified under the present law, are those having seven jewels or less, and the importations of these at the average unit of value of only \$1.07 have been very extensive. These cheap watches are seldom, perhaps never, adjusted to either temperature or positions, but the higher grade movements, containing more than seven jewels are largely adjusted either to temperature or to positions, and the best watches, containing 17 jewels or more, are all adjusted both to temperature and to five positions. These adjustments require a long time in the manufacture and add much to both the cost and the value of the watch. No appraiser, however skilled, could determine the fact as to these adjustments and the consequent effect upon importing value by an examination of the movement however critical.

"Not even by taking the watch apart, which is obviously not practicable but which it would be necessary to do to determine the number of jewels, could the adjustments be discovered. In consequence, solely for the purpose of preventing fraud and undervaluations and to assist in the administration of the law, we have retained all the marking provisions of the present law and have amended them so as to require the plate to be marked if the watch movement is imported 'knocked down.' Under the present law the provision as to marking has been evaded by importing the movements in parts and assembling them here after importation. It is believed this new provision will, to a large degree, stop this practice and make it possible for the Government officers to assess and collect all the revenue on these articles which the law intends shall be paid."

Ad valorem rates of duty are bound to lead the importer to resort to fraudulent practices, because, as Mr. Palmer says, "No appraiser, however skilled, could determine the fact as to these adjustments and the consequent effect upon importing value by an examination of the movement, however critical."

Watch movements, because of their intricate construction, being in a class by themselves, it being impossible to determine their value by inspection, offer to the importer the opportunity for undervaluation, and without rigid stamping provisions and specific duties the door is left open for fraud which can not be detected. The only safeguard for undervaluations is a specific duty and comprehensive provisions as to stamping, such as are provided in the Fordney bill.

Rates of duty: The information submitted in regard to rates of duty, cost of production, etc., under the Ways and Means Committee was based entirely upon prewar conditions. The rates of duty in the Fordney bill, as shown by the comparison, are no higher than the duties provided in the Payne law, as the specific rates upon the higher grades are practically the same as the combined specific duties collected during the operation of the act of 1909, as the converted figures show.

The Dingley law provided mixed duties, specific and ad valorem, as follows: 7-jewel, \$0.35 and 25 per cent ad valorem; 11-jewel, \$0.50 and 25 per cent ad valorem; 15-jewel, \$0.75 and 25 per cent ad valorem; 17-jewel, \$1.25 and 25 per cent ad valorem; over 17-jewel, \$3 and 25 per cent ad valorem.

Converting these figures into straight specific duties, we have the following: 7-jewel, \$0.59; 11-jewel, \$1.01; 15-jewel, \$1.67; 17-jewel, \$3.19; over 17-jewel, \$10.73.

The above calculations are made by taking as a basis therefor the average declared values in each classification of all watch movements imported into this country under the Dingley law, which figures are taken from the Government's report entitled "Imports and duties."

Under the Dingley law and the act of 1909 there was no distinction made in the classification between so-called clock watches, or watches having no jewels, and 7-jewel watches. In other words, they all came under the same classification, namely, having seven jewels or less, the result being that the unit of value of the low-grade watches in this classification was very materially reduced, which accounts for the fact that under the Dingley law the combined specific and ad valorem duty of 35 cents and 25 per cent ad valorem figured only 59 cents. The duty was increased under the act of 1909 to 70 cents straight specific on these grades of movements.

The amount of 70 cents is not a fair basis on which to determine the protection that should be afforded the 7-jewel movement, for the reason that it applied also to clock watches of much lower value. To correct this inequity and to afford an accurate classification, the suggestion was made and adopted in the Fordney bill that 7-jewel movements be classed with 11-jewel movements and that clock watches and all watches having less than seven jewels be classed separately. The amount of \$1.25 specific duty, as provided in the Fordney bill on movements having 7 jewels and not more than 11 jewels is a fair rate and would be a rate that is not in excess of the duty provided in the act of 1909 because the specific duty of 70 cents under the act of 1909 included low-value clock watches.

Ladies' small-size movements: It is well known that American manufacturers have not been able to compete with foreign manufacturers on ladies' small-size watches, and, therefore, foreign manufacturers have in this country almost a monopoly in that business. In order to encourage American manufacturers in producing the small-size ladies' watch we suggest that the following provision be added doubling the duty on these grades.

"*Provided*, That all watch movements whose diameter on the dial side is 1 inch or less the duty shall be twice the duty hereinbefore provided on each grade."

Marking provisions: The act of 1909 was the first tariff act to provide comprehensive stamping provisions for watch movements. That part of the paragraph was written after an exhaustive investigation and the submitting of testimony showing the frauds that were being perpetrated by importers of foreign-made watches resulting in a loss of revenue to the Government and in practically vitiating the protection to American manufacturers. We attach as Exhibits Nos. 1 and 2 the following upon this subject:

Copy of letter of Webb C. Ball, general time inspector for American railroad systems, mileage of over 100,000 miles: "To permit foreign watches to come into this country without such markings is tampering dangerously with human life and property" (p. 41).

Letters and affidavits in regard to exhibit fraudulently marked "Time Ball Special," etc., detected in the hands of employee of Chicago, Burlington & Quincy Railroad Co.

Letter from Hamilton Watch Co., in regard to fraudulently marked Swiss movements.

Affidavit of George E. Hunter in regard to fraudulently marked Swiss movements.

ACT OF 1913.

The stamping provisions of the act of 1913 were strengthened in a number of particulars. However, there was one change made in the Underwood law which weakened the stamping provisions of the Payne law, and the Fordney bill restores the Payne law provisions.

The act of 1909 provided for the marking of the number of jewels and adjustments upon watch movements, said number to be expressed "both" in words "and" in Arabic numerals. If the importers were able to carry out the marking provisions of the Payne law during the years it was in operation, which provided that the number of jewels and adjustments should be expressed both in words and in Arabic numerals, they certainly would be able to do it under the provisions of the Fordney bill, which are identical. It has been demonstrated by the United States Mint at Philadelphia that on a piece of metal the size of a dime the entire Lord's Prayer can be die sunk, and an exhibit of that kind will be submitted with this brief. The act of 1913 changed the provision of the act of 1909 providing that the number of jewels and adjustments could be marked in "either" words "or" Arabic numerals, the effect of which change was that a 17-jewel movement could be imported stamped merely with the numeral 7 and the duties paid accordingly, it being a simple matter to engrave the numeral "1" in front of the numeral "7," making it "17" after the movement had been cleared, thus defrauding the Government without any very great danger of detection. By providing that the number of jewels and adjustments should be marked both in words and in Arabic numerals the possibility of such a fraud is eliminated.

DEFINITION OF JEWELS.

The Fordney bill provides at the end of the paragraph a definition of jewels which will materially strengthen the law. It is a common practice for manufacturers of fake goods to place upon watch movements jewels which serve no mechanical purpose which are made of celluloid and, therefore, are not jewels at all, but which are fraudulently represented to be frictional bearings.

Jewels that determine the value of watch movements must serve a mechanical purpose as frictional bearings. The exhibit attached above referred to marked "No. 2," should convince anyone of the importance of the marking provisions.

We believe that if the various provisions of the Fordney bill, paragraph 367, are adopted they will not only serve to protect the American manufacturer by insuring the honest collection of the duties provided but will increase the revenue to the Government. No honest importer or manufacturer can object to them and all who are interested in square dealing and honest merchandising should approve of them. They will protect the honest merchant, the honest manufacturer, and the public.

OFFICIAL RAILROAD TIME SERVICE AND WATCH INSPECTION.

CLEVELAND, OHIO, May 29, 1909.

HON. T. E. BURTON,
United States Senator, Washington, D. C.

DEAR SIR: Again referring to that part of the tariff bill which has a bearing on the importation of Swiss watches, I wish to give you some further information on the subject.

For 20 years I have had charge of the time service and watch inspection departments for several important American railroad companies, and at the present time I am general time inspector for the following lines: Union Pacific Co., Southern Pacific Co., Illinois Central Railroad Co., Baltimore & Ohio Railroad Co., Missouri, Kansas & Texas Railway Co., Oregon Railroad & Navigation Co., Rock Island lines, and companies under their control; all the Vanderbilt lines, besides several other large systems, the mileage of which run considerably over 100,000.

You can readily understand this large territory, extending from Boston in the East to San Francisco in the West, and from New Orleans in the South to St. Paul in the North, embraces the most important part of the United States, and the experience I have gained in connection with the administration of this service has acquainted me with all the different makes and qualities of watches of American manufacture, as well as foreign, that are brought into service in the way of timepieces which govern the movement of trains.

The provisions in paragraph 189 of the tariff bill requiring the name of the manufacturer and location, together with the number of jewels and adjustments, be plainly stamped on all imported watch movements, I consider of the greatest importance as a safeguard to the railroad time service and watch inspection now in operation on American railroads, and it applies as well to the safety of the traveling public and the shippers who patronize these railroads.

To permit foreign watches to come into this country without such markings is tampering dangerously with human life and property.

Hundreds of fraudulent Swiss watches are sold to railroad employees who are directly responsible for the transportation of their fellow employees and the traveling public and the shipping of live stock and merchandise.

It is a well-understood fact that certain American-made watches fully meet all requirements of railroad standard watches, and one of the greatest hazards we have to contend with as time inspectors is the Swiss-made watches bearing markings counterfeiting well-established railroad standard watches and which railroad employees are induced to purchase through fraudulent means and misrepresentation.

No complete has been the deception in many instances that our local watch inspectors, who are not experts, due to the fact of their being located in inland towns and not having had experience, these counterfeit watches frequently get into service and remain in the hands of employees sometimes for several months before finally being detected and taken out of service.

Nothing is more important in the safe and prompt movement of railroad trains than reliable watches in the hands of employees in charge of such trains.

A watch can truly be classed as a valuable "safety appliance," for without such watches every wheel would stop.

An instance of this kind occurred quite recently. I refer to the extraordinary-snowstorm and blizzard that swept over the country on the 4th of March last, at the time of the inauguration of President Taft.

Nearly everyone traveling to Washington has a keen recollection of the delay and the hazard involved in the movement of trains, due to the fact that telegraph wires were all down and communication in that direction was entirely cut off, and employees in charge of trains were obliged to depend absolutely on the correct reading of the watches in their pockets. The truthfulness of this statement can be verified by inquiring of some of the prominent officials whose trains were delayed, due to the extraordinary weather conditions.

As general time inspector for the important railroad lines above enumerated, I have about 1,000 watch inspectors located at the terminal points along these lines, who inspect and look after the rating of the watches of the employees, under instructions issued from my department, approved by the operating officers of the different lines.

At the large cities it is easy to secure competent expert watch inspectors who are thoroughly familiar with all the different makes and grades of watches, but at the inland, small points, we find great difficulty frequently in securing competent, experienced watch inspectors, and we are obliged to keep check on such points by sending over the lines, at frequent intervals, traveling expert watch inspectors who check up the work of these inland inspectors and instruct and educate them as to their duties and the proper way to handle the service.

I have a large corps of assistants who are skilled in this kind of work and, in order to properly administer the service, offices are maintained in Cleveland, Chicago, and San Francisco.

The duties of my assistants connected with these offices are to check up the records of the local inspectors and see to it that the employees' watches are of the proper standard and maintained in reliable timekeeping condition, thereby safeguarding the traveling public, the shippers, the employees, and the railroad companies' interests.

From this general outline you will understand the importance of securing for this service watches about which every hazard of doubt and uncertainty is reduced to the minimum.

I have before me a Swiss-made watch which was brought into my office yesterday by a man who loaned a railroad employee \$5 on the watch. The markings on this watch are as follows: "Missouri Pacific," "Specially adjusted," "Extra quality," "Highly 21 jeweled," "Swiss." I find it has five jewels made of glass and the center jewel, one of the most important bearings in the watch, has the appearance of a ruby, but upon examination we find it is made of red wax.

The markings on this watch indicate that the figures giving the number of jewels at "21," were stamped on the plates after the watch passed through the customhouse. This is certainly one of the worst frauds that has come under my observation.

I have another watch movement before me which was recently detected in the hands of a railroad employee. It bears the following markings on the plates: "Bell special," "23 Ruby jewels," "Adjusted." On the dial is also marked "Bell special." The number "23" was stamped on this watch evidently after it passed through the customhouse, as it is a very rough job, while the other lettering is plain and well done. This watch has only seven glass jewels. The general inside finish of both watches, and under the dial, is very rough and poor.

During the years I have had charge of this time service work we have detected and taken out of service hundreds of such dangerous machines, and I do not know of

any greater protection that can be afforded the traveling public, the shippers, the employees, and the railroad companies than the enforcement of the provisions in paragraph 189 of the tariff bill; and, furthermore, these same provisions will protect the integrity and high standing of reliable Swiss manufacturers who have spent large sums of money and years of patient skill and experience to produce watches that can be depended on and have gained a world-wide reputation. Certainly no harm can come to them or American merchants and their customers by having the provisions in paragraph 189 of the tariff bill fully complied with.

I wish to further state, if the provisions of this tariff bill in regard to the stamping of Swiss watches are fully complied with, it will render valuable assistance to the time service department in maintaining the service along such lines as will bring the highest degree of efficiency and safety to the railroads and the important interests involved in connection therewith.

Yours, truly,

WEBB O. BALL,
General Time Inspector.

Mr. E. O. FITCH,
President Waltham Watch Co., Waltham, Mass.

CLEVELAND, OHIO, February 20, 1909.

DEAR MR. FITCH: Attached herewith please find two letters from E. J. Heather, employed by the Chicago, Burlington & Quincy Railroad Co., at Peruque, Mo., that recite his experience with the Swiss counterfeit watch which you have, and indicating that he purchased it under the impression that he was securing one of our "Ball Railroad Standards."

You can understand that the manufacturers of this counterfeit have provided a very good opportunity for misrepresentation by stamping their movement "Time Ball Special."

Here is a definite instance where the employee of a large railroad system, thinking to secure one of our watches, was deceived into purchasing a worthless imitation.

Yours, very truly,

THE WEBB O. BALL CO.,
Per S. Y. BALL.

CHICAGO, BURLINGTON & QUINCY RAILROAD CO.,

The WEBB O. BALL WATCH CO.,
Cleveland, Ohio.

Peruque, Mo., February 7, 1909.

GENTLEMEN: Your letter of February 5. So far the watch has not showed up. The only thing I will do I will accept your check for \$5. Nothing less goes for the watch. I can get that much for it here, as that 21 J. will sell it. Please return watch or mail your check.

Yours, truly,

E. J. HEATHER.

The WEBB O. BALL WATCH CO.,
Cleveland, Ohio.

PERUQUE, MO., February 17, 1909.

DEAR SIR: You asked for the particulars as how I came in possession of the "Ball Special" watch I sent you for examination as to the value and for cleaning. I bought this from one man and a boy. They were dressed fairly good, but claimed they were out of funds and wanted to get to St. Louis and offered the watch in question for sale at a sacrifice, so they put it, claiming that it was "Ball Special," with 23 jewels, and was worth, or cost them, as near as I remember, about \$20, and that it was a number one watch, etc. But before I bought I called up a man over the phone who handles watches as a side line and he told me that the Webb O. Ball Watch Co. was good, of course. I thought I was getting something for nothing and supposed the watch was a regular Webb O. Ball.

Yours, truly,

E. J. HEATHER.

AFFIDAVIT OF EDWARD A. MARSH.

I have this day made a careful and detailed examination of a watch movement, on the top plate of which is stamped the number 172,654; also the following words: "Time Ball Special," "Nonmagnetic," "Six positions," "Highly 23 jeweled"; also the word "Swiss." On the steel cap covering a portion of the regulating mechanism is stamped the word "Adjusted." On the dial are the words "Time Ball Special" and "Jeweled" in Roman letters, and over the second circle the word "Adjusted" in script.

This movement would be briefly described as "18 size, open face, full plate, stem winding, and lever setting."

The construction would be technically known as a "4 pillar model," with a "right-angle escapement" and "going barrel."

In detail it is described as follows: The plates and bridges are of brass, but plated to represent, or imitate, nickel—that being the metal used in the majority of American watches and used exclusively in the higher grades.

The workmanship throughout is coarse and the finish is cheap. The top plate contains four jewels, which are set in the plate itself, although there is an attempt to represent separable settings by surrounding the jewels by circular lines and by the insertion of screws, such as are used in high-grade American watches, to secure the jewel settings in place. The balance cock contains the usual two jewels—a "hole" jewel and an "end stone." The lower plate contains no jewels.

The potance, or lower support of the balance staff, contains one whole jewel corresponding to that in the cock, or upper support of the balance staff, but in place of a jewel end stone, a flat steel disk is used. The pallet (which in all ordinary American watches contains two jewels, which act upon the teeth of the escape wheel) has no jewels at all. The roller, in place of the ordinary "jewel pin," has merely a piece of brass wire. The entire number of jewels, contained in this movement is seven, instead of 23, as stamped on the top plate. Note that the figures "23" are not stamped, but were evidently engraved after the watch passed the customhouse. The body of the balance wheel is composed of a single piece of nickel instead of being bimetallic, as in the regular compensating balances. The rim screws in the balance are really imitation screws. The hairspring is so badly out of proper shape as to be entirely unreliable, and would render impossible any adjustment of the watch to varying positions. Concerning the markings on the top plate, it seems evident that the word "highly" and the word "jeweled" were widely separated, for the purpose of fraudulently inserting a fictitious number, so that while this movement could be invoiced as a "seven jewel" movement, it could, after customhouse inspection, be engraved to describe, represent, or indicate any desired number of excess of seven. The difference in the appearance of the figures and the words between which they appear gives strong evidence that this was done. Furthermore, it seems evident that the name "Time Ball Special" was adopted and used to mislead purchasers into the belief that they were buying a watch commonly known as the "Ball Railway Special," Mr. Webb C. Ball being chief time inspector on 70 of the railroads of the United States, covering more than 60,000 miles. This belief is confirmed by the accompanying letters from E. J. Heather and Webb C. Ball, the official time inspector above mentioned. While the word "Nonmagnetic" is not absolutely false in fact, its insertion with other markings, which are entirely false, justifies the assumption that it was used with the intent to deceive and mislead the ignorant purchaser.

But more serious than the fraud and its accompanying pecuniary loss to the purchaser of such watches, is the danger to life of the traveling public, if such watches find even temporary use in railway service. It is to insure safety in the operating of railway trains that systematic time inspection has been established on most of the American railway systems. It is, therefore, little short of criminal to issue inferior watches, which are so marked as to deceive any portion of the public.

EDWARD A. MARSH.

WALTHAM, MASS., February 25, 1909.

COMMONWEALTH OF MASSACHUSETTS, *Middlesex, ss:*

WALTHAM, February 25, 1909.

There personally appeared the above named Edward A. Marsh and made oath that the above statement by him subscribed is true.

Before me,

ROMNEY SPRING, *Justice of the Peace.*

HAMILTON WATCH CO.,
December 31, 1908.

HON. SERENO E. PAYNE,

*Chairman of the Committee on Ways and Means,
House of Representatives, Washington, D. C.*

DEAR SIR: We desire to submit to you the following facts in reference to the frauds upon the public practiced by the importers of certain foreign watches.

In this country there is a careful system of inspection of watches designed for use on railroads, and a certain standard of excellence has been established. To conform to this standard a watch must have at least 17 jewels and be adjusted to heat and cold and to three positions. The requirements often go further than this, and call for 23

jewels and adjustment to heat and cold and five positions. As a result, railroad watches are generally understood by the consumer in this country to be watches of a very high grade. Advantage is taken of these facts, and the public are deceived by the following devices:

1. The use of fictitious names and initials to simulate the names of well-known American manufacturers of railroad watches. An example of this form of deception is shown in Exhibit F, which is a Swiss watch movement in a pasteboard submitted herewith. On this watch movement are the initials "H. W. Co.," and in Exhibit E, which is marked "J. P. Hamlin." Both of these movements are intended to be sold as watches by the Hamilton Watch Co. No such person as John P. Hamlin is believed to exist in Switzerland, and it is obvious that a purchaser might readily mistake a "Hamlin" watch for a "Hamilton" watch. The significance of the mark "H. W. Co." requires no comment.

2. The use of pictures of locomotives on the dial and the use of such names as "Railroad Trainmen Special," "Engineers' Special," "Railroad Special." Exhibits A, B, C, and D are so marked. The only purpose of this marking is to induce the public to believe that they are buying a watch of the grade generally known in this country as a railroad watch.

3. The use of the terms "heat and cold" and "six positions," these words convey the impression that the movements on which they are stamped are adjusted to heat and cold and to six positions, which is not the fact. American-made movements which are so adjusted cost at least ten times as much as the movements in question.

4. The employment of the terms "highly jeweled" and "richly jeweled," with a blank space for engraving, after passing the customhouse as a low-jeweled movement, the words "19-21-23" intending to convey the idea that they are movements containing that number of jewels. For an example of this see Exhibit E, where the letters "21" have been stamped after importation. We particularly direct your attention to this exhibit and to the way in which the letters "21" are placed upon the movement. It is palpable that "21" and "highly jeweled" were not stamped on this movement at the same time.

The cost to the jobber of the various exhibits submitted herewith are as follows:

Railroad Special, Exhibit A.....	\$1. 65
Railroad Trainmen Special, Exhibit B.....	1. 65
Engineers' Special, Exhibit C.....	1. 65
Hartford, Exhibit D.....	1. 65
J. P. Hamlin, Exhibit E.....	1. 75
H. W. Co., Exhibit F.....	1. 70
H. W. Co., Exhibit G.....	1. 57½

If such fraudulent movements should be sold at all at retail a reasonable profit would be from 25 to 33 per cent, but by reason of the deception practiced they are sold to the innocent consumer at a profit between 500 and 1,000 per cent. The cheapest genuine railroad watch movements are sold to the jobber from \$16 to \$18.

The watch movements submitted as exhibits are, in fact, not highly jeweled, nor adjusted to different positions, nor are they in any respect well made. These movements have been carefully examined by Mr. Hunter, of the Elgin Watch Co., and his affidavit, showing in detail the results of his examination, is hereto annexed and marked "Exhibit A."

Very truly, yours,

HAMILTON WATCH CO.,
By CHAS. D. ROOD, *President.*

AFFIDAVIT OF GEORGE E. HUNTER.

STATE OF ILLINOIS, *County of Kane, ss:*

George E. Hunter, of lawful age, being first duly sworn, upon oath deposes and says that he is the general superintendent of the factories of the Elgin National Watch Co., at Elgin, county of Kane, and State of Illinois, that he has examined the seven watch movements which are herewith transmitted under notarial seal, and that the memorandum hereto attached is a correct statement of his findings therein.

And further this affiant saith not.

GEORGE E. HUNTER.

Subscribed and sworn to before me this 28th day of December, A. D. 1908.

MORTIMER S. ALDRIDGE,
Notary Public.

Memorandum of examination of Swiss watch movements, in boxes, marked "A," "B," "C," "D," "E," "F," and "G" and belonging to the Philadelphia Watch Case Co.

Movement in box marked "A":

Stamping: On top plate pieces "R. R. Special," "Specially Adjusted."

Jeweling: Total number of jewels in this movement is 7, distributed as follows:

Top plate (third, fourth, escape and pallet, pivot holes, one each).....	4
Lower plate (balance pivot hole, no end stone).....	1
Balance bridge (balance pivot and end stone).....	2
No jewels in roller or pallet.	

A piece of red celluloid or similar substance surrounds upper center pivot hole, to imitate a jewel. The pivot actually runs in the brass plate.

Balance: This is of the compensation type, with bimetallic (steel and brass) rim. The rim is not cut.

Hairspring: Composition.

Escapement: Double roller.

Adjustment: This movement is not adjusted in the ordinary acceptance of the word.

Movement in box marked "B":

Stamping: On top plate pieces "R. R. Trainmen's Special," "Non-magnetic," "Adjusted," "Highly jeweled."

Jeweling: Total number of jewels in this movement is 7, distributed as follows:

Top plate (third, fourth, escape, and pallet pivot holes, one each).....	4
Potance (balance pivot hole, no end stone).....	1
Balance bridge (balance pivot hole and end stone).....	2
No jewels in roller or pallet.	

Balance: Solid. German silver.

Hairspring: Composition.

Escapement: Single roller.

Adjustment: This movement is not adjusted in the ordinary acceptance of the word.

Movement in box marked "C":

Stamping: On top plate pieces, "Engineers' special," "Adjusted."

Jeweling: Total number of jewels in this movement is 7, distributed as follows:

Top plate (third, fourth, escape, and pallet pivot holes, one each).....	4
Potance (balance pivot hole, no end stone).....	1
Balance bridge (balance pivot hole and end stone).....	2
No jewels in roller or pallet.	

Balance: Solid. German silver.

Hairspring: Steel.

Escapement: Single roller.

Adjustment: This movement is not adjusted in the ordinary acceptance of the word.

Movement in box marked "D":

Stamping: On top plate pieces "Hartford," "Adjusted," "Heat and cold," "Six positions," "Highly jeweled."

Jeweling: Total number of jewels in this movement is 7, distributed as follows:

Top plate (third, fourth, escape, and pallet pivot holes, one each).....	4
Lower plate (balance pivot hole, no end stone).....	1
Balance bridge (balance pivot hole and end stone).....	2
No jewels in roller or pallet.	

Balance: Solid. German silver.

Hairspring: Steel.

Escapement: Double roller.

Adjustment: This movement is not adjusted in the ordinary acceptance of the word.

Movement in box marked "E":

Stamping: On top plate pieces "John P. Hamlin," "Adjusted," "Highly jeweled," ("21" has been stamped before the word "Highly" since the plate was finished), "Heat and cold," "Six positions."

Jeweling: Total number of jewels in this movement is 7, distributed as follows:

Top plate (third, fourth, escape, and pallet pivot holes, one each).....	4
Lower plate (balance pivot hole, no end stone).....	1
Balance bridge (balance pivot hole and end stone).....	2
No jewels in roller or pallet.	

Balance: Solid. German silver.

Hairspring: Steel.

Escapement: Double roller.

Adjustment: This movement is not adjusted in the ordinary acceptance of the word.

Movement in box marked "F":

Stamping: On top plate pieces "H. W. C.," "Heat & Cold," "Six positions," "Ruby Jewels."

Jeweling: Total number of jewels in this movement is seven, distributed as follows:

Top plate (third, fourth, escape and pallet pivot holes, one each)..... 4

Lower plate (balance pivot holes, no endstone)..... 1

Balance bridge (balance pivot holes and endstones)..... 2

No jewels in roller or pallet.

A piece of red celluloid or similar substance surrounds the center pivot hole in the top plate, also the barrel arbor pivot hole in the barrel bridge, to imitate ruby jewels. The pivot in both instances runs in the brass plate.

Balance: Solid. German silver.

Hairspring: Steel.

Escapement: Double roller.

Adjustment: This movement is not adjusted in the ordinary acceptance of the word.

Movement in box marked "G":

Stamping: On top plate pieces "H. W. C.," "Adjusted," "Heat & Cold," "Six positions," "Ruby Jewels."

Jeweling: Total number of jewels in this movement is seven, distributed as follows:

Top plate (third, fourth, escape and pallet pivot holes, one each)..... 4

Lower plate (balance pivot hole, no endstone)..... 1

Balance bridge (balance pivot hole and endstone)..... 2

No jewels in roller or pallet.

Balance: Solid. German silver.

Hairspring: Steel.

Escapement: Double roller.

Adjustment: This movement is not adjusted in the ordinary acceptance of the word.

MOTOR CYCLES.

[Paragraph 371.]

STATEMENT OF WALTER DAVIDSON, PRESIDENT HARLEY-DAVIDSON MOTOR CO., MILWAUKEE, WIS.

Mr. DAVIDSON. I appear before your committee representing our own company, the Harley-Davidson Motor Co., of which I am president, and the motorcycle manufacturers of this country.

I have a comparatively short brief here, which I wish to read and then explain it afterwards.

Senator SMOOT. I do not think it would do any good to read the brief.

Mr. DAVIDSON. It really is an explanation of our whole position.

Senator SMOOT. If that is all, just put it in the record.

Mr. DAVIDSON. But I wish to make a few explanations in connection with it.

Senator SMOOT. Why do you not do that now? Why not put your brief in the record and then make the explanations that you wish to?

Mr. DAVIDSON. I really ought to read it in order to explain it.

Senator WALSH. Mr. Chairman, I have looked over this witness's brief. It is very short and comes directly to the point. I think if every case were presented as briefly and as concisely it would be helpful to us.

Mr. DAVIDSON (reading):

Present law, 25 per cent ad valorem.

Proposed rate, 30 per cent, with clause added.

When imported from a country which imposes a duty greater than 30 per cent the duty would be equal to the duty of the foreign country, but not to exceed 50 per cent.

RECOMMENDATIONS.

First. We hold that classification of paragraph 371 is incorrect and ask that complete motor cycles be considered separately from parts and bicycles, for the reason that in this country there is no connection between the manufacture of motor cycles and bicycles; and motor-cycle parts and bicycle parts are subject to much more severe competition from foreign countries than are complete motor cycles.

Second. We recommend that in place of the proposed tariff of 30 per cent in H. R. 7456 that a tariff of 15 per cent be imposed on complete motor cycles, with the following clause added:

"When imported from a country which imposes a duty greater than 15 per cent the duty would be equal to the duty of the foreign country, but not to exceed 50 per cent."

FACTS ABOUT UNITED STATES MOTOR-CYCLE INDUSTRY.

There are seven active motor-cycle manufacturers in the United States, with capital invested of approximately \$18,000,000. During the year 1920 these manufacturers produced about 68,000 complete motor cycles, employing approximately 6,000 employees, with a pay roll of about \$9,000,000.

Senator WALSH. How many motor-cycle manufacturers are there in the United States?

Mr. DAVIDSON. About seven.

Senator WALSH. And there are no companies which make bicycles and motor cycles at the same time?

Mr. DAVIDSON. There is just one individual, Mr. Swenn, in Chicago, who makes the Excelsior motor cycle and also bicycles, but they are two separate institutions.

The American motor cycles exported yearly for the period 1914 to 1920, inclusive, are:

Year.	Quantity.	Value.	Year.	Quantity.	Value.
1914.....	6, 110	\$1, 234, 194	1918.....	10, 599	\$2, 364, 785
1915.....	8, 166	1, 494, 176	1919.....	24, 481	6, 687, 436
1916.....	17, 500	3, 369, 616	1920.....	37, 622	10, 756, 580
1917.....	16, 609	3, 404, 716			

The importation of motor cycles, and finished parts thereof, not including tires—we have to take it that way, because those are the only figures available, so far as parts are concerned—show:

1913.....	\$62, 528	1917.....	\$16, 972
1914.....	55, 869	1918.....	3, 860
1915.....	15, 426	1919.....	1, 123
1916.....	36, 104	1920.....	11, 335

Senator WALSH. What was the percentage of the imports compared to the exports?

Mr. DAVIDSON. About one-tenth of 1 per cent.

Senator WALSH. And what was the percentage of imports compared to the entire consumption in America.

Mr. DAVIDSON. Practically nothing. There were 41 motor cycles imported in 1920 and 37,000 exported.

Senator WALSH. What was the percentage of exports compared to the production?

Mr. DAVIDSON. Over 50 per cent of the motor cycles produced in 1920 in the United States were exported.

Senator WALSH. So you have practically no competition outside of our own country?

Mr. DAVIDSON. That is what we believe.

Senator SMOOT. Does the Harley-Davidson Motor Co. make motor cycles in this country?

Mr. DAVIDSON. Yes, sir.

Senator SMOOT. Do they import them?

Mr. DAVIDSON. No, sir.

Senator SMOOT. What are you asking for?

Mr. DAVIDSON. We are asking, first, that motor cycles be taken—

Senator SMOOT. Yes; I know, but what are you asking for in the way of rates?

Mr. DAVIDSON. We are asking that the rates be lowered on completed motor cycles from the rate in the Underwood-Simmons bill and the rate in the Fordney bill to 15 per cent.

If we get that lower rate, while there will be comparatively few motor cycles imported, it will give us a chance to get better rates than these other countries. We depend very largely on our export business, and we believe we can go to these other countries and get preferred rates from them if we show them that we are not afraid of competition here. The reason that we are asking to be separated from motor-cycle parts and bicycle parts is that there is severe competition, so far as the parts are concerned, but there is no competition as far as the finished motor cycle is concerned.

Senator McLEAN. Are there concerns in this country that import the parts and assemble them?

Mr. DAVIDSON. There are parts, such as chains and saddles and things of that kind, that are manufactured in England and Germany that are imported here and then again are brought up and made into finished motor cycles, but practically all the material we use is made in this country.

Senator SMOOT. You agree, then, with the resolutions that were passed by the National Association of Automobile Manufacturers?

Mr. DAVIDSON. It is practically the same thing, and we are submitting this as our brief.

It is a selfish attitude, because we believe it is to our benefit to have that rate. We are not doing it for selfish reasons, because we figure that in the future two-fifths of our own business will be foreign business, and the question of rates in these foreign countries is very vital. For instance, Italy not more than six months ago raised the rate from 80 lire to 240 lire, and beginning July 1 she jumped the rate to 900 lire. That makes it prohibitive.

Senator McLEAN. But that is under the Underwood bill. What difference does it make what our rate is?

Mr. DAVIDSON. If we ask for a lower rate here our dealers over there can use that as propaganda.

Senator SMOOT. You want 30 per cent to remain on parts, do you?

Mr. DAVIDSON. I can not tell you about that, because I am not familiar with parts or bicycles, but all we are asking for is a rate on completed motor cycles. We are asking that that rate be reduced.

BRIEF OF WALTER DAVIDSON, MILWAUKEE, WIS., REPRESENTING MOTOR-CYCLE MANUFACTURERS OF THE UNITED STATES.

Present law, 25 per cent ad valorem; proposed rate, 30 per cent, with clause added: "When imported from a country which imposes a duty greater than 30 per cent the duty would be equal to the duty of the foreign country, but not to exceed 50 per cent."

RECOMMENDATIONS.

1. We hold that classification of paragraph 371 is incorrect and ask that complete motor cycles be considered separately from parts and bicycles for the reason that in this country there is no connection between the manufacture of motor cycles and bicycles, and motor-cycle parts and bicycles and bicycle parts are subject to much more severe competition from foreign countries than are complete motor cycles.

2. We recommend that in place of the proposed tariff of 30 per cent in H. R. 7456 a tariff of 15 per cent be imposed on complete motor cycles, with the following clause added: "When imported from a country which imposes a duty greater than 15 per cent the duty would be equal to the duty of the foreign country, but not to exceed 50 per cent."

FACTS ABOUT UNITED STATES MOTOR-CYCLE INDUSTRY.

There are seven active motor-cycle manufacturers in the United States, with capital invested of approximately \$18,000,000. During the year 1920 these manufacturers produced about 68,000 complete motor cycles, employing approximately 6,000 employees, with a pay roll of about \$9,000,000.

American motor cycles exported yearly, 1914-1920.

Year.	Quantity.	Valuation.	Year.	Quantity.	Valuation.
1914.....	6,410	\$1,234,194	1918.....	10,599	\$2,364,785
1915.....	8,168	1,494,176	1919.....	24,481	6,687,436
1916.....	17,600	3,369,618	1920.....	37,622	10,756,580
1917.....	16,609	3,404,716			

Importation of motor cycles and finished parts thereof, not including tires.

1913.....	\$62,528	1917.....	\$16,972
1914.....	55,869	1918.....	3,860
1915.....	15,426	1919.....	1,123
1916.....	86,104	1920.....	11,835

REASONS WHY TARIFF SHOULD BE LOWERED TO 15 PER CENT.

American motor-cycle manufacturers do not fear competition created through the importation of foreign motor cycles.

The American motor-cycle industry is dependent on foreign markets for the disposal of approximately 35 to 50 per cent of its product, and any tariff rate that is higher than is absolutely necessary to give the American industry reasonable protection will tend to retard the development of American motor-cycle business in foreign markets.

This brief is submitted on behalf of the motor-cycle manufacturers of this country after careful study of the entire subject, and it is hoped our recommendations will be given careful consideration both in regard to separate classification of complete motor cycles and reduction in tariff on same.

STATEMENT OF WM. G. McCANN, REPRESENTING THE HENDEE MANUFACTURING CO., SPRINGFIELD, MASS.

Mr. McCANN. Mr. Chairman, I am appearing with Mr. Davidson for the motor-cycle industry. I represent the Hendee Manufacturing Co., and the motor-cycle industry as well, in reference to paragraph 371 of H. R. 7456.

My remarks are practically a continuation of Mr. Davidson's, but they touch more on wherein the restriction of tariff in this country is going to help us in our foreign business or the development of our foreign business.

Senator SMOOT. You have that in your brief, have you?

Mr. McCANN. I have, but I would like to go a little into detail. There are only two pages of my brief. [Reading:]

In continuation of the remarks of Mr. Davidson, let me add that the reduction in the proposed tariff we have requested will not, in my opinion, result in a large increase in the import of completed motor cycles into this country, but it will help American motor-cycle manufacturers greatly in the development of their foreign market, which are of vast importance in the development of the motor-cycle industry of this country.

As evidence of this we submit below a partial list of foreign countries that have put into force excessively high tariffs covering motor-cycle imports which have hindered our development in these countries, and in some cases these tariffs have resulted in practically placing an embargo on the importation of American motor cycles.

These countries are England, with a duty of 33½ per cent; Belgium, 20 per cent; India, 20 per cent; Australia, 50 per cent; Spain, 9 pesetas gold per kilo, fifty-three times what it formerly was, but I have been advised to-day by cable from the commercial attaché in Madrid that this has been decreased to 2 per cent gold, and I would like to point out that that is really the result of our effort, plus the efforts of our distributors in Spain, plus the effort of the American attaché and the American Chamber of Commerce in Spain. Under those rates we have done no export business in Spain during this year. The reduction which went into effect on July 12 really opens the Spanish market to us, which is a vital market.

Senator McLEAN. Where do they make the best foreign motor cycles?

Mr. McCANN. The best foreign motor cycles are made in England. As a matter of fact, the United States and England are the two motor-cycle producing countries of the world.

Senator McLEAN. Does England export?

Mr. McCANN. Yes, sir.

Senator McLEAN. What is the difference in price between your machine and the English machine?

Mr. McCANN. It is hard to get a comparison for the reason that the English production is confined principally to small-type machines. However, we do not fear importation of English machines into this country. As a matter of fact, we rather invite it, because it will help to develop the industry in this country. The reason for that is this: To-day the development of the motor-cycle industry in this country is confined to seven manufacturers. Back in 1913 there were four more and the expense of the development was distributed then among 11, whereas to-day it is distributed among 7. Since 1913 our production and our domestic consumption have decreased, whereas our exportation has increased. We would like to be helped in the development of this industry.

Senator McLEAN. You invite imports from Great Britain in competition with your machine?

Mr. McCANN. We do; yes, sir.

Senator McLEAN. Because it will help to develop your industry?

Mr. McCANN. We expect so; yes, sir.

Senator McLEAN. In what way?

Mr. McCANN. It will help to develop it in dividing the expense of development, and, although we think that perhaps they may come

in, it will be a number of years before they would be able to accomplish what we have accomplished in this country or what we have accomplished in foreign countries.

Senator McLEAN. If they could make as good a machine as you make at a less price, you would not want them here?

Mr. McCANN. They are making a good machine now, but we compete favorably with them in their own market and in every other foreign market. We do not compete like we did a few years ago, because they put on a duty of 33½ per cent. We would like to have something to which to point as an object lesson for them to point to to reduce that.

Senator McLEAN. You will point in vain, I think, my friend.

Mr. McCANN. We accomplished something in other countries, which I am leading up to now.

Continuing the list of countries and the duty in those countries, there are: Korea, with a duty of 50 per cent; Canada, with a duty of 35 per cent; and Italy, with a duty of 930 lire per motor cycle, which just went into effect, and we will not do any business in Italy this coming year.

Senator WALSH. Is it the object of these countries that you have named to collect revenue, or is it their object to protect the local industries? Take Italy, for instance.

Mr. McCANN. In Italy there is one motor-cycle manufacturer, but his importations do not amount to very much.

Senator WALSH. Their object is to produce revenue?

Mr. McCANN. Yes, sir.

Senator WALSH. Knowing that there is a certain demand for motor cycles and they are coming in anyway, they put a tax on them?

Mr. McCANN. Yes, sir.

Due to the efforts of American motor-cycle manufacturers and our distributors in foreign countries, we have succeeded in bringing about reductions of exorbitant tariffs in at least two instances—namely, Australia, where the tariff has recently been reduced from 40 per cent ad valorem to 30 per cent ad valorem, with a prospect of a further reduction to 20 per cent being obtained in the near future; Spain, where the tariff in November, 1920, was increased from 3 pesetas gold per kilo to 9 pesetas gold per kilo, which was later provisionally reduced to 4.5 pesetas gold per kilo, and advice which we have just received indicates that a further reduction to 2 pesetas gold per kilo is now in effect, which again opens up this market for American motor-cycle manufacturers. In Belgium an effort was being made during the past year to impose a duty of 33 per cent on the importation of motor cycles, but due to our efforts and that of our distributors the duty was finally established on a basis of 20 per cent ad valorem, which was double the rate in effect previously.

These few illustrations of what has been accomplished during the past year by American motor-cycle manufacturers and their distributors in foreign countries in obtaining concessions on import rates into these various countries show the great importance that the question of tariffs has on the development of the American motor-cycle industry.

Senator McLEAN. Do they make them in Germany?

Mr. McCANN. They do; yes, sir.

Senator McLEAN. Good machines?

Mr. McCANN. They have made a good machine, but still we do not fear the German competition to-day.

Senator McLEAN. Why?

Mr. McCANN. Well, we do not think they can come in here and build up an organization that can affect us.

Senator WALSH. What is the condition of the business of the Hende Manufacturing Co.?

Mr. McCANN. The condition during the past four or five months has been very poor; we have not had much business.

Senator WALSH. How much loss have you sustained in employment this last year?

Mr. McCANN. During the past few months we have been operating about 300 or 400 men half of the time, whereas we should operate 2,000 men.

That is due to a falling off in business in this country and the foreign markets also. So we need every market we can get.

Senator WALSH. Your experience with foreign countries has been that when they raise the tariff the business drops off?

Mr. McCANN. Yes; immediately.

Senator WALSH. So in raising the tariff here you expect the business to drop off on goods imported from those countries?

Mr. McCANN. We do, sir.

It is our belief that by the reduction in tariff on finished motor cycles—understand, we are trying to confine this to motor cycles complete only—entering the American market from 25 per cent to 15 per cent that it will not greatly increase the number of motor cycles imported into this country, but will enormously strengthen our efforts in obtaining further concessions in tariff rates from the countries to whom we are now exporting motor cycles.

Senator McLEAN. Do you import any parts?

Mr. McCANN. No, sir; we do not. There is a possibility, though, of importing parts, such as chains, saddles, and so forth, if we care to, but that is the reason for eliminating the parts from our request; we are confining it to complete motor cycles only. We manufacture all our materials with the exception of accessories, such as chains and magnotos.

BRIEF OF WILLIAM G. McCANN, SPRINGFIELD, MASS., REPRESENTING THE MOTOR-CYCLE MANUFACTURERS OF THE UNITED STATES.

In continuation with the remarks of Mr. Davidson, let me add that the reduction in the proposed tariff we have requested will not in my opinion result in a large increase in the imports of completed motor cycles into this country, but it will help American motor-cycle manufacturers greatly in the development of their foreign markets which are of vast importance in the development of the motor-cycle industry of this country. As evidence of this, we submit below a partial list of foreign countries that have put into force excessively high tariffs covering motor-cycle imports which have hindered our development in these countries, and in some cases these tariffs have resulted in practically placing an embargo on the importation of American motor cycles.

	Per cent.		Per cent.
England.....	33½	Spain.....	(¹)
Belgium.....	20	Korea.....	50
India.....	20	Canada.....	35
Australia.....	30	Italy.....	(²)

Due to the efforts of American motor-cycle manufacturers and our distributors in foreign countries, we have succeeded in bringing about reductions of exorbitant tariffs in at least two instances—namely, Australia, where the tariff has recently been reduced from 40 per cent ad valorem to 30 per cent ad valorem, with the prospects of a further reduction to 20 per cent being obtained in the near future; Spain, where the tariff, in November, 1920, was increased from

¹ 9 pesetas gold per kilo.

² 930 lira each.

3 pesetas, gold, per kilo to 9 pesetas, gold, per kilo, which was later provisionally reduced to 4.5 pesetas, gold, per kilo, and advice which we have just received indicates that a further reduction to 2 pesetas, gold, per kilo is now in effect, which again opens up this market for American motor-cycle manufacturers. In Belgium an effort was being made during the past year to impose a duty of 33 per cent on the importation of motor cycles: but, due to our efforts and that of our distributors, the duty was finally established on a basis of 20 per cent ad valorem, which was double the rate in effect previously.

These few illustrations of what has been accomplished during the past year by American motor-cycle manufacturers and their distributors in foreign countries in obtaining concessions on import rates into these various countries show the great importance that the question of tariffs has on the development of the American motor-cycle industry.

It is our belief that by the reduction in tariff on finished motor cycles entering the American market from 25 per cent to 15 per cent that it will not greatly increase the number of motor cycles imported into this country but will enormously strengthen our efforts in obtaining further concessions in tariff rates from the countries to whom we are now exporting motor cycles.

MOTOR-CYCLE ACCESSORIES AND PARTS.

[Paragraph 371.]

STATEMENT OF L. V. FAUVER, REPRESENTING THE TROXEL MANUFACTURING CO., OF ELYRIA, OHIO.

Mr. FAUVER. Mr. Chairman and members of the committee, I am on the directorate of the Troxel Co. and represent here probably 75 or 80 per cent of the bicycle and motor-cycle saddle manufacturers of America. I am not prepared to be as generous as the last two gentlemen who spoke. We come under the same paragraph, under the term "accessories and parts." While we are fully in sympathy with their request that a reclassification be made of that schedule, there is no economic reason why manufacturers of leather saddles should be put on the same basis.

Senator SMOOT. Are you satisfied with 30 per cent on parts?

Mr. FAUVER. No; we think it could be raised above that.

Senator SMOOT. What do you think it should be?

Mr. FAUVER. We think it ought to be restored to the basis of the Payne-Aldrich bill, 45 per cent on parts. Our reason for that is that our business is a hand business. Probably 50 per cent of our costs is labor. As a reason for motor cycles being reduced, of course, they are highly specialized machines.

Senator SMOOT. Of course, if you were on American valuation, 30 per cent would make a difference?

Mr. FAUVER. Yes; I imagine it would.

Senator SMOOT. Would you want that on American valuation?

Mr. FAUVER. Possibly that is high. We do not think it should be lowered below 30. I want to make a few general remarks and I will submit a brief.

The saddle business in America is very narrow and rather small. The gross amount of business normally does not amount to over a million and a half dollars. The saddle manufacturers of America for a year have been substantially closed down. There was some business last year, but practically none since the 1st of January. Everybody was caught with large inventories, and the jobbers and dealers were stocked up with an enormous amount of saddles. I

believe that since the war began there has been practically no importation of saddles from Europe. So we are unable to submit any data to this committee with reference to cost or competition. But we want to be protected and we do not want to be reduced to the 15 per cent.

Senator McLEAN. What was the nature of the competition before the war?

Mr. FAUVER. Before the war under the Payne-Aldrich bill it was 45 per cent.

Senator McLEAN. I know, but what were the importations then? What was the competition?

Mr. FAUVER. I can not give you the amount. The competition was largely English with some German competition.

Senator DILLINGHAM. Was it considerable in amount?

Mr. FAUVER. I would not say it was large. The business is very narrow. The total amount of business, as I have said, does not aggregate over a million and a half dollars a year, and probably since the 1st of January bicycle manufacturers have not been working to the extent of 10 per cent of their capacity. With your permission, Mr. Chairman, I will submit a brief.

Senator SMOOT. Yes; you may do so.

ALUMINUM.

[Paragraph 374.]

STATEMENT OF LAWRENCE M. BRILE, PRESIDENT BRILE & RATNER (INC.), NEW YORK CITY.

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

Mr. BRILE. New York City; 277 Broadway.

The CHAIRMAN. What is your occupation?

Mr. BRILE. President of Brile & Ratner (Inc.).

The CHAIRMAN. What do you speak on?

Mr. BRILE. Aluminum.

The CHAIRMAN. Very well; you may proceed.

Mr. BRILE. Mr. Chairman and gentlemen, the attention of your committee is invited to the fact that no mention is made in paragraph 374 of aluminum coils, which are aluminum sheets or in rolls instead of in flat sheets. I think it is simply an omission. The word "strips" is contained in the bill, by which name aluminum coils are sometimes known.

As the paragraph now reads, we fear that aluminum coils will come under paragraph 393, covering articles or wares not specially provided for. I think it was the intention of the Ways and Means Committee that coils should also be included in paragraph 374.

We protest against the rate of 5 cents per pound imposed on aluminum scrap and alloys of any kind, in which aluminum is the component material of chief value in crude form, believing that the said rate will create an embargo against the importation of aluminum in crude form into the United States and will prevent a source of revenue to the Government that might otherwise be derived if a fair, just, and equitable rate of duty were established.

In a brief submitted to the Ways and Means Committee Mr. Davis, president of the Aluminum Co. of America, said:

In the case of so light a metal as aluminum and one so relatively high priced, freight to a distant market is negligible, while on the other hand the nature of the industry requires a large overhead in administrative, technical, and selling stuff, etc., and also a large investment in plant. The overhead expense of the Aluminum Co. of America is 6 cents per pound of aluminum it makes. The Aluminum Co. of America has invested a little less than \$1 for each pound of aluminum that it has capacity for producing in a year, so that the interest charge is also nearly 6 cents. Even though the operating costs were the same by ignoring the overhead charges and interest on investment, foreign producers would be able to dump aluminum into the United States at a price which the United States producer could not possibly meet and pay his overhead, but dumping is, of course, all the easier because the foreign producers' operating cost is, in fact, substantially less than the United States producers' operating cost.

It is difficult for us to understand by what process of reasoning Mr. Davis arrived at the fact that the foreign producers of aluminum can ignore their overhead charges and interest on investment any more than the American Co. could ignore their overhead and investment charges. One would gain the natural impression from the language quoted above, from the brief of Mr. Davis, that foreign producers of crude aluminum have no overhead and no investment and no financing charges, and although Mr. Davis submits that these charges as applied to the company he represents total 12 cents per pound, he assumes that the foreigner would disregard these charges of 12 cents per pound, and thereby dump aluminum into the United States. If we accept as authoritative the fact that there are fixed charges of 12 cents per pound, as Mr. Davis states, 6 cents representing overhead charges and 6 cents interest charges, then the foreign producer, whose capacity is much less than the American producer's, must of necessity have higher fixed charges, such as overhead and interest charges, for it has always been our understanding that the larger the output the lower the fixed charge. The foreigner, therefore, if confronted with the proposed rate of duty of 5 cents per pound, and if confronted with the same fixed charge as the Aluminum Co. of America, would have charges of 17 cents per pound to contend with before beginning the manufacture of crude aluminum at all, or only $7\frac{1}{2}$ cents per pound less than the present price for American manufactured aluminum of $24\frac{1}{2}$ cents per pound.

Gentlemen, it is very difficult for us to understand by what process of reasoning Mr. Davis arrived at the fact that the foreign producers can ignore his overhead and his interest charges. Mr. Davis admits that these charges as applied to his company equal 12 cents per pound. The foreign producers have a far less capacity, and yet Mr. Davis assumes that these foreign producers have no overhead and no interest charges to pay, whereas he submits that because of the nature of the industry 12 cents a pound applies to his company for those charges. He said that the foreigner could well ignore those charges altogether and dump aluminum into the United States.

The average price of the crude aluminum ingots for five years previous to the European war, 1910 to 1914, according to Metal Statistics, 1921, page 449, was 21.61 cents per pound. Assuming that 21.61 cents per pound is a fair average price for aluminum and deducting therefrom a duty proposed of 5 cents per pound and

freight and insurance from foreign ports of 1 cent per pound we have left 15.51 cents per pound. Assuming that the statements made by Mr. Davis are correct, as quoted above, that there is an overhead expense of 6 cents a pound, and another charge of 6 cents per pound for interest on investments, and since it is reasonable to suppose that foreign manufacturers with a much smaller production have at least an equal cost, it would leave a difference between 15.61 and 12 cents covering fixed charges of 3.61 cents per pound to pay for raw materials, production-costs, and profit.

I think that we can say without fear of successful contradiction that no aluminum manufacturer would or could manufacture on any such basis.

Furthermore, if we are to accept as authoritative the statements made by Mr. Davis to the effect that overhead charges amount to 6 cents per pound and interest charges also 6 cents per pound, we fail to see how it was possible for the American Co. to have sold aluminum in 1914, the first year previous to the European war, at an average price of 18.59½ cents per pound. Let us analyze these fixed charges alleged by Mr. Davis in relation to the price of aluminum in 1914. As stated, the average price for the year 1914 of aluminum ingots was 18.59½ cents. (Metal Statistics, 1921, p. 449.) Deducting overhead and interest charges amounting to 12 cents per pound, we have left 6.59½ cents, which must include cost of raw material, cost of production, and profit. As a matter of record, we know that the net earnings of the Aluminum Co. of America since 1915 were no less in any year than \$10,000,000 per year. (Mr. Davis's letter addressed to the National City Bank of New York and other banks, Nov. 1, 1920, in connection with the sale of certain bond issues of his company.) We do not know what the earnings of the Aluminum Co. of America for 1914 were, but we do know that since 1913 their investment has increased from \$30,000,000 to \$200,000,000, the amount of the increase representing the earnings of the company, so we believe it fair to assume that the earnings of the Aluminum Co. of America in 1914 were no less than \$10,000,000. In 1914 there were produced in America approximately 90,000,000 pounds of aluminum (Metal Statistics, 1921, p. 443). If \$10,000,000 were earned on 90,000,000 pounds of aluminum, the profit per pound would be approximately 11½ cents. We therefore have a profit of 11½ cents per pound and interest and overhead charges of 12 cents per pound, or 23½ cents per pound, whereas the selling price was 18.59½ cents, showing without question that in 1914 at least the producers in America did not include in their cost any such charge as 6 cents for interest and 6 cents for overhead. If they did, they had left only 6.59½ cents to pay for raw material, production cost, and profit. Assuming that the profit were 11½ cents per pound, as stated above, all that would be left to include overhead, interest charges, and production cost would be about 7½ cents per pound.

The average price of aluminum for five years was, for 1910, 22.97; 1911, 20.34 cents a pound; 1912, 22.52 cents per pound; 1913, 23.63 cents per pound, and 1914, 18.595 cents per pound.

It will be noted that in the four years, 1910-1913, inclusive, at which time there was a tariff on aluminum ingots of 7 cents per pound, the average price in New York was 22.71 cents per pound. The first

year of the Underwood tariff bill, with a rate on aluminum ingots of 2 cents per pound, the average price fell to 18.59½ cents per pound. The effect of a low tariff is to reduce the price of aluminum to the American consumer, as is clearly shown by the average price after the passage of the 2 cents duty, falling 4.12 cents per pound. High priced aluminum means a diminution in demand and usage of this material. We believe that practically all of the crank cases used on automobiles in America, as well as all of the bodies of automobiles, would be made of aluminum if the price were maintained under 20 cents per pound; and that there would be sufficient aluminum consumed to liquidate the entire production of the world at present producing capacities, if the price were maintained at a fair rate. The effect, however, of artificially stimulating the price by a high tariff is to simultaneously lessen the demand and cause automobile manufacturers, and others who might with profit and with marked advantage to their products, use aluminum, seek other metals in substitution, because of the artificially high price of aluminum.

Mr. Davis said before the committee:

In the last year of the Payne-Aldrich Act in which the duty on aluminum was 7 cents, about 35 per cent of the total consumption in this country was imported, and during the first year of the Underwood Act, when the duty was 2 cents per pound there was substantially the same percentage imported—a little less rather than a little more, so that it can be seen from that that the 7 cents per pound duty was not prohibitive because more came in at 7 cents—relatively more in tonnage—more in percentage came in at 7 cents than at 2 cents.

Mr. Davis failed, however, to point out why the 7-cent rate was not prohibitive and why more aluminum was imported in 1913 under the 7-cent rate of the Payne-Aldrich tariff than in 1914 under the 2-cent rate of the Underwood bill.

The tonnage imported in 1913, the last year of the Payne-Aldrich bill was 26,642,112 pounds in ingots and 1,516,413 pounds in sheets. In 1914, the first year of the Underwood bill, the tonnage imported was 16,420,695 pounds in ingots and 2,775,804 pounds in sheets.

Now, gentlemen, why was not the 7-cent rate prohibitive in 1913, and why did more aluminum come into the United States under the 7-cent rate of duty in 1913 than under the 2-cent duty in 1914? Mr. Davis forgot to inform the committee that in 1913 the average price for aluminum was 23.63 cents per pound, and the average price for 1914 was 18.59½ cents per pound. In other words the duty was reduced 5 cents per pound, and the price of aluminum in the United States was reduced 5.14 cents per pound, and nobody heard the Aluminum Co. complain that they did not make sufficient profit in 1914, when they sold aluminum at 18½ cents per pound.

That is why 7 cents was not prohibitive. On the same basis 50 cents per pound would not be prohibitive if the sole producers in this country simply raise their price in the same proportion as the duty is raised.

It is evident that the consumers of aluminum received the benefit of the reduced tariff in 1914. The tariff was reduced 5 cents per pound and the price of aluminum was reduced 5.14 cents per pound. The imports were less under the 2-cent rate in 1914 than under the 7-cent rate in 1913, as Mr. Davis said; and certainly we are not to assume that Mr. Davis wants to put that rate back to 7 cents per pound in order to stimulate importation. Why, then, does he want to

increase the rate to 5 cents or 7 cents—he asks for 7 cents? He wants to do that so that it will be optional with his company at any time to create an embargo against the importation of those goods by simply lowering their price to 18 or 20 cents per pound.

Senator WATSON. What is his company?

Mr. BRILE. The Aluminum Co. of America.

The CHAIRMAN. That is the company that introduced aluminum in this country and put these articles of domestic and manufacturing use within the grasp of everyone, is it not?

Mr. BRILE. That is true.

Senator McLEAN. And if we create an embargo lowering the price to the American consumer, there is no occasion for concern?

Mr. BRILE. That is true; if they do that and are able to supply the entire demand.

Senator McLEAN. You have just said that they do that.

Mr. BRILE. I said they had the power to do it; they could do it if they wanted to, and they could make a substantial profit.

The CHAIRMAN. Then the consumers could not buy these articles at any price until the Aluminum Co. of America put them within their reach? Aluminum was too expensive a material to use in these utensils until the American Co. put it within the reach of all the American people, was it not?

Mr. BRILE. I would not say it was too expensive. The American Co. was one of the earliest producers of aluminum in the world.

The CHAIRMAN. It was the only one, was it not, in this country?

Senator McLEAN (interposing). What is the price of the product now as compared with a year ago?

Mr. BRILE. The price to-day is approximately 3 cents per pound less than it was a year ago. As soon as the Fordney bill was announced in the House establishing a rate of 5 cents per pound—that is, an increase of 3 cents over the duty in the Underwood tariff bill—the Aluminum Co. of America at the same time reduced their price 3 cents a pound. That reduction was made just following the announcement of the rate contained in the Fordney bill.

Senator McLEAN. So it is just as you stated, instead of increasing the price anticipating the higher rate of duty, they reduced the price, and that is no concern on the part of the consumer?

Mr. BRILE. If they continue to reduce their price, and we have a rate of 5 cents per pound on ingots, it will prevent the importation of any crude aluminum.

Senator McLEAN. I am taking your statement as to what they had done, which would indicate that the stimulation of American competition has reduced the price to the consumer.

Mr. BRILE. No; foreign competition reduced the price.

Senator McLEAN. You say, anticipating an increase in the tariff—nevertheless, they have reduced the price 3 cents per pound.

Mr. BRILE. They have done that, all right.

The CHAIRMAN. If it had not been for the American aluminum industry you would have very high prices for articles composed of aluminum?

Mr. BRILE. At the present time?

The CHAIRMAN. If we had no American industry producing this aluminum we would be at the mercy of the foreigner and would have had to pay much higher prices for these utensils?

Mr. BRILE. But there is considerable foreign competition.

The CHAIRMAN. I know.

Mr. BRILE. There are manufacturers in practically every country abroad.

Senator WATSON. Did I understand that you are an importer?

Mr. BRILE. Yes.

Senator WATSON. From where do you import?

Mr. BRILE. We are the exclusive representatives of a sheet mill abroad, in Switzerland, at Menziken.

Senator WATSON. How much do you import into this country from that mill?

Mr. BRILE. In sheets?

Senator WATSON. In whatever form you do import it.

Mr. BRILE. We shall have imported in 1921, if all of our contracts are filled, about a million and a half pounds of sheet.

Senator WATSON. Would the imposition of this duty, you think, interfere with your imports?

Mr. BRILE. Absolutely. Our mill has already written us that they will be unable to compete with the American prices if they must pay a duty of 9 cents per pound, which is the rate imposed on sheets. I have not gotten to that price on sheets. We can say absolutely that the rate of 9 cents per pound on sheets is prohibitive.

Senator WATSON. What wages do you pay there, as compared with the wages in the same branch of that industry here—manufacture of aluminum sheets?

Mr. BRILE. I have no information as to the relative wages that are paid.

Senator WATSON. Have you any information as to the final cost of production in both places?

Mr. BRILE. The only information that we have received is that they can not compete under a 9-cent rate of duty with the American prices on sheets.

Senator WATSON. You just have that information, but no figures?

Mr. BRILE. No figures, except that we can get at it by giving you the figures of the American cost of production of sheets. We have those figures.

Senator WATSON. That is of no value unless you can give the cost of production over there.

Mr. BRILE. Yes; it is. I will show you why. I have said that the 9 cents per pound rate on sheets, bars, and circles will create an absolute embargo. I am copying in my brief the condensed-data sheet of the chief producers in this country, in which they show the advance or extras or cost above crude aluminum for producing aluminum coils or sheets. On March 30, 1920, their published extra above crude aluminum for producing coils was 7.6 cents per pound in 50-ton lots.

The rate of duty proposed is 9 cents per pound, or 1.4 cents per pound more than the entire admitted cost of March 30, 1920, plus profit, of producing coils by the chief producer thereof. In other words, the foreigner is asked to pay 9 cents per pound, or 1.4 cents more than the admitted cost—selling price plus profit—of the Aluminum Co. on coils.

Senator WALSH. Do you know what percentage of that is labor?

Mr. BRILE. I have had experience in the production of aluminum sheets. I was formerly the vice president and sales manager of the only concern at that time who competed in a small way with the American Aluminum Co. in rolling sheets. We could roll from the ingot, which we purchased from the Aluminum Co. of America, a flat sheet at approximately 5 cents per pound, and we could roll a coil at approximately 4 cents per pound.

Senator WALSH. They had advanced during the war?

Mr. BRILE. They had advanced during the war period, but they are materially less—less even than when we could produce at 5 to 4 cents per pound in sheets and coils.

Senator WATSON. You mean wages now are lower than the prewar level in your establishment?

Mr. BRILE. In that particular establishment I think that wages now are equal or lower than they were in 1913 and 1914.

Senator WATSON. You have not yet said what part of that cost is labor, which was the question the Senator asked you a moment ago.

Mr. BRILE. Perhaps 33½ per cent would be an approximation—the nearest approximation I could make.

Senator WALSH. What percentage of the aluminum sheets used in America are produced here and what percentage are imported?

Mr. BRILE. Practically all, with the exception of 1,000,000 or 2,000,000 pounds, which, I presume, is only about one-twentieth of the consumption here, has been made in America. There has been no great importation. There have not in any one year been more than 2,000,000 pounds imported.

Senator WALSH. Preventing the natural tendency to accept the profit?

Mr. BRILE. Absolutely; not only that but the Aluminum Co. of America to my knowledge has never been able to take care of the demand for sheets. While their ingot capacity has been sufficient, their rolling capacity has not been sufficient to take care of the demand for sheets, especially among body builders and cooking utensil manufacturers, so that of necessity they had to go abroad, or else close up their plants. They could not get sheets, and that has constantly been the fact, even before the war; even before the war they were six or eight months behind the producers of sheets; and if we prevent foreign competition on sheets by establishing a 9 cents per pound rate of duty, the cooking utensil people and the body builders will have absolutely no other source of supply for sheets. At times they can not get them because the capacity is tied up, and further than that, the Aluminum Co. of America is an actual competitor of the people who produce cooking utensils, owning the largest cooking utensil factory in the country and having an interest in the second largest cooking utensil plant in the country. So that in effect, if we do not have foreign competition, the consumer of aluminum sheets for cooking utensils must buy from his own competitor; and we claim that under a 9 cent rate of duty of sheets would be in a position to fix prices arbitrarily, and by being enabled to lower or raise the price of the finished product, since he controls the two largest manufacturing concerns in those products, and at the same time have the control of the raw material price the other cooking utensil manufacturers could not compete if the Aluminum Co. of America saw fit to prevent competition.

Senator WALSH. You said the Aluminum Co. of America have two manufacturing plants which they control for manufacturing cooking utensils?

Mr. BRILE. Exactly.

Senator WALSH. How many manufacturing companies are there in America that compete with those two companies?

Mr. BRILE. About 39, and probably the 39 companies are not as large as the one Aluminum Co. of America.

Senator WALSH. Thirty-nine aluminum manufacturers will be obliged to pay any price this American Aluminum Co. charge them if this bill amounts to an embargo and goes through?

Mr. BRILE. Yes, sir.

Senator SUTHERLAND. Do any of those 39 companies produce the ingots?

Mr. BRILE. No, sir; there is no producer of ingots in America except the Aluminum Co. of America.

The CHAIRMAN. Do any of these 39 use domestic aluminum, or do they use the imported article?

Mr. BRILE. They use both.

The CHAIRMAN. Which do they use the most?

Mr. BRILE. Of the American article?

The CHAIRMAN. They use mostly the American article, you say?

Mr. BRILE. They have used only the American article.

The CHAIRMAN. Then it has not been very destructive to them?

Mr. BRILE. During the first part of 1920 the independent aluminum cooking utensil concerns—these 39 I speak of—were able to get only 10 to 16 per cent of the amount of aluminum sheet they ordered and were forced to go abroad and buy what they could get or buy surplus sheets in the open market at destructive prices, because the Aluminum Co. of America could not or would not furnish them sheets during that period.

Senator WALSH. If this bill amounts to an embargo, as you claim, it would be possible for the Aluminum Co. of America to practically close up those 39 establishments by restricting their own output?

Mr. BRILE. Exactly.

Senator WALSH. And by putting the price so high they could not afford to purchase?

Mr. BRILE. Yes; and, furthermore, we do not believe that the American Co. want, desire, or ask for 9 cents per pound duty on sheets, which is 40 per cent higher than ingot price, although the difference between the manufacturing cost of ingots is only 23 per cent, as we shall show.

In other words, even if you establish a rate of duty of 5 cents on crude aluminum, the rate on sheets should not be more than 1½ cents in advance. At the time the Underwood bill was passed we understand that the Finance Committee of the Senate made an extended investigation as to just what the average above the crude aluminum rate should be on sheets, or, regardless of what rate was established for crude aluminum—what the difference in cost of manufacture was. In other words, the Aluminum Co. of America on March 30 produced coil to sell at a profit of 7.6 cents per pound, and yet they ask the committee for a rate of duty of 9 cents—1.4 cents more than their admitted cost of making the coil. So it can not possibly be a fair rate on sheets.

Senator WALSH. Can you give us some idea of the American cooking-utensil industry—the valuation of their product in this country in a given year?

Mr. BRILE. I have not the figures available.

Senator WALSH. Then never mind; I will get it elsewhere. It is a very large sum, I suppose?

Mr. BRILE. It is a very large sum.

The same thing I have said with reference to the cooking-utensil industry applies to the aluminum-casting industry. The Aluminum Co. of America owns, through stock ownership or control, the largest aluminum foundry in the United States—the largest aluminum foundry making aluminum castings for automobile purposes.

Senator WALSH. How many competitors has that company—small competitors?

Mr. BRILE. I do not know. But I should say there are possibly 30 or 40 small aluminum foundries. There is only one in the country that anywhere near equals the size of the Aluminum Co. of America's plant, yet all of these smaller aluminum foundries would be at the mercy of the Aluminum Co. of America, if they choose.

Senator WALSH. Providing this tariff rate of 5 cents per pound amounts to an embargo?

Mr. BRILE. Yes.

The CHAIRMAN. Yes, sir; if they shut up, the American consumer would be at the mercy of the foreigner?

Mr. BRILE. If who shut up?

The CHAIRMAN. If the American Aluminum Co. closes down.

Mr. BRILE. Yes. But the difference, Mr. Chairman, between here and abroad—you have any number of producers of aluminum ingots abroad. You have several of them in Switzerland, you have several of them in Great Britain, you have several of them in France, and you have several of them in Norway. They are all competing companies over there. So that the American consumer could not possibly be at the mercy of anyone. You have no monopoly anywhere except in America.

Senator WATSON. Has the American Aluminum Co. a monopoly on bauxite?

Mr. BRILE. So far as the American supply is concerned, we claim they have. The American Bauxite Co., which is a subsidiary, owns practically all of the American bauxite that could be reduced into aluminum. The foreigners, with one or two exceptions, must all buy from mines controlled by the American interests.

Senator WATSON. Is bauxite produced in more than one State; that is, Arkansas?

Mr. BRILE. Arkansas is practically the only State that produces appreciable quantities of bauxite.

The CHAIRMAN. These ridiculous assertions, you know, do not hold water. Here our book on General Information states, "Three large financial groups, involving French, British, and German capital, control some 14 producing companies in Europe, producing the vast bulk of aluminum product," that you want brought into this country, to the possible destruction of the American industry.

Mr. BRILE. That is absolutely not true at the present time.

The CHAIRMAN. You will have to do a lot of proving to prove that this document prepared for the use of the Ways and Means Committee of the House of Representatives is erroneous.

Senator WATSON. By the Tariff Commission?

The CHAIRMAN. By the Tariff Commission.

Senator WALSH. Supposing that we may get information that modifies that?

The CHAIRMAN. I can not tell whether this information has been modified by any events occurring during the last 10 days; but that was a fact within a very recent period.

Mr. BRILE. Mr. Chairman, did you say it was a fact simply because the Tariff Commission says it is?

The CHAIRMAN. No; because we have our authoritative statement here from the highest official sources.

Mr. BRILE. Just a few producers, and they have no ownership. In Great Britain we have two competing companies—the British Aluminum Co. and a small company in Wales, I think it is, the Dalgeroff Co.

Senator WATSON. You imported 35,000,000 pounds last year?

Mr. BRILE. In 1920.

Senator JOHNSON. At 2 cents a pound crude, in crude form, scrap and alloys of any kind, 35,000,000 pounds?

Mr. BRILE. You must remember a large part of that importation will be found to come from Canada and is imported by the Aluminum Co. of America and is not representative of the imports that come into this country from Europe. Every pound that the Aluminum Co. of America gets from Canada comes in from their Northern Aluminum Co.

Senator WATSON. You mean the Aluminum Co. of America owns a Canadian plant?

Mr. BRILE. Yes.

Senator WATSON. And that these imports set down here come from Canada instead of Europe?

Mr. BRILE. Not all of them. I say that included in those figures are the importations from the Canadian plant of the Aluminum Co. of America, the Northern Aluminum Co.

Senator WALSH. Does the Aluminum Co. of America export any of their product?

Mr. BRILE. The Aluminum Co. of America have special sales department devoted to export sales, as I understand it, and they do export. Furthermore, I understand that the Canadian plant exports practically five-sixths of their production of the Northern Aluminum Co.; Mr. Davis made that statement before the Federal Trade Commission at the time the American Aluminum was ordered to divest themselves of stock ownership in a sheet mill that they had taken over in this country—the Cleveland Metal Products Co. Five-sixths of the product of the Canadian mill of the Aluminum Co. of America is exported.

Senator WALSH. Do they manufacture in Canada some of their product that they sell in the United States?

Mr. BRILE. Absolutely they do.

Senator SUTHERLAND. A part of their product is shipped to the United States from Canada? What part of the product of the

Northern Aluminum Co. is shipped—which I understand is a branch or subsidiary of the Aluminum Co. of America—to the United States?

Mr. BRILE. That is available. Mr. Davis stated that five-sixths was exported, and I assume that he meant the United States was included as one of the importing companies.

Senator WATSON. Do you know what the imports are for 1921?

Mr. BRILE. For 1921 I have not the figures; for 1920 I have the figures.

Senator WATSON. In the latter—1920—35,000,000 pounds of crude and scrap were imported; thus far in 1921, 38,175,000 pounds.

Mr. BRILE. Does that include the importation from Canada?

Senator WATSON. It is all importations.

Senator WALSH. It must include it.

Senator WATSON. Yes. But is it true that the Europeans accumulated a great deal of aluminum for all purposes, and that since the war they have been sending that over here in great quantities, in a sense dumping? Are not prices lower, and would not that fact have something to do with lowering prices?

Mr. BRILE. They are higher to-day. The Aluminum Co. of America price is 24 cents, against the price I have told you.

Senator WATSON. Is that on the finished product?

Mr. BRILE. That is on crude aluminum. The price to-day is 24½ cents per pound, against 18½ cents in 1914 and against an average price of 21.61 for five years previous to 1914. The price is higher to-day than the average price for the past 10 years.

Senator WATSON. What was it during the war?

Mr. BRILE. Thirty-three cents.

Senator WALSH. Do they control the aluminum market in Canada?

Mr. BRILE. The Northern Aluminum Co. does.

Senator WALSH. So that if this tariff rate is fixed so very high, it is possible for the aluminum company—I do not say they will do it—if they can produce or manufacture cheaper in Canada, to shut down those parts of their factories here where they can produce the same goods cheaper in Canada and ship them over here at an excessive profit?

Mr. BRILE. It is absolutely possible. I submit that the overhead and interest charges are 12 cents per pound to-day, and yet they sold aluminum at 18.59 cents in 1914, considerably less than they are to-day, and only a difference of about 6 cents a pound or 5½ cents per pound, and they claim their overhead and administrative costs are to-day. We claim that 12 cents per pound is not a correct statement of the selling and financing costs of the Aluminum Co.; if it is, the foreigner has those same costs.

BRIEF OF LAWRENCE M. BRILE, PRESIDENT BRILE & RATNER (INC.), NEW YORK CITY.

The fact that the 2-cent Underwood tariff rate in 1914 brought the price of aluminum down to 18.59½ cents per pound from 22.63 per pound proves conclusively that had this price of 18.59½ cents been established by the Aluminum Co. of America in any year of the Payne-Aldrich tariff there would have been no importations whatever. Importations were less under the Underwood bill, with a 2-cent rate, because the price in America was reduced 5.14 cents per pound as soon as the reduced tariff went into effect.

If you establish a rate of 5 cents per pound on aluminum ingots, the situation will be—

1. With a normal rate of exchange no country can compete with the United States in aluminum.

2. There will be no importation of aluminum, or there will be an artificial rise in the price of aluminum. The only possibility for importation will be in the established price in America—a low price for aluminum and a high tariff means no imports. A high price and a high tariff means imports in the measure that the price is inflated; but a low tariff guarantees a low price and a healthy demand and normal importation.

The cost of raw material to the foreign manufacturer is at least equal to the cost of the American producer. Some of the raw materials used in the manufacture of aluminum are bauxite, coal, limestone, and soda ash. With reference to bauxite, practically the entire American supply is controlled by the American Bauxite Co., a subsidiary of the American Producers. Most of the foreign producers purchase their bauxite from mining interests. With reference to coal, practically all of the foreign producers purchase their coal in the open market, whereas the American producers own their own coal mines, situated conveniently to their plants, in Pennsylvania. The foreign cost of coal is many times the American cost. The cost to the foreigner for limestone and soda ash is at least equal to the cost to the American producer.

We submit that even if the proposed rate of 5 cents per pound on crude aluminum were fair, equitable, and just, representing the approximate difference in cost between foreign and American crude aluminum, which is, of course, not true and denied, the rate provided of 9 cents per pound for aluminum in plates, sheets, bars, rods, circles, disks, blanks, strips, rectangles, and squares is entirely inconsistent with the said rate of 5 cents per pound on crude aluminum and is relatively much higher than the 5 cents per pound rate on crude aluminum.

We submit further that the rate of 9 cents per pound on plates, sheets, bars, circles, etc., will create an absolute embargo against the importation of any of these products into the United States; and further submit that the Government, by reason of the said embargo, will receive no revenue from the importation of these said products.

In support of our contention that the rate of 9 cents per pound on aluminum sheets, bars, rods, circles, disks, blanks, strips, rectangles, squares is entirely disproportionate to and inconsistent with a rate of 5 cents per pound on crude aluminum, we wish to call attention to the differential or overages above the selling price on crude aluminum ingots, charged by the American manufacturers on certain of the fabricated items mentioned above, such as strip or coiled sheet aluminum, sheet aluminum, circles, etc.

On March 30, 1920, the sole producer of aluminum in this country issued a condensed data sheet, No. 6697422, of which the following is a copy:

Gauge.	Size.	1-ton lots.	15-ton lots.	50-ton lots.
	Inches.	Cents per pound.	Cents per pound.	Cents per pound.
12-17.....	3-18			
18-20.....	3-16			
21-22.....	3-15	8.00	7.80	7.60
23-24.....	3-14			
25.....	3-13			
26.....	3-13	9.20	9.00	8.80
27-28.....	3-12	10.30	10.10	9.90
29-30.....	3-12	12.50	12.30	12.10
31-32.....	3-12	14.50	14.60	14.40
33.....	3-12	17.00	16.80	16.60
34.....	3-12	20.00	19.80	19.60
35.....	3-12	24.00	23.80	23.60

It will be noted from the above that aluminum coiled sheets in 50-ton lots were sold by the Aluminum Co. of America at 7.6 cents per pound more than the crude aluminum ingots. In other words, 7.6 cents per pound represented the cost of manufacture of aluminum coiled sheets in 50-ton lots, plus profit, plus overhead and all interest charges. The proposed rate of duty of 9 cents per pound on sheet aluminum is 1.3 cents per pound more than the cost of manufacture of the chief producers on March 30, 1920, of coiled sheets, including all charges.

In other words, the foreigner is asked to pay a duty of 1.3 cents per pound on aluminum coiled sheets over the chief producer's admitted cost of manufacturing.

On March 30, 1920, the sole producers of aluminum in the United States issued a condensed data sheet, No. 6697422, covering coiled sheet circle differentials, of which the following is a copy:

Gauge.	Size.	1-ton lots.	15-ton lots.	50-ton lots.
	<i>l. ches.</i>	<i>Cents per pound.</i>	<i>Cents per pound.</i>	<i>Cents per pound.</i>
12-17.....	3-14			
18-20.....	3-16			
21-22.....	3-15	12.30	12.10	11.60
23-24.....	3-14			
25.....	3-13			
26.....	3-13	14.40	14.20	14.00
27-28.....	3-12	15.50	15.30	15.10
29-30.....	3-12	17.80	17.60	17.40
31-32.....	3-12	20.00	19.80	19.60
33.....	3-12	22.30	22.10	21.90
34.....	3-12	25.50	25.30	25.10
35.....	3-12	30.00	29.80	29.60

It will be noted from the above differential or extras above crude aluminum charged by the Aluminum Co. of America for coiled sheet circles in 50-ton lots was 11.9 cents per pound. The proposed duty of 9 cents per pound on aluminum circles is but 2.0 cents per pound less than the admitted cost of production plus profit, plus overhead, of the sole producer of aluminum circles.

These illustrations will tend to show how unreasonable a duty of 9 cents per pound on aluminum sheets is, especially when considered in connection with the rate of 5 cents per pound on crude aluminum. On March 30, 1920, the date on which the said above condensed data sheets were issued, the selling price for crude aluminum ingots was 33 cents per pound. The selling price, therefore, of coiled sheets in 50-ton lots was 40.8 cents per pound, or an increase of 23 per cent. The coiled sheet circle price in 50-ton lots was 44.90 cents, an increase above the price of ingots of 36 per cent. The increase, however, on the proposed rate of duty between crude aluminum of 5 cents per pound, and sheet aluminum of 9 cents per pound, is 80 per cent, showing how disproportionate the differential between the ingot and sheet duty really is.

The attention of your committee is respectfully called to the fact that the Finance Committee made an extended investigation of the differential or difference that should apply between the rate of duty established for crude or ingot aluminum and aluminum sheets at the time the Underwood tariff rate was established, and they fixed this differential at 1½ cents per pound, which, in our opinion, is just, fair, and equitable. In other words, regardless of what rate of duty it is decided upon for crude aluminum or ingots, the rate on sheets and other fabricated products, in order to be consistent, should not be more than 1½ cents per pound in advance.

There is a far greater interest, from the standpoint of independent consumers of aluminum, that a just rate of duty be established for aluminum sheets than there is for crude aluminum, because the fabricating capacity of the producers in America in normal times has not been sufficient to enable them to make prompt deliveries and to keep the consuming trade supplied with fabricated aluminum such as sheets, circles, coils, etc., and in order to be assured of a source of supply at such times as the American producer is unable to supply the demand for sheets, etc., there should be an opportunity to the independent consumers to secure their much-needed supplies abroad, and those supplies can only be secured in competition with the American supply, if such supplies can be imported under a rate of duty that is not prohibitive.

We, therefore, respectfully suggest that no matter what action is taken with reference to the duty on crude aluminum in ingot form, that the rate of duty on fabricated aluminum such as aluminum sheets, rods, etc., shall carry a rate not in excess of 1½ cents per pound higher than whatever rate is found equitable, just, and fair for aluminum ingots or crude aluminum.

STATEMENT OF HARRIS E. GALPIN, REPRESENTING THE
NATIONAL ALUMINUM FOUNDRIES' ASSOCIATION.

Mr. GALPIN. I represent the National Aluminum Foundries' Association, which is a trade organization composed of independently owned aluminum foundries scattered throughout the United States. We have, I think, in the membership of our association approximately 35 to 40 per cent of the foundry production business in the United States. Of the remaining business of the United States, I think it is safe to say that 30 per cent is controlled by the subsidiary companies of the only producers in this country—the Aluminum Co. of America.

We filed a brief before the Ways and Means Committee of the House on this matter and were heard at their hearings; and our position to-day is the same as it was at that time. We protest against an increase in the duty over that of the Underwood bill. The Underwood bill provided for 2 cents on ingots and 3.5 cents on sheet. The Fordney provides 5 cents on ingots and 9 cents on sheet.

Senator SMOOT. You want the Underwood rate?

Mr. GALPIN. We want the Underwood rate; yes.

I wish to file the same brief that was filed before the Committee on Ways and Means of the House.

Senator SMOOT. There is no need to put it in. We can get that brief. We will have it before us.

Mr. GALPIN. If it will be considered as part of my statement, I need not file it.

I would also like to have permission to file, within the next 10 days, a brief on this subject.

Senator SMOOT. You may have that privilege.

Mr. GALPIN. In addition to that, there are one or two observations that I should like to make.

The Aluminum Co. of America is the sole producer of the metal in this country. It is, at the present time, the sole producer of aluminum sheets in the country. While it has not a monopoly in a strict legal sense, in effect it has to-day a monopoly, and through its subsidiary corporation already mentioned, we, the independent aluminum foundries, meet them not only as our sole local source of supply but also as our principal competitor in the sale of our product, which is aluminum castings.

Something has been said with reference to aluminum in connection with present market conditions. I think it has been said during the hearing that foreign aluminum is being offered in this country to-day at low prices. I think that undoubtedly that is true, but I believe that the situation that has arisen is the result not so much of the importations of aluminum as it is of general business depression.

I understand that the Aluminum Co. of America has on hand to-day a large stock of metal which it can not sell because of the lack of demand.

When the automotive industry shut down last summer a number of foundries had large stocks on hand. As a result a large number of stocks have been placed upon the market for resale. Aluminum runs into large sums of money and resale is necessary to carry along financial obligations.

I think the market to-day is demoralized as the result of depression, but not as the result of importations into this country.

There has been considerable said about the fear that the German producers would flood the market. I think that an investigation of the subject and perusal of the Tariff Commission's reports will indicate that the German competition is not to be feared to any extent.

The Aluminum Co. of America, through mills here and in Canada, controls over one-half of the product supplied to the world, and of the 14 companies engaged abroad the Germans produce only about one-sixth of what is produced in foreign countries, so that competition does not mean as much as it has been said to mean by a number of witnesses who fear that the German product will flood the market. I might also add that while the Aluminum Co. of America, through the Northern Aluminum Co., which it owns, in Canada, exports to the United States considerable aluminum, yet, according to the testimony before the Federal Trade Commission of Mr. Davis, of the Aluminum Co., five-sixths of that company's output from its large plant is sold abroad in England and France and other countries in competition with other producers against whom protection is asked here.

We have very large foundries and we have large sums of money invested. We normally employ between 9,000 and 10,000 men and have invested approximately \$9,000,000 or \$10,000,000 in the foundries.

Senator WALSH. How many foundries are there?

Mr. GALPIN. I am talking about our foundries now. There are about 14 or 15 of them. There are between 40 and 50 in the United States. Perhaps there are 200 or 300, but they would be one-man foundries.

Senator WALSH. There is a large number of small foundries, is there not?

Mr. GALPIN. Yes; there is a large number of small ones. I am talking of the larger foundries at this time.

Senator WALSH. Just what kind of aluminum has the American Aluminum Co. a monopoly on in America?

Mr. GALPIN. That is the raw metal. They are not only the sole producers of the metal, but also the sole producers of the sheet at the present time.

Senator WALSH. Is there any other kind besides the sheet?

Mr. GALPIN. Ingots. There are also the aluminum rod and coil. Those are fabrications of the raw material.

Senator WALSH. They would be classified under crude aluminum?

Mr. GALPIN. Crude aluminum; yes, excepting, of course, that sheet is rolled.

Senator WALSH. And it is manufactured into these different things?

Mr. GALPIN. Yes.

In view of the situation as it exists to-day we do not feel that we should be limited by a prohibitive tariff to one source of supply. We believe that if we call the attention of the committee to the subject, it will make an investigation that will show that the measure of protection afforded by the Fordney bill would undoubtedly be prohibitive and would shut out foreign aluminum and give the Aluminum Co.

of America a more substantial hold upon the market and upon the prices charged for the metal in this country.

It is not as if we had producers of metals in the United States: The Aluminum Co. of America is the sole producer. It has made enormous profits. It is undoubtedly deserving of a great share of its success because it pioneered the industry in this country. It was protected by patents for a number of years. To-day the field is open in a way. However, the industry is so well controlled that there is no chance of competition.

Our point is that if we can buy the raw material at somewhere near the proper price, taking into consideration some factor of protection for the American industries, we will not be limited to this one source of supply; and I think there will be quite a tonnage of aluminum used in the United States.

Senator McLEAN. Do you know what profits the American combination makes?

Mr. GALPIN. It is not a combination. It is one company, with subsidiary corporations.

In 1913 Mr. Davis testified before the Underwood committee that at that time the invested capital—that is, the capital and surplus of the corporation—was \$30,000,000. In last January, I think, they sold \$10,000,000 notes on the market, and in a letter signed by Mr. Davis they stated their assets, exclusive of patents and good will, were in excess of \$110,000,000. They made a profit, part of which they left in the business, during the period 1913 to 1920 of between \$80,000,000 and \$90,000,000. In other words, there was an increase of invested capital of about 300 per cent. Their capital remained the same but their surplus increased. That is the investment as disclosed by the circular which is in the record of the Ways and Means Committee of the House. There was an increase of between \$80,000,000 and \$90,000,000.

Senator WALSH. Could you give figures as to the value of the aluminum kitchen utensil output in this country?

Mr. GALPIN. I could not. The Tariff Commission reports say that the Aluminum Co. of America's subsidiaries use 22 per cent of the metal produced by the Aluminum Co. It is a large industry, but in tonnage it does not compare with the foundries. The kitchen utensil products are made from sheet.

Senator WALSH. There is more tonnage in the foundry business?

Mr. GALPIN. Yes; more tonnage. The Aluminum Co of America sells, of course, to independent competitors.

Senator SMOOT. Do you desire to file a supplemental brief?

Mr. GALPIN. Yes; I do.

Senator SMOOT. You may have that privilege.

BRASS AND COPPER.

[Paragraph 378.]

STATEMENT OF FRANK H. HOFFMAN, ASSISTANT GENERAL MANAGER OF THE DETROIT COPPER AND BRASS ROLLING MILLS, REPRESENTING THE AMERICAN BRASS AND COPPER STATISTICAL EXCHANGE.

Mr. HOFFMAN. Mr. Chairman and members of the committee, the American Brass and Copper Statistical Exchange is an organization made up of 15 manufacturers of brass and copper material in various forms, and through its taxation and tariff committees they have endeavored to aid the Ways and Means Committee and the Finance Committee in arriving at a schedule that would be appropriate for the industry.

All prior bills have covered the brass and copper industry with not over a dozen lines, and in taking the matter up with the Ways and Means Committee an effort was made to cover the industry in all its details and technicalities. That resulted in a very voluminous proposition, too great and too elaborate, apparently, for consideration.

We have taken the various lists which we use and which are standard lists in the industry and boiled them down to as small a scope or as few groups as we possibly could, and in order to make clear to you what we are endeavoring to do, I shall take as an illustration sheet copper.

All sheet copper is made from a cake of copper as it comes from the copper refineries. It has to be rolled and trimmed to size by us. The lowest price sheet, which is known as a base size, is priced at, say, 20 cents per pound. It is between 19 and 20 cents to-day, with copper at 12 to 13 cents. As that base sheet is altered by labor, rolling it to wider widths or longer lengths or lighter gauges or the temper is regulated or changed by extra rollings, or the finish is changed by extra polishing operations, the price advances, and we have a list to cover that, which I find embraces 97 different items. An effort was made to introduce that list into the schedule when it was under consideration by the Ways and Means Committee.

We have reduced those 97 items into groups, six or seven in number, grouping the sizes as nearly as we could to secure a fair and equitable spread. We have taken the position that it is not consistent nor equitable to put the same duty on a sheet on which the value is 20 cents as we would on a sheet on which the value is 50 cents, when the difference between the 20 and 50 cents is made up fully 90 per cent in the shape of labor.

The same conditions apply to all items of the brass and copper industry. The brass rod is cast to a size and then by drawing operations reduced to smaller sizes; the same with wire; and the difference in the selling price is the difference which is occasioned by the extra labor which is put on the base or minimum size of whatever item it may be.

Senator SMOOR. The wording of the paragraph, we will find, then, in your brief?

Mr. HOFFMAN. Yes, sir.

Senator SMOOT. You may file that as a part of your remarks.

Senator McLEAN. I notice here there is a rate of 2½ cents a pound on copper in rolls.

Mr. HOFFMAN. That is a different product. I used sheet copper as an illustration, and then I made the statement that with all other items the conditions were precisely the same. What we term sheet copper is a flat sheet.

Senator McLEAN. That has come in free in the past, has it not?

Mr. HOFFMAN. No, sir; there has been a duty on it.

Senator SMOOT. Copper itself is free.

Mr. HOFFMAN. The raw ingot is free. The roll copper, Senator McLean, to which you called attention, is copper that instead of being furnished in a certain width and certain length is rolled out in a continuous length. It is coiled up, probably some of it 200, 300, or 400 feet long.

We have endeavored in the consideration of a proper rate to secure a line as near as we possibly could on foreign costs. The last comparison that we were able to secure was in the latter part of 1919 or early in 1920, and the labor rate prevailing in English mills similar to the mills which make up our organization showed that our rate ran from 90 to 120 per cent higher than their rate.

I was in close communication with three very large English manufacturers last week. I was unable to secure any figures from them that would enable me to give your committee an intelligent comparison, for the reason that they are running under such absolutely chaotic conditions that they do not know where they are themselves, due to the domination of trade unionism, and so forth.

Within the past sixty days I spent quite some time with the representative of the largest manufacturer of these items in Germany. Their minimum rate that they were then paying was 60 marks per day; their maximum rate was 80 marks per day; which, based on the present rate of exchange, would be from 70 to 90 cents per day. Of course, that is based on the American valuation and the rate of exchange, and it does not necessarily follow that the mark when spent in Germany has not a greater value than when spent in America.

I wish to impress upon the committee the fact that European manufacturers in the past year have sent their best experts, in the shape of engineers, with a view of familiarizing themselves with every possible improvement. They have had a very material advantage from a labor standpoint. We have had some advantages over them from the basis of efficiency and modern machinery. They have contracted for large quantities of machinery in this country and are continuing to do so, undoubtedly with a view of offsetting that advantage, if any, that we did have. We enjoy no advantages in the way of our raw material, notwithstanding the fact that perhaps 90 per cent of the raw copper which Germany and France and England use is American copper.

Prior to the war they were able to buy that American copper laid down in London for less than we were able to buy it for laid down in Detroit. To-day there is very little difference between the cost of the copper laid down in English points against copper laid down in Detroit. So that we have no advantages in the way of raw materials.

The rates which we ask for are totally different from what have prevailed in all previous bills, by reason of the fact that we are asking for classified duties instead of a fixed duty.

The condition of the brass and copper industry to-day is probably at as low an ebb as it has ever been in the history of the industry, due to an enormous producing capacity and a slowing down of the demand, which is perhaps no different in that particular from that existing in most all other industries. But to-day I think I can say with safety that we have facilities in the brass and copper industry for producing in from three to four months all the material that will be normally consumed in 12 months.

Senator WATSON. That is, you can produce in the United States all that can be consumed in the United States?

Mr. HOFFMAN. Yes, sir.

Senator WATSON. And export it, too?

Mr. HOFFMAN. The export business is practically an unknown quantity. The Underwood bill reduced the tariff on many items.

Senator WATSON. There is not much import now, is there, of copper?

Mr. HOFFMAN. No. I simply wish to mention the fact that the Underwood tariff reduced the duty and it became operative in 1913. In the spring of 1914 the foreign manufacturers began to operate in the American market, not by making sales, but they had their people here familiarizing themselves with the market and the conditions and the requirements. The war broke out in 1914, and instead of the United States becoming a buying factor it became an enormous selling factor by reason of the fact that foreign manufacturers were unable to meet the great demand, and all during the war we were large exporters.

Senator WATSON. Of course, there are enormous possibilities for the production of copper in the United States, are there not?

Mr. HOFFMAN. Yes, sir. You refer to the raw copper?

Senator WATSON. Yes.

Mr. HOFFMAN. There are possibilities in both. They reached the peak during the war. Our end of the industry was affected by the war, due to the absolute necessity of our product for war purposes.

Senator SMOOT. Your 15 minutes are up, Mr. Hoffman.

Mr. HOFFMAN. May I make one point more? It will take me but a moment. This point may have no direct bearing on this subject at this time, but it was manifestly evident in the past six years. Basic copper products are perhaps the most essential to the conduct of war. Without copper and brass in various forms the manufacture of munitions and many other items would be impossible. While it is hoped that the United States will never again be drawn into another war, still the policy of preparedness and readiness should never be overlooked. Consequently, if this deduction is correct it must appear how essential it must be that an industry so vital and so absolutely indispensable should be encouraged and developed to its full strength as one great factor in the protection of the Nation.

BRIEF OF THE AMERICAN BRASS AND COPPER STATISTICAL EXCHANGE, NEW YORK CITY.

I. This statement is made on behalf of the American Brass and Copper Statistical Exchange, whose membership is made up of 15 concerns engaged in the manufacture of copper and brass in various shapes and forms. The membership is as follows: Bridgeport Brass Co., Bridgeport, Conn.; Rome Brass & Copper Co., Rome, N. Y.; Detroit Copper & Brass Rolling Mills, Detroit, Mich.; Chase Rolling Mills, Waterbury, Conn.; Scovill Manufacturing Co., Waterbury, Conn.; Michigan Copper & Brass Co., Detroit, Mich.; Bristol Brass Co., Bristol, Conn.; National Brass & Copper Co., Lisbon, Ohio; Taunton-New Bedford Copper Co., Taunton, Mass.; Cleveland Brass & Copper Mills, Cleveland, Ohio; C. G. Hussey & Co., Pittsburg, Pa.; Mueller Metals Co., Port Huron, Mich.; Baltimore Copper Smelting & Rolling Co., Baltimore, Md.; American Copper Products Corporation, New York City; Seymour Manufacturing Co., Seymour, Conn.

II. Our interest is in paragraph 378 of the tariff bill as it passed the House. This reads as follows:

"Copper in rolls, rods, or sheets, 2½ cents per pound; copper engravers' plates, not ground, and seamless copper tubes and tubing, 7 cents per pound; copper engravers' plates, ground, and brazed copper tubes, 11 cents per pound; brass rods, sheet brass, brass plates, bars, and strips, Muntz or yellow metal sheets, sheathing, bolts, piston rods, and shafting, 4 cents per pound; seamless brass tubes and tubing, 8 cents per pound; brazed brass tubes, brass angles and channels, 12 cents per pound; bronze rods and sheets, 4 cents per pound; bronze tubes, 8 cents per pound."

III. This paragraph does not at all meet the needs of the copper and brass industry. It does not take care of the different grades of copper and brass products, which vary greatly in value as regards gauge and other elements of manufacture. A flat specific rate is put upon all of the copper and brass products. It does not take into consideration the higher grades and those in which the additional labor makes a larger production cost, which is mirrored in the selling price.

Copper in sheets, American made, has a selling price of from 10½ to 50 cents per pound, depending upon grade, yet a flat rate of 2½ cents per pound is put upon all such products. Seamless copper tubes or pipes vary in selling price from 19 to 65 cents per pound and copper tubing from 29 cents to \$4.70 per pound, yet this paragraph gives a flat rate of 7 cents per pound on such tubes and tubing. Brazed copper tubes, given a duty of 11 cents per pound, vary in American value from 30 cents to \$1.40 per pound.

Sheet brass, American made, has a wholesale selling price in the American market of from 15½ to 55½ cents per pound, but is given a flat rate of 4 cents per pound. Seamless brass tubes or pipes vary in wholesale selling price of from 18 to 64 cents per pound, and seamless brass tubing from 28 cents to \$4.60 per pound; but in this paragraph a flat rate of 4 cents per pound is given. Brazed brass tubes, given a rate of 12 cents per pound, vary in value as is gauged by price, from 27 cents to \$1.37 per pound.

Bronze rods and sheets, given a flat rate of 4 cents per pound, go from 16 to 55 cents per pound in selling price. Seamless bronze tubes, given a duty of 8 cents per pound, go from 22 to 63 cents per pound in value.

The paragraph as it now stands fixes a flat or similar duty on each of the various shapes in which brass and copper are produced, regardless of actual values of the various dimensions, tempers, and finishes. It pays no attention to the different grades and values of copper and brass products. These grades and their consequent values are the result of extra labor, and therefore entail a larger production cost. An illustration of this is in regard to sheet copper. Take the lowest price sheet, which carries a price of 20 cents per pound. This price is based on raw copper at 13 cents per pound and represents a spread of 7 cents per pound. A large proportion of sheet copper is sold through agents or jobbers who receive a commission of at least 5 per cent; consequently, out of the 7 cents must come labor, fuel, supplies, overhead, taxes, freight, boxing, commissions, cash discounts, and profit. This is for the lowest priced sheet or what is known in the trade as a "base size."

As a sheet is increased in width or length, or is reduced in thickness, or there is added a special temper by rolling or a special finish by polishing, the price advances until it reaches a maximum of, say, 50 cents per pound, or a spread of 37 cents per pound—a difference of 30 cents per pound in the spread

between the minimum and the maximum sheet, and practically all this difference is made up of labor. It is contended, therefore, that it is erroneous to fix a flat rate of duty on sheets of every conceivable dimension and finish, even though such flat rate be arrived at by average, which would simply result in a rate too high for the minimum sheet and too low for the maximum sheet. While sheet copper has been used in this illustration, the same conditions prevail on all other items, such as tubes and tubing, angles, rods, and the other brass and copper products.

IV. The copper and brass industry in the United States is a large one. It counts its products by the hundreds of millions of dollars. It is an industry essential to the national welfare. Such an industry, well equipped and efficient, is absolutely necessary for military preparedness. Production units are expensive, requiring heavy machinery and large labor organizations. They can not be assembled on short notice and expansion is necessarily slow. The products of this industry enter into ordnance material and munitions, making it second only to iron and steel manufacturing in military importance. They are used for the manufacture of small-arms ammunition and in the manufacture of projectiles. They enter into marine construction in many different forms. They are also important components of automobiles and other machinery. An industry so essential to the Nation and its welfare should receive from its legislators adequate tariff protection.

V. In spite of the fact of the copper production of the United States, the American manufacturer and his European competitor are practically on a par in the cost of their raw material. As to Japan, she has not only her own copper supply, but a surplus for export. The American industry is at a disadvantage in the making of its copper alloys in comparison with its European rivals because of the lower price of zinc abroad, due to cheaper coal and labor. The expense of putting up a plant in this country is much greater than in foreign countries. And the large and expensive installations of powerful machinery needed in the production of brass and copper products make a capital outlay for the American manufacturer that must be taken into consideration.

In the matter of wages the American manufacturer is at a great disadvantage, and the labor cost in the production of brass and copper articles is an enormous element in the total production cost. According to an official report of the Tariff Commission, British wages in the brass rolling-mill industry are only a little more than one-half those paid in the United States. Common labor in British plants receives a minimum of 6s. 7d. per week of 48 hours, which at the present rate of exchange, \$3.50, is equivalent to only 23 cents an hour as compared with 45 cents or more paid to similar workers in the United States. The wage of rollers ranges in England about 80s. per week, or less than 30 cents per hour, as compared with from 60 to 80 cents in American mills. The French scale, with the present depreciation of the franc, is about one-third that being paid in American plants. These are the figures of the Tariff Commission itself.

VI. The foreigner has been busy for some time in copying American methods of brass and copper manufacture. Shortly after the Underwood Act became effective, foreign manufacturers began to operate in the United States. It was a new field for them, and considerable time was required until they could familiarize themselves with American market conditions and requirements. Before anything was really accomplished in this direction came the beginning of the war of 1914 and an entire change occurred. The demand for copper and brass products for war work grew to proportions beyond the facilities of foreign manufacturers, and instead of the United States being a buying factor it became a selling factor and continued as such during the entire period of the war.

For all time foreign manufacturers have enjoyed labor costs so greatly below those prevailing in the United States that this alone gave them an insurmountable advantage. The only possible advantages possessed by American manufacturers have been a somewhat higher efficiency on the part of labor, also a somewhat higher efficiency in general mill practice and equipment. Foreign manufacturers are fully aware of these features, and efforts are being made by them to overcome them, which is evidenced by the fact that representatives of prominent English manufacturers have spent considerable time in this country during the past year to familiarize themselves with American practices and equipment. The representative of one of the

largest German manufacturers returned to Germany last week after a two months' visit, all of his time practically being devoted to the study of American shop practices and improved and modern machinery. These are indications everywhere that foreign manufacturers are making every effort to add to the advantage they already have in the cost of labor, such as will accrue to them through better mill practices and efficiency and improved and modern machinery.

VII. It is, of course, to the future that tariff legislation looks. This committee is making a law not for to-day but to stand the test of to-morrow in industry. Outside of the United States, the chief makers of brass and copper products are Germany, Great Britain, Japan, and France. All of these nations are making great preparations for the American market. The German is laying out his plan by organizing large production units and concentrating on a relatively small number of products. In this way he is obtaining the advantage of low labor costs and putting himself in a position to compete vigorously with the American manufacturer at home. The Briton is following his example and is eliminating minor lines of production and concentrating on the few.

It must be remembered, too, that while the war temporarily eliminated the German industry, it stimulated production in France and England. In both of these countries the productive capacity was greatly increased, and there is to-day a large surplus over domestic requirements. This means exportation, and exportation to the United States as the best market place of the world. The fact that foreign competition has not assumed large proportions as yet since the war is due to the fact that the world markets were starved during the war, and that following the cessation of hostilities English and French brass manufacturers have had more orders than they could fill. Both of these nations, however, have now caught up on their orders and from now on will have a surplus to sell abroad.

VIII. We ask that this committee fix the following schedule of tariff rates for the products manufactured by this association:

"Sheet copper, both hot and cold rolled, in the form of sheets, plates, etc., all lengths, but not over 36 inches wide: Heavier than 24 ounces per square foot, 4 cents per pound; more than 14 and not more than 24 ounces per square foot, 6 cents per pound; more than 12 and not more than 14 ounces per square foot, 8 cents per pound; 12 ounces or less per square foot, 11 cents per pound; in addition to above duties, 1 cent per pound for widths between 36 and 72 inches, and 2 cents additional for widths over 72 inches; sheet copper not included in above and sheet copper coated with tin, and polished, 12 cents per pound; copper engravers' plates, not ground, 8 cents per pound; copper engravers' plates, ground and polished, 16 cents per pound.

"Copper in rolls or coils: All widths over 2 inches, No. 23 Brown & Sharpe gauge and heavier, 4 cents per pound; less than No. 23 but not less than No. 28 Brown & Sharpe gauge 5 cents per pound; less than No. 28 but not less than No. 31 Brown & Sharpe gauge, 6 cents per pound; less than No. 31 but not less than No. 34 Brown & Sharpe gauge, 7 cents per pound; less than No. 34 Brown & Sharpe gauge, 10 cents per pound; in widths 2 inches and under, also not specified above, 12 cents per pound.

"Sheet brass and sheet bronze, brass and bronze plates, Muntz and yellow metal sheets and sheathing, widths over 2 to 16 inches: No. 24 Brown & Sharpe gauge and heavier, 4 cents per pound; less than No. 24 but not less than No. 30 Brown & Sharpe gauge, 5 cents per pound; less than No. 30 but not less than No. 33 Brown & Sharpe gauge, 6 cents per pound; less than No. 33 Brown & Sharpe gauge, 9 cents per pound; all other widths and gauges not specified above, 11 cents per pound.

"Brass, bronze, and copper rods, bars, and strips, bolts, piston rods, and shafting, and brass wire, over five-eighths inch in diameter or equal cross section, 2½ cents per pound; three-sixteenths to five-eighths inch in diameter or equal cross section, 3½ cents per pound; one-eighth to three-sixteenths inch in diameter or equal cross section, 4 cents per pound; No. 11 Brown & Sharpe gauge to one-eighth inch in diameter or equal cross section, if rectangular, 6 cents per pound; not specified above, 8 cents per pound.

"Seamless, brazed, and lockseam or lapped tubes and pipes in copper, brass, and bronze: Larger than 1½ to 4½ inches, inclusive, outside diameter, and No. 14 Stubbs gauge and heavier, 5 cents per pound; larger than 4½ inches in diameter and heavier than No. 14 Stubbs gauge, 9 cents per pound; ½ to 1½ inches, in-

clusive, outside diameter, and No. 14 Stubbs gauge and heavier, 10 cents per pound; larger than 1 to 4 inches, inclusive, outside diameter, and lighter than No. 14 but not lighter than No. 24 Stubbs gauge, 15 cents per pound; $\frac{1}{2}$ to 1 inch, both inclusive, outside diameter, and lighter than No. 14 but not lighter than No. 24 Stubbs gauge, 16 cents per pound; larger than 4 inches outside diameter, and lighter than No. 14 but not lighter than No. 24 Stubbs gauge, 20 cents per pound; including $\frac{1}{2}$ to $\frac{3}{4}$ of 1 inch outside diameter, No. 24 Stubbs gauge and heavier, and $\frac{1}{2}$ to 1 inch, both inclusive, when lighter than No. 24 but not lighter than No. 29 Stubbs gauge, 20 cents per pound; $\frac{1}{2}$ to 1 inch, both inclusive, outside diameter, and lighter than No. 29 Stubbs gauge, 40 cents per pound; tubes smaller than $\frac{1}{2}$ of 1 inch outside diameter, and tubes larger than 1 inch outside diameter and lighter than No. 24 Stubbs gauge, 60 cents per pound.

"All copper and copper alloys wherein copper is the principal component parts not otherwise specified in the above schedules, 12 cents per pound."

IX. These duties for which we ask have been carefully figured out in accordance with our production costs and the difference in labor cost here and abroad. These specific duties for which we ask in no case amount to more than 40 per cent ad valorem on American valuation. The duties on sheet copper run from 18 per cent to 30 per cent ad valorem, with an average of 24 per cent. The duties on copper in rolls and coils run from 20 per cent to 32 per cent, with an average of 26 per cent. The duties on sheet brass and plates and bronze sheets and plates run from 24 to 30 per cent, with an average of 28 per cent. The duties on brass rods and brass and brass wire run from 18 to 32 per cent, with an average of 25 per cent. The duties on tubes and pipes run from 24 to 40 per cent, with an average of 30 per cent. The duties that we ask on products of copper and alloys of copper not otherwise specified amount to 25 per cent.

There is no foundation for any belief that American manufacturers of brass and copper are endeavoring to secure rates of duty that will shut out imports and that will therefore result in abnormal high profits for the industry in this country. To offset any ideas in this direction it should be thoroughly understood that due to the demands of the United States Government and the allied Governments for copper and brass products absolutely essential for the conduct of the war the American producing facilities were increased enormously. With a disappearance of the war demand manufacturers were left with producing facilities sufficient to produce in 3 or 4 months the normal requirements for 12 months. An attempt to secure tonnage to run 75 per cent or even 50 per cent of normal has led to ruinously low prices, and it is believed that it is safe to say that the manufacturing profit in the industry has averaged below 5 per cent. It has been stated and not seriously contradicted that every mill in the United States has been running at a loss, not on account of foreign competition but solely on account of domestic competition. It is difficult to picture the condition that would prevail were foreign competition to be added to the demoralization that already prevails. The rates of duty that are asked will not make excessive profits for American manufacturers. The domestic competition will keep down prices of brass and copper products.

XI. The copper and brass industry is an old one and a firmly established one, and in which some of the older units have grown from very small to large concerns. It has enjoyed no particular benefits. Its raw materials, excepting during the war period, have been and are sold to their foreign competitors at practically the same prices as they pay. They have at all time paid labor as high a rate as has prevailed in similar industries, and under normal conditions could compete with the world were it not for the great difference in the cost of labor and perhaps some few supplies. American manufacturers are convinced that at no time can they expect to enjoy the cheap or lower labor costs of England, France, and Germany, to make no mention of Japan, and in their recommendation for a tariff schedule they ask only for such protection that will enable them to continue to pay liberal wages to their employees, secure a fair return on the capital invested, and retain the American market for American institutions.

GOLD LEAF.

[Paragraph 380.]

STATEMENT OF F. W. RAUSKOLB, REPRESENTING THE UNITED STATES GOLD LEAF MANUFACTURERS' ASSOCIATION.

Senator WALSH. Will you state your interest?

Mr. RAUSKOLB. I will read from this brief. We earnestly recommend that paragraph 380, H. R. 7456, be amended to read as follows:

PAR. 380. Gold leaf, \$1 per 100 leaves. The foregoing rate applies to leaf not exceeding in size the equivalent of 3½ by 3½ inches; additional duties in the same proportion shall be assessed on leaf exceeding in size said equivalent.

You will notice that we ask for \$1 per 100 leaves instead of 50 cents per 100 leaves, as provided by House bill 7456. The Ways and Means Committee was evidently guided by the rates asked in the Payne-Aldrich bill of 1909. At the present time conditions have materially changed and our skilled labor will not go back to the impoverished conditions which they have suffered in past years.

Taking into consideration purely the question of wages, we believe a higher rate than we ask for should be granted, as the net foreign labor cost is \$1.04 per hundred leaves less than in this country. The comparative labor cost in a hundred leaves of gold leaf is as follows:

Wages: United States, \$14 per week per man; Germany, 300 marks at \$0.015=\$1.50.
Product: 5,000 leaves of gold 3½ by 3½ inches.
Raw material: Gold. (Gold is gold the world over.)

Labor cost per 100 leaves, 3½ by 3½ inches.

United States:		
Man.....		\$0.88
Booking girl.....		.28
Total.....		\$1.160
Germany:		
Man.....		.09
Booking girl.....		.024
Total.....		.114
Difference.....		1.046

We believe that no other industry in the United States asks for a tariff less than the actual difference in labor costs, which is the fact in our case. Understand, please, we do not include any overhead charges and only ask you to equalize actual labor cost.

I would like to read the committee a paragraph appearing in the Literary Digest of July 16, 1921:

Chairman Fordney's belief that "the rates prescribed in the new tariff bill will stimulate American industries and cause a revival of business in general," are, he says, based on the fact that "under existing rates many products from Germany, Japan, and other countries are coming upon the American market at far less than the American cost of production. The displacement of American labor is the inevitable result, and the purpose of the new bill is to enable American industries to meet the severe competition to which they are now subjected. If time would permit, a long list of industries now seriously affected by the importation of articles at prices with which they can not compete and maintain the American standard of wages could be cited."

Senator SMOOT. The Payne-Aldrich bill gave you 35 cents?

Mr. RAUSKOLB. The Payne-Aldrich bill gives 35 cents.

Senator SMOOT. And you want \$1?

Mr. RAUSKOLB. We want \$1 now. At that time we were paying men from \$12 to \$15 per week. It takes from three to six years to learn the gold-leaf trade. It is highly skilled labor.

Senator SMOOT. It took them just as long as that in 1909, didn't it?

Mr. RAUSKOLB. Yes; but they were not getting living wages. Conditions are different now. The present tariff bill gives us only 50 cents. The German and Japanese standard price, retail, is \$8.25 at the present time. That gives 58 cents. In spite of the fact that the object of this bill is to stimulate industry, the present bill, as it is, gives us only 50 cents. If that goes through, there will have to be a cut of at least \$20 per man as well as for the girls in the industry. I thank you very much for your courtesy in allowing me to appear before you at this time. It would have been a serious matter for me had it been necessary for me to stay over.

TINSEL.

[Paragraph 382.]

STATEMENT OF B. WILMSEN, PHILADELPHIA, PA.

The CHAIRMAN. On what item do you appear?

Mr. WILMSEN. In reference to the duty on tinsels.

The CHAIRMAN. As I understand it, you are satisfied with Payne-Aldrich rates?

Mr. WILMSEN. I am satisfied with the Payne-Aldrich rates, and I beg to submit a brief to the committee.

The CHAIRMAN. We will take it and have it printed as a part of your statement.

BRIEF OF B. WILMSEN, PHILADELPHIA, PA.

May I submit the following information and data for your consideration when you review the matter of providing the rate of duty on the commodity known as tinsel, lahn, or lame, which has been specifically provided for under paragraph 382, H. R. 7450, known as the Fordney bill, at 10 cents a pound and 80 per cent ad valorem.

Let me first state that tinsel wire is essentially a raw material, this in view of the fact that it must be made up into some article, such as Christmas-tree ornaments, fabrics, etc. Under the act of 1897, paragraph 179, it carried a duty rate of 5 cents a pound. Under the act of 1909, paragraph 179, the same rate of 5 cents a pound applied. In the act of 1913 it was rated at 6 per cent ad valorem under paragraph 150, which rate, figured out in normal times, that is, before war conditions prevailed, at something less than the previous rate of 5 cents per pound. Under the proposed Fordney Act, H. R. 7450, paragraph 382, it is listed at 10 cents per pound and 80 per cent ad valorem.

I am principally engaged in producing various kinds of toys, my plant being located in Philadelphia, where I employ some 200 men and women. One of the principal products that I produce is an extensive line of Christmas-tree ornaments, in the fabrication of which I use a great deal of tinsel wire, lahn, or lame, which up to date hereof I have been compelled to purchase principally in the foreign market, due to the poor quality produced by the single manufacturer in the United States. The trade to whom I offer my Christmas-tree ornaments made of tinsel wire refuse to accept such ornaments when made from the inferior tinsel wire produced in the United States, and they generally stipulate in the orders that they place with me that imported, rather than domestic, tinsel must be used, as they know from experience that the ornaments made from domestic tinsel quickly lose their luster, changing color much more quickly when they display them than do the articles made of imported material.

At the present time the import price of tinsel is about \$180 per case of 100 kilos. Applying the duty rate of 6 per cent, as specified in the Underwood Act,

which is equal to \$11.40, together with a charge of \$1 per case for hauling and freight, will make the landed price \$202.40. If you compare this rate with that proposed in the Fordney Act you will find that the amount of duty will be \$79 per case of 100 kilos, or nearly seven times the duty assessed under the present (Underwood) act, this without taking into consideration the American valuation plan, which, if adopted, would force all manufacturers of Christmas-tree ornaments using tinsel wire in the manufacture of such ornaments out of business or compel them to pay an arbitrary price which would be demanded by the sole American manufacturer, tending thereby to establish for him what would amount to a virtual monopoly in this country. In this connection I relate as follows: From January to May last year there was a strike of dock laborers in Rotterdam and it was impossible during that period to bring into the United States any of the tinsel wire that I had contracted for in the foreign markets. Thus my supply was shut off, and I was forced thereby to turn to the American manufacturer, who charged me \$425 per case of 100 kilos for tinsel much inferior in quality to that which was held up by the strike in Rotterdam and which cost me, landed, something slightly below \$200 per case of 100 kilos.

At present there are two other factories in the United States—one located in Baltimore and the other in Manitowoc, Wis.—which, including my own, employ about 500 people, and if the rate of duty as proposed in the Fordney bill is enacted it will stop the industry as far as these factories are concerned or force them under the absolute control of the only manufacturer of tinsel wire in the United States, thereby automatically monopolizing not only the trade in tinsel wire but also that of producing Christmas-tree ornaments from that commodity.

In view of the fact that tinsel, lahn, or lame is made principally of copper, and as the price of copper is constantly fluctuating, I respectfully petition you to restore the rate of 5 cents per pound as provided in the acts of 1897 and 1909 and submit that the adoption of a specific rate would permit importers to readily determine in advance the amount of duty due on any consignment and would obviate the necessity of constantly investigating its value in the foreign markets, following the ups and down of the price of copper, the principal ingredients entering into it. In addition to this, it would relieve the United States appraising officers of considerable difficulty in determining the value of each individual importation.

STATEMENT OF GEORGE M. MONTGOMERY, REPRESENTING J. B. MONTGOMERY CO., OF WINDSOR LOCKS, CONN.

Mr. MONTGOMERY. I am appearing simply to correct an error that has crept into paragraph 382 in the printing, and I have explained all the error and will file this with the clerk, if you will permit.

The CHAIRMAN. It will be filed and attention called to it.

Mr. MONTGOMERY. Beyond this I find that the quality of our goods has been attacked before this committee in a brief filed by one of our users, in which he states that they are not of a quality equal to those made in Germany. In reply I will say—

Senator WATSON. What is it you are making?

Mr. MONTGOMERY. Tinsel, under paragraph 382. During the war we manufactured all the silver tinsel used in this country for Christmas tree ornaments, and since the war about one-third of it. The quality has not been questioned in any particular, and our silver tinsel, I wish to maintain, is just as good as that made by the Germans. We want to continue to manufacture it, and under the operations of paragraph 382, as corrected, we can do so. Thank you very much.

BRIEF OF GEORGE M. MONTGOMERY, WINDSOR LOCKS, CONN.

In compliance with our request for a correction in paragraph 382 as it appears in H. R. 7456, would say that we based our original suggestion in our brief and appearance before the Ways and Means Committee of the House upon the wording of the tariff act of 1913 (Underwood), Schedule C, paragraph 150:

"Tinsel wire, lame or lahn, made wholly or in chief value of gold, silver, or other metal, 6 per cent ad valorem; bullions and metal threads, made wholly or in chief value of tinsel wire, lame or lahn, 25 per cent ad valorem; fabrics, ribbons, beltings, toys, or other articles, made wholly or in chief value of tinsel wire, lame or lahn, or of tinsel wire, lame or lahn, and india rubber, bullions, or metal threads, not specially provided for in this section, 40 per cent ad valorem."

Our suggestions for the new Fordney tariff bill were as follows:

"Tinsel wire, lame or lahn, made wholly or in chief value of gold, silver, or other metal, 10 cents per pound and 25 per cent ad valorem; bullions and metal threads, made wholly or in chief value of tinsel wire, lame or lahn, 10 cents per pound and 35 per cent ad valorem; ribbons, beltings, toys, or other articles made wholly or in chief value of tinsel wire, lame or lahn, or of tinsel wire, lame or lahn, and india rubber, bullions, or metal threads, not specially provided for in this section 60 per cent ad valorem; woven fabrics, fringes, and tassels, 70 per cent ad valorem."

The new Fordney bill, paragraph 382, H. R. 7450, as passed by the House of Representatives, reads as follows:

"Tinsel wire, lame, or lahn, made wholly or in chief value of gold, silver, or other metal, 10 cents per pound and 30 per cent ad valorem; bullions and metal threads made wholly or in chief value of tinsel wire, lame, or lahn, 10 cents per pound and 35 per cent ad valorem; ribbons, beltings, toys, and other articles made wholly or in chief value of tinsel wire, lame or lahn, and india rubber, bullions, or metal threads, not specially provided for, 45 per cent ad valorem; woven fabrics, fringes, and tassels, made of any of the foregoing, 55 per cent ad valorem."

The error which we wish to point out is an omission on page 82 of this bill, under paragraph 382, on line 18. After the word "lahn" should be inserted "or of tinsel wire, lame, or lahn."

In our opinion the bill could be administered better if there was also written in, on line 21, page 82, after the word "made," the sentence "wholly or in chief value."

This would make paragraph 382 of H. R. 7456 read as follows, our suggestions being written in italics:

"Tinsel wire, lame, or lahn made wholly or in chief value of gold, silver, or other metal, 10 cents per pound and 30 per cent ad valorem; bullions and metal threads made wholly or in chief value of tinsel wire, lame, or lahn, 10 cents per pound and 35 per cent ad valorem; ribbons, beltings, toys, and other articles made wholly or in chief value of tinsel wire, lame or lahn, *or of tinsel wire, lame, or lahn,* and india rubber, bullions, or metal threads not specially provided for, 45 per cent ad valorem; woven fabrics, fringes, and tassels made *wholly or in chief value* of any of the foregoing, 55 per cent ad valorem."

LEAD, TIN, AND TIN FOIL.

[Paragraphs 386, 387, 389, 393, and 1670.]

STATEMENT OF EGBERT MOXHAM, REPRESENTING THE TIN FOIL MANUFACTURERS OF THE UNITED STATES.

Mr. MOXHAM. Gentlemen: I am a tin-foil manufacturer, being vice president of the Conley Foil Co., of New York, but in appearing before you do so not as a representative of this firm only but of the tin-foil industry of the United States. Mr. B. N. Schwartz, president of Lehmaier-Schwartz & Co., who are also large manufacturers of foil, is here with me and at your service in case any questions arise which I am unable to answer. I appear before you in connection with paragraphs 386, 389, 393, and 1670.

Paragraph 393 is the basket clause in the metal schedule in which tin foil lies.

Briefly, our position is one of opposition to the present schedule on tin and lead as compared with the protection afforded tin foil.

Lead, under the Fordney bill, carries approximately 50 per cent ad valorem protection on the American valuation. If taken on the cost abroad, it is anywhere from 50 per cent to 100 per cent.

Briefly, we feel that this protection is not needed for the lead industry, but passing over that, if that protection is to be, we must have more on foil.

I would like to say a word on tin, if I may. We approach the question of tin more as a matter of dread than as a matter of equity. At the present time this country is absolutely dependent upon foreign sources for tin. We do smelt about 20 per cent of our tin in this country, but that is dependent upon foreign sources for ore.

Senator SMOOT. What do you want on tin?

Mr. MOXHAM. We feel a duty of 2 cents is too high.

Senator SMOOT. Well, what do you ask for?

Mr. MOXHAM. We ask that it remain on the free list, where it has been all this time.

Passing over those features, if tin and lead are to remain as they are, we should have more adequate protection on tin foil. Tin foil is a highly fabricated product.

Senator SMOOT. That comes under the basket clause.

Mr. MOXHAM. Yes.

I have a brief that I would like to leave with you. In it is a suggested amendment of paragraph 393, the basket clause. It reads as follows, following the words "35 per cent ad valorem":

Provided, That any manufactured product covered herein, composed in whole or in part of metals upon which there has been imposed by this act specific duties, shall carry, in addition to the ad valorem duty herein enacted, a specific duty of the same rate as is enacted for the metal components by other provisions of this act.

Senator SMOOT. Would you have that same duty apply to all component parts of the manufactured article?

Mr. MOXHAM. Well, Senator, in tin foil we have only the two materials—tin and lead.

Senator SMOOT. That would apply to all in this basket clause, would it not?

Mr. MOXHAM. I would say that that would be equitable. In our own case it is equitable.

Senator SMOOT. Then, if you should have 1 pound of lead and 9 pounds of zinc, you would want the same duty on the other 9 pounds as on the lead?

Mr. MOXHAM. No, sir; only on the 1 pound of lead.

Senator SMOOT. Then you did not understand my question.

Mr. MOXHAM. I suppose I did not understand your question.

I would like also to bring up the question of bottle caps, paragraph 387.

Bottle caps, again, are composed of tin and lead. I can cover that briefly by stating that originally we had a number of bottle-cap plants in this country, but that due to foreign competition they have eliminated themselves one by one until to-day we are the only manufacturers left in the business. We receive under the Fordney bill 40 per cent ad valorem on bottle caps, if they are colored, and 25 per cent ad valorem when uncolored. I have covered this point in the brief.

Senator SMOOT. You may file that brief. Just what does the brief propose?

Mr. MOXHAM. The brief proposes 60 per cent ad valorem.

Senator SMOOT. On colored bottle caps?

Mr. MOXHAM. Our recommendation is:

Bottle caps of metal, collapsible tubes, and sprinkler tops, if not decorated, colored, lacquered, waxed, enameled, lithographed, electroplated, or embossed in colors, 60 per cent ad valorem;—

Senator SMOOT. Instead of 25?

Mr. MOXHAM. Yes.

if decorated, colored, waxed, lacquered, enameled, lithographed, electroplated, or embossed in colors 10 per cent extra ad valorem for every color or lacquer, enamel, lithographing (electroplating or embossing bronze be counted as two colors), plus a specific duty of 2½ cents a pound.

As bearing that out, I have attached to my brief some recent quotations on German caps as compared with American caps. Briefly, they range from 54 cents on the German caps to \$3.65 on American caps, and from \$1.45, German price, as compared with our price of \$5.59.

I would like to point out once again, if I may, the unequitable position in which tin foil is placed under the Fordney bill.

The tin-foil business may be divided into two main categories—the first, pure tin foil, in which tin is used entirely as a raw material; and, second, composition foil, which is made up of varying amounts of tin and lead as a raw material. By far the largest proportion of the foil business lies in the composition foil.

The Fordney bill gives foil, a highly fabricated product, only a 35 per cent protection, and the advocates of the bill point out inasmuch as this is based on American valuations it gives a very ample protection.

As compared with this the principal raw material entering into the manufacture of foil—lead, a comparatively crude product—is given on the basis of a normal American valuation a 50 per cent protection (this on the fair assumption that 4½ cents may be considered as a normal valuation for lead figured on the 2½ cents duty granted).

I feel sure it will need no extended brief on our part to convince your committee that a highly fabricated product such as tin foil, on which the greatest care and skill must be exercised in the manufacture, is certainly entitled to an equal, if not greater, protection than a comparatively crude material such as pig lead.

BRIEF OF EGBERT MOXHAM, REPRESENTING THE CONLEY FOIL CO.

BOTTLE CAPS.

Metal bottle caps are included in the present and past tariff measures under paragraph with collapsible tubes. Under the Payne-Aldrich act they carried an ad valorem duty of 45 per cent colored and 45 per cent plus a specific duty of ½ cent uncolored. Under the Underwood bill 30 per cent uncolored and 40 per cent colored. Under the Fordney bill 40 per cent colored and 25 per cent uncolored.

We earnestly ask that this schedule receive attention and that bottle caps be given adequate protection, which is entirely lacking under the existing conditions.

The history of the bottle-cap business in this country has been a lamentable one. Originally a number of manufacturers existed, but due to the severe

foreign competition one company after another has given up the manufacture until to-day, so far as we know, we, the Conley Foil Co., are the only manufacturer remaining in the business in the country. Our methods, so far as we can determine, are the most advanced in use, employing to the full, automatic methods, but despite this fact the prices we are able to quote on bottle caps are materially higher than those of foreign competitors. Foreign prices are lower by reason of lower values of materials (lead and tin) and labor, and inasmuch as the present tariff measure is substantially increasing the protection of both tin and lead, unless something is done to yield corresponding protection to the bottle cap industry, its future in this country is virtually predetermined as a failure.

Exhibit A attached hereto, a letter from one of our customers, is entirely self-explanatory and illustrative of the condition we are facing.

The normal condition of a relatively high material labor cost in this country is greatly intensified at the present time by the depreciated value of European exchange.

Exhibit B attached hereto sets forth this condition very plainly.

We urge very strongly, therefore, that paragraph 387 of the Fordney bill, as introduced, be stricken from the tariff and in its place the following provision be enacted:

"Bottle caps of metal, collapsible tubes, and sprinkler tops, if not decorated, colored, lacquered, waxed, enameled, lithographed, electroplated or embossed in colors, 60 per cent ad valorem; if decorated, colored, waxed, lacquered, enameled, lithographed, electroplated or embossed in colors, 10 per cent extra ad valorem for every color or lacquer, enamel, lithographing (electroplating or embossing bronze to be counted as two colors), plus a specific duty of 2½ cents per pound."

EXHIBIT A.

AUGUST 12, 1921.

THE CONLEY FOIL CO.,
New York City.

GENTLEMEN: Answering your quotation of August 5, beg to advise your prices are out of reason, as same can be imported at almost half the price quoted by you.

Thanking you for your quotation, we are,
Yours, very truly,

PARK & TILFORD.

EXHIBIT B.

Comparison of prices on bottle caps as quoted by a large German manufacturer with domestic prices in the United States.

[Prices quoted in American currency with allowance for effect of the German mark at \$0.0123.]

Approximate size of cap.	German prices.	American prices.	Approximate size of cap.	German prices.	American prices.
PLAIN.			COLORED.		
1.4 by 0.10.....	\$0.54	\$3.65	1.4 by 0.10.....	\$0.79	\$4.49
1.4 by 0.12.....	.61	3.89	1.4 by 0.12.....	.87	4.53
1.4 by 1.4.....	.90	4.44	1.4 by 1.4.....	1.15	5.28
1.4 by 1.6.....	.97	4.65	1.4 by 1.6.....	1.23	5.39
1.4 by 1.10.....	1.08	4.67	1.4 by 1.10.....	1.35	5.61
1.4 by 1.12.....	1.18	4.75	1.4 by 1.12.....	1.45	5.69

NOTE.—To land caps in this country carrying charges would have to be added to the German figures, but however liberal the allowance for this may be, the great diversity of values is still apparent and points out most strongly the necessity of protection.

LEAD, TIN, AND TIN FOIL.

The Fordney bill as passed by the House removes metallic tin from the free list and places on it a 2-cent duty. It advances the duty on lead from 25 per cent ad valorem to a specific duty of 2½ cents per pound. At normal prices on lead this is equivalent to 100 per cent increase. Tin foil is in the unenumerated class,

and therefore falls in the basket clause of the metal schedule. Under this it receives 35 per cent protection ad valorem, as compared with 20 per cent in the Underwood bill and 45 per cent in the Payne-Aldrich bill. It is the urgent contention of the tin-foil manufacturers of the United States that they are subject to unjust discrimination by the Fordney bill.

Such disruption of the world's commerce was caused by the war that no adequate measure is possible of the protection afforded by the Underwood bill to the tin-foil industry. The Payne-Aldrich Act, under which tin was free, lead received 2½ cents, and tin foil 45 per cent, seemed to offer, as judged by the statistics on imports during the period of its existence, reasonably adequate protection to the tin-foil industry.

Paralleling therefrom and allowing for the present conditions in Europe and Japan, it would seem that tin foil, a highly fabricated product, should receive greater protection than it did under the Payne-Aldrich Act; that is, if the duty on tin and lead is to be left as at present enumerated, tin foil for adequate and commensurate protection should receive an ad valorem duty of 45 per cent plus a specific duty on the metal contents at an equal rate to that assessed on lead and tin in other parts of the metal schedule. (See Exhibit A, attached hereto, covering an amendment to par. 393 of the Fordney bill.)

In this connection it has been pointed out by the framers of the Fordney bill that the 35 per cent granted therein is equivalent to and better than previous protection by reason of the American valuation clause embodied in this bill.

The tin-foil manufacturers do not feel that they can accept this position, in that they can not seriously believe the American valuation feature will be maintained in the ultimate passage of the tariff bill, and it is essential that it be thoroughly recognized by Congress that if this provision is stricken out or modified, as it undoubtedly will be, that greater protection must be given tin foil if present raw-material provisions on tin and lead are maintained.

Bearing on these:

Tin.—Reference is made to copy of brief submitted by the tin-foil manufacturers to the House subcommittee on metals, which is attached hereto—Exhibit B. In this has been set forth, as clearly as available data will permit, the belief of the tin-foil manufacturers that the tin industry is not entitled to the protection it seeks. The dependence of the United States on the outside world for tin is so absolute that it is almost self-evident that any import duty imposed by the United States on this material will be followed by retaliatory duties on the part of the producing countries, the whole serving to build upon domestic prices, not only the import duty proposed but the retaliatory export duties occasioned thereby. On commodities into which tin enters largely, such as tin foil, this will work not only a decided hardship to the producer, but also to a very large percentage of the consuming public in the advance prices created. We strongly urge, therefore, that the levying of a duty on tin will react most unfavorably on the consuming public and that it should not be considered.

Lead.—It is believed that 4½ cents may be considered as a normal price for lead, on which basis the 2½ cents duty is equivalent to a 50 per cent ad valorem. Statistics indicate that this country is producing its full requirement of lead and is exporting large quantities of this material, which facts would indicate that the industry is in a position to successfully compete with foreign producers, and it is therefore urged that a protection of approximately 50 per cent ad valorem is unnecessarily high.

EXHIBIT A.

Outline of amendment to paragraph 393 to put tin foil in balance with raw materials.

That paragraph 393 be amended by the addition, following the words "35 per cent ad valorem" at the end of the paragraph, of the following:

"Provided, That any manufactured product covered herein, composed in whole or in part of metals upon which there has been imposed by this act specific duties, shall carry in addition to the ad valorem duty herein enacted a specific duty of the same rate as is enacted for the metal components by other provisions of this act."

EXHIBIT II.

HON. G. Q. TILSON,
*Committee on Ways and Means,
House of Representatives, Washington, D. C.*

GENTLEMEN: We come before you representing the tin-foil manufacturers of the United States, in connection with the proposals recently made for the removal of tin from the free list and the imposition of certain duties thereon.

The tin-foil business is a long-established American industry, in which a number of firms with plants established in various parts of the country participate, using, according to Government figures, approximately 4,000 tons of tin per year, or approximately 6 per cent of the total consumption of the country. Its product is used to a very considerable extent throughout the entire country and serves, as, perhaps, no other material can, a most useful part in the merchandising of food and other perishable products.

The tin-foil manufacturing industry of this country in appearing before you do not wish to oppose any legitimate protective measure that is for the benefit of the American consumer as a whole, or for American industry in the broad sense, nor do they wish to oppose measures necessary for revenue purposes. They do, however, feel very strongly that if tariff is to be imposed for revenue purposes that it should be apportioned uniformly over general imports, and that an individual commodity should not be singled out to bear undue burden, as will result from such measure as that which we now understand is under consideration by your committee.

In that it has a distinct bearing on this measure, it should be further stated that the tin-foil business encounters formidable competition from aluminum foil and specially prepared papers arising not to merit for the particular purposes of the competing material, but more particularly through their lighter weight per unit of area and any tariff measure that tends to advance prices of the principal raw materials entering into the tin-foil industry, namely, tin and lead, will react not only on the industry itself but also on a very large percentage of the American people seriously, in that tin foil in its application to the food business reaches very largely into the every-day life of the average American consumer.

It is our understanding that the proponents of the removal of tin foil from the free list have laid their proposals before you on three main counts. These are taken up and answered herewith.

First. They propose that tin in ore or concentrates shall be removed from the free list, and that an import duty of 6 cents per pound be levied thereon.

According to the facts brought out by the proponents of this measure the proposed tax of 6 cents per pound on tin in ore can not be considered, nor is it advanced as a protective measure. In that there exists to-day in this country no mining of tin. We would urge very strongly upon you that the present tariff, with its provision for the levying of a 4 cents per pound import duty on tin in ore upon presidential proclamation when 1,500 tons or more of tin was mined in the United States, amply protects any potentiality of tin mining that may exist. This provision in the present law not only affords protection should a mining industry developed but also offers substantial encouragement and reward for such development. The fact that the measure has been so long on the statute books, particularly when coupled with the abnormal demand and consequent return available existing during the last few days through the extraordinary high prices existing, would indicate strongly the futility of greater incentive in this regard. On the other hand, the assessment of a duty of 6 cents per pound on imports of tin in ore, while protecting no American industry, can not fail to increase materially to the consumers of the United States the cost of all products into which tin enters or to react most unfavorably to those manufacturers who are dependent upon tin for a considerable part of their raw material.

It is clearly evident, not only from the brief of the proponents of the increased duty on tin but also from the statistics of the Government, that the United States is to-day and will in all probability for some time to come be entirely dependent on importation for its basic supply of tin, and it is respectfully urged that a measure of heavy duty on such a commodity will have a tendency to create retaliatory export duties from the producing countries, which will still further advance the cost of tin-bearing products to the consumer and still further embarrass the tin-consuming manufacturers of the United States.

It is admitted by the proponents of the measure that the United States is to-day virtually dependent on Bolivia for its ore supply, though it is further admitted by them that the available ore in Bolivia constitutes but 25 per cent of the world supply. Mention is made of the possible augmenting of this supply by Chinese ore, but according to the figures of the Geological Survey the average Bolivia and Chinese output for years 1913 to 1918 would constitute but 33,034 metric tons, only a little over 50 per cent of the United States consumption for the same period. These figures would seem to indicate clearly a dependence for so large a portion of our supply on sources other than those named and interested in the smelting of tin that we can not but view with alarm the effect on these other sources of an import duty into the United States on ore. Further, we are informed that Bolivia is the only tin-producing country that does not to-day protect its own smelting business by a differential export duty on tin ores and that they are seriously considering such a step. It is believed that an import duty on ore entering the United States would hasten such action by Bolivia and so react unfavorably on the United States consumer.

In this connection the Federated Malay States now virtually prohibit the exportation of tin in ore by means of differential export duties on tin in the form of ore over that in the finished form, so that this all-important supply is virtually eliminated as a source for our own smelting industry.

It is intimated in the brief of the proponents of the higher duty on tin that protection is needed by the smelters of the United States not only to cover the higher smelting costs but also to equalize the freight differential on the tin in the ore as compared with the finished material.

We would urge strongly that such an argument should not be considered in the present consideration. The facts seem to substantiate the statement that it costs more to lay down in this country a pound of tin in the form of ore than it does a pound of smelted tin freed of the carrying charge on the non-bearing tin material, but it is not our understanding that duties are to be imposed to protect at the expense of the American public the inequalities suffered by any small group of American manufacturers by reason of their uneconomic location.

It is strongly urged, therefore, that your committee do not favorably consider the levying of an import duty on tin in ore on the broad general ground that it is not a protective measure and that it is unjust to impose on one commodity so abnormal a levy for revenue purposes only.

Second. The proponents of this measure propose further a duty of 10 cents per pound on tin in bars, blocks, pigs, or grain or granulation or any other metallic form, or a differential of 4 cents over ore, which they claim is necessary as a protective measure in order that the smelters established in this country within the last few years and now producing, according to their statements, some 19 per cent of the country's consumption of tin, shall be able to compete with foreign producers. (Exhibit A attached would seem to indicate a higher ratio of domestic production.)

They state that a duty of 4 cents "would probably suffice" to equalize the difference between the cost of domestic and foreign smelting, and specifically ask for such a duty. They point out that some four or more smelters have been started in this country within the last few years and indicate that in at least two cases these smelters have lost money since starting. They speak in general terms of the inability of these smelters to compete with foreign producers, but in so far as we are informed no specific concrete facts have been presented that would indicate what the actual margin of cost inefficiency in American smelters is as compared with the foreign.

In consideration of this matter, it would seem to be just to consider the conditions under which these smelters were built in the United States. In 1910, the time the first smelter was put into operation, the country was under the direction of a low-tariff administration. In the face of this condition four or more smelters were built and in at least two cases the parties engaged were large influential firms, well versed in the knowledge of smelting business generally and well provided with the technical and research talent to measure the possibilities of their investment in the locations chosen. In one case at least the direct knowledge of foreign smelting conditions was in the hands of the builders by reason of their smelting operations in England.

In view of these facts, it seems incumbent upon the proponents of the measure to lay before the American people conclusive and concrete evidence of the neces-

sity for the protection they crave. This from such facts as are available to us they have not done.

Furthermore it is a grave question whether the smelters which, as pointed out by the proponents of the higher duty, have lost substantial sums on an operation of some magnitude in the years immediately succeeding 1916 can hope to be put upon a profitable basis by any measure that would not be discriminatory to the tin-consuming public. In this connection we would point out that the official prices of tin over the years 1916 to 1920 (omitting 1918, the data for which is not available) average 61.6 cents per pound, with a high of \$1.10 per pound and a low of 32½ cents per pound. This average is more than 20 cents per pound over the five years preceding 1916 and is over 33 cents per pound over the average of the 25 years preceding 1916. It is admitted that these were years of high productive costs generally, but after due allowance for this fact, the conditions of supply and demand during the period in question were such as to indicate a very much more substantial margin of profit to the production of a material so much in demand and so restricted in supply as tin than can be achieved by any measure of tariff protection compatible with the public interest, and if the smelters in question could not prosper under the conditions existing during their operation to date, no conceivable duty would seem adequate for their protection.

Bearing on the point raised under "ore" as to retaliatory duties from foreign producers, it is a fact that virtually all the tin-producing countries to-day protect their tin by a differential in export duty between tin in the finished form and tin in the form of ore. Any danger that may exist of the stirring up of retaliatory duties on the part of the tin-producing countries by the imposition of an import duty on tin in ore is still further intensified by the consideration of an additional duty on tin in the pig form. It is, we believe, axiomatic that an import differential imposed on entry into this country on tin in the metallic form over tin in the form of ore calls for an increased differential on the part of an exporter to maintain his present equilibrium. Such a cycle once started will still further increase the burden to the tin consumers of the United States.

Bearing on the proponents' reference to foreign competition, and particularly with reference to Cornwall, England, it is of interest to note that during the years 1916, 1917, 1919, and 1920 (1918 not available) that the production of tin in Cornwall was 15,401 tons as against a production in the United States of 37,454 tons, and it is to be particularly noted in these figures that the margin of surplus production in the United States shows an increasing ratio over Cornwall in the latter years. These figures raise a very serious doubt in the minds of the tin consumer of the relative weakness and need of the new American industry for protection at least so far as the Cornwall competition is concerned.

We would urge therefore that sufficient facts have not been presented to justify the consideration of a duty on tin, and that a duty will react unfavorably to the American public.

Third. The proponents of the measure state that the effect of such a duty on the consuming trade of the United States, assuming that the entire duty could be covered in the domestic price, would be unimportant, if not entirely negligible, basing their statement on the ground that tin is used almost wholly as an alloy or in small proportions of the various finished products in which it is marketed.

In general, it may be pointed out that the actual facts are not in accord with this presentation. It is true that tin is used in large part in alloy, and so enters into the final cost in only proportionate amounts. However, in the case of tin foil, and we are informed in other industries, the proportions of tin in the alloy are sometimes quite marked. In fact, in the case of tin foil a very considerable portion of the business—for food products—is made up entirely of tin, and it is particularly on this portion of the business that competition is to-day, and has been over a long period particularly strong from aluminum and the specially prepared papers. It may be stated without fear of contradiction that a duty of 10 cents per pound on tin, if covered in large part in the domestic price would, unless absolute unforeseen changes in the cost of aluminum and specially prepared papers came about be absolutely prohibitive to such portion of the tin-foil business as is open to competition with these materials. It is an open question just what proportion of the tin-foil business would be open to this competition, but it may be stated that it would be a very broad percentage.

Aside from the very grave aspect that such a condition presents to the tin-foil manufacturer, we ask, and perhaps with better grace, your consideration of the serious effect that such a measure would have on a considerable portion of the

consuming public. Through its very perfect sanitary, hygienic, and protective features, tin foil, and particularly those grades made entirely of tin, plays a very important part in the protection and delivery of edible products to the American consumer, and a very considerable proportion of the American public can not fail to be materially affected by your decision in the matter.

In summarizing our position therefore, we wish to again emphasize the fact that the tin-foil industry as such does not seek to embarrass the consideration of adequate protective measures of which the industries of this country have a logical need. We do not feel very strongly, however, and have endeavored to point out by the facts presented herein that the tin-consuming industries and the tin-consuming public in the United States would be most seriously effected by the removal of tin from the free list, and that such action would result in material hardship to a very considerable proportion of the citizens of the United States. In fact, it is believed such a measure would react unfavorably even to that portion of American industry proposing the measure at present under consideration, in that it is believed that the restrictions of tin consumption that would follow the passage of such a measure would more than offset the price betterment that would be created.

For such weight as it may have on the general economic situation, there is also pointed out the belief that such a duty on tin either in the form of ore or in the final metallic form stocks in this and foreign countries, thus delaying further the orderly progress of liquidation, which, if allowed to proceed normally, will tend to establish a sound and stable market necessary for normal business.

The tin-foil manufacturers do feel very strongly, however, that if the existing schedules on tin are changed that tin foil should carry in addition to such ad valorem as it may enjoy, a specific duty based on the metal contents of the foil to the extent of the specific assessments on tin over the present schedules. We wish, however, very strongly to point out to your committee that it is not believed that such a provision would protect or in any way adequately compensate the tin-foil industry for the harm that would be done it by the proposed duty on tin, and that such a measure is merely asked to keep tin foil in balance with its raw materials, if such a measure on the raw materials referred to must be enacted.

In support of the various figures presented herewith there are attached in the form of exhibit certain basic figures which may be of interest to your committee. These are all available in Government or general publications and are merely attached for the convenience of your committee.

Respectfully submitted.

TIN FOIL MANUFACTURERS OF THE UNITED STATES.

Comparison of United States with world's consumption of tin, with figures of United States smelters.¹

[From statistics published by the American Metal Market for 1921.]

	Total world's tin consumption (tons).	Total United States tin consumption.		United States production of tin from foreign ore or concentrates. ¹	
		Tons.	Percentage of world's consumption.	Tons.	Percentage of United States consumption.
1910.....	107,259	47,250	44	None.....	.....
1911.....	110,313	46,332	42	None.....	.....
1912.....	120,137	51,390	42	None.....	.....
1913.....	116,079	45,651	39	None.....	.....
1914.....	107,503	43,308	40	None.....	.....
1915.....	118,906	50,357	42	.....	.....
1916.....	118,377	60,016	50	4,984	8.3
1917.....	124,423	62,730	50	4,850	7.7
1919.....	97,562	43,897	45	10,283	23.4
1920.....	111,426	65,633	59	17,337	26.4

¹ The figures herewith indicate a higher ratio of domestic production than is indicated in the brief of the proponents of duty on tin.

² Based upon tin content of ore or concentrates imported into the United States as reported by Department of Foreign Commerce.

Disposition of Bolivian ore as between Europe and the United States.¹

[From statistics published by the American Metal Market for 1921.]

	Total shipments from Bolivia	Bolivian shipments to Europe	Bolivian shipments to United States	Percentage of Bolivian shipments to United States		Total shipments from Bolivia	Bolivian shipments to Europe	Bolivian shipments to United States	Percentage of Bolivian shipments to United States
	Tons.	Tons.	Tons.		1916.....	Tons.	Tons.	Tons.	
1910.....	17,550	17,550			1916.....	19,400	15,100	4,300	22
1911.....	22,600	22,600			1917 ²	24,038	19,209	4,829	20
1912.....	21,200	21,200			1919.....	25,824	14,228	11,596	45
1913.....	21,850	24,830			1920.....	29,600	14,479	15,121	51
1914.....	18,750	18,750			10-year average.	22,683			
1915.....	23,000	23,000							

¹ The following figures represent Bolivian ore or concentrates reduced to tin content.² No statistics compiled for 1913 account incomplete reports.

NOTE.—The United States is now consuming over 50 per cent of Bolivian shipments; no duty on Bolivian ore into England.

Disposition of Chinese tin as between Europe and the United States.¹

[From statistics published by American Metal Market for 1921.]

	Total shipments from China	China to Europe	China to United States	Percentage China tin shipments to United States		Total shipments from China	China to Europe	China to United States	Percentage China tin shipments to United States
	Tons.	Tons.	Tons.		1916.....	Tons.	Tons.	Tons.	
1911.....	2,500	1,500	1,000	40	1916.....	2,400	1,300	1,100	54
1912.....	3,800	2,300	1,500	39	1917.....	5,748	371	5,377	90
1913.....	2,450	1,128	1,322	54	1919 ²	565	400	165	29
1914.....	1,900	975	925	48	1920.....	7,200	2,700	4,500	62
1915.....	3,000	1,580	1,420	47					

¹ United States already consuming 62 per cent of Chinese output. Figures herewith when coupled with those of Bolivia would indicate scarcity of supply from these two sources for total American market.² Government restrictions on imports applied during 1919.*Comparison of tin production, in tons, Cornwall, England, with United States, from foreign ore or concentrates.*

[From statistics published by American Metal Market for 1921.]

	Production in Cornwall	Production in United States ¹	United States production in excess of Cornwall		Production in Cornwall	Production in United States ¹	United States production in excess of Cornwall
1910.....	5,800	None.		1916.....	4,500	4,984	484
1911.....	5,300	None.		1917.....	4,100	4,520	420
1912.....	5,500	None.		1919.....	4,000	10,283	6,283
1913.....	5,800	None.		1920.....	3,000	17,337	14,337
1914.....	6,000	None.		Total 1916-1920.	15,400	37,454	
1915.....	5,000	None.					

¹ Based upon imports of tin ore or concentrates according to statistics issued by Department of Foreign Commerce.

Pig tin prices, in cents per pound—New York, 30 years, 1891-1920.

[From statistics published by the American Metal Market for 1921.]

Year.	High.	Low.	Average.	Year.	High.	Low.	Average.
1891.....	22.00	19.50	20.25	1906.....	50.00	35.65	39.62
1892.....	22.15	19.40	20.60	1907.....	44.10	28.00	33.84
1893.....	21.25	18.15	20.14	1908.....	32.37½	26.45	29.54
1894.....	20.45	18.45	18.08	1909.....	34.12½	27.30	29.76
1895.....	15.15	13.00	14.06	1910.....	38.75	31.75	34.27
1896.....	18.70	12.62½	18.24	1911.....	48.50	37.60	42.68
1897.....	14.12½	13.00	13.00	1912.....	51.05	42.08	46.42
1898.....	19.00	13.70	15.64	1913.....	51.00	36.75	44.33
1899.....	33.12½	19.87½	27.19	1914.....	45.00	28.50	35.70
1900.....	35.00	25.20	30.00	1915.....	57.00	32.00	38.66
1901.....	33.50	23.12½	28.94	1916.....	56.00	37.50	43.48
1902.....	30.62½	22.60	26.95	1917.....	86.00	42.50	61.85
1903.....	30.80	24.95	28.19	1918.....	110.00	70.00	86.60
1904.....	30.12½	25.75	28.08	1919.....	72.50	62.75	65.54
1905.....	38.45	23.65	31.55	1920.....	65.00	37.50	50.86

1 Average, 5 years, 1911-1915, \$0.4156.

2 Average 25 years, \$0.2356.

3 Average 5 years, 1916-1920, \$0.6160.

ZINC ORE AND PRODUCTS OF ZINC.

[Paragraphs 390 and 391.]

STATEMENT OF E. H. WOLFF, REPRESENTING THE AMERICAN ZINC INSTITUTE, NEW YORK CITY.

Senator SMOOT. Please give your name for the record.

Mr. WOLFF. My name is E. H. Wolff. I am the operating head of a smelting plant and rolling mill. However, I am here as president of the American Zinc Institute. I have with me representatives of about 15 producing companies.

Senator SMOOT. Do I understand, Mr. Wolff, that you are going to speak for all the companies.

Mr. WOLFF. All of the zinc companies from the mining to the finished product. I have a brief that I wish to present, and ask your permission to file it.

Senator SMOOT. You may proceed. Your brief will be printed as a part of your remarks.

Mr. WOLFF. I thank you. In the individual membership of the institute are represented substantially all of the people of the United States who are engaged in the mining, milling, smelting, and manufacturing of zinc and the products of zinc. We are interested in paragraphs Nos. 74, 88, 390, and 391 of the pending tariff bill.

On behalf of the United States zinc industry, the president of the institute, being thereunto duly authorized by its board of directors, last January presented to and filed with the Ways and Means Committee a brief explaining the absolute necessity for an adequate tariff on zinc ore and the products of zinc. Briefs were simultaneously presented and filed by Mr. William A. Ogg, president of the American Zinc, Lead & Smelting Co., and Mr. Otto Ruhl, mining engineer, Joplin, Mo. These correlated briefs, to which your attention is respectfully invited, will be found in the attached tariff reprint of the bulletin of the institute of that period. It is, however, natural that in more than seven months some changes in the situation should have taken place. On behalf of the zinc-mining

section of the institute, with headquarters at Joplin, Mo., Mr. Ruhl has filed or will file with this committee a supplemental statement dealing primarily with zinc ore.

Viewing the industry as a whole, however, I wish at this time to present a brief statement of facts for your consideration.

In January, when the brief of our industry was presented to the Ways and Means Committee, testimony was given showing that foreign metal was being offered in this country at a price lower than the American market, and we laid stress upon this menace. Our prediction was verified, as is shown by the Government reports of importations during March and April of this year.

The condition of the industry has become worse instead of better. Zinc mines have continued to shut down until to-day a very large percentage of the zinc mining, smelting, and rolling mill capacity of the United States is idle.

Senator Smoor. If this is the brief you intend to file, I suggest that you spend no time reading it. Of course, we are quite familiar with general business conditions. You had better address yourself to those things which are not in your brief.

Mr. WOLFF. Perhaps I should.

Senator Smoor. The committee will have every word of that before it.

Mr. WOLFF. However, there are one or two points in this brief that I should like to emphasize.

Senator Smoor. If there is anything special, we would like to hear that.

Mr. WOLFF. One of those points is that the bill, as written in the House of Representatives, is not satisfactory to us; that is, it is not satisfactory to the zinc industry. They put a duty on zinc ore, which is the raw material, and they gave that raw material protection for the life of the bill, but for the products of that raw material they give a two-year protection.

Senator Smoor. And you object to the two-year protection?

Mr. WOLFF. We object to that phase of it; yes. It is a very logical conclusion as to what the result at the end of two years will be.

Senator DILLINGHAM. Are you interested in the higher grades like oxide and chlorate, etc.?

Mr. WOLFF. I represent all the zinc production of the country. This association of ours was not in existence when the former tariff bills were written. At that time the representatives of the various products appeared before the committees in person representing their own individual companies. We now are together in an association, and that association has prepared this presentation for the industry. In other words, our house is not divided; we are absolutely together.

Senator DILLINGHAM. Under this bill I see there is no differential provided as between zinc ore and the other forms of manufactured zinc. With lead it is quite different. We place a higher rate upon white lead than upon lead ore, for instance.

Mr. WOLFF. I think that has been taken care of, Senator. If you refer to oxide, that has been taken care of by a brief of the secretary of our association, who appeared here several days ago.

Senator DILLINGHAM. Oh, I did not know that he had appeared here.

Senator SMOOT. We give you the same rates as in the Payne-Aldrich bill; that is, on zinc block, zinc dust, and so on.

Mr. WOLFF. Do you mean that the Fordney rates are the same?

Senator SMOOT. As in the Payne-Aldrich bill.

Mr. WOLFF. They are slightly higher, Senator.

Senator SMOOT. The Payne-Aldrich bill gave you on zinc blocks, or pigs and zinc dust, 1½ cents per pound.

Mr. WOLFF. That was for the life of the bill, but we have higher rates for the two-year period.

Senator SMOOT. I want to know which one you want?

Mr. WOLFF. We want the higher rates. Our rates are set out in the brief. You will find them when you get to it.

Senator SMOOT. Yes. That will be the best place to find them.

Mr. WOLFF. Another point that I would like to refer to is that our operating costs are getting up higher than they were in prewar years. One of the important facts to be considered is that the zinc industry as a whole operated on a 12-hour basis. To-day it is on the 8-hour basis, which is the American day, and no one expects that we will go back to the 12-hour basis. That in itself is going to increase the labor costs permanently about 30 or 35 per cent.

Then there is the further fact that freight rates have a very large bearing on our business. This is all heavy tonnage, and the amount of money involved in the payment of freight is very large indeed. While it is true that the rates are somewhat higher to-day than we care to see them, and we expect them to come back to a somewhat more normal basis, yet we do not expect them to go back to what they were in 1910, 1912, or 1913.

Senator SMOOT. I think that is right.

Mr. WOLFF. Another matter to be taken into consideration is fuel. Fuel is high to-day compared with prewar days, and we do not expect to see fuel come back to that point. I might say that the zinc industry has had protection for many years. It has been understood that zinc had protection. It has never been coming into this country in any large volume, and I do not think anyone expects it to come in from foreign countries. It is a domestic proposition. We should like to have it remain so. That is all I have to say, gentlemen, unless you have some questions that you wish to ask.

BRIEF OF E. H. WOLFF, REPRESENTING AMERICAN ZINC INSTITUTE (INC.).

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The condition of the industry has become worse instead of better.

Zinc plants have continued to shut down, until to-day a very large percentage of the zinc mining, smelting, and rolling mill capacity of the United States is idle.

The estimated slab zinc capacity of the United States is approximately 650,000 tons. We produced in July at the rate of only 180,000 tons per annum, or approximately 30 per cent of capacity. While the stated capacity may be in excess of the normal consumption during normal years, yet the present rate of production in any plant now in operation is below the point at which it can operate successfully even with a fair metal market.

Our stock of primary slab zinc on hand at smelters' plants on August 1 was 94,524 tons, or between six and seven months' output at the estimated August production rate of 15,000 tons. To this should be added warehouse stocks, owned by others than smelters, of approximately 5,000 tons. This makes a total of stock on hand in this country of practically 100,000 tons of slab zinc.

This is confirmed by a recent report made by Mr. C. E. Siebenthal, of the United States Geological Survey, covering the first half of the year 1921, from which we quote as follows:

"Reports submitted by all zinc smelters which operated during the first six months of 1921 show that the production of zinc from domestic ore in that period was 100,781 short tons and from foreign ore 1,744 tons, a total of 102,525 tons, as compared with 205,269 tons in the last half of 1920 and 258,108 tons in the first half. The stock of zinc held at smelters and in warehouse June 30 was 94,747 tons, having increased from 71,037 tons at the end of 1920 and 29,892 tons at the middle of that year.

"The demoralization of the zinc industry during the half year with imports of 7,405 tons, exports of 2,255 tons, and apparent consumption of 83,065 tons, is strikingly shown by comparison with the two periods of 1919 and the first half of 1920, when imports were nothing, exports from 70,000 to 90,000 tons, and consumption from 160,000 to 175,000 tons.

"World zinc stocks have been recently stated as about 160,000 short tons, exclusive of the stocks of sheet zinc, of which Belgium is reported to hold 45,000 tons."

Until political disturbances in Europe disorganized industry in one of the principal zinc-producing centers of the world, importations of slab zinc into this country were, according to Government figures, growing, reaching in April 6,300,000 pounds, with a total for the 10 months ending April of over 13,000,000 pounds.

In spite of any testimony to the contrary which may be presented to this committee, we who are in close touch with world conditions as they affect the businesses which we ourselves have reared have every reason to believe that as soon as order is restored in the affected district we shall again be confronted with price offerings which will further discourage our domestic zinc producers or with actual zinc importations on a large scale.

Excepting zinc oxide, the bill as reported to the House of Representatives provided a certain schedule of duties for two years only and a certain lower schedule thereafter. (See appended table of zinc tariff rates.) This lower schedule is, in fact, the rates appearing in the tariff act of 1909. (It should be borne in mind that these 1909 tariff rates were originally fixed when our zinc plants were operating on a 10 or 12 hour instead of an 8-hour basis and paying freight charges one-half the present freight schedule.)

Just before the passage of the bill in the House the Ways and Means Committee awakened to the fact that the zinc-mining industry of this country is threatened almost with extinction. They, therefore, voted to make the two-year rates on zinc ore only the rates for the life of the bill.

But in the stress of their work the members of the Ways and Means Committee overlooked the fact that after two years, if the rates on the products of zinc ore are not similarly advanced, these higher ore rates will be practically valueless to the zinc miners of this country.

In this connection the question naturally presents itself as to where, after two years of the higher ore rates, are the zinc miners of the United States to find a market for their ores? That market is wholly a domestic one. It must, therefore, be obvious to all that, unless the rates on the products of zinc are advanced in keeping with the rates on zinc ore which were at the last minute decided upon the Ways and Means Committee as necessary to the salvation of our zinc miners, there will be no market for domestic zinc ore after two years.

Here, too, the principle elucidated in Mr. Tuthill's brief on zinc oxide applies, namely, the propriety of a higher duty on the manufactured products of ore than on the ore itself, this on the theory that the labor and capital involved in further processing are entitled to their share of protection.

Furthermore, the position of our manufacturers of the products of zinc, the sole buyers of our zinc ore, is as serious as that of the miners of zinc ore.

The schedule of rates submitted by our Institute is based upon the indisputable fact that adequate tariff duties must be extended to all branches of the zinc industry if that industry is not to suffer as a whole. This is not only the view of the American Zinc Institute, representing the zinc industry of this country, but it is also, we are privileged to say, the view of the members of Congress who represent our zinc ore producing districts.

On August 16 the Institute, through its secretary, presented to and filed with this committee a separate brief on zinc oxide, a strictly zinc product, now inappropriately appearing in the chemicals, paints, and oils schedule of the bill. We renew our request for the transferring of zinc oxide to the zinc section of the bill.

We also request that, whatever rate of duty this committee shall see fit to impose upon zinc-bearing ores, the products of such ore shall be favored with appropriate duties somewhat higher than the duty imposed on the ore from which slab zinc, rolled zinc, zinc oxide, and other zinc products are manufactured. This elemental principle was faithfully observed by the Ways and Means Committee in making the lead rates, but it was ignored by that committee in making the zinc rates, as is shown by the following table:

	Cents.		Cents.
Lead ore.....	1½	Zinc oxide.....	1½
Pig lead.....	2½	Zinc chloride.....	1.3
White lead.....	2½	Zinc sulphate.....	½
And other lead items in chemicals and metals sections.		Zinc sulphide.....	1½
Zinc ore.....	1½	Lithopone.....	1½
Slab zinc.....	1½	And other zinc items in chemicals and metals sections.	
For two years only.....	2		

Zinc oxide, therefore, should be treated on a parity with slab zinc in view of the similarity prevailing in the matter of process and, therefore, of cost to make.

The schedule of rates requested in the general brief of the Institute last January was agreed upon only after several conferences participated in by practically all of the leading men of the zinc industry. They are as follows:

	Cents.		Cents.
Ore up to:		Slab zinc.....	2½
10 per cent.....	Free.	Sheets.....	3½
20 to 20 per cent.....	1½	Sheets, coated.....	3½
20 to 25 per cent.....	1½	Old and wornout.....	2½
Over 25 per cent.....	2	Zinc oxide, dry (not containing more than 25 per cent lead).....	2½
Zinc dust.....	3½		

A recent canvass of these men showed that they still favor the adoption by Congress of the schedule of rates proposed by our Institute in its first brief as a rational aid to the restoration of their industry to its normal proportions.

It is their unanimous belief that, having had an opportunity to present their case to your committee, you gentlemen and the other Members of Congress will fully appreciate the exigencies of their industry and finally agree upon such

rates as will assure adequate protection to an American "key industry," patiently built up through the years to supply a gradually growing demand for its products at a reasonable price while giving steady employment to many thousands of American workmen especially trained in the industry.

Zinc tariff rates.

	Act of 1909.	Act of 1913.	Proposed by Institute.	Reported by Ways and Means Com- mittee, 1921. ¹	
				Two years.	There- after.
Ore up to—					
10 per cent.....	Cents. Free.	Per cent. 10	Cents. Free.	Cents. Free.	Cents. Free.
10 to 20 per cent.....	10	10	1½	1½	1
20 to 25 per cent.....	10	10	2	1½	1
Over 25 per cent.....	10	10	2	2	1
Slab zinc.....	15	15	3½	2½	1½
Zinc dust.....	15	15	3½	2½	1½
Sheets.....	15	15	3½	2½	1½
Sheets, coated.....	15	15	3½	2½	1½
Old and wornout.....	1	15	2½	2	1
Zinc oxide, dry ²	1	10	2½	1½	1½
Zinc oxide, in oil.....	1½	15	.....	2	2

¹ Passed by the House July 21, as reported, except that two-year rates on ore were made permanent rates at last minute.

² 1909, zinc oxide not containing lead; 1913, zinc oxide not containing more than 5 per cent lead; reported zinc oxide not containing more than 25 per cent lead.

BULLETIN OF THE AMERICAN ZINC INSTITUTE (INC.)

[January-February-March, 1921.]

"The number of workers normally employed in all branches of the zinc industry is estimated to be over 50,000, mostly skilled workmen. With its raw material assured, the zinc industry needs only adequate protection to assure continuous employment to its workers and a reasonable return on the capital invested." E. H. Wolff, president.

I. OBSERVATIONS—TARIFF.

"Business men are fairly hit in the face by the necessity for closest cooperation." United States Chamber of Commerce.

On December 28, 1920, Mr. Eugene H. Wolff, president of the institute, suggested that the directorate be canvassed, with a view of learning the attitude of its members in respect to the institute as an organization interesting itself in behalf of pending and prospective zinc-tariff legislation.

That canvass resulted in meetings of the board of directors being held in New York on January 10 and 11.

One or both of these meetings were attended by—

Directors: Messrs. Baker, Brennemann, Cobb, Evans, Gaines, Grasselli, Hegeler, Ogg, Orr, Palmer, Rossmann, and Wolff.

Upon invitation: John R. Dillon, treasurer Butte & Superior Mining Co.; Alton D. Edes, president Edes Manufacturing Co.; Benjamin Lissberger, president United Zinc Smelting Corporation; H. W. Lohman, treasurer United Zinc Smelting Corporation; Otto Sussman, representing the American Metal Co. (Ltd.); Wade A. Taylor, chairman board of directors the American Zinc Products Co.; Benjamin G. Wells, president Illinois Zinc Co.; Howard I. Young, manager of mines, American Zinc, Lead & Smelting Co.

It was voted by the directors that the institute should as an organization take the necessary action to secure an adequate tariff upon zinc ore and the products of zinc.

A draft of brief subsequently prepared under the direction of Messrs. Cobb, Gaines, Grasselli, Hegeler, and Ogg (a copy of which brief has been sent to each member of the institute) was approved at the meeting on the 11th.

At the same time the president was authorized to present the brief on behalf of the institute at a scheduled hearing of the House Ways and Means Committee at Washington on January 13. He was also authorized to cooperate, if possible, with the zinc tariff representatives from the tri-State district,

namely, Messrs. O. W. Sparks, Otto Ruhl, and Richard Jenkins. Mr. Wolff asked that as many members of the institute as could make the trip should accompany him to Washington.

Mr. Ogg, at the request of the board, agreed to present at that hearing a comprehensive brief on the tariff question which he had prepared on behalf of his company. (See Mr. Ogg's brief.)

A conference in Washington on the morning of January 12 resulted in a prompt meeting of the minds of the tariff delegations of the institute and the tri-State district, and the institute brief was then ordered printed for use at the hearing and for general distribution. This conference was attended by Messrs. Brennemann (president Matthlessen & Hegeler Zinc Co.), Gaines (general manager Premier Mining Co.), Grasselli (treasurer the Grasselli Chemical Co.), Hegeler (president the Hegeler Zinc Co.), Jenkins (secretary-treasurer tri-State section, American Zinc Institute), Ogg (president American Zinc, Lead & Smelting Co.), Palmer (president the New Jersey Zinc Co.), Ruhl, Sparks, George C. Stone, Henry S. Wardner, Wolff (secretary and general manager Illinois Zinc Co.), and Young (manager of mines, American Zinc, Lead & Smelting Co.).

The gentlemen attending the conference then adjourned to the Capitol, where the conditions of the zinc industry were explained to Congressmen Campbell (Kansas) and Cannon (Illinois) and to Senator Curtis (Kansas) and others.

That afternoon Messrs. Wolff and Ogg drew a proposed substitute for the amendment of Senator Spencer (Missouri) to the House emergency zinc tariff bill, incorporating in the proposed substitute amendment the rates set forth in the brief of the institute. This proposed amendment was thereupon substituted by Senator Spencer for his amendment to the House emergency zinc tariff bill.

On the morning of the 13th the president of the institute, accompanied by the gentlemen who had come to Washington with him, appeared before the House Ways and Means Committee.

Congressman Campbell in a short but strong address opened the hearing on behalf of the zinc industry. He was followed by Messrs. Sparks, Ruhl, Wolff, and Ogg. Each of these gentlemen presented as fully as time permitted the claims of the zinc industry for an adequate tariff on zinc ore and the products of zinc.

Through the courtesy of Senator Spencer a hearing was also had before the Senate Finance Committee, Mr. Ogg presenting the claims of the zinc industry to that committee.

It is the bounden duty of every American directly or indirectly interested in the production of zinc ore and the products of zinc widely to circulate the tariff brief of the institute and also to impress without ceasing upon his Representatives in Congress the fact that in order for the United States zinc industry to live and to serve the Nation this "key industry" must adequately produce, that in order to continue adequate production it must sell, and that in order that it may sell this domestic production the Congress of the United States must by safeguarding legislation forthwith put an end to foreign competition, which is closing plants and throwing out of employment thousands of skilled American workers and imperiling capital investments aggregating hundreds of millions of dollars.

Unless adequately protected, how can this "key industry" exist in the face of frequent foreign bona fide offerings like the following, recently made by a responsible Paris house to an equally responsible New York house:

"A firm offer of 890 tons of high-grade slab zinc at the equivalent of 5.77 cents per pound, New York, duty paid; also 1,000 tons of ordinary slab zinc at the equivalent of 5.36 cents per pound, New York, duty paid."

These prices, in each instance below the cost of production in the United States, demonstrate the absolute necessity of immediate action by Congress on the subject of adequate protection to one of the Nation's "key industries."

Although the tariff brief submitted to the Committee on Ways and Means of the House of Representatives and also filed with the Senate Finance Committee by the institute at the zinc tariff hearings on January 13, 1921, was printed in full in the records of the hearings, and although a copy of this brief was subsequently mailed to each of the members of the institute and to each of the members of the said congressional committees, it is, with the names of the active members of the institute omitted, reprinted below in the hope that through its still wider distribution we shall be able to impress more deeply upon our national legislators the critical position of the zinc industry in the

face of a foreign competition that can only be met by the enactment of a tariff law embracing the schedules suggested by the Institute.

For the same reason the briefs of Mr. William A. Ogg, president of the American Zinc, Lead & Smelting Co., and Mr. Otto Ruhl, of Joplin, are likewise presented.

BRIEF OF THE AMERICAN ZINC INSTITUTE (INC.).¹

NEW YORK, January 11, 1921.

COMMITTEE ON WAYS AND MEANS,

House of Representatives, Washington, D. C.

GENTLEMEN: The American Zinc Institute, composed of substantially all of those engaged in the mining, smelting, and manufacture of zinc and zinc products (representing more than 95 per cent of the industry), in accordance with instructions of the board of directors submits the following brief:

This Institute is vitally interested in paragraphs 162 and 163 of schedule C, and in paragraph 61 of Schedule A, as shown in "Summary of Tariff Information, 1920."

Present paragraph 162: Zinc bearing ores of all kinds, 10 per cent ad valorem.

Present paragraph 163. Zinc in blocks, pigs, or sheets, and zinc dust; and old and worn out zinc fit only to be remanufactured, 15 per cent ad valorem.

We recommend these be changed to:

Paragraph 162: Zinc-bearing ores, containing less than 10 per cent metallic zinc, free.

On all zinc-bearing ores containing more than 10 per cent and less than 25 per cent metallic zinc, 1½ cents per pound on metallic zinc contained therein.

On all zinc-bearing ores and zinc drosses containing more than 25 per cent metallic zinc, 2 cents per pound on metallic zinc contained therein.

Paragraph 163: On zinc in blocks, pigs or slabs, and on old and worn out zinc fit only to be remanufactured, 2½ cents per pound.

Zinc, oxide of, and white pigment containing zinc, but not containing lead, dry, 2½ cents per pound.

(Previously classified under Schedule A, but now appropriately classified under Schedule C, as being entirely a zinc product.)

On zinc in sheets, plates, strips, coils or plated with nickel or other metals, or any of these rolled zinc products in fabricated form, and zinc dust, 3½ cents per pound.

The reasons for these recommendations follow:

The zinc industry of America at present is in the worst period of depression it has ever experienced. A continuation of present conditions for any length of time will bring disaster, in many cases irreparable, to the industry. This is due mainly to the conditions in Europe, where slab zinc is now being produced at a much lower cost than here, and this is exaggerated by the present rates of exchange. The stocks of slab zinc and sheet zinc now on hand here are over 70,000 tons, and it is believed there are 100,000 tons on hand in Europe, a total equal to nearly six months' normal consumption of this country before the war. The European smelters have now largely recovered from the effects of the war, and ore, slab zinc and other zinc products are being imported into the United States.

In consequence, a large proportion of the zinc mines and smelting works of this country are shut down and those that are operating are doing so at a heavy loss, with greatly reduced output, merely to hold together the nucleus of their organizations.

Zinc is the third most important base metal of the world and during the war it proved to be essential for the production of cartridge metal. If it had not been for the response of the zinc industry in the United States to the call made upon it the Allies could not have continued to wage war successfully.

Over the past five years a greatly increased production of zinc ore has been developed and many new smelting works have been established throughout the country. There are 47 smelting works established in nine States, distributed from New Jersey to Colorado and from Wisconsin to Texas. Between 1914 and 1916 the zinc smelting capacity of the country was doubled, and in addition a large electrolytic zinc plant was established in Montana. During the same period the Missouri-Oklahoma-Kansas field was also developed, which has proved to be the richest and largest zinc ore district the world has yet

¹ This report was mailed to the members as advance bulletin copy under date of February 7, 1921.

known. The number of workers normally employed in all branches of the industry is estimated to be over 50,000, mostly skilled workmen. With its raw material assured, the zinc industry needs only adequate protection to assure continuous employment to its workers and a reasonable return on the capital invested.

Zinc during the late war was recognized by all governments as a key industry, and some of these governments have already formulated plans to protect their position in regard to zinc for the future. We feel that proper recognition of its importance should be accorded by our own Government.

To-day the American cost of production is higher than the market price of the metal. The wages paid are fully as high as those paid in other comparable industries and from three to six times what is paid for the same kind of work in the principal zinc producing countries of Europe.

While the sale of slab zinc by European producers for export to the United States may not be classed as "dumping" in the legal sense of its being sold at a lower price than it brings in their own countries, nevertheless, it is dumped in the sense that they have not sufficient market to absorb their own production and must realize upon their slab zinc by selling it for export to the United States.

We are informed and believe that Germany is in a position to produce slab zinc from her own ores at a cost not much, if any, over 2 cents per pound; Belgium, with a somewhat higher wage scale, and obliged to purchase all of her ores, has a higher cost than Germany, although still below that in the United States. Tasmania, treating either Broken Hill or Tasmanian ores, in two years will be producing 100 gross tons daily at a cost of approximately 3 cents per pound, f. o. b. New York, duty unpaid, with exchange at \$3½, and 4 cents with exchange at par.

It is believed that no important quantity of slab zinc can be produced in the United States under present conditions for less than 6.50 cents per pound, f. o. b. New York, not including depletion and depreciation; and to cover these, pay the selling expense and allow a reasonable profit would require an addition of 1½ to 2½ cents per pound to this figure.

It is rather difficult to say from what country slab zinc imported to the United States is coming, as although generally bought in London it may not originate in England. Slab zinc sold in London toward the latter part of December, 1920, at £22 10s per long ton, with exchange at around \$3.50. This gives a cost, f. o. b. New York, with 45 cents freight and 15 per cent ad valorem duty paid, of 4½ cents per pound. With slab zinc selling at 8 cents per pound New York, which would cover only a moderate profit to the miners and smelters, duty of about 2½ cents per pound would be required to protect the industry against foreign slab zinc, which can be produced at much lower cost.

In establishing a schedule of duties on zinc products it should be remembered that the basis of all these products is zinc ore. Therefore, if it be the policy of Congress to place a duty on zinc ore, that fact must be recognized when it comes to imposing duties on the products of the ore. If there is to be a certain duty on the zinc ore, there should be a proportionately higher duty on all the manufactures of the ore; otherwise, the ore itself is not protected.

We ask that the duty be changed from ad valorem to specific, believing the latter to be fairer and better for both the Government and the zinc producers. It is simpler and more easy to calculate and collect and with less chance of error. With an ad valorem duty the receipts are least in times of depression and low prices, when the Government most needs income and the producers most need protection.

Respectfully submitted.

AMERICAN ZINC INSTITUTE (INC.),
By E. H. WOLFF, *President*.

BRIEF OF WILLIAM A. COO, PRESIDENT OF THE AMERICAN ZINC, LEAD & SMELTING CO., BOSTON, MASS.

JANUARY 11, 1921.

COMMITTEE ON WAYS AND MEANS,

House of Representatives, Washington, D. C.

GENTLEMEN: Consideration of this subject can best be crystallized by a few questions, the answers to which should, to a considerable measure, be the basis for deciding what tariff on slab zinc is required, viz:

1. Have conditions bearing on the tariff problem of this country, as applied to slab zinc (spelter) changed since the Underwood bill was enacted in October, 1913?

2. Are these changes, if any, permanent or temporary?
 3. If a modification of the tariff is advisable, on what premises should the new tariff be based?
 4. What should the amount of that tariff be on slab zinc imported into this country, and should the present method of computing the duty by an ad valorem basis be retained, or should it be changed to a specific basis, as in the Payne-Aldrich bill?

1. The answer to question 1 requires a careful consideration of the zinc production situation of the entire world, and for the purposes of this tariff matter we should confine our answers to those factors which now exist or which will become effective within the next five or six years.

DOMESTIC CHANGES.

(a) *Freight rates increased.*—The United States is a big country and freight from points of production to points of consumption play an important part in the total cost of zinc to the consumer. Since 1913 freight rates have, generally speaking, more than doubled on both zinc ore and slab zinc. To give a typical illustration, the freight on slab zinc from the usual price-basing point, St. Louis, to New York, where it comes into competition with imported spelter, has increased from 0.15½ cent per pound to 0.49 cent per pound, plus 3 per cent war tax, a total of 0.50½ cent per pound, being an increase of 0.35 cent per pound, or over 225 per cent. Freight on zinc ore from the Joplin field (one of the principal shipping points in the United States) to St. Louis in 1913 was \$2.30 per short ton; to-day it is \$4.20, and with 3 per cent war tax, \$4.33; an increase of \$2.03 per short ton, or 83 per cent.

Estimating 1,000 pounds of slab zinc recovered from 1 ton of ordinary Joplin-Oklahoma zinc ore, it is seen, as a fair example of what increased freights mean in added costs, that the increase in freights on ore and slab zinc to New York have added 0.55 cent per pound to the cost of slab zinc delivered at that point. Western zinc-ore producers are even more seriously affected by the freight increases.

So far as one can see at present, these freight rates are permanent for the period under consideration.

(b) *Missouri-Oklahoma-Kansas field developed.*—Since the Underwood bill was passed a large and entirely new ore-producing district, known as the tri-State or Missouri-Oklahoma-Kansas district, has come into prominence. To-day it is the most important ore-producing district in the country, employs more labor (all American) than any other zinc section, and with reasonable protection gives promise of retaining this position for many years to come.

(c) *Slab-zinc producing capacity increased.*—In addition to a large extension of the capacity of the natural gas field zinc smelters, there has been an extensive investment in permanent coal-fired zinc smelters of a very expensive type, the following new plants having been completed since 1913, viz:

Name of plant.	Owned by—	Retorts.
Langeloth.....	American Metal Co.....	7,296
Terre Haute.....	Grasselli Chemical Co.....	4,200
Moundsville.....	United Zinc Smelting Corporation.....	3,456
Donora.....	United States Steel Corporation.....	9,120
East St. Louis.....	American Zinc, Lead & Smelting Co.....	5,620
Total.....		29,692

The approximate annual productive capacity of the above plants at 4.25 tons per retort is 120,000 tons of slab zinc, and they represent new investment, including the associated acid plants, of perhaps \$15,000,000.

Also a very large electrolytic zinc plant, with an annual slab zinc capacity of 50,000 to 60,000 tons, has been constructed by the Anaconda Copper Mining Co. at large expense, and other smaller electrolytic plants have been constructed throughout the country. These large investments entitle the industry to a tariff sufficient to give them and their workmen proper protection.

(d) *Western supplies of zinc ore increased.*—Since 1913 large investments to open up and develop mining properties throughout the far West have been made, and these mining properties and their workers are entitled to proper consideration.

(e) *Costs of mining and smelting increased.*—Since 1913 costs of producing zinc ore have increased from 50 to nearly 100 per cent, and those of smelting

zinc ore at American smelters have more than doubled. Present costs are somewhat higher than they probably will be within the reasonably near future, but one can not expect a return to prewar costs either in mining or smelting. In zinc smelting, as a relatively large share of the cost consists of hand labor and coal, one can not expect the same degree of return toward prewar conditions as in the smelting of the other base metals.

FOREIGN CHANGES.

(a) *Effect of metallurgical improvements.*—Since 1913 there has been a great advance in the metallurgy of zinc, both as regards improved mill recovery of zinc from crude complex ores for subsequent treatment to produce slab zinc, and also in the development of the electrolytic process of producing slab zinc (which is usually applicable to the ores at or near the point of their production, thus materially reducing the freight factor), and this method has already been introduced on a large scale basis in Tasmania and is to be used there on a very much larger scale in the near future.

The cost of producing slab zinc by this electrolytic method depends to a large extent upon the cost of the electric power consumed, and as the electricity used in electrolytic zinc production has thus far invariably been developed from water power, the costs of producing zinc by this method have not gone up comparably with those of the fire smelters.

By these metallurgical improvements the situation relative to some very large deposits of zinc ore in different parts of the world has been changed so that whereas in 1913 they were not factors seriously to be reckoned with, now it is possible for slab zinc to be produced from such sources at a cost considerably below what can be done in this country on any large known body of ore devoted to such production.

(b) *Additions to zinc-producing capacity in Europe.*—As in this country, the pressure of war forced an increase in the zinc-smelting capacity of Great Britain by extensions to various smelters already in existence, and by the construction of one very large plant, which is almost completed. With the increased slab-zinc producing capacity of Great Britain, and of the British Empire elsewhere, it would appear that the British, heretofore the principal importers of slab zinc, are likely in the future to be more nearly able to produce their own requirements, and will not have to rely upon the production of the continental zinc smelters, thus making it necessary, if the latter operate, to find new outlets for their production.

(c) *Mexican possibilities.*—The ability of Mexico to produce zinc ores on a large scale has never really been put to the test, but well-informed mining men know that large supplies of zinc ore are available in Mexico, when matters are quiet there, for export either to this country or to Europe.

With the Broken Hill Australian output under contract to them, the principal European smelters never felt the necessity of using Mexican zinc ores to any large extent, but as these Australian ores are not now likely to be available again to Germany and Belgium on the same scale as hitherto, it is probable that these countries will find the ores they need to take the place of the Australian ores, in these Mexican ores; so it should not be reckoned that taking away the Australian ores will shut down the continental fire smelters for any considerable time. In addition there is likely, on account of the increased freight rates on zinc ores from Mexico to the United States, to be substantial development in Mexico of fire smelting based on oil as fuel. One zinc smelter using oil for fuel has already been established at Saltillo, and under stable conditions in Mexico it very likely will be extended. Before 1913 Mexico was not rich in cheap fuel, but since 1913 the fuel-oil resources of Mexico have been exploited on a large scale, and it is now reported that oil has been discovered in the immediate zinc-producing area of that country.

With protection of investments in Mexico assured; with its cheap labor; its cheap zinc ores; and its now enormous quantity of cheap fuel, Mexico becomes a potential producer of slab zinc comparable at least to, and possibly greater than, Australia and Burma.

(d) *Effect of the termination of the Cartel agreement.*—Prior to the war there existed an agreement amongst the European slab zinc producers to maintain production only on a basis which would insure at all times a reasonable return on the capital invested. This agreement, now terminated, had the effect of maintaining prices in London, the price-basing point, at probably a higher level than otherwise would have been the case. Unless some such new agreement is effected (and one can not see any signs of this at the present time nor would one expect it under the changed conditions) the London market, on

the average, is likely to rule at a lower level than it did under the Cartel arrangement.

(c) *Foreign exchange.*—In one of the preceding paragraphs brief mention was made of foreign exchange. Never before has it has been necessary to take the question of exchange into consideration in framing a tariff, but conditions have been so completely upset by the war that one can not afford to overlook the state of affairs existing in regard to foreign exchanges. We find the pound sterling worth not much over 70 per cent of its normal par; the franc at not much over 30 per cent of par; and the mark at not much over 5 per cent of par. If the foreign exchanges of these countries are to remain permanently at a discount, recognition of this must be taken into account in framing a tariff.

2. Answering question 2, we do not see any reason for doubting that all of the changes above mentioned will be permanent, except that the costs of mining and smelting zinc ore may be reduced somewhat. In view of the large national budgets which are a necessity for many years to come, it is impossible to expect a permanent return to a general prewar cost basis during the period under consideration.

Possibly some arrangements may be made to rectify the foreign exchanges.

3. The policy of the Republican Party in regard to tariff has always been to provide such tariffs as will protect industries of the United States, both as to their wage earners and investors.

This country can produce all the slab zinc from its own ores that the country needs, but to do so requires adequate protection, as shown herein.

4. The amount of tariff required should, of course, be based on the difference in production cost as between the United States and foreign countries and under normal circumstances a reasonably accurate statement of the costs of America's principal competitors could be prepared for the use of the committee, but authoritative statistics of the costs in some of the chief competing countries are not readily obtainable under present conditions.

In Europe before the war the two principal slab-zinc producing countries were Germany and Belgium, Germany being the larger. Before the war, and since, both the United States and Germany produced practically their entire output of slab zinc from their own raw materials and with their own labor. German wage rates before the war in a general way were approximately one-half of the wage rates of American labor. The cost of slab zinc produced in Germany before the war was approximately 80 per cent of that in America. The relative wage rate in Germany expressed in dollars and cents at current rates of exchange, is now about one-fifth of the American rate. This works a relative cost in Germany to-day of about one-third of that in America. Based on an American cost of 6.6 cents, the difference between this and the German estimated cost of 2.2 cents would be 4.4 cents per pound. This extreme difference is not likely to be permanent.

Belgium, the next largest producer in prewar times, having no zinc ores, is under the necessity of purchasing them from countries with exchange rates probably against her so that her situation from the standpoint of cost is not so favorable as that of Germany.

Within the past two weeks slab zinc originating somewhere in Europe was selling in London, and was probably bought for import into this country at a price at least 2 cents per pound f. o. b. New York, plus 15 per cent duty paid, below the estimated bare operating cost of producing slab zinc from Oklahoma ores plus the freight to New York.

On the cost of producing slab zinc in other parts of the world than Europe, we have an authoritative estimate by the company operating the electrolytic zinc plant in Tasmania, of what it expects to do, commencing January 1, 1923. In a circular recently put out by this company, which has powerful financial backing, a skilled and experienced organization, and has been operating its electrolytic zinc plant in Tasmania for two years, it is stated that with slab-zinc selling in London for \$30 the net profits of the company, after making all necessary provisions for depreciation and amortization, will be at the rate of \$413,000 per annum from the beginning of 1923. Based on an output of 100 tons per day, the capacity this plant is expected to reach in two years, this would mean a cost, including all depreciation and amortization, of 2.92 cents per pound (American basis) for slab zinc f. o. b. London when the exchange is \$3.50 or 4.06 cents when the exchange is \$4.86. As the ocean freight from Tasmania to New York will not differ materially from the ocean freight to London, the above costs would represent about what the slab zinc could be laid down for in New York, duty unpaid.

To get some idea of how this cost compares with United States costs, based on Oklahoma ores and fire smelting, we have made the following tabulation which it should be distinctly observed does not include depletion, depreciation, or interest in the costs of either mining or smelting.

	Present.	Prob-able.	Mini-mum.
1 short ton of 60 per cent Oklahoma's ore, f. o. b. mines price.....	\$30.00	\$30.00	\$30.00
Freight and hauling thereon to St. Louis territory, including moisture..	6.00	6.00	6.00
Smelting.....	23.00	23.00	15.00
Total.....	61.00	56.00	51.00
Cost per pound of spelter.....	.061	.056	.051
Freight to New York.....	.003	.003	.003
Cost f. o. b. New York.....	.066	.061	.056

In regard to 60 per cent Oklahoma ore, we have used \$30, which is about the current price level, but admittedly very few mines can pay even operating expenses on this basis and many of them have had to shut down. Information on the question of the cost per ton of 60 per cent zinc ore undoubtedly will be forthcoming from the Oklahoma producers so that substitution of the proper amount for the figure used here can be made, and the cost of slab zinc adjusted accordingly.

To cover depletion, depreciation, selling expenses and allow a fair return on mining and smelting investments would require an addition to the cost of slab zinc in this country of 2 to 2½ cents per pound depending upon conditions.

As regards whether the tariff should be on an ad valorem or specific basis, we prefer the specific basis because we have already seen that the question of exchange, over which we can exercise very little control, may have the effect of reducing the duty when perhaps protection is most needed.

Comparing American costs on Oklahoma ore with the Tasmanian costs, which include depletion and amortization, it is seen that a tariff of at least 3 cents per pound is necessary for the preservation of the American slab-zinc industry on a reasonably prosperous basis.

BRIEF OF OTTO RUHL, MINING ENGINEER, JOPLIN, MO.

HOUSE WAYS AND MEANS COMMITTEE,
Washington, D. C.

GENTLEMEN: My name is Otto Ruhl, a mining engineer, 304 Miners' Bank Building, Joplin, Mo. My temporary address is the Willard Hotel, Washington, D. C. I represent the Joplin and Webb City Chambers of Commerce and the Southwest Missouri Zinc Mine Operators' Association in the zinc mining district, popularly known as the Joplin Missouri-Oklahoma-Kansas zinc mining district, a district which supplies approximately 40 per cent of the zinc ore production of the United States. This production has dependent upon it, directly and indirectly, in the immediate vicinity of the mining district, a population of approximately 150,000 to 200,000 people. Like all other industries, it has been greatly depressed, and its depression began a year earlier than that of other industries following the war.

The subject to which we wish to address our remarks is the schedule relating to zinc ores specifically. The zinc ore producers of the United States on several occasions have had the privilege of appearing before this committee and submitting evidence on the condition of their industry, their cost production, and pointing out the tariff rates which they consider just and necessary for maintenance of the zinc mining industry in the face of foreign competition. The evidence filed in previous briefs, and most notably that filed in June of 1910, when an emergency tariff was desired by the zinc ore producers, is applicable to-day. The summary on zinc ores supplied this committee by the United States Tariff Commission under the title "Information Concerning Zinc Ore," we consider a good general presentation of the facts. It is not our intention, therefore, to burden this committee with data or consume its time needlessly. We wish only to call attention to the main facts which have forced our industry to appeal for tariff protection ever since 1903.

The essential factor in the whole question is the difference in the cost of production in the United States and Mexico, our chief foreign competitor in

the production of zinc ores. This committee, regardless of all other things, must have reliable detailed data on cost at home and abroad to enable it to frame a just and intelligent schedule of duties. That data our committee has undertaken to supply from the books of our industry's operators and present here in detail for your later consideration. We found it impossible to supply the costs from all of the 212 concerns having properties in our district, largely on account of the different methods of keeping costs. We have, therefore, presented the costs of 11 representative plants, handling 1,305,000 tons of ore in 1919 and making approximately 97,000 tons of zinc concentrates. The actual cost of each ton of concentrates was \$47.78. Those producers represented mines having ore recoveries ranking from 4.73 per cent to 12.7 per cent.

During 1920 there was very slight lowering of costs until the later months of the year. On the present level of supply costs a schedule of which we will supply in addenda to this brief, there was a further reduction in costs to \$45 per ton of zinc ore concentrates. We note on page 33 of the Tariff Commission's report, to which allusion has already been made, that F. B. Hyder, of the Bureau of Mines, is quoted as giving an operating cost for the production of zinc ores in the Joplin district of \$28 to \$30 per ton with an addition of \$12 for depletion and depreciation and an average royalty charge of 17 per cent. These figures are given as of May, 1919, after a thorough investigation of costs in the field. As the royalty on a \$45 market would be \$7.65 per ton, this would give a total cost of \$47.65 to \$49.65, which is in close agreement with the actual cost of 11 mines, whose data we are submitting. In addition to that we have a cost of at least \$2 to cover buying and handling charges and an average freight rate of approximately \$4 per ton to the smelters' bins, which should be added to any basic cost figure for delivering the ore ready for smelting. This basic figure, therefore, would be at the very minimum not less than \$45 per ton and running up to better than \$50 per ton.

For the purposes of comparison, however, we will assume a basic charge of \$45 per ton for the production of Joplin zinc ore concentrates.

COMPARISON WITH IMPORTS.

An attached table showing the imports by calendar years, taken from the reports of the Bureau of Commerce, supplies the data for a comparison. Taking the last two years' imports and their basic values, so as to have a fair comparison with the same conditions in our own industry, we find an average declared value of all zinc ore laid down in the smelters' bins of \$12 per ton for 34 per cent zinc ore concentrates. These concentrates carry 680 tons of metal. The standard grade of Joplin zinc ore concentrates carry 60 per cent zinc, or 1,200 pounds of metal to the ton, and, according to our basic costs, could be produced for \$45 at the smelters' bins. To get the same amount of metal from the imported ore one would require $1\frac{1}{2}$ tons of imported ore and at the average cost of \$12 per ton the value would be \$21. In other words, for \$21 the importer during the past two years could obtain $1\frac{1}{2}$ tons of zinc ore containing 1,200 pounds of metallic zinc, while it costs the Joplin mine operator \$45 to produce ore containing 1,200 pounds of metallic zinc. The difference in the cost of producing this 1,200 pounds of metal is, therefore, \$24, or approximately 2 cents per pound.

It is the difference, therefore, that we are asking you gentlemen to adopt as the schedule of duties for zinc ore as the basic rate. We realize, however, that there are various grades of ore being imported, and in order to provide a differential to cover the variation in values of these grades we would suggest a graduated scale permitting ores under 10 per cent to enter free, which would cover those lead-silver ores or other mixed ores containing that percentage of zinc as a by-product and which could not be recovered in smelting; on all ores containing zinc from 10 to 25 per cent a duty of $1\frac{1}{2}$ cents per pound; and all above 25 per cent a duty of 2 cents per pound.

We would respectfully ask, therefore, that in lieu of the present Schedule C, paragraphs Nos. 162 and 163, we suggest the following:

Paragraph 162. Zinc-bearing ores containing less than 10 per cent metallic zinc, free.

On all zinc-bearing ores containing more than 10 per cent and less than 25 per cent metallic zinc, $1\frac{1}{2}$ cents per pound on metallic zinc contained therein.

On all zinc-bearing ores and zinc drosses containing more than 25 per cent metallic zinc, 2 cents per pound on metallic zinc contained therein.

Paragraph 163. On zinc in blocks, pig, or slabs, and on old and worn-out zinc fit only to be remanufactured, $2\frac{1}{2}$ cents per pound.

Zinc, oxide of, and white pigment containing zinc, but not containing lead, dry, 2½ cents per pound.

(Previously classified under Schedule A, but now appropriately classified under Schedule C as being entirely a zinc product.)

On zinc in sheets, plates, strips, coils, or plated with nickel or other metals, or any of these rolled zinc products in fabricated form, and zinc dust, 3½ cents per pound.

In addition we realize that the ores that are produced in the United States must be smelted by American smelters, and that to provide a market for this ore after it is produced the smelter and manufacturer of zinc-ore products must have a compensatory duty, and that the schedule prepared by the American Zinc Institute and submitted to this committee is just and earnestly desired by the ore producers to be included as a protective measure for zinc industry.

Cost of mine supplies, by years.

	1914	1917	1918	1919	April, 1920.	December, 1920.
Coal, mine run.....	\$2.10	\$1.60	\$3.15	\$3.30	\$3.75	\$3.39
Dynamite:						
40 per cent pulp.....	\$11.00	\$18.25	\$19.25	\$19.25	\$17.50	\$18.50
40 per cent gelatine.....	\$11.50	\$20.50	\$22.50	\$21.50	\$19.50	\$20.00
80 per cent gelatine.....	\$15.50	\$31.75	\$39.50	\$32.50	\$26.25	\$27.75
Fuse, per case, 6,000 feet.....	\$7.57	\$14.58	\$14.58	\$16.28	\$18.40	\$18.40
Screen jackets:						
Light, square foot.....	\$0.18	\$0.60	\$0.60	\$0.52	\$0.72	\$0.53
Heavy, square foot.....	\$0.22	\$0.72	\$0.46	\$0.91	\$1.10	\$0.71
Slotted jig sheets.....	\$0.30	\$0.80	\$0.87	\$0.76	\$0.97	\$0.60
Sheet steel spouting, per joint.....	\$1.00	\$6.00	\$6.00	\$5.50	\$4.20	\$7.00
Elevator cups, per inch.....	\$1.30	\$0.07	\$0.07	\$0.07	\$0.11	\$0.085
Sheet steel, to order, per pound.....	\$0.05	\$0.10	\$0.10	\$0.08	\$0.11	\$0.07
Elevator bolts, 1 by 1 inch, per 100.....	\$0.70	\$1.40	\$1.50	\$1.50	\$1.50	\$1.75
Elevator bolts, 1 by 1½ inches, per 100.....	\$1.00	\$2.00	\$2.10	\$1.90	\$2.10	\$2.55
Hard iron, jaws, sheets, and side plates, per pound.....	\$0.02½	\$0.04½	\$0.04½	\$0.04	\$0.03½	\$0.03½
Belting, rubber, first quality..... per cent.	50-10-5	45	30-5	40	40	40
Belting, rubber, second quality..... do.	60-10	50-5	40-5	45	40-5	40-5
Belting, canvas..... do.	70	60	60	DT	60	50
No. 2 carpenter scoops, dozen.....	\$5.50	\$11.00	\$11.50	\$11.50	\$11.50	\$11.50
Pipe, black, base..... per cent.	75	34	27	27	27	33
T rail, No. 8, per ton.....	\$35.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Track spikes, ½ by 2½, keg.....	\$6.50	\$13.50	\$16.50	\$15.50	\$16.00	\$14.00
Fittings, malleable, off list..... per cent.	65	45	30	35	List.	List.
Fittings, cast iron, price list..... do.	65	30	20	10	5	12½
Jenkins brass valves..... do.	60	35	List.	5	10	10
Luckenheimer clip gate..... do.	50	25	10	15	13	25
Drill steel:						
Solid, per pound.....	\$0.07½	\$0.16	\$0.17	\$0.16	\$0.14	\$0.14
Hollow.....	\$0.10	\$0.23	\$0.23	\$0.22	\$0.20	\$0.20
Rubber, wire-wound air hose, 1-inch, per foot.....	\$0.25	\$0.40	\$0.40	\$0.45	\$0.65	\$0.53
Norway iron, per pound.....	\$0.05	\$0.15	\$0.20	(1)	(1)	(1)
Tool steel, per pound.....	\$0.08	\$0.20	\$0.20	(1)	\$0.20	\$0.14
Hammers, No. 8, rock, each.....	\$0.55	\$1.12	\$1.12	25	\$1.60	\$1.20
Machine bolts, off list..... per cent.	60	25	30	25	List.	10
Carriage bolts, off list..... do.	60	25	25	20	List.	5
Carbide, union, per ton.....	\$52.00	\$90.00	\$108.00	\$115.00	\$115.00	\$135.00
Galvanized corrugated iron, No. 28, per square.....	\$3.50	\$10.00	\$8.00	\$7.50	\$8.00	\$8.00
Nails, per keg.....	\$2.35	\$5.25	\$4.70	\$4.75	\$5.50	\$5.80
Drill cable, per pound.....	\$0.18	\$0.37½	\$0.40	\$0.37	\$0.35	\$0.33
Wire cable, per foot..... per cent.	50-10	15-5	List.	10	List.	List.
Manila rope, base, per pound.....	\$0.15	\$0.35	\$0.40	\$0.37	\$0.41	\$0.39
Perfection gates, 2-inch, per dozen.....	\$8.00	\$12.00	\$12.00	\$15.00	\$16.00	\$12.00
Dart unions..... per cent.	60	35	30	30	25	5
Common bar iron, base..... per cwt.	\$2.25	\$5.50	\$6.00	\$5.50	\$6.45	\$5.30
Common soft steel..... do.	\$2.25	\$5.50	\$6.00	\$5.50	\$6.45	\$5.30
No. 4 babbit, per pound.....	\$0.08½	\$0.15	\$0.12	\$0.10	\$0.13	\$0.11
Jig wire, per square foot.....	\$0.20	\$0.28	\$0.30	\$0.30	\$0.36	\$0.30
Trim pipe wrenches..... per cent.	75	60	50-5	50-10	50	45
Wood pulleys..... do.	60-10	50	30	25	10	10
Steel pulleys..... do.	40	15	15	15	10	10
White waste, per pound.....	\$0.09	\$0.17	\$0.18	\$0.17	\$0.21	\$0.20
Oils:						
Castor, machine.....	\$0.13½	\$0.23½	\$0.291	.....	\$0.238	\$0.548
Gas engine oil.....	\$0.24	\$0.271	\$0.56	.....	\$0.498	\$0.618
Cylinder oil.....	\$0.27	\$0.35	\$0.50	.....	\$0.748	\$0.868
Red engine oil.....	\$0.14½	\$0.20	\$0.35	.....	\$0.368	\$0.438
Compressor oil.....	\$0.20	\$0.25	\$0.289	.....	\$0.368	\$0.618
Gasoline.....	\$0.11	\$0.20	\$0.225	.....	\$0.280	\$0.288
Coal oil.....	\$0.06	\$0.08	\$0.11	.....	\$0.163	\$0.163

1 Not on the market.

Average monthly price of zinc-blend ore at Joplin, Mo.

[Price of 2,000 pounds of ore in producers' bins.]

Year.	Jan.	Feb.	Mar.	Apr.	May.	June.	July.	Aug.	Sept.	Oct.	Nov.	Dec.	12 months.
1896...	\$24.00	\$23.50	\$23.00	\$23.00	\$21.50	\$21.00	\$21.50	\$21.00	\$20.00	\$20.50	\$23.50	\$25.50	\$22.33
1897...	22.12	21.50	21.00	21.12	21.60	21.87	22.50	22.50	22.62	22.75	23.50	21.25	22.28
1898...	23.00	23.50	23.00	24.62	23.50	28.50	28.00	28.37	31.00	33.70	36.25	37.00	28.44
1899...	32.25	43.37	43.40	51.50	50.50	45.50	44.20	45.00	43.75	43.50	35.00	36.00	33.54
1900...	30.25	29.36	28.45	28.42	26.92	25.00	24.23	25.67	24.25	24.25	21.45	25.40	26.50
1901...	23.73	23.96	23.70	21.58	24.35	24.22	24.65	23.68	22.82	21.63	20.15	23.21	24.21
1902...	29.75	27.00	28.00	28.85	20.23	31.10	31.37	32.50	33.58	33.58	32.10	29.25	30.73
1903...	31.50	32.05	35.75	37.75	36.00	36.50	36.00	35.00	34.40	34.40	30.75	30.00	34.44
1904...	32.12	34.00	36.00	38.40	34.63	32.62	35.00	37.00	40.40	40.00	41.25	36.13	37.40
1905...	51.91	53.65	47.40	43.63	43.74	40.75	43.00	50.24	46.80	49.37	50.37	44.67	47.40
1906...	49.33	49.25	45.60	41.00	41.50	41.20	43.88	41.38	43.20	42.50	44.43	44.55	44.82
1907...	46.90	48.30	49.75	49.25	46.90	47.00	46.86	44.56	41.00	41.75	38.60	31.50	44.36
1908...	35.00	33.17	34.32	34.19	33.57	32.03	30.77	34.07	34.41	33.37	35.64	38.66	34.40
1909...	38.87	31.89	35.77	36.05	38.20	42.21	42.06	46.19	46.37	47.80	49.49	47.81	42.20
1910...	46.56	40.12	42.81	41.17	39.89	39.98	38.25	38.96	41.01	42.16	44.30	41.89	41.47
1911...	40.72	39.59	39.85	37.62	37.43	38.27	39.06	41.14	39.79	41.83	43.03	42.66	40.20
1912...	43.47	46.58	49.72	46.77	53.98	53.20	58.05	55.30	58.64	57.31	55.21	54.16	53.58
1913...	52.22	44.31	44.62	40.92	41.76	40.30	40.88	44.54	44.30	40.07	39.99	37.50	42.62
1914...	34.71	41.15	38.51	36.75	36.68	38.41	35.58	41.02	41.33	38.46	41.63	44.95	39.43
1915...	51.01	65.93	62.73	56.03	69.42	101.81	101.11	79.87	78.49	81.72	97.85	92.64	78.47
1916...	99.82	108.90	99.10	105.45	90.14	74.26	67.72	59.11	68.60	61.31	85.41	87.26	83.26
1917...	74.87	82.78	82.83	71.35	75.44	74.18	69.77	70.09	68.91	61.86	60.74	61.12	70.52
1918...	57.02	55.00	50.18	42.10	47.79	52.08	51.81	53.30	53.18	54.70	56.20	44.60	51.63
1919...	43.45	41.78	41.55	38.87	37.80	42.24	52.24	49.00	45.11	41.37	45.85	49.21	43.63
1920...	56.89	51.21	51.27	48.21	43.63	44.04	46.29	47.52	46.24	40.90	36.81	31.51	46.07

Imports of zinc ore and calamine (dutiable), years ending June 30, 1914-1918.

[From Commerce and Navigation, 1918, compiled by Bureau of Foreign and Domestic Commerce, pp. 289-290.]

Imported from—	1914	1915	1916	1917	1918
Europe:					
France—					
Tons.....			3,463		
Pounds.....			2,813,103		
Value.....			\$59,512		
Italy—					
Tons.....			11,462	4,487	5,285
Pounds.....			10,815,656	5,000,000	4,822,400
Value.....			\$369,663	\$181,507	\$117,271
Norway—					
Tons.....		5			
Pounds.....		4,200			
Value.....		\$81			
Spain—					
Tons.....			31,142	29,022	
Pounds.....			32,011,720	28,316,942	
Value.....			\$1,051,315	\$759,951	
United Kingdom—England—					
Tons.....					5
Pounds.....					3,599
Value.....					\$12
North America:					
Canada—					
Tons.....	9,774	9,447	17,951	15,243	15,379
Pounds.....	8,689,929	8,178,644	16,185,251	11,081,050	12,601,278
Value.....	\$143,788	\$143,191	\$419,049	\$382,117	\$413,516
Central American States—					
Costa Rica—					
Tons.....	5		1		
Pounds.....	2,525		311		
Value.....	\$81		\$17		
Guatemala—					
Tons.....			549	81	
Pounds.....			480,000	74,040	
Value.....			\$17,960	\$2,617	
Salvador—					
Tons.....				34	
Pounds.....				7,677	
Value.....				\$292	
Mexico—					
Tons.....	8,491	39,651	98,239	155,023	77,825
Pounds.....	5,783,453	30,729,461	69,610,515	108,317,379	57,343,642
Value.....	\$107,553	\$335,929	\$1,661,803	\$1,289,958	\$1,866,457

Imports of zinc ore and calamine (dutiable), years ending June 30, 1914-1918.—
 Continued.

Imported from—	1914	1915	1916	1917	1918
South America:					
Argentina—					
Tons.....					110
Pounds.....					123,200
Value.....					\$2,359
Chile—					
Tons.....					2,182
Pounds.....					2,297,316
Value.....					\$19,560
Colombia—					
Tons.....	9		2	13	
Pounds.....	2,960		1,481	10,919	
Value.....	\$75		\$120	\$258	

Wage-scale comparisons.

Kind of labor.	Gold value of Mexican wages.	Prewar wage scale Missouri-Oklahoma-Kansas district.	Present wage scale Missouri-Oklahoma-Kansas district.
Ground boss.....	\$1.42-\$2.50	\$1.00-\$5.00	\$7.00
Shift boss.....	.85- 1.10	3.00- 4.00	4.50
Pump man.....	.25- 1.50	3.00	4.00
Drill man.....		2.75	4.00
Drill helpers.....		2.50	3.50
Shovelers.....	.50	2.50- 5.00	\$1.00- 6.00
Holst men.....	1.50	2.50- 3.00	4.25
Engineer.....	1.00	2.50- 3.50	4.25- 4.75
Hg men.....	.75- 1.50	3.00- 5.00	4.00- 4.50
Crusher feeder.....	.75- 1.50	2.50	3.25- 3.75
Laborers.....	.15- 1.50	2.00	3.00
Blacksmiths.....	1.50	2.50- 3.50	4.50

From such a contrast of wage scales it is easy to see that the cost of production must be much lower in Mexico than it is in the United States.

Declared values imported zinc ores from records, Department of Commerce, by calendar years.

Year.	Ore imports.	Value.	Metal contents.	Per cent metal in ore.	Average value per ton ore.
	<i>Tons.</i>		<i>Tons.</i>		
1917.....	211,595	\$1,374,038	72,474	31	\$20.67
1918.....	70,902	1,573,969	24,809	35	22.20
1919.....	48,649	529,660	17,009	35	10.88
1920.....	65,771	837,232	22,487	34	12.73

Average mining cost of 11 companies for the year 1919.

[Compiled by the Tri-State Chapter of the American Mining Congress, May 1, 1920.]

No. of company.	Concentrates produced.		Per ton concentrates.							
	Tons.	Tons.	Rock mined.	Rock ton cost, including depreciation and depletion and royalty.	Rock ton cost, less depreciation and depletion.	Actual rock ton cost.	Total operating cost, including depreciation and depletion and royalty.	Total operating cost, less depreciation and depletion.	Average price received for all concentrates.	Per cent received.
1.....	9,422	200,470		82.47	82.18	\$1.75	\$52.44	\$16.18	\$51.69	4.73
2.....	6,968	92,907		3.29	2.46	1.83	43.81	32.81	47.71	7.52
3.....	7,139	71,390		4.04	3.04	2.24	40.40	30.41	44.70	10.00
4.....	5,818	71,300		3.94	3.08	2.52	48.57	37.76	48.81	8.16
5.....	10,545	83,000		4.57	3.28	2.26	35.82	25.82	45.74	12.70
6.....	4,747	86,309		2.94	2.43	1.96	53.45	41.35	48.66	5.50
7.....	6,541	53,400		5.04	3.74	3.03	41.05	29.59	49.00	12.25
8.....	7,757	77,570		4.96	3.39	2.36	49.61	31.90	51.00	10.00
9.....	18,424	270,940		3.74	2.75	2.26	54.79	40.59	44.71	6.80
10.....	4,153	63,000		3.74	2.56	1.94	56.04	34.52	53.19	6.65
11.....	15,524	245,191		3.14	2.48	1.95	47.61	37.61	51.16	6.60
Total or average.	97,039	1,305,177		3.54	2.70	2.10	47.78	36.45	48.35	7.49

* Actual rock ton cost, less depreciation and depletion and royalty.

Zinc ore imported into the United States, 1913-1920, in short tons.

Source.	1914		1915		1916		Eleven months, 1920.
	Ore.	Zinc content.	Ore.	Zinc content.	Ore.	Zinc content.	
Canada.....	11,250	4,467	11,992	4,710	21,908	8,790	
Mexico.....	20,795	7,634	57,699	17,804	161,271	51,028	
France.....					3,884	1,422	
Spain.....					55,965	21,081	
Italy.....			5,312	2,125	12,550	5,783	
French Africa.....					4,480	1,837	
French East Indies.....					1,654	746	
China and Hongkong.....			5,880	2,738	9,611	4,568	
Japan.....			1,369	499			
Australia.....			76,410	29,721	110,600	49,657	
New Zealand.....					3,262	941	
Other countries.....	7	2	190	69	750	271	
Total.....	31,962	12,132	158,532	57,669	385,964	148,117	
Source.	1917		1918		1919		Eleven months, 1920.
	Ore.	Zinc content.	Ore.	Zinc content.	Ore.	Zinc content.	
Canada.....	16,559	5,155	11,987	5,173	10,656	3,878	
Mexico.....	145,358	45,697	53,348	18,125	34,114	11,225	
Spain.....	14,778	6,083					
Italy.....	5,919	2,411					
French Africa.....	1,245	624					
Australia.....	27,730	12,503					
Other countries.....	6	2	2,567	1,210	1,550	1,985	
Total.....	211,595	72,474	70,902	24,809	48,649	17,099	61,040
Value.....		\$1,374,088		\$1,573,969		\$529,690	\$823,172

STATEMENT OF OTTO RUHL, JOPLIN, MO., REPRESENTING ZINC ORE PRODUCERS OF MISSOURI, KANSAS, AND OKLAHOMA.

Mr. RUHL. At various times during the past several years ore producers have come before this committee and the Ways and Means Committee of the House asking protection on zinc ores. As part of the files of this committee and as part of the files of the Ways and Means Committee, we have filed, of course, a great deal of evidence, which will be at your command.

We wish only to supplement that evidence in a few instances where we know it has been changed or has been altered more recently.

The thing which should be brought out in addition to those matters brought out in the briefs which will be filed is perhaps the fact that during the war so large a tonnage of zinc ores came in from Mexico, our chief competitor. That was alarming to us, especially in view of the disorganized condition of Mexico. That huge tonnage of ores which came in at that time was carried over and created a surplus stock of ore and metal, even to the present time, a danger which has become extremely manifest during the past year and a half to two years.

Even before the war was ended we had begun to slide down the ladder of prices and our labor had begun to suffer, until to-day our plants are idle up to about 65 or 70 per cent; and from 12,000 miners operating we are now down to about 2,000 or 2,500. Those features should, perhaps, be called particularly to your attention. Those are the things that we have been calling attention to and in regard to which we desired, during the past session of Congress, emergency legislation, but which we did not get.

Senator DILLINGHAM. To what do you attribute this condition? To what causes do you think this depression in your business is due?

Mr. RUHL. Of course we are suffering, as everybody else is suffering, from the business depression of the whole country.

Senator DILLINGHAM. Is it a buyers' strike?

Mr. RUHL. Perhaps to a certain extent, but what I really meant was that the thing that we have had to fear and have really suffered from is the tremendous accumulation of zinc ore that came in during the war period, which cut off our own production and resulted in the extremely depressed condition we find at the present time. That importation comes about through the fact that the production cost is exceedingly low in Mexico.

Take as an example the years 1919 and 1920 as indicative of what the import value was on the border. It averages approximately \$12 laid down at the border ports along the Rio Grande. That ore approximates 35 per cent metallic content, or 700 pounds of metal to the ton. Comparing that with our own ore, which carries approximately 60 per cent, we would require 1.7 tons of this Mexican ore to get the equivalent of our ton in metal content. That would result in a value of \$20.40. The freight on that same ore from the Mexican border to the Oklahoma smelters, which would be the logical point for smelting, would be \$11.72, the rate being \$6.90, which makes a total cost of \$32.13. Comparing that with our own cost for 1919 for something like 11 groups of properties, producing perhaps something like

92,000 tons of concentrates, gives us an average cost of \$47.50. Those figures will be put in our brief to show the cost in detail.

We also desire to call your attention to the facts shown in the report to the Tariff Commission by F. B. Hyder, in which report his figures substantially agree with ours. They are a trifle higher—\$47.50 to \$50 his figures were. Allowing for a profit of 15 per cent and a freight rate of \$2.55 to the smelter, there would be a total cost of the Joplin ore of \$57.17, or a difference between the two products on exactly the same metallic content of \$25, or approximately 2 cents per pound. That is, of course, an essential point to which we wish to direct your attention in our brief.

Senator McLEAN. The importations of zinc diminished very much in 1921 as compared with the imports of 1920?

Mr. Ruhl. Yes. The imports have decreased the same as our production has decreased. You will notice that during the last six months of this year, or up to, say, June 1, that instead of coming in in the form of ore zinc has been coming in in the form of metal.

Senator McLEAN. You mean as pig?

Mr. Ruhl. Yes. It has just started.

Senator Smoot. There was \$564,000 worth of blocks or pigs imported during the year 1921; that is, the calendar year.

Mr. Ruhl. That must be the first six months' figures.

Senator Smoot. But the ore fell down nearly \$700,000.

Mr. Ruhl. Yes. The ore naturally would decrease as prices decrease. We are offered at present only 50 per cent of what it cost to produce in 1919 and 1920. On that particular point I will file my brief with Mr. Wolff's brief as part of the agreed schedule.

STATEMENT OF F. C. WALLOWER, VICE PRESIDENT AND GENERAL MANAGER OF GOLDEN ROD M. & S. CORPORATION, JOPLIN, MO.

Senator Smoot. Give your name for the record.

Mr. Wallower. F. C. Wallower, of Joplin, Mo.

I would like to speak briefly in regard to our local situation, supplementing, to some extent, the remarks which Mr. Ruhl has just made.

I have been operating in the Joplin district for the past 15 years, the first operations being in the Webb City field, which is approximately 8 miles from Joplin. At one time there were 87 mills in operation.

During the period from 1906 to 1920 Mexican ores have come into this country and have so affected our mining business that to-day the Webb City field is extinct, the 87 mills having been moved, many now being located in the Oklahoma fields.

Several years ago there were as many as 200 mills operating in the Oklahoma fields, due to the unusual demands of the war. To-day there are approximately 25 mills in operation.

At one time we employed 12,000 men; to-day we are employing approximately 2,000. Last winter we had the problem of unemployment on our hands, so were forced to develop a means by which actual want was avoided. By subscriptions of the men at work, totaling approximately \$3,000; subscriptions from the operating companies of so much per ton, approximately \$3,000; and \$1,500 from supply houses, we were able to put the unemployed to work on the roads at

\$1.50 and \$2 a day and paid them in tickets which they were able to cash at the supply house.

Senator SMOOT. I think we know the conditions as they exist to-day, without going into detail, as affecting the employment of men in the United States.

Mr. WALLOWER. It is the situation in our district that I am anxious to present to you.

The rate which we ask for is 2 cents a pound; that Mr. Ruhl has quoted. This will place us on a parity with the Mexican ore which is produced at a lower cost than ours, and avoid, for the future, the distressing conditions which exist at present.

Senator SMOOT. Did you say that you want to file a brief?

Mr. WALLOWER. With these few remarks in addition to the briefs already submitted, I will leave the matter in your hands.

STATEMENT OF CHARLES T. ORR, GENERAL MANAGER ATHLETIC MINING & SMELTING CO., WEBB CITY, MO.

Mr. ORR. I wish to make a few remarks supplementing what has already been said.

First, we wish to stand for what our original brief asked for; secondly, we would like to have that made permanent instead of for a two-year period. Those are the two points that I wish particularly to emphasize. The necessity for this will be shown in our brief.

I am more particularly interested in the smelting end of the business, although I am also interested in the mining; our mines are now closed down.

I want to say further that one reason why the big mines are still running is that we find the zinc mined with lead, the lead being mined and the zinc produced with it. The zinc mines alone are almost out of business. I have been mining for 22 years, and I can tell you that the prices to-day are less than they were 22 years ago. Our labor prices are about twice as high. That is, briefly, our situation. We would simply like to have you give it your consideration.

Senator DILLINGHAM. How much do you ask in your brief?

Mr. ORR. Two cents on the ore. We ask that and we also ask that it be made permanent. Those are the two things we wish to emphasize.

STATEMENT OF HON. HENRY L. MYERS, UNITED STATES SENATOR FROM MONTANA.

Senator MYERS. Mr. Chairman, I shall be very brief.

The CHAIRMAN. Take your time, Senator.

Senator MYERS. I appear in behalf of the zinc producers of Montana. I have a letter from one of the leading zinc producers of Montana, stating that at the time he wrote the letter the House had fixed a duty of 2 cents per pound on zinc. Did the House leave it at that rate?

Senator SMOOT. It left it at that rate for two years.

Senator MYERS. He claims that in view of foreign competition and cheap foreign labor they can not possibly produce zinc in the West for less than 2½ cents a pound. He wrote a very urgent letter. I suppose others will appear in connection with this matter, but I hope

that a duty of at least 2½ cents a pound will be put on, because the mines in the West are in a very bad condition. Practically all the mines in Montana are closed down. I just wanted to bring this matter to the attention of the committee.

Senator SMOOT. I will say to the Senator from Montana that the zinc interests have been here and testified, and they wanted 2 cents per pound.

Senator MYERS. Wanted it left at 2 cents per pound?

Senator SMOOT. Yes, sir.

Senator MYERS. I will say no more about that, then. I will just simply add that the producers in Montana of manganese, chrome, and graphite all claim that they ought to have a fair duty on all three of those articles, and I promised to convey that information to this committee.

STEEL WINDOW SASH.

[Paragraph 393.]

STATEMENT OF AARON C. THAYER, REPRESENTING HENRY HOPE & SONS, NEW YORK, N. Y.

Mr. THAYER. My name is Aaron C. Thayer, lawyer, and secretary and treasurer of Henry Hope & Sons, a New York corporation.

If the committee please, I represent Henry Hope & Sons (Ltd.), an English corporation, and its subsidiary and selling agent, Henry Hope & Sons, a New York corporation. The question is on metal sash and window frames, which bear an ad valorem duty of 10 per cent under present section 104. We ask that the duty be retained at the present amount.

Under the new act as passed by the House the words "sash and frames" are stricken out of section 312, which, as we understand it, throws us into section 393 and makes us subject to an ad valorem duty of 35 per cent, three and a half times what we have been under for the last eight years.

Our reasons for thinking that the present duty is ample are, briefly, these:

We have been under this duty of 10 per cent since 1913. Our business has remained substantially the same. Our competitors' business has prospered and increased.

Secondly, of our competitors only two appeared asking for an increase of duty, and those are both offshoots of our competitors in England.

Furthermore, at the hearing before the Ways and Means Committee, at pages 759 to 766 of the record, in which briefs were submitted, we showed that, taking their own figures for their wages and material cost as compared with the figures which we submitted in our supplemental brief, 10 per cent more than compensated for the difference in cost of labor and material, even taking exchange at \$3.76. Of course, if you took it at \$4.80 our labor cost and material cost would be very much larger.

This business is a relatively new business in this country. Henry Hope & Sons (Ltd.), an English corporation, and George Ragg (Ltd.), another English corporation, introduced it into this country, or introduced the sash in about 1907 and 1908. There was none manufac-

tured in this country at that time. We were advised that we would be subject to a duty of one-half cent a pound; but as sash and frames were not included in the then section of the law, reading otherwise practically as it does to-day, we were put under the "catch-all" clause and subject to a duty of 45 per cent.

There being no competition we went on doing business and introduced our sash and were quite successful.

There are two classes of sash. There is factory or industrial sash, which is made in large quantities and appears in large factories, and there is more expensive sash called also casements, which go into libraries and asylums and office buildings and residences.

Up to 1913 the competition had become so strong that we could not possibly go on under 45 per cent, and it was changed to 10 per cent. We have had no orders but one for industrial sash in five years, and that was from an old customer.

Senator SMOOT. What rate are you asking for?

Mr. THAYER. The existing rate, 10 per cent. We ask that it be maintained as it is under the Underwood law.

Senator SMOOT. Have you a brief that you want to file?

Mr. THAYER. I have a brief here to file.

Senator SMOOT. You may have the privilege of filing it, then.

Mr. THAYER. I just want to say one more thing, that our larger American competitors do not ask for any increase. It is only these two companies which I have described which have prospered so much since 1912. They have done practically all their business under the 10 per cent duty and are really offshoots of our English competitors.

BRIEF OF AARON C. THAYER, REPRESENTING HENRY HOPE & SONS (LTD.), OF BIRMINGHAM, ENGLAND, AND HENRY HOPE & SONS, OF NEW YORK CITY.

Under section 104 of the existing law the duty on steel sash and casements is 10 per cent ad valorem, and the section reads as follows:

"SEC. 104. Beams, girders, joists, channels, car-truck channels, T, column and posts and parts or sections of columns and posts, deck and bulb beams, sashes, frames and building forms, together with all other structural shapes of iron or steel, whether plain, punched, or fitted for use, or whether assembled or manufactured, 10 per cent ad valorem."

The English company manufactures this product in England. It owns the stock of the New York corporation which obtains orders in this country, attends to the importation, pays the duties, and installs the sash when received.

The proposed act (H. R. 7456) strikes out from paragraph 312, which is obviously to take the place of present section 104, the words "sashes, frames," and as we understand it, steel sashes and casements would be dutiable under proposed paragraph 393 of the new act at 35 per cent ad valorem. The proposed new duty, therefore, is three and one-half times as large as the existing duty, and it will also be reckoned on the market value in this country of our competitor's product, not on the market value in England.

We respectfully submit that the present duty of 10 per cent ad valorem is ample, as shown by the following facts:

(1) The present 10 per cent duty dates from 1913, and under it our competitors in this country have prospered and largely increased their business, while ours has remained practically stationary.

(2) Only two of our competitors in this country appeared before the Ways and Means Committee to urge any increase in the duty, and these two competitors, viz, the International Casement Co., of Jamestown, N. Y., and the Crittal Casement Window Co., of Detroit, Mich., are offshoots of our English competitors. The present duty of 10 per cent fully covers the difference, if any, between labor and material cost in England and labor and material cost in the United States, and increasing the duty to 35 per cent will drive us out of the American market and to that extent reduce the revenue.

It will also probably result in an unnecessarily large profit to the two competitors who appeared before the Ways and Means Committee and asked for the increase.

Steel sash and casements were first introduced into this country in 1907 by George Ragge (Ltd.), of Manchester, England, and ourselves. We were advised at the time that the duty would be one-half of 1 per cent a pound, but we were classified under the basket clause and a duty of 45 per cent ad valorem imposed. There being no American competition, we were able to do business in this country under the 45 per cent duty, but as competition grew it became more and more difficult to do business, and in 1913 the duty was reduced to 10 per cent ad valorem.

The International Casement Co. has as president Thomas H. Ringrose, and as vice president Walter G. Lawrence, both of whom came to this country as representatives of George Ragge (Ltd.), of Manchester, England, who were our competitors in England in the manufacture of steel sash and casements. The Crittall Casement Window Co., as we are advised, holds and controls the patent on a metal window casement in this country and in Canada, the patent being owned by the Crittall Manufacturing Co., of England, which is another of our competitors.

Both of these American corporations were formed in 1912, and the American International Casement Co. began business in the early part of 1913. Practically all of their business, therefore, has been done under a protective duty of 10 per cent ad valorem and they have prospered exceedingly. Thus, the International Casement Co. was incorporated with a capital of \$50,000. We are advised that as a result of its eight years of business under the present duty it now has capital stock paid in of \$78,450 and surplus and undivided profits of \$102,000. The Crittall Casement Window Co., as we are advised, has a capital stock of \$122,000, of which \$97,000 was paid in in cash and \$25,000 represents contracts with the Crittall Manufacturing Co., of England. It also, as we are advised, has surplus in use as capital and undivided profits of over \$90,000. No further comment would seem to be necessary as to the success of these companies and the adequacy of the protection which they have heretofore received.

It further appeared from Mr. Ringrose's testimony at the hearing on January 13, 1921, before the Committee on Ways and Means, that the International Casement Co. had a plant in England until about a year ago, when the lease expired, and that instead of building a new plant in England they have made arrangements with an English firm with which they used to be connected to manufacture the product in England if that can be done at a greater profit than by manufacturing in this country.

The Crittall Casement Window Co., as above stated, is engaged in exploiting a British patent, and apparently one-fifth of the profits go to its English parent.

In other words, the request for an increase in duty comes not from real American manufacturers, but from our English competitors who would like to see our product excluded from this market, having first made arrangements to manufacture their product here if it can be done at a greater profit than in England.

At the hearing before the Ways and Means Committee it was stated by our competitors that we could undercut them by about 15 per cent. This is not our experience, and in proof of the actual state of competition we respectfully refer to the following recent bids submitted by us and the results:

Scottish Rite Cathedral, Guthrie, Okla.:

Estimate submitted by H. Hope & Sons, Dec. 16, 1920, amounting to... \$40,080
Secured by Crittall Co. for..... 35,250

Princeton University, Princeton, N. J.:

Estimate submitted by H. Hope & Sons, Feb. 26, 1921, amounting to... 25,585
Secured by International Casement Co. at about..... 23,200

Federal Reserve Bank, Richmond, Va.:

Estimate submitted by H. Hope & Sons, Mar. 26, 1921, amounting to... 19,004
Secured by Crittall Co. at about..... 16,500

Cleveland Public Hall, Cleveland, Ohio:

Estimate submitted by H. Hope & Sons, Feb. 9, 1921, amounting to... 36,964
Crittall Co..... 33,334
International Casement Co..... 28,654

Educational Hall, Washington University:

Estimate submitted by H. Hope & Sons, July 6, 1921, amounting to.... 30,327
Secured by Crittall Co..... 27,453

In addition, we have recently bid for the windows to be furnished to the Brandon Asylum in Manitoba, in which our English corporation had the advantage of the 5 per cent differential Canadian duty. Our estimate submitted July 6, 1921, was \$64,300, and the contract was secured by the International Casement Co. for \$57,900.

There are two general classes of steel sash and casements, one which is known as industrial or factory sash made in quantity and not finely finished. We have not been able to compete for this sash even under the 10 per cent duty and have obtained

only one order within five years although we make large quantities of it at the English factory. The other class is a more finely finished sash or casement for office buildings, libraries and similar expensive structures. As our bids quoted above show, we can not compete for this work on the basis of doing it cheaper than our American competitors. We are, however, one of the oldest manufacturers in this line of work. Our product is well known and has an established reputation and it is on this basis that we can continue to do business in this country.

We shall not attempt to give actual figures for the difference in labor and material cost between the two countries as those figures vary from time to time and, as is well known, the labor costs in general in the United States have been going down for some time. Our best information, however, is from our English company, that the costs of material and of labor are substantially the same in the two countries and that the duty of 10 per cent more than makes up the difference without taking into consideration our additional cost for freight and insurance, and our additional cost in maintaining here a corporation to solicit business and to attend to the installing of the sash when received. The best proof of the actual state of competition it seems to us are the facts in regard to the success of our competitors quoted above, and these further facts as to the business of our New York corporation since 1913 when the 10 per cent duty went into effect.

Our fiscal year ends March 31, and the last fiscal year in which we did business under the Payne-Aldrich law ended March 31, 1914. The gross sales of our New York corporation for that year were just a little short of \$200,000. These gross sales included not only sash and casements but also window glass, charges for installing the sash, and profit and various other items. We have never done as well since, our largest gross sales for any year being a little short of \$133,000 for the year ending March 31, 1921. Our average gross sales for the fiscal years 1915-1921 have been \$90,000, and the business of the New York corporation for the period has resulted in a new loss.

We do not wish to abandon this business because we believe it has a future in this country and that it is worth trying to develop, although we are positive, and our past experience has shown, that any increase that we can bring about for ourselves will be but a small percentage of the general increase, in the use of this sash and casements, which will be produced by and the profit on which will be made by the American manufacturers. We are quite sure that our business does not amount to more than 5 per cent of the entire business in this country.

We recognize that our industry is small and the duties which we have paid have varied between \$5,000 and \$10,000 per year under the existing law.

We respectfully submit, however, that there is no sufficient reason why the Government should lose money by abandoning an actual source of revenue, although small in itself, to our detriment and for the benefit of our English competitors, and this is particularly true in view of the evident willingness of our American competitors to continue on the present basis.

We ask, therefore, that window sash and casements composed principally of steel shall be subject to a duty in the new act of 10 per cent ad valorem, and that a paragraph to that effect shall be inserted in the bill instead of leaving this product to be taxed as in present paragraph 393. This will give the American manufacturers a 10 per cent protection on their own wholesale cost and it will the American consumer a chance to obtain our product, which we do not think even our competitors will claim is in any respect inferior to theirs.

STATEMENT OF T. H. RINGROSE, JAMESTOWN, N. Y.

Mr. RINGROSE. Mr. Chairman and gentlemen, my name is T. H. Ringrose, president and general manager of the International Casement Co., of Jamestown, N. Y. My address is Jamestown, N. Y. I also represent the Crittall Casement Co. (Inc.), of Detroit, Mich. We are the only two manufacturers of steel casement sash. I brought a little model here. I don't suppose many of you have seen the casement sash. It is a high-grade article used in residences, colleges, schools, libraries, etc. It is a sash that swings on hinges, differing from a sliding window. Any remarks that I make about my own company will apply to the Detroit company as well, because we both started at about the same time and under somewhat similar conditions.

I am interested particularly in paragraphs 312 and 393.

Senator SMOOT. Paragraph 393 is the basket clause and 312 structural shapes.

Mr. RINGROSE. Paragraph 393 is the basket clause, and 312 is the structural shapes. It will be up to the Treasury Department to determine whether that will come under structural shapes fabricated for use or the basket clause.

I am very well satisfied with the duty imposed by the Fordney bill, but on Tuesday last you had before your committee our British competitor, the only one left. He was asking the duty be the same as under the present Underwood law—10 per cent ad valorem.

Senator SIMMONS. What do you mean by saying we had before us your British competitor? I did not know we had any of the British representatives before the committee.

Mr. RINGROSE. Yes, sir; you had Mr. Thayer, representing Henry Hope & Sons, of Birmingham, England.

Senator SIMMONS. Their American agent?

Mr. RINGROSE. Yes, sir; their American agent, a selling company here, owned and controlled by the parent organization in England.

I have read a copy of his remarks. His main reason for asking that this duty be lowered to 10 per cent was that we had prospered while they had remained stationary. I will not take very much of your time, gentlemen, but I want to bring this one point home. Prior to 1913 I was engaged in importing windows, and, seeing an opportunity to manufacture in America, we put a plant in Jamestown, N. Y. The Detroit company started at about the same time. In January, 1913, we started to manufacture. The Underwood law came into effect about October or November. The duty prior to that was 45 per cent ad valorem. We could not stay in business and manufacture in America with three very large British concerns in competition with us, so we sent back to England our vice president, and he rented a factory as near to the American line of steamships in Liverpool as he could get, to manufacture for this market a special casement window. It is for that reason we prospered, because we had a factory in America, and if an architect wanted some special windows delivered quickly we could deliver it, and we had a plant in England which he could use if he had time to wait and wanted the lower price.

Then came on the war. That meant that after a little while the British manufacturers could not ship any materials. That, then, threw onto us and our contemporary company in Detroit the burden of taking care of the whole market, which we did. We extended our plant. We built a new building, and have now plenty of room for extension.

I don't know of anything else I want to say.

Senator SMOOT. You are satisfied with the House proposition as to the basket clause and also paragraph 312?

Mr. RINGROSE. Quite satisfied.

Senator CALDER. How many men do you employ?

Mr. RINGROSE. One hundred, normally.

Senator CALDER. At Jamestown?

Mr. RINGROSE. Yes; and about 120 at Detroit.

Senator SUTHERLAND. Do you still conduct the English plant?

Mr. RINGROSE. No. We closed it a year ago, because we felt that wages were up very high in England and we would have a better chance to compete. But that is another point that we overlooked at the time. Wages in England have increased three times over prewar times, while ours have increased only twice. So the result is that theirs are liable to come down greater than ours possibly can.

Senator CALDER. Have wages come down in England in that line?

Mr. RINGROSE. They must have, these last two weeks, because prices now are very much lower, but I have not been able to get accurate advices on that.

Senator SUTHERLAND. You do not know what wages over there are at this time as measured in dollars and cents?

Mr. RINGROSE. No. I would like to file a brief in about three days, if I may be granted that permission, and I can get that information by that time from our British associates.

When we did close the plant in England, we arranged with our old associates there, the firm with whom our vice president and myself were trained, to manufacture our product, and last year they did manufacture \$70,000 worth of casement windows, and we brought them in and made more profit on them than we did on our own product manufactured here. We want to keep this plant going in America. We have a big plant, and we would like to see it grow and develop.

Senator CALDER. What was the value of the output of your plant in this country last year?

Mr. RINGROSE. \$440,000.

Senator CALDER. In Detroit?

Mr. RINGROSE. Jamestown, including \$70,000 worth we imported from England.

Senator SUTHERLAND. If conditions warrant it, do you expect to start your English plant up again?

Mr. RINGROSE. No; we have closed it up for good.

Senator SIMMONS. Let me understand you in regard to the statement you made about the cost of labor. You say the cost of British labor is higher than the cost of labor here?

Mr. RINGROSE. No; it was not higher, but it was nearer, when we closed our plant up.

Senator SIMMONS. What did you mean by what you said a while ago? Did you mean the English price of labor had gone up three times as much compared with prewar prices as the American price of labor?

Mr. RINGROSE. No, sir. The American price went up twice, and English three times.

Senator SIMMONS. You really closed your plant in England because there was practically no difference in the labor cost there and here?

Mr. RINGROSE. No; there was just a little difference.

Senator SIMMONS. Was it in favor of America or England?

Mr. RINGROSE. The difference was in favor of Great Britain.

Senator SIMMONS. Great Britain labor prices were higher?

Mr. RINGROSE. No; lower.

Senator LA FOLLETTE. But when you added ocean freight rates there was no advantage in operating the English plant?

Mr. RINGROSE. None whatever at that time, but the reductions were much greater in England.

Senator LA FOLLETTE. Do you know what the reductions have been in the last two weeks.

Mr. RINGROSE. No, sir; I could find that out and put it in the brief which I will file in about three days.

Senator SIMMONS. If that is true, what do you need this protection for? We should not pass a tariff law upon conjecture as to prices coming down, but it ought to be based upon the price of labor here and the price of labor there at the same time. They may go down here. I hope they will. They ought to in some industries. They may go down in Europe. But in framing this tariff law we should not assume that American wages are going to remain stationary, while English wages will continue to go down.

Mr. RINGROSE. No. However they go down, English wages will go down greater than ours.

Senator SMOOT. How do you know that? They have not done it so far. They went up faster than American wages, according to your own statement.

Mr. RINGROSE. I can find that out for you.

Senator SIMMONS. You do not know it?

Mr. RINGROSE. I do not know it.

Senator SIMMONS. You are simply guessing at it, and I think there is a good deal of guesswork about these tariff statements.

Mr. RINGROSE. Well, judging by the prices they are quoting this last two or three weeks they must have come down considerably.

Senator SIMMONS. During the last two or three weeks?

Mr. RINGROSE. Yes, sir.

Senator SIMMONS. Up to that time you thought it was cheaper for you to operate a factory there as well as in America?

Mr. RINGROSE. No; that was a year ago.

Senator SIMMONS. I thought it was just a little while ago.

Mr. RINGROSE. No; we closed our factory over there about a year ago, but it is in the past two or three weeks that the prices have been very much lower than they were.

Senator SIMMONS. And you are bringing your prices down lower?

Mr. RINGROSE. Yes; our prices are lower.

Senator SIMMONS. And you are going down lower still?

Mr. RINGROSE. Yes, sir.

Senator SIMMONS. And they are still ahead of you?

Mr. RINGROSE. We can not possibly go as low as they are going now. That is impossible, even if we come to prewar prices.

Senator SMOOT. Suppose you take American gold over there and buy English money and pay the labor over in Europe with English money, could you not run your plant then?

Mr. RINGROSE. Yes; we could run the plant to a big advantage.

Senator SIMMONS. And you contemplate opening this plant over there again, do you?

Mr. RINGROSE. No. We have arranged with a large manufacturer in England to manufacture our product.

Senator SIMMONS. You mean he is going to manufacture it for you?

Mr. RINGROSE. For us.

Senator CALDER. If it is profitable?

Mr. RINGROSE. Surely, if it is profitable.

Senator LA FOLLETTE. That is a contingent contract?

Mr. RINGROSE. Surely, that is a contingent contract.

Senator LA FOLLETTE. What rate are you paying now for common labor in your factory?

Mr. RINGROSE. Per hour?

Senator LA FOLLETTE. Yes.

Mr. RINGROSE. Thirty cents.

Senator LA FOLLETTE. What did you pay at the highest point prior to the present time?

Mr. RINGROSE. Forty-five cents.

Senator LA FOLLETTE. How long ago was your factory established in this country?

Mr. RINGROSE. January, 1913.

Senator LA FOLLETTE. What were you paying then for common labor?

Mr. RINGROSE. Seventeen and one half cents.

Senator McCUMBER. Is that all?

Mr. RINGROSE. Yes; thank you.

BRIEF OF THOMAS H. RINGROSE, REPRESENTING THE INTERNATIONAL CASEMENT CO. (INC.) AND CRITTALL CASEMENT WINDOW CO. (INC.)

It should be noted that the words "sashes and frames" in paragraph 104 in the present Underwood tariff are included along with beams, girders, joists, angles, etc. Sashes and frames are a highly finished article mostly fitted with expensive bronze hardware and used in the homes of the wealthy, in libraries, colleges, and public buildings. The product is mostly handmade. The other articles in the paragraph are bars of steel or iron not advanced in manufacture further than the rolling.

The words "sashes and frames" were not in the Payne-Aldrich law, but were added in the Underwood law on the recommendation of Henry Hope & Sons (Ltd.) and George Wragge (Ltd.), both British corporations. We did not testify at these hearings. Under the Payne-Aldrich law they carried a duty of 45 per cent ad valorem.

In the brief filed by Mr. Thayer, Senate Finance Committee tariff hearings, item (1), Mr. Thayer states, in arguing for 10 per cent duty, that since 1913 we have prospered and their business has practically remained stationary. In considering this we respectfully call your attention to the fact that in December, 1913, soon after the Underwood bill became law, in order to stay in the business the International Casement Co. were compelled to open a factory in Liverpool, England. The Crittall Casement Window Co.'s parent organization is in England. We could not possibly have prospered had we not had these factories in England to manufacture for us. It should also be noted that during the war and for sometime afterwards our British competitors were not in position to manufacture for this market. Our capital and plants were enlarged in the United States to meet this condition, and we are anxious to manufacture all our product here.

In regard to our profits for the years 1913 to 1920, inclusive, these show an average of 8.27 per cent on the sales.

Mr. Thayer gives a list of contracts in which lower prices were quoted in the United States. We could give a list reading the opposite way, but it would not be of much service because of the special nature of each contract and the fact that in the majority of the jobs quoted by Mr. Thayer about 50 per cent of the cost is for material purchased or for labor done in this country.

In connection with the Brandon Asylum, Manitoba, Canada, the price referred to was quoted by the International Casement Co.'s Canadian associates (Canadian Allis-Chalmers Co.) and was for work made in Canada. We could not possibly compete with British firms in Canada, and for over a year the above-mentioned Canadian firm has been manufacturing international casements in Canada.

For actual figures we respectfully refer you to pages 759 to 766, Hearings on General Tariff Revision before the Committee on Ways and Means, part 2, 1921. In the supplemental brief of Henry Hope & Sons, pages 764 and 765, please note, line 12, page 765, they state the International Casement Co.'s cost is \$23.45. This is correct and in accordance with our testimony given before the Ways and Means Committee. In line 18, page 765, they state we can sell at \$23.45. To their figures they add selling expenses and profit. We, too, have representatives in various cities, and to our cost of \$23.45 must be added 20 per cent to cover these expenses and profit, also the freight from Jamestown to the seaboard.

Details of comparative costs and selling prices in Great Britain and the United States, taken from figures furnished by Henry Hopo & Sons (Ltd.), page 765, are as follows:

Cost of casement 24 by 54 inches in England packed ready for shipment to New York (£3 16s. 9d.), present rate of exchange \$3.70 per pound.....	\$14.20
Ocean freight, insurance, cartage, dock dues, and customs tax.....	1.20
	15.40
Duty 10 per cent.....	1.42
Cost with duty landed in New York.....	16.82
Selling expenses and profit 20 per cent.....	3.36
Selling price in New York City.....	20.18
Cost of casement 24 by 59 inches, made in United States, packed ready for shipment.....	23.45
Freight to New York.....	.61
Cost landed in New York.....	24.06
Selling expenses and profit, 20 per cent.....	1.82
Selling price in New York.....	25.88

In other words, the selling price of American manufacturer on this particular casement is \$8.73, or 43% per cent, above the selling price of the British manufacturer based on to-day's rate of exchange (\$3.70=£1).

It will be seen, therefore, that the proposed rate of duty in House bill H. R. 7456 is fair, providing casement sashes come under the basket clause of paragraph 393 at 35 per cent ad valorem taken on American valuation.

In response to your request for information regarding reduction in wages in Great Britain, we cabled to the Crittall Casement Co., of Braintree, England, and to-day received reply giving the following information:

Skilled casement mechanics reduced 21% per cent, common labor 21 per cent, from the high peak of war period to present day.

LETTER OF DIRECTOR OF GEOLOGICAL SURVEY IN REPLY TO STATEMENT OF CHARLES W. POTTS, DEERWOOD, MINN.¹

DEPARTMENT OF THE INTERIOR,
UNITED STATES GEOLOGICAL SURVEY,
Washington, October 6, 1911.

DR. THOMAS WALKER PAGE,
Chairman United States Tariff Commission.

DEAR DR. PAGE: I have received your letter of September 30 with reference to the statements of Mr. C. W. Potts before the Committee on Finance of the United States Senate.

Mr. Potts's charges are of such a character and of such wide range that they demand rather detailed consideration. It has seemed best, therefore, to prepare rather full answers to each type of charge. I give below a summary of my reply. Considering the reception given to the charges by the Senate committee, I suggest that Mr. Potts be given an opportunity to retract the charges and, if possible, to reappear before the committee under circumstances that permit cross-examination. I need scarcely assure you that you are at liberty to use both this letter and the attached statement as you wish.

Mr. Potts's charges that the survey's estimates of manganese-ore reserves are based upon superficial examinations and obsolete reports and that the examinations were undertaken with pessimism are untrue. His further charges that the reports of reserves in the Butte district are not consistent with reports of production and that the World Atlas of Commercial Geology was based upon material available in 1913 are not only untrue but arise out of his very superficial examination of and careless reference to the publications. On the other hand, he has refused, for the present at least, to give the survey access to the data and methods by which his estimate of 10,000,000

¹ See p. 1675.

tons of 42 per cent ore was reached. Further, by partial statements and by the incorrect use of data submitted to him, he has reached conclusions which are obviously unsound.

The foregoing discussion of the charges and claims of Mr. Potts should not becloud the fundamental question of the amount of manganese-bearing materials remaining unmined in the United States, for that is the information which Congress needs. It is out of the question for the survey at the present time to attempt an exhaustive reexamination of all or even most of the principal deposits. In considering the present situation I do not think this is necessary. The estimates, even of qualified individuals, concerning the domestic resources of a number of minerals seem bound to differ widely. The estimates of mineral reserves by conservative persons, particularly those conscious of responsibility, will always seem ridiculously low to persons of different temperament and to those seeking to promote selfish ends. After considering the estimates of our domestic manganese reserves made by the Survey during 1917 and 1918, the statements of production that have been filed by the producers with the Survey, and other sources of information published or furnished informally since that time, I give herewith the Survey's present impression of domestic manganese-ore reserves. There is fair assurance of the existence in domestic deposits of about 1,800,000 tons of material containing more than 35 per cent manganese, which are sufficient to make about 75,000,000 tons of steel by present practices. If the large reserves of lower grade material be considered, making proper allowances for necessary adjustments in steel plants and processes, the combined reserves are probably sufficient to make about twice as much steel, or 150,000,000 tons.

Very truly, yours,

GEO. OTIS SMITH, *Director.*

DEPARTMENT OF THE INTERIOR,
UNITED STATES GEOLOGICAL SURVEY,
Washington, October 7, 1921.

DR. THOMAS WALKER PAGE,
Chairman United States Tariff Commission.

MY DEAR DR. PAGE: Supplementing my letter of yesterday, I wish to call your attention to an article on manganese by Mr. Potts, which appears in the current number of the Mining Congress Journal, which came to my desk to-day.

Near the close of this article, on page 314, you may find a statement wherein Mr. Potts admits more than he orally admitted to Mr. Hewett at the time of their recent interview. This shows that the factor used by Mr. Potts in multiplying the survey's estimate of high-grade reserves is admittedly based upon the disparity between the survey's estimates of certain deposits and the tonnages subsequently proved for the same deposits. Not to again call attention to the flagrant errors in some of Mr. Potts's comparisons, it is sufficient to state that the danger of this method is well set forth in the memorandum accompanying my letter of yesterday.

On the same page in an earlier paragraph Mr. Potts reiterates his reference to the 2 800 tons of high-grade ore in the Butte district, with which he compares a many times larger tonnage of ore shipped from the same district, not specifying, however, the kind of the ore so shipped, the survey's distinction in its estimate between oxide and carbonate ores being either unnoticed by Mr. Potts, as he stated to Mr. Hewett, or disregarded by him in his very plain purpose to discredit the United States Geological Survey.

Yours, very cordially,

GEO. OTIS SMITH, *Director.*

COMMENT ON THE CHARGES OF C. W. POTTS.

Statement of policy.—Although the estimation of mineral reserves is naturally a part of the work of the United States Geological Survey, an exhaustive detailed examination of all the deposits that should enter into any final estimate involves such an extraordinary amount of careful work by highly qualified geologists that it has only been undertaken for a few substances, such as coal, iron, petroleum, etc. For a number of years the survey has been engaged in an exhaustive estimate of the coal resources of the United States, and highly dependable detailed estimates are now available. Recently it has seemed advisable to attempt to make such an estimate of the petroleum reserves. The distribution of the petroleum deposits of the country is such that in order to obtain even preliminary figures it has been necessary to enlist the aid of

many engineers and geologists throughout the United States as well as the geologists of the survey. Only the crisis of the war warranted the survey's attempt to make an estimate of the domestic reserves of a metal having such widespread distribution and occurring in such irregular and ill-defined deposits as manganese.

It is apparent to those familiar with the deposits of the common metals that any dependable estimates of reserves must be based upon much detailed information obtained in mine explorations as well as upon the sound interpretation of the geologic relations under which the materials exist. It is further well recognized that the estimates of highly qualified observers, even in individual mines, frequently differ appreciably, depending upon the emphasis placed upon certain kinds of geological data. In other words, there is commonly a possibility for difference of opinion among qualified and straightforward observers. It was the survey's hope in attempting to estimate the manganese resources of the United States to have a conservative estimate of the reserves, in order that a wise program for imports could be put in force during the war. These estimates were needed because it was emphatically contended by the steel and alloy makers who constitute the consumers that there were no domestic resources worth considering in an import program. In order to have additional data, however, the geologists engaged in the work were requested to estimate the additional quantities that would probably be made available by exploration work in progress. The survey's estimate, therefore, contains two figures—one, of dependably recoverable quantities and, the other, additional reserves in prospect. That there may be more manganese ore in the United States than the sum of these two quantities has not been denied by the survey. It has simply been stated that in the light of the work that was done during 1917 and 1918, including search, exploration, and examination, it seems highly improbable that there is twice as much as the 1,800,000 tons of high-grade manganese ore included in this estimate.

The testimony and brief of C. W. Potts.—In the present instance, in conformity with the survey's policy, I sent Mr. Hewett, the geologist who had charge of manganese for the survey during the war, to confer with Mr. Potts, in the hope that a common understanding might be reached concerning domestic reserves. Mr. Hewett met Mr. Potts on September 29 and 30, and they discussed the situation at some length. It is sufficient to state at this point that Mr. Potts, beyond admitting that to obtain his estimate he multiplied the survey's estimate by a factor, flatly refuses to show Mr. Hewett the data or to explain the methods by which he arrived at his own estimates of manganese reserves. Although Mr. Hewett is satisfied that Mr. Potts has some dependable data that would be helpful in revising in detail the estimate of manganese reserves, he withholds them, and consequently they can not be used in preparing this memorandum.

In the following statement answer will first be made to Mr. Potts's objections to the survey estimate of manganese reserves. Attention will then be called to some of the flagrant errors in Mr. Potts's brief and testimony before the Senate committee.

1. In the paper by Messrs. Harder and Hewett, to which reference is made a number of times, it is stated: "This part of the work (estimation of reserves) was approached with a certain apprehension, for it was recognized that for most districts neither the extent of explorations nor time available for the work would permit the order of accuracy that most mining companies require as guides in operating." This statement is clearly the basis for the charge by Mr. Potts that it is admitted that investigations were superficial (p. 1676) and that the work was not thorough (p. 1686).

For your information I attach hereto a brief summary of the estimate of reserves prepared by Messrs. Harder and Hewett, in which the work is classified as to whether it was detailed or reconnaissance and as to whether estimates might warrant revision or not. In this work 18 geologists, of whom 12 were members of this survey, specially chosen because of previous experience and other fitness, devoted a total of about 50 months to field examinations during 1917 and 1918. Of the 1,181 deposits considered, 588 lie in districts where the work was of detailed character involving the preparation of geologic maps. It will be noted that the reserves of high-grade ore in these districts make up 80 per cent of the total in the United States and of the additional reserves in prospect almost the entire amount, if the carbonate ore of the Butte district be omitted. The reconnaissance work was done in districts that mostly offered small promise of reserves of high-grade ore, although a number of districts containing low-grade ore were considered in this manner only. The survey has never had any doubt that the reserves of low-grade manganese ore were adequate to meet any needs that the steel industry would impose for some years to come.

2. It is stated (pp. 1684 and 1694) that the data upon which the survey's estimates of reserves are based are obsolete, and to substantiate the claim a list of nine regions is given in which the work was done during 1917.

It should be stated that of the nine regions subsequent reports to the survey show that little or no exploration work was done after examination by the survey geologists in the following: (1) Western Arkansas; (3) Colorado, other districts; (8) Oklahoma; (9) Montana, other districts. Two others, (3) Leadville district, Colo., and (6) Cuyuna Range, Minn., contain only low-grade ore. In only two regions could further exploration have added to the reserves of high-grade ore—(6) Butte, Mont.; (7) Virginia, east side of valley.

An analysis of the table of reserves prepared by Messrs. Harder and Hewett shows that of the total estimate of high-grade reserves, 417,000 tons, or approximately 60 per cent of the proven total, is in districts where field work was completed as late as June, July, August, September, and October, 1918. After considering the table of reserves in the light of the reports submitted to the survey by mine operators up to the end of 1920, it appears that the estimates for the districts which contain more than half of the reserve of high-grade ore are still reliable. In several of the districts containing the remainder of the reserve recent work has probably justified an increase in the estimates.

3. It is indicated by Mr. Potts (pp. 1690 and 1691) that the production reports are not consistent with the statements of reserves.

Although Mr. Potts stated that the survey has never changed an estimated reserve of 2,800 tons of high-grade ore in the Butte district, he admitted in conference with Mr. Hewett that in the table where this figure appears he has never read the following footnote: "All recorded deposits of oxide ores examined; estimate does not include large deposits of carbonate ore, 35 to 38 per cent manganese." Mr. Potts further stated that he has not read the original report from which Butte estimates are taken. In this report it is stated: "The known workable bodies of this ore (carbonate) aggregate several thousand tons, and there is reason to expect that further developments will disclose large additional amounts." (U. S. G. S. Bull. 690-E, p. 112, published Apr. 9, 1918.) A more recent report contains this statement: "The quantity of rhodochrosite ore reported as actually developed early in November, 1918, was more than 125,000 tons. To this reserve should be added an unknown and presumably very large amount in prospect. In addition the lodes contain an almost unlimited quantity of low-grade material, consisting of the carbonate and silicate of manganese and quartz mixed in different proportions. This constitutes a reserve from which, if the necessity arose, the country's needs might be largely supplied." (U. S. G. S. Bull. 725-C, p. 176, published Aug. 8, 1921.)

It should be noted in connection with any statement concerning the reserves in the Butte district that it was planned to have Mr. Pardee make an examination of the district in October, 1918, and that he was prevented from making this examination by illness. It should also be stated that it is adequately confirmed that Mr. Pardee at the time of his first examination of the Butte district in August, 1917, was the first to call to the attention of the officials in the Anaconda Copper Co. the possible use of this material. It was upon his advice that inquiries were first made concerning the marketing of the material. Although a definite estimate has not been assigned to the reserves of carbonate ore in the Butte district, the knowledge concerning these bodies has been taken into consideration in summary statements concerning the prospective production from domestic sources. Great dependence has never been placed by the survey on a large part of the reserves of the district, even at the prices prevailing during the war, because it has no record that any qualified engineer or geologist has stated that the bodies could be explored profitably for manganese ore alone. All of the production of carbonate ore from the Butte district to date has come from mines that have been thoroughly explored in advance to extract bodies of copper and zinc ore. No charges for development of the bodies have, therefore, had to be borne by the production of manganese ore.

Mr. Potts refers several times (pp. 1677, 1686, and 1692) to the fact that two mines in the Batesville district have produced more ore than the reserve assigned by the survey geologist to them. As this geologist is in Utah, the only explanation that can be offered at present is that the estimate for these particular mines was low. Such a discrepancy does not necessarily indicate, however, that the total estimate for the district was low. I still feel that the geologist was peculiarly competent to estimate reserves in that field. Certainly, before his estimate for the district is revised, he should be consulted.

4. Mr. Potts makes statements (pp. 1678 and 1684) purporting to show that recent reports of the Geological Survey concerning mineral production and reserves of manganese ore are old and out of date. To substantiate the claim he cites the World Atlas of Commercial Geology, published in 1921, and states that "the data upon which this report is based were compiled from information available in 1913." Not only does this publication, the first of its kind, contain practically complete information con-

cerning mineral production throughout the entire world for the year 1918, only available late in 1919, but Mr. Potts in conference with Mr. Hewett admits that he has never read the text on manganese in this report and has never read a table in it, but made the statement on the basis of a reply by one of the clerks of the Geological Survey to a question of his. In the discussion of world production of minerals, the year 1913 was considered representative because it was the last normal year.

5. Mr. Potts states (p. 1690): "Apparently the Government geologists have approached investigation of domestic reserves with pessimism." As Mr. Potts admits in conference with Mr. Hewett that until midsummer of 1920 he never met a geologist of the Geological Survey who was engaged in the examination of manganese deposits during the war, his impression concerning the attitude of these geologists is worth nothing. There is abundant record in the form of summary reports to the Council of National Defense, War Industries Board, and Shipping Board during 1917 and 1918, as well as the testimony of many producers of manganese ore, that the attitude of the geologists was quite the reverse and that they were constantly insisting upon provision for the use of the steadily rising production and upon dependence on domestic reserves.

6. Mr. Potts' brief states (p. 1691): "It has also been proved that the estimate of the period of time which these reserves would last this country is based only upon an estimate of high-grade ore which is belittled and that that estimate does not take into consideration lower grade manganese ores or the manganese ore associated with iron ore; nor does it take into consideration the metallurgical adaptability of all our ores in steel making." This statement is made in spite of the following paragraph taken from one of the reports to which he refers several times: "The widespread utilization of low-grade in place of high-grade material undoubtedly presents imposing metallurgical problems. To the optimistic observer incompetent to consider these problems in detail the progress made to this end in 1917 and 1918 offers considerable encouragement. The large reserves of the low-grade material can probably be depended upon under stress to double the probable life of the high-grade ore."

A careful examination of Mr. Potts' testimony and brief to the Senate Finance Committee in the light of statements made above indicates that he is more concerned with discrediting the Geological Survey as a source of accurate and prompt information than he is in supplying evidence for the case which he presents. This attitude might be pardoned if there were not abundant evidence from his brief that in order to strengthen his argument he uses short cuts and questionable methods to obtain his own estimates, quotes partial statements which convey a meaning different from the original text, and has failed to understand some of the critical data used by him.

(1) At the time of his appearance before the Senate committee, August 26, 1921, Mr. Potts stated (p. 1693): "From the data already accumulated the evidence points to a reserve tonnage of domestic manganese ore as follows:

	Tons.
"High-grade manganese, 35 per cent and over.....	10,000,000
"Ferruginous manganese, 10 to 35 per cent.....	20,000,000
"Manganiferous iron ore, 5 to 10 per cent manganese.....	45,000,000"

Also (p. 1694): "Up-to-date investigations prove that the reserves of high-grade manganese ore are approximately 10,000,000 tons."

In order to justify the estimate of 10,000,000 tons of high-grade ore, Mr. Potts, in conference with Mr. Hewett, stated that this estimate is obtained by multiplying the total reserves as published by the Geological Survey by a factor considered by him to be dependable from his recent data concerning a few districts. He further admits that he had no data other than that of the Geological Survey concerning several of the most productive districts.

(2) Concerning the estimates of reserves of domestic high-grade manganese ore, Mr. Potts quotes (p. 1687) a statement of Messrs. Harder and Hewett: "The estimates represent little more than the order of magnitude of minimum recoverable quantities," so as to suggest that it applies to the whole country. In the original context the statement only applies to the estimates of reserves in Virginia, Georgia, and Tennessee.

(3) In calling attention to the small estimate of high-grade manganese ore in the Butte district, 2,800 tons (p. 1690), Mr. Potts quotes from a letter of Albert J. Seligman to the effect that 71,000 tons of manganese ore were produced by his company in 1918 and 63,000 tons in 1920. Mr. Potts admitted in conference with Mr. Hewett that he was ignorant of the fact that these quantities represent not high-grade manganese ore but low-grade oxide ore which had to be milled to yield a shipping con-

centrate. This material was part of the estimated 400,000 tons of low-grade material as figured by Mr. Pardee and which appears in the table of reserves:

Estimates of domestic manganese ore classified according to character of work done.

	Number deposits examined, 1916-1918	Manganese 35 per cent +.		Manganese 5 to 35 per cent, largely more than 20 per cent SiO ₂ , less than 30 per cent Fe.		Manganese 5 to 35 per cent, largely more than 30 per cent Fe, less than 20 per cent SiO ₂ .	
		Reserves.	Additional reserves in prospect.	Reserves.	Additional reserves in prospect.	Reserves.	Additional reserves in prospect.
		Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
a-1. Detailed work: Estimates highly dependable.....	40	178,000	350,000	118,450	230,000	5,000	.....
a-2. Detailed work: deposits such that further work may warrant revision.....	548	387,000	290,000	235,000	250,000	15,000	100,000
b-1. Reconnaissance work: Estimates highly dependable; little or no exploration since examinations.....	211	89,750	(?)	507,350	(?)	3,800	.....
b-2. Reconnaissance work: Deposits such that further work may warrant revision.....	296	50,000	(?)	460,200	(?)	2,508,000	2,050,000
C. Not examined by survey.....	25	.....	.....	.....	.....	13,628	(?)

SCHEDULE 4.

WOOD AND MANUFACTURES OF.

FIR, SPRUCE, CEDAR, AND HEMLOCK LOGS.

[Paragraph 402.] .

STATEMENT OF W. D. B. DODSON, GENERAL MANAGER PORTLAND CHAMBER OF COMMERCE, PORTLAND, OREG.

I submit herewith brief of Columbia River Loggers' Information Bureau on Pacific northwestern conditions, proving the right of the logging and lumber manufacturing industry of that region to tariff protection on their products, against Canadian competition, and ask your earnest consideration of the same.

Supplementing this argument for the Pacific northwestern lumber industry, we submit a general argument herein on the need for a tariff to foster and encourage forestry in the United States, make the lumber and wood products industry of the Nation permanent, and to make it possible for this Nation to realize a net income from more than 463,000,000 acres of its domain that otherwise may become totally nonproductive.

According to figures furnished by the Interior Department, the Nation has about 228,000,000 acres of cut-over lands, once forest, now largely denuded. Except for very light uses in grazing live stock, this land is now practically nonproductive. Most of it is valuable only for forestry. There are but two ways in which to make it again productive in the coming years: First, purchase by the Government or State as permanent forest reserve, and the expenditure of large sums in reforestation; second, reduce or eliminate annual taxes on this cut-over land, and protect America's wood industry against cheap imports of wood products until the private owners of such lands find an incentive to reproduce the forests as a commercial venture.

Within the Federal-owned forest areas of this country there are 153,933,460 acres, of which 20,574,000 are in Alaska. This forest will be cut in the coming years according to commercial requirements and the Government's policy of conservation. The Nation's burden in reforesting the Government reserves will be the difference between the market price of stumpage and the cost of replanting trees. If the market price of the Government's stumpage is forced down to a dead low level, through influx of cheap wood products from primeval forests of other countries, where cheap labor prevails, the Federal Government will have to spend a correspondingly greater sum in preserving for posterity the forests of our own reserves.

The exact acreage of privately owned timberland in the United States is not given on official authority; that is, commercial forests segregated from cut-over lands that were once commercial. The best figures we are able to secure from the Forest Service are to the effect that there remain in the United States to-day above 100,000,000 acres of forest bearing good merchantable timber, a major part of the timber itself being in private ownership. If, as the private timber owner cuts his forest, the low price of stumpage and heavy property tax afford him no incentive to reforest such lands, the cut-over tracts lie a waste, swept by fire for lack of protection, and largely become nonproductive.

In general, here we have a national asset of approximately 463,000,000 acres of land classed as forest, cut over, or yet in primary state. This is nearly 25 per cent of the total area of the United States proper. Most of this land is good for nothing but forest growth and light grazing of live stock. It is nearly twice the area actually cultivated each year in the country. With high cost of labor in America, reforestation work and fire protection can not be conducted at costs available in similar forestry work of other countries. If the Siberian and Russian forest products, and the Canadian forest products now, are permitted to enter freely, we believe that our

country will be unable to restock and protect from fire the new growth which would make these enormous areas of commercial value in the future. There is no surer method of insuring reforestation and protection of these lands than in creating a condition whereby a commercial return could be secured from the work.

If, in the coming years, the 463,000,000 acres of land now classed as forest could be made to yield an average return of \$10 an acre annually, through timber for lumber manufacture, wood for pulp and all fiber products, better grazing areas for live stock, wood for fuel, poles and railway ties, and in addition to this commercial return a better conservation was insured of moisture precipitated and the country as a whole made more attractive, beautiful, and complete for the growing millions of population, is not such a result worthy of full consideration in the general policy which seeks to protect American industry? These lands are within the national walls. No coolie labor is available for their handling and development. Men who do needed work must live according to the high American standard. They eat the farmers' protected produce, and wear and use American industry's protected wares. Any consistent American protective policy can not disregard this right, nor be unmindful of the difference between 463,000,000 acres of waste and 463,000,000 acres of land yielding a substantial annual return to the American people.

If these forest lands are not protected and conserved, and the second generation finds itself dependent entirely for its wood requirements upon imports from the outside, the Nation will lose hundreds of millions of dollars annually. Under a proper fostering and protective policy, this outlay may be saved within the country, keeping the Nation complete, as in the past, in the production of all its major raw materials needed in our industries.

When our virgin forests seemed without limit, and reproduction was not needed, the American wood and lumber industry could meet all competition at home and abroad. With but 2,215,000,000 feet left standing, and consumption now at a rate four times as fast as reproduction, the policy of assuring better supplies in the future becomes imperative, unless we surrender the practice of meeting our own wood requirements. Whatever may have been thought proper in respect to duties on wood products in the past, the situation has changed.

The fallacious argument is offered that America's timber supplies will be better protected and conserved by opening wide the door to all wood products imports. If these unrestricted imports prevent reproduction work in America's forests, as they will unless the Government wants to make enormous appropriations for buying forest lands and restocking them, no surer means could be employed to completely denude the country of its forests. Cheap imports will kill the possibility of securing new crops of trees on lands capable of supplying this Nation and also furnishing a substantial export. Just as the cheap product from a foreign country, if not restricted by tariff, would kill the American factory, so it will kill America's wood industry. Just as a tariff, to meet higher production costs on the American living standard, is imposed for the farmer and the factory, it is needed in the wood products line. Cheap foreign imports will kill it, as soon as the virgin stand of timber has been cut.

BRIEF OF THE COLUMBIA RIVER LOGGERS' INFORMATION BUREAU.

Following the announcement that the lumber, shingle, and log schedule would be argued before the Senate Finance Committee August 26, we are herewith presenting you a short brief in favor of a protective tariff on the products of the timber operators in the Columbia River district.

1. In British Columbia, in the State of Oregon, and the State of Washington the overwhelming growth of timber is on the coast and the western portions of the States. The Canadian timber is connected by navigable streams flowing from almost every tract to the seas and easily accessible for shipping and for the accommodation of the heaviest draft vessels.

2. While it is true that the Columbia River district would not be affected as seriously as the Grays Harbor and Puget Sound districts by the importation of logs from Canadian waters, the effect on the Columbia River market would be practically the same. The timber in the northwest portion of the United States reaches practically the identical markets as the British Columbia output. These markets are competitive, and in consequence any serious effect that might be experienced in the Washington ports by the importation of Canadian logs would have exactly the same effect in the Columbia River district.

3. At the present time there are no logging camps on the Columbia River nearer than 9 miles to the booming grounds. In the State of Washington, where the lumber

industry has been more active for a long period of time, the logging camps are still farther remote from tidewater. In British Columbia, where the logging industry is a more recent undertaking, there is much timber directly on tidewater and also a far greater amount on short-rail hauls to the booms. This gives Canadian timber a far greater advantage on the original cost of the input of the logs into the water owing to the very short haul. The navigable waters in the British Columbia district reach far inland, and this will give them a very great advantage over a long period of years.

4. In the operations in the timber districts there is an advantage in the employment of labor. On the Canadian side a large number of Hindoos and other orientals are employed on a 9-hour and, in some instances, a 10-hour schedule. On the American side labor works only 8 hours a day, is far better paid, and no orientals are employed in any of the logging operations either in Oregon or Washington. This gives the Canadian operators a great advantage, and whenever their market is dull they can dump their surplus product into Puget Sound, Grays Harbor, or the Columbia River, thereby disorganizing the industry in the American Pacific Northwest.

5. The disorganizing effect not only of this dumping but the fact that it is liable to happen at any time is well expressed in a letter of Acting Forester E. A. Sherman, of the United States Department of Agriculture, July 18, 1919, to one of the associations of loggers in this district:

"The tendency of such unexpected and intermittent importations, based on unexpected suspensions of the Canadian export tariff, to unsettle the market and to be an additional factor of uncertainty in the logging business is fully appreciated."

6. The Canadian log producer has a still further advantage. He need not buy timber, and thus tie up capital, but may obtain it from the public lands of the Province on leases, which require him to pay only a royalty as he cuts. In times of depression, consequently, he has no loss of capital return. The tax burden borne by the timber owners of both Washington and Oregon has reached the breaking point. On one tract of 640 acres in Clatsop County, Oreg., the taxes in 1910 were \$236 and on the 1920 assessment roll the same timber paid \$2,700.04. In the Grays Harbor district a tract of 320 acres paid on the 1920 assessment roll \$1,883.20. In both of these instances the tax on similar tracts in Canada would be approximately \$140.

7. In the Columbia River district 90 per cent of the logging is done by independent loggers who have no interest in the operation of sawmills, and he is often compelled to log to protect his overhead and equipment charges when there is no market for his logs. In some instances he logs when the market is up and is forced to sell during chaotic conditions on a falling market. In the Eastern and Southern States the mills run their own logging camps. In the Pacific Northwest the conditions are not the same. It is unfortunate that many mill owners on the American side have become interested in timber on the Canadian side, and they can not be expected to be impartial in the use of the advantages they could enjoy in the Canadian importations or upon questions of tariff.

8. As the tariff has much to do in protecting the American shingle market, it is well to cite here that there are 32 shingle mills in the Columbia River district that are dependent absolutely upon independent loggers for their raw material. The flooding of the American market with Canadian shingles would close down these mills and would result in the accumulation and waste of the cut of cedar in the entire Columbia River district. This would throw hundreds of men out of employment and would make it absolutely necessary for the fir product of the logging camps to carry the burden of the loss and waste in the cut of cedar. This same condition would prevail in the Puget Sound and Grays Harbor districts. At the present time one Canadian operator is selling rafts of cedar logs in the Puget Sound district. Thus far the Columbia River district has escaped this experience.

9. The item of taxes mentioned earlier in this brief can be expressed more definitely when we state that privately owned timber in the State of Oregon to the extent of 254,000,000,000 feet is carrying the tax burden to support 189,700,000,000 feet of publicly owned timber which pays no taxes whatever. The timber is owned as follows:

	Feet.
In western Oregon:	
Privately owned.....	211,000,000,000
Owned by the State.....	1,500,000,000
In national forests.....	85,500,000,000
Indian reservations, parks, and public domains.....	45,000,000,000
In eastern Oregon:	
Privately owned timber.....	43,000,000,000
In national forests.....	46,700,000,000
In Indian reservations, parks, and public domains.....	11,000,000,000

In the Columbia River district alone in western Oregon there are to-day 48 independent logging operators.

10. The vast logging equipment working in this State's timber resources must be kept going or eat up its value in idleness. What the loggers would be driven to under this system of conservation would be a woeful but inevitable slaughter of his timber. Compelled to keep his equipment going and to dispose also of his timber in order to get some return from his investment, he would fell trees as before, but carve out only the more profitable portion and leave the rest as waste, rendered useless by foreign competition, where before it could be marketed at an advantage. This is something that none of us look forward to with pleasure, but as the timber is our own and we would not let ourselves be forced into bankruptcy, we would have no other course.

11. This association has refrained from troubling Congress for any protection so long as the demand on this side was sufficient to absorb the whole of our product. It wanted no unnatural stimulus. Recently, however, there has been a great change. The demand for our product has greatly fallen off. On the Canadian side in turn there is great dullness. The temptation of the Canadian to hurry his logs into our markets is therefore great, and if it be said that the demand on our side has fallen off, still some demand remains, and this will seek the Canadian article in preference to ours because of the premium on the American dollar in Canada, ranging during the past year not under 8 per cent and rising at times to 20. The temptation of the American mill man now to buy Canadian logs on Puget Sound is almost irresistible, and the western Washington loggers are placed in a position extremely dangerous and unfair.

12. While a mere antidumping act would not be a sufficient protection against the Canadian product, it is proper to notice that the Canadian Parliament by act of 1907 has protected the Canadian Provinces against dumping into Canada by foreign countries. (Appendix 18, p. 208 of Canadian Consolidated Customs Acts.)

MAHOGANY AND CEDAR LOGS.

[Paragraph 404.]

STATEMENT OF JOSEPH S. AUERBACH, REPRESENTING THE MAHOGANY ASSOCIATION OF THE UNITED STATES.

Mr. AUERBACH. I wish, on behalf of my clients, to thank you very much for acceding to the request of Senator Smoot that this short hearing as to section 404 be advanced. I shall be very brief in my remarks, and we shall keep within the limit of time prescribed by you.

With your consent, the hearings will be consolidated so as to include seven on the list—G. B. Mulgrew, Otis Manufacturing Co., Thomas Williams, C. L. Willey Co., Freiburg Mahogany Co., Willard-Hawes & Co., and Ichabod T. Williams & Sons. Mr. Williams will submit a formal statement which has been agreed to by his associates; Mr. Arkush and Mr. Otis will add only brief additional statements. There will be no brief filed by us, unless it seems to be necessary by reason of questions asked of witnesses or unless it be at your request.

Since the Civil War—and, I think, far back of that time—there has not been, so far as we are informed, in the history of congressional legislation by any party a case where a raw material not produced or producible here has ever been subjected to a duty. Certainly this is true of mahogany and other tropical hardwood logs now under consideration. Yet you propose to impose upon such logs a duty of 10 per cent and upon the manufactured lumber a duty only of 15 per cent.

Senator WATSON. Do you refer to all kinds of lumber?

Mr. AUERBACH. Yes, to all the timber referred to in section 404, included under the head of "Tropical hardwood logs."

Senator WATSON. I just wondered whether you were testifying to all kinds mentioned in section 404.

Mr. AUERBACH. Yes; all tropical hardwood logs in 404, although primarily mahogany.

I am in a way only submitting considerations introductory to the statements of the witnesses who will testify. What will be developed in this hearing is that the return to the Government will be negligible. The 10 per cent will not be 10 per cent net. For the expense of handling, measurement, etc., to which these logs will be subjected, and to which they are not subjected now, will be largely in excess of this 10 per cent. At present, when vessels come into port, the logs are thrown in the water and go from there to the mills, which have been constructed with reference to this method of delivery—brought about by the uniform, unbroken policy of the Government for an indefinite period in not taxing the logs.

Now, the first thing these importers think of in a matter like this, and the first thing they ought to have in mind, is good citizenship and the putting aside of their selfish interests. And I am safe in saying that they would not appear and oppose any bill which would appreciably add to the amount of Government income, unless it was a serious menace to their business. They, however, wish to present to you the consideration and emphasize the fact that there will be no substantial return to the Government from this duty, if the Government assumes, as it should, the expenses necessary to the importing and manufacturing interests. That this will be the necessary effect will be demonstrated from the statements to follow.

The witnesses will, as I say, make it abundantly plain to you that the burden will amount to a great deal more than the 10 per cent ad valorem duty. For the cost, among other items, of demurrage and wharfage charges and of rehandling this lumber at the point of destination—which American bottoms, though in crying need of freight, carry under great difficulty even now—will cooperate to swell this expense. In fact, the steamship lines have notified the importers that they will be obliged to put an embargo on that kind of freight if section 404 be enacted. It is in their opinion impracticable to handle it unless they can dispose of it, as at present, when it comes into port, by simply dumping it overboard in the ponds adjacent to the mills, whence the manufacturer lifts it into his mill as he requires it. The importers will also demonstrate to you by their statements or by such questions as you may address to them that the additional cost of these logs—if dutiable as proposed—will more than offset the 15 per cent duty that is to be put upon manufactured lumber. Accordingly, a uniform governmental policy, time out of mind, to let in free of duty raw materials not produced or producible here and impose reasonable protection upon the manufactured article, is wholly departed from, without benefit to the Government and with distinct disadvantage to importer and manufacturer.

The statements to follow will make it impossible for these assertions to be controverted.

STATEMENT OF THOMAS WILLIAMS, REPRESENTING ICHABOD T. WILLIAMS & SONS, NEW YORK CITY.

The CHAIRMAN. You may state your full name?

Mr. WILLIAMS. Thomas Williams.

The CHAIRMAN. Where do you reside?

Mr. WILLIAMS. New York City.

The CHAIRMAN. What is your business?

Mr. WILLIAMS. Importer of foreign woods.

The CHAIRMAN. Will you state your views on this paragraph 404?

Mr. WILLIAMS. I have photographs here, gentlemen, of the character of the raw material represented in paragraph 404, which I would be glad to have you inspect. I will only take 10 minutes of your time.

I am here to represent a committee appointed by the Mahogany Association of the United States, and as chairman of a committee composed of Mr. Arkush and Mr. Frank Otis, of New Orleans, appointed at a meeting of the importers and manufacturers of tropical hardwoods in the log, and personally to represent the firm of Ichabod T. Williams & Sons, of New York, of which I am senior member.

Our firm has conducted a business importing and manufacturing foreign hardwoods for 83 years, and this is the first time we have had to appear before a committee of Congress to discuss the question of duty on unmanufactured logs of tropical hardwoods. In all these years under Republican and Democratic administrations, and in all the tariff bills introduced during this time, unmanufactured logs of tropical hardwoods have always been on the free list. It is for this reason that no effort was made to secure a hearing before the committee of the House, when the wood schedule was under consideration. In perfect faith that there would be no reversal of policy established for so many years, probably \$25,000,000 have been invested in the manufacturing of these woods, and in the establishment of agencies in the Tropics for production.

The goods in question can not be produced in this country. No tropical hardwood can be grown in the latitudes of our country, and I am forced to the conclusion that in the haste of preparation the fact that these logs have always been on the free list was overlooked; or else that the committee of the House thought some revenue might be obtained from the imposition of a 10 per cent duty.

Senator SIMMONS. Do the House hearings show that anyone appeared before the House committee and asked that that duty be imposed?

Mr. WILLIAMS. I have no knowledge of that, Senator. I rather doubt it.

Senator CURTIS. I think it is a revenue duty. They imported about \$6,000,000 worth of this wood last year, and I think it is purely a revenue proposition.

Senator SIMMONS. I was assuming if nobody appeared asking for it, it must have been a revenue proposition.

Mr. WILLIAMS. That is my judgment.

Senator SIMMONS. That must have been the case if nobody appeared. I understand you to say no one did appear?

Mr. WILLIAMS. Not to my knowledge.

Senator SIMMONS. I thought possibly somebody making walnut furniture might have appeared and said your furniture was in competition with them.

Mr. WILLIAMS. There is nothing in the record, Senator. May I continue?

The CHAIRMAN. Go on.

Mr. WILLIAMS. Should the latter view be correct, it is my opinion—and I find myself confirmed in this by the unanimous opinion of the trade—that no considerable revenue would be derived, and that the expense of the collection would be equal if not more than the money received.

These logs of tropical hardwoods are imported from Africa, Central America, and Mexico almost exclusively on American bottoms, and are imported practically exclusively by American manufacturers and importers.

It is a large tonnage, represents a great many steamers. The imposition of such tax would divert the importation of mahogany logs to foreign countries, and would lead to the manufacturing of such logs into lumber and veneers in foreign countries for ultimate importation into the United States by foreign interests.

I therefore appear in opposition to the proposed import duty in the so-called Fordney tariff bill upon logs of Spanish cedar, *ligumvitæ*, mahogany, and other tropical hardwood logs. And inasmuch as the hearing before you may be somewhat extended, I desire—in advance of the statements to be submitted by the several interested parties who will ask to be heard in opposition—to submit to you, in writing, the salient objections to this part of the bill as they present themselves to my mind.

This, I think, will afford you information for some questions you may wish to ask as the discussion proceeds, and, in addition, may be convenient for you to refer to in your subsequent deliberations.

And I wish to add that, so far as my investigation goes, the statements contained in the memorandum can not be controverted; and further, that neither from the point of view of the importer, the manufacturer, the purchaser and consumer of the finished product, the American exporter, nor the laborer can this proposed duty be defended.

That it is unjustified is, in part, evidenced by the policy of Congress in having kept such logs on the free list since the time of the Civil War. On the other hand, there has been a high duty on the importation of mahogany and other hardwood lumber in order to afford adequate protection to the manufacturers of lumber from such logs and to the veneer manufacturing industry of our country—employing thousands of American citizens in New Orleans, Boston, New York City, Philadelphia, Cleveland, Cincinnati, Chicago, Louisville, Ky., San Francisco, and in other large centers.

By the imposition of such an import duty additional cost would be incurred through delays and embarrassment of handling, etc., resulting in increasing freight rates whereby the existing just and necessary protection to the domestic lumber and veneer interests would be seriously affected by importation from foreign manufacturers.

Moreover, these logs are raw material not producible in this country, and such a duty would put a premium on the cutting down of the small quantities of other hardwoods we do have, which the legislative as well as the executive departments of our country are so solicitous about conserving.

Then, too, the exportation business of the manufactured product from these logs, which is considerable and increasing, will be menaced by reason of the fact that the foreign manufacturer would secure his logs without the additional costs due to the imposition of duty.

There is this further consideration which should be given weight by the members of the Finance Committee and of Congress: At the outbreak of the war American merchants secured control of the markets in these logs in Central and South America from the Germans and the British, and a profitable export business has, through this control, been built up by American manufacturers. This promising export business not only opens inviting markets to the American manufacturer, but furnishes freight to American steamships at a time when there is a dearth of it for our merchant marine.

And while members of the committee will naturally scrutinize statements coming from an interested source, I am confident that, after your most careful examination and reflection, you will find the proposed duty to be indefensible from the point of view of importer, manufacturer, consumer, and laborer, and generally prejudicial to the commercial interests of the United States.

Yet all these disadvantages would—after the expenses of inspection, handling, and measurement—result in only a negligible advantage, if any, of a net return to the Government.

I would like to have you feel, Senators, that I am here with my associates to give you all the information in our power. We desire to be helpful to the committee in bringing out the truth. We welcome any interrogation, and we court the fullest investigation.

Senator WALSH. What do you estimate the revenue to this country will be under this tax?

Mr. WILLIAMS. Last year the importations of mahogany and cedar logs into this country was in the neighborhood of 50,000,000 feet. The figures as given before the House committee represented a value of \$4,500,000. Ten per cent duty on that would be \$450,000.

Senator WALSH. What do you estimate to be the cost of collecting it?

Mr. WILLIAMS. I think it would be a million dollars.

Senator WALSH. What makes you think that?

Mr. WILLIAMS. Because this is a very bulky raw material. We have the American valuation in this bill, and this wood is brought to this country in cargo loads on steamers carrying from three to five thousand tons. In order to secure the valuation it will be necessary to examine the timbers.

Senator WALSH. How many ports do these steamers come to, where there will have to be agents to inspect them?

Mr. WILLIAMS. Probably from six to eight from the Gulf as far east as Boston. You must remember that each log will weigh from 2 to 7 tons. Each one has to be handled in order to be measured. We have estimated, and I have taken the opinion of most all engaged in that business in the country, and it is thought that can not be done. We can not handle that wood the second time.

Senator SMOOT. There are no such woods produced in the United States, are there?

Mr. WILLIAMS. None.

Senator SMOOT. Then the American valuation will not cut any figure on that. They will not have to be examined, because if that is the case we take the foreign valuation.

Mr. WILLIAMS. Then I misread the act.

Senator SMOOT. The House provision will be changed in that respect.

Mr. WILLIAMS. That will simplify matters and will somewhat reduce the cost, but nevertheless I am convinced that the cost of collecting the revenue will be more than the Government will receive.

Senator McLEAN. If the examiner takes the invoice value it will not cost very much.

Mr. WILLIAMS. Then you will have to handle the wood to get the quantity.

Senator McLEAN. Not if they take the statement of the importer.

Mr. WILLIAMS. I think we are prohibited by the administrative feature of the present bill from doing that. Of course, if you make it as easy as possible we can greatly reduce the cost of handling and measuring woods.

Senator SMOOT. It is measured now, is it not? You do not rely entirely upon the foreign exporter for the number of feet in these logs, do you?

Mr. WILLIAMS. No. We remeasure all the wood.

Senator WALSH. At the manufacturer's plant you measure it?

Mr. WILLIAMS. Yes, sir.

Senator WALSH. Not at the port of entry?

Mr. WILLIAMS. Oh, yes, at the port of entry, where we have unusual facilities for doing it. These photographs show that the steamers come in and the entire cargo is thrown at once into the water and we measure it at our convenience. But the difficulty and the cost of handling these units that run from 2 to 7 tons each in weight is tremendous. Unless you have the machinery provided for that, it will be almost impossible.

Senator SIMMONS. Mr. Williams, there is one thing I can not quite understand about this paragraph. Various kinds of woods are specified here, and an ad valorem of 10 per cent is placed upon them. Then the manufactured parts of the woods are enumerated and a duty of 15 per cent is placed upon them. Then in what we might call the "catch all" clause there is "wood unmanufactured, 20 per cent ad valorem."

Senator SMOOT. That is for the mills.

Mr. WILLIAMS. I think that refers entirely to the mills.

Senator SMOOT. Oh, entirely.

Senator SIMMONS. That is confined to the mills?

Mr. WILLIAMS. Entirely so.

Senator SIMMONS. Very well.

Mr. WILLIAMS. That the imposition of a duty on this raw material would injure the American mechanic—would affect hundreds of thousands of men—can not be questioned; and we have the utmost confidence that you have at heart the real interests of all classes, and that nothing could be further from your thoughts than action which would result in the destruction of an important business interest, and I therefore ask that you will favorably consider amending the proposed bill by continuing the phraseology of section 648 of the present wood schedule, which reads as follows:

FREE LIST.

Woods: Cedar, including Spanish cedar, *lignum-vitæ*, lancewood, ebony, box, granadilla, mahogany, rosewood, satinwood, and all forms of cabinet woods, in the log, rough, or hewn only, and red cedar (*Juniperus virginia*) timber, hewn, sided, squared, or round; sticks of partridge, hair wood, pimento, orange, myrtle, bamboo, rattan, reeds unmanufactured, India malacca joints, and other woods not specially provided for in this section, in the rough, or not further advanced than cut into lengths suitable for sticks for umbrellas, parasols, sunshades, whips, fishing rods, or walking canes.

**STATEMENT OF REUBEN ARKUSH, REPRESENTING WILLARD
HAWES & CO. (INC.), NEW YORK CITY.**

The CHAIRMAN. You may state your name.

Mr. ARKUSH. Reuben Arkush.

The CHAIRMAN. Where do you reside?

Mr. ARKUSH. New York.

The CHAIRMAN. What is your business?

Mr. ARKUSH. Importer.

The CHAIRMAN. Importing what?

Mr. ARKUSH. Mahogany and cedar logs. We do not manufacture them. We import and sell them to concerns like Mr. Williams and Mr. Otis.

I have written down two or three short notes I would like to call attention to. I will not be 10 minutes.

To show you what it does for the railroads, last year we imported and sent into Pensacola five small steamer cargoes which went from Pensacola to Louisville, and gave freight for 400 cars. In May we imported by the small steamer *Trafalgar* 1,354 logs. Two-thirds of them went west in 84 cars, going to Cleveland. We had 2,500 tons from Africa direct, which was shipped west in 150 cars. It is my opinion that in a very short time all those logs will be sawed in Mexico and shipped as lumber, if there is a duty put on the raw material, on the raw logs.

The steamship *Gran* arrived yesterday from Mexico with 1,800 tons of logs and 200,000 feet of sawed lumber. There are a number of sawmills there that used to saw the lumber for England, but now England can not buy. The English market and Continental market are not buying anything, and they are shipping it to New York and we are selling it. On those logs we are paying \$25 a thousand feet Scribner measure, and on the lumber a freight of \$12 a thousand feet. That is handicap enough for the American mills. They have an up-to-date modern sawmill in Mexico, and if there is a duty on logs which will increase the cost to the manufacturer here, other mills will be built—there are mills now in Central America and Nicaragua—and the lumber will come here sawed, because the freight will be half as much.

Senator McLEAN. You could remedy that by raising the duty on sawed lumber.

Mr. ARKUSH. I was just going to say, if you answer, "Very well, we will increase the duty on sawed lumber," you are reminded that there is a limit above which you can not fairly go in assessing duties on lumber from Mexico as compared to lumber from Canada. There is a limit as to what duty you can put on sawed lumber.

Senator WALSH. Why?

Mr. ARKUSH. You would not put a prohibitive duty on sawed lumber?

Senator McLEAN. It would not be a prohibitive duty on sawed lumber if it was not produced in this country. You would have to charge the duty to the consumer here.

Mr. ARKUSH. I hardly think we would want to put so high a duty as 10 or 15 per cent on lumber.

Senator WALSH. Will you give us very briefly a concrete case, showing the duty on 100,000 feet of logs imported to America and 100,000 feet of sawed lumber.

Mr. ARKUSH. One hundred thousand feet of logs, at \$100 a thousand, the duty would be \$1,000; and 100,000 feet of lumber, it would be \$1,500.

Senator WALSH. The difference is not enough?

Mr. ARKUSH. The difference is not enough. I do not believe, as a matter of fact, that Mr. Fordney intended to put a duty on the logs. The first copy did not provide a duty, and then he was bombarded with telegrams, and he said, "Oh, yes, you are right. We will have to put a high duty on lumber." So he made it 15 per cent.

Senator WATSON. If this tariff is imposed, will as much of that lumber be imported as hitherto?

Mr. ARKUSH. Logs will not be imported. They will be sawed into lumber.

Senator WATSON. And the lumber imported?

Mr. ARKUSH. And the lumber imported, because the freight on the lumber is not much over half what it would be on logs. A vessel will carry double the number of feet of sawed lumber that it will in logs.

Senator WATSON. Suppose this rate stands as it is in this bill, it practically excludes the logs, and the business will be carried on by the importers with sawed lumber?

Mr. ARKUSH. Sawed lumber, yes, sir. Mr. Otis is a sawmill man from New Orleans, and he will talk from that point of view.

(The witness submitted a letter written by him under date of August 23, 1921, as follows:)

NEW YORK, August 23, 1921.

HON. BOIES PENROSE,

Chairman Finance Committee,

United States Senate, Washington, D. C.

DEAR SIR: We have asked permission to appear before you to protest against the proposed duty on rough mahogany and cedar logs, and other rough cabinet woods.

Never before has there been a duty imposed on the rough log, and the importation of mahogany and cedar logs in this country has been growing from year to year, and is now of considerable importance. Mills for the converting of the logs into lumber and veneers are established in New York and vicinity, Philadelphia, Baltimore, Louisville, New Orleans, Mobile, Cincinnati, Chicago, Cleveland, Indianapolis, and in all the important middle west cities. Millions of dollars are invested in these mills that convert the logs into lumber and veneers. To impose a duty on the logs will only encourage the building of mills in Mexico and Cuba and other places of production. None of these woods grow in this country, therefore a duty is not required for protection. It has been the policy of this Government to encourage the importation of these tropical hardwoods, in order to protect the diminishing supply of our own domestic hardwoods.

The inconvenience that would be caused to the importers and the steamship people by measuring the logs and delaying the discharge of the steamers would be considerable, and we really believe that the cost to the Government would practically absorb the duties that it would collect from this proposed new tariff. On the other hand, the 10 per cent duty, plus the additional cost by reason of delays and rehandling, would

considerably enhance the price of mahogany and cedar lumber to the manufacturer, which would be reflected in the cost of furniture to the consumer.

We can absolutely see no benefit to the Government in this proposed tax, and only a great handicap to the industry. We therefore can not too strongly protest against the proposed tax on the rough mahogany and cedar log. There is already a duty on sawed lumber and on veneers, to which there can be no objection.

Yours, very truly,

WILLARD HAWES & Co. (INC.).

STATEMENT OF FRANK G. OTIS, REPRESENTING OTIS MANUFACTURING CO., NEW ORLEANS, LA.

The CHAIRMAN. What is your business?

Mr. OTIS. Importing and manufacturing mahogany logs into lumber.

The CHAIRMAN. We have heard two witnesses on that subject.

Mr. OTIS. I only want to supplement what Mr. Williams said in his statement: An average cargo of 500,000 feet would have an additional cost to measure logs and assess duty of \$10,900, and it will be necessary for us to bring these logs in and land them on the wharf, have them measured, bring them out on freight cars up to our plant, and again discharge them into our boom.

The CHAIRMAN. Do you desire to file a brief?

Mr. OTIS. No, sir.

The CHAIRMAN. That is all you have to say?

Mr. OTIS. Yes, sir.

Senator SMOOT. Most of these logs are made into veneers?

Mr. OTIS. Into lumber and veneers.

Senator SMOOT. Most of them go into veneers?

Mr. OTIS. No, sir; the largest percentage goes into lumber; 80 or 90 per cent goes into lumber.

Senator WALSH. What differential should there be, in order to protect the labor, between the duty upon the logs and the duty upon the sawn lumber, in your opinion?

Mr. OTIS. In my opinion, there should not be a duty on the logs at all.

Senator WALSH. Assuming that there is.

Mr. OTIS. Assuming that there is, there should be a difference of at least 30 or 40 per cent.

Senator WALSH. So that if this rate of 10 per cent ad valorem on logs stands, the lumber schedule—

Mr. OTIS (interposing). It amounts to 30 per cent.

Senator WALSH. The lumber schedule would amount to about 40 per cent ad valorem?

Mr. OTIS. Yes, sir.

Senator WATSON. How many mills are there in this country sawing these logs?

Mr. OTIS. There are about 10 mills, representing an invested capital in the neighborhood of \$20,000,000. That goes into a dozen industries—furniture, phonograph cabinets, and into trim.

Senator WATSON. And also musical instruments, these fine woods?

Mr. OTIS. Yes, sir.

Senator SIMMONS. What is the price that you have to pay for a thousand feet of mahogany lumber?

Mr. OTIS. In the log?

Senator SIMMONS. Yes.

Mr. OTIS. It varies from \$80 to \$100, and the cost of the freight amounts in the neighborhood of \$40 or \$50 for the logs.

Senator SIMMONS. It would be \$140?

Mr. OTIS. That is the maximum price.

Senator SIMMONS. What do you get a thousand feet for sawed lumber?

Mr. OTIS. It depends largely on the grade, Senator. We divide up our lumber after we saw the logs into 50 or 60 grades, going from No. 2 common to firsts and seconds.

Senator SIMMONS. You get more for a high-grade log than you would for a low-grade log?

Mr. OTIS. No, sir.

Senator SIMMONS. Let us take the same grade.

Mr. OTIS. We buy it log run, as you might say. We make a contract with a man in the Tropics to bring out the logs as they come. Some logs will be worthless.

Senator SIMMONS. Referring to awhile ago when you said \$140, including the freight, were you giving the average price?

Mr. OTIS. Average price.

Senator SIMMONS. What is the average price at which you sell, after you have manufactured—that is, what is the profit?

Mr. OTIS. It nets us about 10 per cent. Of course, those costs vary from time to time, as freights vary and tropical prices vary.

Senator SIMMONS. That is the profit? I was trying to get you to tell me what you sell those boards for.

Mr. OTIS. An average price on our log run would be in the neighborhood of \$160 to \$170.

BRIEF OF FIFTY LEADING IMPORTERS AND MANUFACTURERS OF MAHOGANY.

Section 404 represents a radical departure from a uniform governmental policy in tariff legislation, for heretofore that policy has been to keep on the free list such raw material as was not produced or producible in this country, and to impose a duty only upon the manufactured article. It is clear that this policy has been reversed in this case, as was pointed out at the hearing and as will be emphasized again in this memorandum. For since the Civil War—neither under Democratic nor Republican administration—has any duty been imposed upon mahogany or other tropical hardwood logs. And all that the parties in opposition to the proposed new duty are asking is that these logs be permitted to remain where they have thus far been and where they belong—on the free list.

The proposed import duty will not be for the benefit of the Government, inasmuch as the expenses of measurement, handling, etc., by the Government would greatly exceed the 10 per cent duty, which, according to the figures submitted to Congress for the year 1920, would be about \$450,000 gross. Under the present well-recognized conditions of business generally it would be appreciably less.

Yet—by the following statement of Mr. Frank G. Otis, of the Otis Manufacturing Co. of New Orleans, who is peculiarly well informed upon the subject—it appears that the additional cost of handling the hardwood logs if they are put on the dutiable list would be more than twice the amount of the import duty, and that the Government would not only not receive any income but would be subjected to an actual expense:

"At the present time the three mahogany mills located in or near New Orleans are built on the banks of the Mississippi River. All logs received by these mills are now brought in on ocean-going steamers right to the three log ponds located directly in front of these mills. The steamers discharge their log cargoes directly into the several log ponds in the Mississippi River as quickly as the steamers' gears would permit. From a day and a half to two days has been the usual time necessary to completely discharge a cargo of logs.

"Often a large steamer has been able to discharge a cargo of logs and to load an outbound export cargo in a week's time.

"Once logs are discharged into the several log ponds in the Mississippi they float down to the mills without further delay or expense and are cut into lumber.

"Assuming that a duty is imposed on these logs, it will be necessary to secure a very large wharf capable of holding 2,400 tons where cargoes will be landed for measurement and examination. The following expenses will necessarily be incurred:

"Wharfage at 14 cents on steamer of 2,000 tons (which includes 6 free days).....	\$280.00
"Assuming logs are left on wharf 3 weeks during measurement (less 6 free days), there would be storage charge at 10 cents a ton for 15 days.....	3,600.00
"Inspection fee measuring cargo, 15 cents per ton.....	360.00
"Moving 500,000 feet (2,400 tons) from dock to our plant would necessitate 125 freight cars, switching charges each car \$11.33.....	1,416.25
"Labor handling logs on wharf for inspectors (logs weigh from 1 to 7 tons).....	268.80
"Labor unloading and rolling into ponds in Mississippi River. \$10 per thousand feet.....	5,000.00
"Total.....	10,925.05

"For mills located just above port there would be an additional charge of \$14 per thousand feet, principally for railroad freight.

"If the Fordney bill should become a law, the amount of duty that would be collected on an average cargo would not exceed \$5,000. Yet the accompanying expense—no matter by whom it is borne—would amount to \$10,925.05, in the end a serious and direct loss to American shipping. For the result would be that the importation of mahogany and cedar would be discouraged, and the construction of mills throughout Central America, Mexico, Africa, and possibly Germany encouraged to the disadvantage of the American laborer as well as the American importer and manufacturer."

If it be proposed that this expense be unjustifiably loaded upon the importer, then it would inevitably happen that these woods would come into this country as manufactured lumber and not as raw material in the shape of logs; for otherwise this additional expense, incurred directly and indirectly by reason of the duty, would seriously handicap the sale of the sawed lumber to the ultimate manufacturer and by him to the domestic and foreign consumer.

These logs on reaching this country enter into the following among other manufacturing industries: Cigar box, furniture, interior trim, and piano manufacturers; railroad coach builders; talking machine manufacturers; panel and pattern makers; shipyards and boatbuilders; cabinet makers; aircraft manufacturers; planing mills; office equipment manufacturers; picture-frame makers; coffin manufacturers; carpenters and builders; musical instrument makers; novelty manufacturers; street-car builders; bowling alley (*lignum vitae*), flooring, sporting goods, automobile, soda-water bar fixtures, electrical equipment, and molding manufacturers.

Inasmuch as the payment of the duty and expenses by the importer would largely exceed the 15 per cent protection afforded to lumber manufactured from these logs, there would be a menacing, if not disastrous competition, both here and abroad, between the American manufacturer and foreign manufacturer, who will get his logs free of duty.

If such logs are put on the dutiable list, with the consequent embarrassment of handling them as described in Mr. Otis's statement, its effect upon our merchant marine will be that shipments will be diverted to other countries; for even at present the steamship companies carry these logs under considerable difficulty and with a freight rate largely in excess of that for manufactured lumber. The steamship companies have already notified the importers that they can not handle the freight under such conditions as would be brought about by imposition of the proposed duty, which would also be a serious financial burden to importer and subsequent manufacturer. The consequent loss also to the railroads of many thousand carloads of freight on logs for shipment to interior mills is apparent by a reference to the statement of Mr. Arkush.

The sawing of these logs is an important item in the manufacture and, according to the common testimony of all the importers, requires the employment of thousands and thousands of laborers. If the proposed duty be imposed, the benefit of this first and substantial manufacture will go to the native laborer in the mills of Africa, Mexico, and Central and South America and not to the American laborer.

Many of these industries—into which, as stated above, tropical hardwood lumber enters—during the war began to acquire a substantial export business, which, having regard to general business depression, is continuing acceptably. If the extra cost be added to these logs, consequent upon the imposition of this duty, these manufacturing industries must for a long time surrender any hope of continuing their export

trade or of reacquiring it under the conditions which the provisions of 404 of the proposed tariff bill would bring about.

Those appearing in opposition to section 404 of the bill urge upon Congress and the Senate Finance Committee this further consideration: That at a time when it is notorious that there is a general business depression there should be no change for the worse, so far as the importer or manufacturer or exporter is concerned. If there is to be any change, it should be for the betterment of industry and not to its embarrassment, though it is to be remembered that these importers and manufacturers and exporters are not asking for any modification of existing conditions.

In short, instead of seeking to impose additional burdens upon business, it is respectfully suggested that the success of business should be promoted by any legislation where it is required and by leaving present conditions as they are when favorable to business revival.

It is for this reason that the importers, speaking for themselves and for such manufacturers and exporters as they have consulted, respectfully urge upon Congress that the present provisions of the Payne-Aldrich tariff bill—which have been the provisions of all tariff bills since the Civil War, and even before that—be left undisturbed.

They further submit that any additional income the Government may seek to derive from the importation, manufacture, and export of tropical hardwood logs and lumber—but not in fact securable through this proposed duty—should be obtained out of Federal income taxes collected of corporations and individuals engaged in this industry, which, with general business revival, will prosper, and thus yield to the Government the desired increase of revenue.

CEDAR POLES.

[Paragraph 405.]

STATEMENT OF T. M. LANE, NEW YORK CITY, REPRESENTING THE CEDAR POLE INDUSTRY.

The CHAIRMAN. Mr. Lane, will you state where you reside?

Mr. LANE. I am an attorney, Mr. Chairman and members of the committee, residing in New York City.

The CHAIRMAN. Whom do you represent?

Mr. LANE. I represent 12 concerns who handle and market at least 85 per cent of the cedar poles for wire-carrying purposes produced both in Canada and in the United States. A telegram which I have just received states that these concerns whose names are signed to our petition produce between 60 and 70 per cent of the total cedar-pole production of the United States. When the committee is informed that at least two-thirds of the poles used for wire-carrying purposes in this country are cedar, it will appreciate that the petitioning interests are fully representative both of production and sale in this country.

The CHAIRMAN. What part of the United States do those poles come from, chiefly?

Mr. LANE. They come chiefly from Montana and Idaho, which are the chief producing States at this time. There are some in the State of Washington, but not so many.

The paragraph regarding which I wish very briefly to address you is 405 of the House bill. It imposes a duty of 10 per cent ad valorem on telephone, trolley, electric-light, and telegraph poles of cedar and other woods. I am here to submit a petition on behalf of the interests producing and handling these commodities, requesting that the ad valorem classification of cedar poles be abolished, and that they be given the same treatment as the other round timber in the act. All other round timber is either free or dutiable at a specific rate. Poles are the only exception, I believe.

I might add, Mr. Chairman, that Mr. C. P. Lindsley, the chairman of the Red Cedar Association, came to Washington about two weeks ago, upon my notification that the committee was to begin hearings, under the mistaken assumption that this subject would be reached. He was forced to return to Spokane, but stands ready to return at any time at the committee's convenience, if further facts are desired than those I am able to present.

Senator WALSH. If that transfer could be made, what would be the rate on cedar poles?

Mr. LANE. There are two rates upon round timber now provided in the bill, in addition to one classification of free entry.

Paragraph 401 provides for round timber used for spars or in building wharves, one-half of 1 cent per cubic foot. We have suggested as one solution of the problem that poles be especially enumerated in that paragraph.

I might say that cedar logs used for poles are also used for piling, and that classification would tend to greater consistency of legislation and avoid litigation, because, as the bill stands now, the same cedar pole when imported for any other use than for wire-carrying purposes will either be free or pay 1 cent per cubic foot duty under 401 or \$1 per thousand feet, board measure, under paragraph 402.

Senator SMOOR. The paragraph you are speaking of now is in exact accord—exactly the same right being both in the present tariff, the Underwood-Simmons law, and the Payne-Aldrich law. There is not a thing changed.

Mr. LANE. That is very true, Senator.

Senator SIMMONS. Let me ask you, Are those poles imported for any other purposes except for the purposes mentioned in 405?

Mr. LANE. They are used very largely, Senator Simmons, for piling, wharf-building purposes, as well as wire-carrying poles.

Senator SIMMONS. Do you think there ought to be the same duty?

Mr. LANE. I think the same classification should be given them. As it is now, a cedar pole that is almost identical with the pole used for telegraph-wire carrying will come in under paragraph 401 at a specific rate if we import for making spars or for building wharves. If we import poles for building a breakwater, it is a considerable question whether that is wharf building, and they would come in under 1683 of the free list, under the construction as put upon it by the court as round, manufactured timber, or pay \$1 per thousand under paragraph 402.

Senator SIMMONS. Under 401 it is "timber, hewn, sided, or squared otherwise than by sawing?"

Mr. LANE. Then it goes on "round timber used for spars or building wharves." If it is used for piling—and a great many of them are—it would be a half cent a cubic foot under that provision, which is round timber and nothing else. The production of poles is a logging proposition; it is not the production of lumber at all.

Senator WALSH. By transferring cedar poles to 401, as you request, would the rate be reduced on cedar poles?

Mr. LANE. It would be reduced somewhat, Senator, but I do not believe that the amount of duty would be reduced. The present rate, as I shall show you presently, is considerably deterrent to importation.

Senator WALSH. Then it is not to get a higher duty, but it is for the purpose of getting all round or pole cedar on an equality?

Mr. LANE. We think it should be treated on an absolute equality. The Underwood bill is 10 per cent and the Payne bill was 10 per cent on foreign valuation. There is a very important difference, and it is a vitally important difference that the committee in this bill has continued the 10 per cent ad valorem rate of the Payne-Aldrich bill and the Underwood bill but by virtue of section 402 has made it applicable to the American valuation.

Senator WATSON. Are any of these poles imported for fence posts?

Mr. LANE. Not in this form. The fence post is a smaller proposition.

Senator WATSON. They are not included in 405?

Mr. LANE. Four hundred and five covers "paving posts, railroad ties"—fence posts are at present on the free list, but appear to be specially provided for in paragraph 406 of the new bill at 10 per cent.

Senator DILLINGHAM. Where do the imported poles come from?

Mr. LANE. They all come from Canada.

Senator WALSH. How much increase under the American valuation plan would 10 per cent cause?

Mr. LANE. Senator, to give you a concrete illustration, an 8-inch, 50-foot pole—that is, one of the poles of which we get great numbers from Canada, costs in Canada as of August 1, about \$7.50. On that we pay 10 per cent under the Underwood and would pay 10 per cent under the Payne-Aldrich, which is 75 cents duty on a pole of that size. A pole is a commodity on which the freight is very high. You do not have to carry it a very great distance to double the value. The overhead is high. That same pole delivered in Minneapolis would sell for about \$21, and in Chicago about \$22, and in New York about \$26. The act provides that we must take the American valuation in the principal markets. I presume New York is a principal market. So that if the New York selling value were taken, the duty under the ad valorem rate as it is proposed here would be \$2.60 on that pole as against 75 cents on the foreign value as now.

Senator SMOOT. What are the values of those poles in the panhandle of Idaho where they are cut?

Mr. LANE. The same people produce them, and they inform me, Senator, that the domestic pole produced in Idaho would sell by the producer at the same price as does the Canadian pole. I presume the American dealer, if he could get enough poles, would rather sell domestic poles, because he makes more profit on them.

Senator SMOOT. You are adding the highest freight that could be paid in the United States in order to arrive at those figures. That is not what the law contemplates.

Mr. LANE. You can produce those poles in the panhandle of Idaho just as cheap as in the forests of Canada. But the dealers invariably sell on a delivered basis. The utility companies want them laid down at destination.

I just want to call attention to the existing facts without discussing the question of whether that is too high a price or not. Those are the prices they bring, and on those prices they tell me they are not making any money now. You would have the difference between the 75 cents duty on the present basis of assessment, and \$2.60 duty on an American valuation basis in New York, \$2.10 on

an American valuation basis in Minneapolis. I have taken those two points.

Now, either of the American valuation bases would amount to 30 to 35 per cent duty on the foreign value of that product. I submit that a 30 to 35 per cent duty on a crude lumber product is something that even the most radical advocate of duty on crude timber has never thought of suggesting up to the present time.

Senator SIMMONS. I think Senator Smoot referred to this paragraph here, 405. As I understood your testimony, this rate being the same in this bill as it is in the present law, if the basis of valuation is changed from the foreign to the American selling price, that it will multiply that rate by three and a half.

Mr. LANE. Depending on the size of the pole—anyway, I should say from two to three and a half times.

Senator SIMMONS. I did not mean to say it would multiply the rates, but it will multiply the amount of potential protection about three and a half times.

Mr. LANE. On the pole that I cited, I think it would range from a minimum of doubling it up to three and a half times.

Senator SMOOT. You took a 50-foot pole if shipped to the very furthest point it could be shipped, and then took the American valuation at that point.

Mr. LANE. Senator Smoot, there are two sources of these poles in Canada. The red cedar district is in the intermountain district in southern British Columbia. The northern or white cedar district is in the country around Lake of the Woods along the northern boundary of Minnesota, and the northern shore of Lake Superior, so far as the Canadian pole is concerned. The domestic poles, so far as the cedar poles are concerned, are nearly all produced in Montana, Idaho, and some in Washington; I do not believe a great many in the latter State. So that so far as they are delivered east, my illustrations are not extreme.

Senator WALSH. But if these cedar poles are produced as the Senator states and I know can be bought in Canada, and if his calculation is correct, there is going to be a great opportunity for the cedar-pole man in Idaho to make great profits in shipping to the eastern markets.

Mr. LANE. I have not heard that he wants to make great profits. I have scrutinized the House hearings and watched them up to date, and I have not found anybody asking for any such increase in the duty on poles, unless that duty was not asked for openly.

As I say, my information is that these people who sign this petition actually produce between 60 and 70 per cent of the poles produced in this country. They would be interested in obtaining protection if any were wanted. But the fact is cedar poles are so scarce that the interests want poles primarily. They have a market for everything they can get, whether in this country or in Canada.

Senator WALSH. Do they export some cedar poles from this country?

Mr. LANE. I think there is a limited exportation to Canada, but, of course, Canada supplies poles largely from her own forests; in fact, high freight rates are the best protection to the producers on either side of the line.

Senator McLEAN. Is not chestnut used to supply the eastern markets?

Mr. LANE. To some extent, but the supply is becoming very, very limited; and the southern pine and cypress, which supplies the southern markets, is not to any great extent sent north, because I understand from the experts that that is not a wood that stands up well under the climatic conditions.

Senator WATSON. These rates provided here are precisely the same as under the act of 1913?

Mr. LANE. Yes, Senator.

Senator WATSON. How have they done any injury? There have been no imports of any consequence.

Mr. LANE. The injury they have done is this—I was coming to that, but I will deal with it very briefly. Of course, the excessive nature of any ad valorem rate, I presume, might be corrected by a modification of the rate. I hope I have made it plain that 10 per cent on American valuation is two or three times the foreign valuation; but the ad valorem rate, owing to valuation difficulties, has been a deterrent, has not produced revenue, and has kept out the Canadian poles.

Senator SMOOT. You want free poles?

Mr. LANE. We think they ought to be free, but these interests have no objection to paying a reasonable specific rate, and I think it would be very short-sighted legislation not to make them free.

The CHAIRMAN. Do you represent the building companies or the pole producers?

Mr. LANE. I represent the pole producers and dealers. I will file some petitions from the utilities companies, but their interest is to have them free. We are not vitally concerned with that.

I want to say this about the ad valorem rates: It has been productive of endless confusion and constant litigation and great hardship. It has been a constant irritant to the trade; the duties collected have never exceeded apparently an average of \$30,000 a year, and the statistics show that they decreased about two-thirds in the period between 1911 and 1918. Some of the pole people have informed me that they have stopped shipping on account of appraising difficulties. Very briefly, those appraising difficulties result from this: About 75 per cent of these poles in Canada are bought under contract by the large dealers at prices that are fairly uniform, because they are competitive, and represent large quantities; 75 or 80 per cent are bought that way. There are about 15 per cent of them which represent spot purchases, usually made by contractors short of poles who have to make delivery, and they go up to Canada and pay any price the producer asks—maybe over 100 per cent above the prevailing contract price.

Senator WATSON. How long would it take you to exhaust the American supply at the present rate of consumption?

Mr. LANE. On that point, Senator, I would like to read just a very brief paragraph from the report of the Forest Service of the United States Department of Agriculture, made in response to Senate resolution 311, passed in February, 1920. This report is dated in June, 1920. I will omit everything immaterial, and read from page 23 of that report:

Of the Rocky Mountain States only western Montana and Idaho now produce lumber above their needs, and can increase their output in the near future.

The western red cedar is now being cut intensively in Montana and Idaho for poles, piling, posts, and shingles. The regions which are now being exploited will probably be exhausted within the next 20 years, and operations will be transferred to more remote areas. The present cedar lumber prices have diverted into lumber a large proportion of the material ordinarily manufactured into posts and shingles. A continuation of this demand might easily exhaust the entire available supplies of post and pole material in 20 years.

The forests of Michigan, Minnesota, and Wisconsin are, I understand, practically depleted of poles now.

It takes 150 years to grow a 30-foot pole in Michigan and from 75 to 100 years to grow the same pole in the northwestern part of the United States. It appears certain that even at the present rate of consumption, the domestic supply will be exhausted in the life of this generation. The demand is equally certain to grow enormously. Congress has recognized the vital interests of the public in cheaper electricity by passing the water power act last June, and the pole people anticipate under that act an enormous increase in the demand for cedar poles for power transmission purposes. They are the standard pole; they are easier to handle, lighter, have longer life in the ground, are safer for the linemen to climb and are the standard pole, and for power transmission in the Western States we must have large poles, which are getting extremely scarce in this country; I mean poles 35 feet and longer.

Senator WATSON. For long transmission lines are not steel poles principally used?

Mr. LANE. I do not think it is correct to say "principally." They are to a large extent. Two-thirds of the poles in use in this country are cedar poles.

Senator WATSON. For long distance transmission?

Mr. LANE. There is a considerable amount of the steel construction, and that is competing to some extent with the cedar poles, but it takes a pretty heavily financed interest to be able to put up that steel construction.

Senator SMOOT. Mr. Lane, I am informed, since you made your statement in relation to the American valuation on poles from Canada and specific reference to the poles being shipped to New York with a freight rate making this rate two or three times the present rate—

Mr. LANE (interposing). Freight and overhead, Senator, I should say, and, of course, there is some additional profit.

Senator SMOOT. Under the American valuation plan as virtually agreed upon by the majority members of this committee, the freight would be deducted in that case from it, and there would be hardly any difference on your poles.

Mr. LANE. Senator, I want to call your attention to just this feature of it: I have read your plan very carefully. Your primary requirement is that the foreign pole shall pay the same duty as the pole of the same kind produced in this country, and a pole from northern Idaho would sell in New York at exactly the same prices I have quoted.

Senator SMOOT. That is not what it is. It is the pole in Idaho. It is where it is produced, and that is the market price.

Mr. LANE. If that act is going to say that, I grant you it is a very different proposition.

Senator SMOOT. This is the ruling and has been under the present law, that if you place your order in New York, then, of course, the freight would be added. But if the order is placed in Montana or Idaho, no freight would be added. The American valuation would be just what it was in Idaho and Montana.

Mr. LANE. Of course, the order would probably be placed, as a practical matter, either in the New York office or in the Chicago office, or in the Minneapolis office of one of these large distributing pole concerns.

Senator SMOOT. If they had to pay twice or three times the amount of duty, the order would not be placed there; it would be placed with the manufacturer at the point produced.

Mr. LANE. If the ad valorem rate is to be continued, we welcome any clarification of the statute that would relieve us from the present implication that the principal market would be in New York or Chicago; which even under the most favorable circumstances would double the duty at 10 per cent.

Senator SMOOT. Not under the proposed arrangements, we would not.

Mr. LANE. Unless you took the value of the Idaho pole in the woods. That is not the selling price.

Senator SMOOT. How much freight did you add there to the \$7.50?

Mr. LANE. I gave you the total prices as given to me, and I am not able to analyze this personally.

Senator SMOOT. I can analyze it if you will hand it to me.

Mr. LANE. I just had a memorandum of it here, Senator. Here, Senator [handing paper to Senator Smoot].

Senator SMOOT. Yes; that is what it is.

Mr. LANE. Those figures right here are given for three poles. I would be very glad to request the pole people to supply you with full details of that matter. I do not think they desire to suppress anything or obtain anything that is not entirely fair.

Senator SMOOT. The only desire I have is that the record be correct as to what difference there would be, and I did not want your statement to go unchallenged.

Mr. LANE. I want to get it right.

Senator SMOOT. When the man who administers this law and virtually has it in charge advised me that the statement made by you would not be the result as it would be administered, I thought the record ought to show it.

Mr. LANE. I want to be corrected if I am not right.

Senator SIMMONS. But, in any event, it is double?

Senator SMOOT. It would not be; it would not be any different.

Mr. LANE. Unless you take the value on the siding or in the boom where it was cut, it would be.

Senator SMOOT. That is what you have got to do in Canada; that is what we do here.

Mr. LANE. I want to say, Senator, that that is practically contrary to the contention the administrative officers are making even at present with respect to Canadian poles; they are contending that resale prices at delivered points are the dutiable values.

Senator WALSH. If that is insisted upon, this American valuation plan in any instance will not mean anything, if they do not take the value at the place of delivery?

Mr. LANE. In cheap and heavy commodities it is perfectly obvious that the freight will double the value.

Senator SMOOT. The importations come to New York, and that is the market; they purchase in New York, and the American valuation will apply to that as against any foreign country.

Mr. LANE. Of course, Senator, these pole people have selling offices in every principal city.

Senator WALSH. On something produced in the West the American valuation must be what that article is worth in New York, plus the rate fixed to protect American labor. It is to take care of the difference in labor in America and Europe.

Senator SMOOT. That is as to the amount of duty, but not as to the American valuation; and there is a difference of opinion as to whether that difference for freight should be taken care of even by protective duty, and there had to be some limit to that. But that does not affect the American valuation.

Mr. LANE. I am willing to concede, then, Senator Smoot, in order to simplify the record, that if the producing point be in the woods of northern Idaho, at a price in the boom or on skids or on a siding opposite the railroad track—if those production prices were taken as dutiable value, it would be substantially the same as the Canadian value just across the line. But we do not see how under the law any such value can possibly be taken, and we do not believe it will be taken by the administrative officers, unless you instruct them specifically in that law to take the value at the point of production.

Senator SMOOT. Of course, you said "delivered at Minneapolis."

Mr. LANE. That is the selling price delivered.

Senator SMOOT. Of course, that is the price and all in it?

Mr. LANE. Yes, sir.

Senator SMOOT. I understood you to say the freight.

Senator SIMMONS. You do not think in ascertaining the American market value for wheat, that you would take the farmer's price on the farm. But you would rather take the price at some central market where wheat is bought and sold in large quantities.

Mr. LANE. If it is taken in the central markets, it will include the freight and profit at that market. That is a very different thing from the producing price at the point of production. I do not interpret this statute as it now reads as justifying anybody in going back to the point of production, unless that happens to be the market.

Senator SMOOT. If it was purchased there it would be the price, but if it is not—if you want to pass through New York or Chicago—it would not be.

Mr. LANE. As a practical matter, these things are sold through distributing agencies all over the United States, and they are sold at delivered price as the customer wants it that way.

But if I may, very briefly, in closing, state this: The pole people would like very much to get together with a subcommittee of this committee or any subcommittee on the question of the ad valorem rate and the duty which is to be applied, if the committee desires, but we earnestly hope that you will depart from this ad valorem principle. As I say, it has collected no revenue, but has been a source of constant trouble. We appreciate the difficulties of the appraising officers. A carload of poles will come across the line to-day at a

contract price, purchased under one of these large contracts, and the next day some spot purchaser will come over and buy at a value 100 per cent higher. The appraising officer promptly advances the price on the first shipment and that raises a controversy. We are confronted with that all the time. Practically every one of those controversies have been decided favorably to the large pole interests, up to date, but we have been in court constantly for three years.

Senator SMOOT. What you want is free poles, and if you can not get free poles, you want specific duty?

Mr. LANE. We would be satisfied with a specific duty, but we think they ought to be free.

Senator SIMMONS. I want to understand Senator Smoot. Do I understand you, Senator, to contend that the American value, for the purpose of applying the tax, will be one thing at one port of entry and another thing at another port of entry?

Senator SMOOT. I did not say that at all. I said if those poles were purchased direct from the producer of poles in the panhandle of Idaho or Montana that the freight, whatever it would be—if it was to New York—would cut no figure whatever, because that would not be taken into consideration. If somebody in New York needs these poles and has a firm in New York purchase them, and send the order out to Idaho, then New York would be the point of purchase.

Senator SIMMONS. I supposed it did not make any difference where the order was given, but that to ascertain what was the American selling price by some rule you would lay down that valuation would be the same throughout the whole United States. If it does not mean that, it is a very awkward proposition to say the least of it.

Senator WATSON. The witness has had 30 minutes.

The CHAIRMAN. I think so.

Mr. LANE. If I may state very briefly my suggestion as to specific rates. We have suggested that poles be put in paragraph 401, with round timber used for spars or in building wharves at one-half of 1 cent per cubic foot; we have also suggested that you put them in paragraph 402 providing for logs of cedar dutiable at a dollar a thousand with exemption, if no export restriction is imposed by the country of origin. These are nothing in the world but cedar logs—a logging operation.

The CHAIRMAN. You have all this in your brief, have you not?

Mr. LANE. We have suggested that it be put in 1683 of the free list, where we think they really belong, because all that we can produce in this country plus all that we can get from Canada will not supply our domestic wants.

The CHAIRMAN. You want your brief printed, do you?

Mr. LANE. I have a printed brief; I should like to have it printed.

The CHAIRMAN. It will be printed as a part of Mr. Lane's remarks.

Mr. LANE. I would also like to submit, if the chairman please, a number of letters from the public utility companies dealing with the pole situation.

The CHAIRMAN. I do not think the committee cares to print letters. We will have to bar them. You make the statement for the utility companies, we understand.

Senator WALSH. Make a statement in a paragraph naming the companies.

The CHAIRMAN. You can state the companies.

Mr. LANE. I have letters from the Consumers Power Co., of Jackson, Mich.; the Cities Service Co. (Henry L. Doherty Co.), New York, N. Y.; Union Gas & Electric Co., Cincinnati, Ohio; General Utilities & Operating Co., Washington, D. C.; Louisville Railway Co., Louisville, Ky.; and the Georgia Railway & Power Co., Atlanta, Ga.; and there are probably numerous others that have not been sent to me, calling the attention to the great scarcity of poles in this country and the difficulty of getting satisfactory poles and the need of making the Canadian supply available to consumers.

The CHAIRMAN. You will doubtless realize we get a good many letters ourselves.

Mr. LANE. There is no doubt about that, Mr. Chairman. We cut from our woods 3,500,000 to 5,000,000 poles every year, young trees that have not reached maturity.

BRIEF OF T. M. LANE, NEW YORK CITY, REPRESENTING THE CEDAR POLE INDUSTRY.

The undersigned are dealers in cedar poles used for telegraph, telephone, electric light, trolley, and power transmission purposes, and respectfully petition your committee and Congress to remove from such poles the ad valorem duty, which has been the cause of endless confusion, litigation, and hardship, and to give these commodities their natural classification with round timber, which, under the pending bill, is either exempt from duty or dutiable at specific rates. (See pars. 401, 402, 1683, H. R. 7456.)

Telephone, trolley, electric light, and telegraph poles of cedar or other woods are made dutiable at 10 per cent upon American valuation by paragraph 405 of H. R. 7456.

Following is a summary of the reasons for requesting this change in the law:

1. The ad valorem duty on poles has raised very little revenue in the past and promises to raise none in the future upon the basis proposed.

These poles were dutiable at 10 per cent ad valorem on foreign valuation under the Payne-Aldrich tariff of 1909 (par. 204) and at the same rate on foreign valuation under the Underwood tariff of 1913 (par. 170). This duty has been so difficult of administration that it has proved a serious obstacle to importations and has raised very little revenue.

The publication entitled "Statistics of Imports and Duties," prepared for the use of the Committee on Ways and Means, gives the value of and duties collected upon imports of paving posts, railroad ties, telephone, trolley, and electric light poles, from 1911 to 1918, inclusive, as follows:

[Rates of duty, 10 per cent.]

Fiscal year.	Values.	Duties collected.	Fiscal year.	Values.	Duties collected.
1911.....	\$1,014,112	\$101,411	1915.....	\$225,030	\$22,503
1912.....	775,587	77,558	1916.....	145,799	14,759
1913.....	511,219	51,121	1917.....	351,603	35,160
1914.....	409,449	40,944	1918.....	347,910	34,791

The duties collected on poles are not stated separately from the duties on paving posts and railroad ties, and the duties on posts and ties undoubtedly form a substantial portion of the above totals. These figures demonstrate that, at the rate of 10 per cent ad valorem, the amount of revenue collected upon poles has been unimportant.

It will also be noted from the above tabulation that the duties collected on the commodities named decreased about two-thirds in the period between 1911 and 1918. This was doubtless due in large measure to the restriction imposed upon importation by the peculiar and intolerable difficulties, hereinafter discussed, attending the administration of an ad valorem rate upon poles.

Under H. R. 7456 the ad valorem rate of 10 per cent imposed for the last 12 years on foreign valuation is continued, but is made payable upon the American valuation

of the poles. This forms a striking exception to the general policy of the bill, which has been to decrease the ad valorem rates to compensate for the increased value under the American-valuation plan. The result will be an increase over the amount of duty collectible on poles under the Payne-Aldrich and Underwood tariffs in excess of 100 per cent.

Poles are a cheap commodity on which the freight is high. A pole does not have to be transported a very long distance to increase its value 100 per cent on account of the freight charge. We thus have a situation where the Government presumably will collect half or more of its duty on the element of freight expense.

Poles are generally sold in this country at a price delivered at destination and, naturally, selling prices in the United States are as varied as points of delivery. A green pole, worth no more to the dealer than a seasoned pole of the same length and diameter, sells for considerably more delivered at destination on account of its heavier weight. In filling large orders it is difficult to obtain the necessary quantity of seasoned poles and green poles must often be shipped, so that the same commodity in the green state, and intrinsically no more valuable than a seasoned pole, will have to pay a much higher amount of duty.

The proposed law furnishes no rule for determining which of the widely varying prices charged at points of delivery in the United States must be selected for the purpose of entry and appraisement at the customhouse. The difficulties of declaring the correct American valuation for this commodity, under section 402, are beyond solution.

Furthermore, the supply of cedar poles is so limited in the United States that any increase in duty would immediately raise the price of domestic poles, resulting in a still more formidable duty on Canadian poles. Even without any advance in the price of domestic poles, the enormous increase effected by shifting the same rate as imposed heretofore from the basis of foreign to American valuation, thus doubling the duty, will certainly mean the complete extinction of the trade in Canadian poles at a time when our domestic needs imperatively demand that the Canadian supply be made available to consumers in this country.

2. The destruction of immature trees is a menace to our forests.

The cutting of millions of small trees every year before they reach their maturity of growth, usefulness, and value is contributing heavily to the destruction of our forests and requires that the supply be enlarged before the demand becomes heavier.

The annual consumption of poles is estimated at quantities ranging from 3,500,000 to 5,000,000 poles, 95 per cent of which are cut from our own forests. It takes 150 years to grow a 30-foot pole in Michigan and from 75 to 100 years to grow the same pole in the northwestern part of the United States. The Forestry Department of the Federal Government has estimated that the privately-owned supply of cedar poles in the northwestern United States may be exhausted in 20 years. The cedar forests of Michigan, Minnesota, and Wisconsin have been largely depleted, long poles having almost disappeared and the supply of short ones becoming more and more limited. Long poles, i. e., poles 35 feet and upward in length, are a necessity for power transmission purposes, which is to say that they are indispensable to the proper development of our hydroelectric power.

3. The treatment of cedar poles in H. R. 7456 is inconsistent with the treatment of other round timber and opposed to the general legislative policy favoring free timber.

In every tariff act since 1870 logs and round unmanufactured timber have been placed upon the free list. This policy is continued in H. R. 7456. Under paragraph 1683 of the bill "logs and round, unmanufactured timber" are still on the free list. While paragraph 402 expressly names cedar logs and imposes a duty of \$1 per thousand feet board measure, the proviso to the paragraph makes such logs free if imported from a country imposing no export restrictions on this class of logs. It is obviously intended that no duty shall be imposed on timber in the form of cedar logs.

The treatment of cedar poles in H. R. 7456 is strikingly inconsistent with the treatment of other round timber.

Paragraph 405 of H. R. 7456 expressly provides for "telephone, trolley, electric light, and telegraph poles of cedar or other woods," at a duty of 10 per cent on American valuation. These poles are nothing but small logs of cedar; that is to say, they are round cedar timber.

Paragraph 401 of H. R. 7456 imposes upon "round timber used for spars or in building wharves" a duty of one-half of 1 cent per cubic foot. Precisely the same cedar log as that used for a pole may be also used for piling in wharf building. The inconsistency is obvious of assessing a cedar log at only one-half of 1 cent per cubic foot when used for wharf building and at the very much higher rate of 10 per cent on the American valuation of such log when it is used for a wire-carrying pole. Considerable litigation seems also inevitable to determine the classification as between paragraphs

401 and 405 wherever there is a competing use for piles as against use for poles. It is equally inconsistent to assess round timber for spars, a very much more valuable product than a pole, at the lower rate of one-half of 1 cent per cubic foot.

As already seen, paragraph 402 of H. R. 7456 makes "logs of * * * cedar," dutiable at \$1 per thousand feet board measure, with a proviso making such logs free of duty if no export restrictions are imposed by the country of origin. This proviso will undoubtedly have the effect of making cedar logs free. It follows that full grown cedar logs will pay at the most \$1 per thousand feet and will in all probability be exempt from duty under paragraph 402. Such logs will compete with similar mature timber from our own forests, and properly so, for the soundest reasons of conservation. But a small cedar log such as can be used for a pole will be assessed at the prohibitive rate of 10 per cent on American valuation, under paragraph 405. With the Canadian poles thus shut out there will result an increased destruction of the small timber which should be left standing in our own forests to maturity.

A duty upon cedar poles, enumerated as such, was imposed for the first time in 1890, since which time there has been a decided change in the status of the domestic supply. The tax on poles has been a striking exception to the settled general policy in favor of free timber, which doubtless has had for its basis the conservation of our forests as well as the exemption of the raw material for our lumber mills. If there ever was a reason for the taxation of round timber used for wire carrying, it has disappeared in the light of present-day facts regarding the depletion of our small standing timber and the failure of reforestation to keep pace even approximately with the destruction.

There can be no justifiable reason for tariff protection of domestic cedar holdings. The best protection to the American producer is the high freight charge on Canadian poles. Only about 5 per cent of the poles used in this country are imported. The Tariff Commission's report to the Committee on Ways and Means shows that 95 per cent of the poles used in this country are of domestic production. (Summary of Tariff Information, 1920, p. 276.) The signers of this petition include large domestic producers who would be interested in obtaining protection if it were necessary or desirable.

There is no question of competition with manufactured lumber. The production of poles is a logging operation. The only work done in Canada on the poles is that which has to be done in the woods to produce a stick of timber such as would clearly fall within the exemption of round unmanufactured timber, as construed by the courts, were the commodity not expressly designated as dutiable. All of the other processes adapting poles for use as wire-carrying poles, such as notching, and fitting with cross-arms, squaring, roofing, creosoting, etc., are applied in this country.

4. Conditions that attend the administration of an ad valorem duty are peculiarly burdensome and embarrassing in the case of poles.

Probably 75 per cent of the total importations of poles are bought in Canada under contract at prices which are fairly uniform for a given time, and the contracts and records of the dealers have always been open to the Government. There are, however, always a number of spot purchases being made by contractors and others in the United States who must have poles for immediate delivery and are willing to pay almost any price for a few carloads. These spot purchases will sometimes run nearly 100 per cent above normal contract prices and are subject to violent fluctuations.

The regular contracting buyer can not possibly know what the occasional buyer, who is short of poles, may have paid, and the widely variant prices are extremely bewildering to the customs officials. For the greater part of the last three years the situation has been almost chaotic.

The difficulties from the standpoint of the appraising officials are fully appreciated, and it would seem that the small amount of revenue collected did not justify the burden of uncertainty in the matter of dutiable value which has rested both upon the customs officials and upon an important and essential industry. It is probable that considerable amount of the revenue collected has been consumed by the expense to the Government of investigating and testing values.

These problems will be intensified by the application of American valuation to this commodity, owing to the widely varying prices at points of delivery. In the opinion of petitioners, it will operate as a complete barrier to the importation of Canadian poles.

5. Changes recommended in the provisions of H. R. 7456.

Having in mind the pressing needs of this country in the immediate future, petitioners are profoundly convinced that the imposition of any duty on this product would be unwise. They accordingly urge that poles be placed unconditionally upon the free list.

To accomplish this unconditional exemption of poles they suggest that paragraph 405 of Schedule 4 be amended so as to exclude the matter italicized in the subjoined quotation of the paragraph:

"PAR. 405. Paving posts, railroad ties, and telephone, trolley, electric light and telegraph poles of cedar or other woods, 10 per centum ad valorem."

The above change should be supplemented by amending paragraph 1683 of the free list so that it will expressly include such poles, by addition of the italicized matter below:

"PAR. 1683. Wood: Logs and round, unmanufactured timber; telephone, trolley, electric light, telegraph and power transmission poles of cedar or other woods; firewood, handle bolts, shingle bolts, gun blocks for gunstocks, rough hewn or sawed or planed on one side, sawed boards, planks, deals, and other lumber, not further manufactured than sawed, planed, and tongued and grooved; clapboards, laths, ship timber; all of the foregoing not specially provided for: * * *"

If your committee decides that some duty should be imposed then we earnestly request that it may be determined upon a specific duty basis.

We submit that a very simple solution of the problem of imposing a specific rate can be arrived at by classifying these poles with "round timber used * * * in building wharves," now provided for in paragraph 401 of H. R. 7456 at a specific rate of one-half of 1 cent per cubic foot. Since, as already stated, the same cedar logs that are used for poles are also used for piling, this would tend to greater consistency of legislation and avoid litigation on the question of classification. To accomplish this paragraph 401 should be amended by the addition of the italicized matter as indicated below:

"PAR. 401. Timber, hewn, sided or squared otherwise than by sawing (not less than eight inches square), round timber used for spars or in building wharves, and telephone, trolley, electric light, telegraph and power transmission poles of cedar or other woods, one-half of 1 cent per cubic foot."

A further method of imposing a specific rate with conditional free entry can be effected by classifying poles with other "logs of, * * * cedar" in paragraph 402 of H. R. 7456. That paragraph as modified would then read as follows, new matter being in italics:

"PAR. 402. Logs of fir, spruce, cedar, or western hemlock, and telephone, trolley, electric light, telegraph and power transmission poles of cedar or other woods, \$1 per thousand feet board measure: *Provided*, That any such class of logs or poles cut from any particular class of lands shall be exempt from such duty if imported from any country, dependency, province, or other subdivision of government which has, at no time during the twelve months immediately preceding their importation into the United States, maintained any embargo, prohibition, or other restriction (whether by law, order, regulation, contractual relation or otherwise, directly or indirectly) upon the exportation of such class of logs or poles from such country, dependency, province, or other subdivision of government, if cut from such class of lands."

If either of the last two suggestions are adopted the provision for poles should be stricken from paragraph 405 as first above proposed.

In suggesting that cedar poles be classified with other logs and round timber, petitioners do not indorse the proposal to put either logs or poles upon the dutiable list as they believe that they should be free without condition.

6. Free entry is the logical and effective relief.

Not only the conservation of our forests but the development of electrical power will be subserved by the free entry of Canadian cedar poles.

The interest of the public is vital in cheap electricity and low telephone and telegraph rates. Poles form a heavy item of the investment of public utilities and carry equipment forming a much larger investment. The necessity of obtaining poles with strength and lasting qualities at the lowest possible cost is great. The cedar pole supplies these requisites and is the standard pole for carrying electric wires. It has long life in the ground, symmetry, strength, is less dangerous to linemen in all kinds of weather, can be easily climbed and is lighter and cheaper to handle. At least two-thirds of the poles in use in this country are of cedar. A very large proportion of the poles imported from Canada are used by the power companies for transmission purposes.

The present rate of consumption will probably exhaust the domestic supply of cedar poles within the life of this generation. The demand will grow enormously with the advance of the program of electrical development, under the encouragement of the new water power act and the necessities arising from our diminishing coal supply. Under the water power act of June 10, 1920, we are promised, in a recent article written by the executive secretary of the Federal Power Commission, that "a new era is ahead in the development of electric power and its wider distribution and more intensive application in industry and transportation." The only cedar poles imported come from Canada and all that can be imported when added to those produced in this country will hardly supply the demand resulting from our constantly increasing consumption.

Under all the circumstances we submit that the interests of the Government, the consumer, the general public and the conservation of our resources will be best subserved by a complete removal of the duty on poles and that the minor loss of revenue will be more than compensated by the economic gain.

The undersigned petitioners believe it conservative to state that they handle and market at least 85 per cent of the cedar poles produced both in Canada and the United States.

B. J. Carney & Co., Spokane, Wash.; The Lindsley Bros. Co., Spokane, Wash.; Lost Creek Cedar Co., Ione, Wash.; The MacGillis & Gibbs Co., Milwaukee, Wis.; National Pole Co., Escanaba, Mich.; Naugle Pole & Tie Co., Chicago, Ill.; Northern Cedar Co., Spokane, Wash.; Page & Hill Co., Minneapolis, Minn.; T. M. Partridge Lumber Co., Minneapolis, Minn.; Valentine-Clark Co., Spokane, Wash.; J. H. Baxter & Co., San Francisco, Calif.; Baxter & Jordan, Los Angeles, Calif.; Thomas M. Lane, attorney for petitioners, 149 Broadway, New York City.

CEDAR SHINGLES.

[Paragraph 408.]

STATEMENT OF GEORGE A. BERGSTROM, REPRESENTING THE PACIFIC TIMBER CO., OF EVERETT, WASH.

Senator McCUMBER. Congressman Johnson, I believe you were just now attempting to see if you could get several of these witnesses who desire to speak upon the shingle industry to select one man, if possible, to cover the same subject.

Mr. JOHNSON. Mr. Chairman, I would like to have you hear two of them and let the third man have permission to enter an appearance. We would also like permission to file briefs. I would like to file one in opposition to this theory that is being so widely agitated by pamphlets that a tariff on lumber, like a tariff on oil, is a blow at the conservation of American resources. I shall not take up the time of the committee in an attempt to show that those who advance ideas with respect to saving privately owned timber for posterity is a mistake. It can not be saved that way. It is what we live on. You will not conserve it by letting Canadian or other timber come in. You will force good timber to go into railroad ties and put our saw-mills out of business.

I would like to call Mr. Bergstrom to make a statement with reference to the tariff on shingles, which has been placed at 50 cents per thousand. We would have preferred to have had that tariff at 60 cents per thousand. I would like to have the committee interrogate Mr. Bergstrom with regard to Canadian timber, their Crown-land system, their leasing plan, and their embargo scheme, all of which are used to the detriment of the American industry and none of which benefit the American consumer.

Mr. BERGSTROM. Mr. Chairman, I represent the Pacific Timber Co., of Everett, Wash., manufacturers of red-cedar shingles.

I do not know that I have much to say in addition to my testimony that was given before the Ways and Means Committee of the House last January. I shall be brief. In that connection, however, I will say that the predictions and prophecies that we made at that time have actually come to pass. We can not compete with British Columbia mills under severe competition. Our company operates two mills. It has an investment of about \$200,000 and employs 100 men, all Americans, and practically all married, and most of them owning their own homes. On account of our inability to secure the

raw material at a satisfactory price, we have been shut down since the first of this month, while our Canadian competitors have been operating continuously, and some of them even operating night and day.

Senator SMOOT. You are speaking now of shingles?

Mr. BERGSTROM. I am speaking absolutely of shingles. I am a shingle manufacturer. At the time of closing our mills the average log cost of British Columbia mills on cedar was \$16 delivered at the mill, while our average cost was \$18 base, or an average of \$19. This made operation of our mills impossible under existing conditions, as this to-day practically means a differential in their favor of \$3 a thousand for the raw material.

Senator SMOOT. What are you asking for on shingles?

Mr. BERGSTROM. Fifty cents per thousand.

Senator SMOOT. That is provided for in the bill.

Mr. BERGSTROM. Yes.

Senator SMOOT. That is satisfactory to you?

Mr. BERGSTROM. That is satisfactory.

Senator WATSON. Is anybody opposing that?

Mr. BERGSTROM. I do not know. We were told to appear here.

Senator SMOOT. We have not heard of any opposition.

Senator WATSON. I am wondering why you are bolstering up a case that nobody was attacking.

Mr. BERGSTROM. I do not know whether there is opposition or not. We were notified to appear here. We did not care to make this trip from the West coast here, traveling 3,000 miles, unless it was necessary.

Senator SMOOT. No one has been asked to appear.

Mr. BERGSTROM. We were notified on Saturday to leave Sunday morning, as arrangements had been made to appear before the committee Friday, August 26, and I certainly did not want to take this long trip unless it was necessary.

Senator McCUMBER. However, you are aware of the very widespread demand for free lumber and free building material, and it is in anticipation that that might have some influence that you are down here?

Representative JOHNSON. I think that is exactly it. Cedar trees stand in the woods about one to eight or ten. Cedar trees are logged along with spruce and fir. They come off together. Now, to attempt to keep all the fir timber of the Pacific Northwest standing for our children's children will make it impossible to get out the cedar logs. To-day the Canadian shingle business as against the American business has increased from \$1,700,000 value to this country, shipped, to over \$12,900,000; that is, Canadian shingles in our market. And as far as I am concerned I agree with the two Senators who have spoken—I have heard of no opposition to this 50-cent tariff. I would like to take time to speak to the committee with regard to making it 60 cents.

Senator McLEAN. Just one question. I suppose these cedars grow in with the Douglas fir?

Representative JOHNSON. Yes.

Senator McLEAN. Without indicating any opposition to adequate protection for the shingle industry, I assume that the conservationists

claim that both the fir and the cedar should be left uncut and conserved?

Representative JOHNSON. I suspect that.

Senator McLEAN. What have you to say to that?

Representative JOHNSON. It seems to be a fact, from what figures I can get, that the States of Oregon and Washington have more standing timber of all species suitable for manufacture than the entire Dominion of Canada—

Senator McLEAN. Is that true?

Representative JOHNSON. Yes; with the single exception of red cedar. Red cedar in the Province of British Columbia amounts to 125,000,000,000 feet as compared with 25,000,000,000 feet remaining in the State of Washington and 12,000,000,000 feet remaining in the State of Oregon; that is to say, British Columbia has more good cedar standing than we have. But I will leave this to any business man as to how you can conserve timber by requiring private owners not to cut timber, either cedar or spruce.

Senator SMOOT. Mr. Bergstrom, are you satisfied with paragraph 408 as it stands?

Mr. BERGSTROM. Yes.

Senator SMOOT. Then you have no objection to the paragraph as written?

Mr. BERGSTROM. I have no objection to the paragraph as written, Senator.

Senator SMOOT. In the balance of the time allotted to you will you kindly make a statement to the committee in relation to the embargo that Congressman Johnson referred to?

Mr. BERGSTROM. In June of this year I made a special trip to Vancouver, British Columbia, with the object of buying cedar logs. At that time they were selling at \$16 delivered at Vancouver, while our logs were averaging around \$19. I was in a position to buy cedar logs from the loggers in British Columbia at \$17, Canadian money, delivered in Anacortes, Wash. Seventeen dollars Canadian money at that time would have amounted to about \$15.30 American money. My tow from Anacortes to Everett is 90 cents. Those logs would have cost me \$16.20 delivered as against \$19 for American logs. I was prevented from buying these logs on account of the embargo. The Canadian Government would not allow the exportation of those logs.

Senator McCUMBER. Why?

Mr. BERGSTROM. They practically maintain an embargo at all times on cedar.

Senator McCUMBER. But why?

Mr. BERGSTROM. I do not know.

Senator SMOOT. Were they Crown lands?

Mr. BERGSTROM. No.

Senator SMOOT. Were they privately owned lands?

Mr. BERGSTROM. They were what they call licensed lands.

Senator SMOOT. Well, then, they were grant or Crown lands?

Mr. BERGSTROM. No; the grant and Crown lands are different from those lands.

Senator McCUMBER. Those are Canadian public lands?

Mr. BERGSTROM. Yes.

Senator McCUMBER. Under their law allowing leases they do not allow any exportation of the logs themselves, do they?

Mr. BERGSTROM. Crown grant lands comprise about 6 per cent of the standing timber in British Columbia and are exportable at any time.

They defend their position on the embargo with the statement that they are preserving their own timber for their own manufacturers, but, at the same time, while they maintain that embargo against the American manufacturers they are shipping logs and bolts to Japan. In other words, they are protecting their own Canadian manufacturers on the cheaper raw material as against the American manufacturers on their higher priced raw material, because 80 per cent of their finished product is sold in the United States in direct competition with the American manufacturer.

When I was there in June I also investigated labor conditions. They were paying \$3.60 for white labor, base price, for 9 hours' work, or 40 cents an hour. We were paying \$3.60 for 8 hours, or 45 cents an hour. Other white labor was paid in proportion. Oriental labor was considerably cheaper.

Senator McCUMBER. How about the efficiency of their labor as compared with ours?

Mr. BERGSTROM. They claim that the white labor is more efficient than the oriental labor. If that is true why do they hire oriental labor?

Senator McCUMBER. Are they paying the same price for the oriental labor that they pay for the white labor?

Mr. BERGSTROM. No; they pay less for oriental labor than for white labor.

Senator SMOOT. Where do the shingles exported from America go?

Mr. BERGSTROM. We do not export very many shingles. A few of them have been shipped to Honolulu.

Senator SMOOT. Those would not be exports. I mean the foreign countries. For the year ending June 30, 1920, we exported \$153,972 worth; and for the year ending June 30, 1921, we exported \$157,784 worth. I thought may be you knew where those exports went.

Mr. BERGSTROM. Our entire output is disposed of in the States.

Senator McCUMBER. What percentage of the value of your product constitutes labor itself?

Mr. BERGSTROM. Our labor will run around 75 to 80 cents per thousand. Our overhead, covering office force, supplies, insurance, taxes, etc., will run around 40 to 50 cents.

Senator SMOOT. What proportion is that of the whole?

Mr. BERGSTROM. That would be about 65 per cent.

Senator McCUMBER. In other words, the value of your stumpage would be about 35 per cent and the balance constitutes labor and expense?

Mr. BERGSTROM. No.

Senator McCUMBER. We want to get it in percentage.

Mr. BERGSTROM. I did not include the value of the stumpage raw material (cedar logs) at all. I was talking about labor and overhead in the operation of our mills without the raw material.

Senator McCUMBER. What I want to get is what percentage of the value of your product is taken up in labor and other expenses outside of the stumpage value of your cedar, if cedar is what you use.

Senator SMOOT. Take a thousand shingles. What was the price per thousand shingles?

Mr. BERGSTROM. We will take \$2.60 for ordinary grade clears.

Senator SMOOT. \$2.60 a thousand?

Mr. BERGSTROM. Yes.

Senator McCUMBER. That is your selling price?

Mr. BERGSTROM. That is our selling price.

Senator SMOOT. Of that amount how much is labor?

Mr. BERGSTROM. About 30 per cent, as far as our own operation is concerned.

Senator McCUMBER. And what is the balance?

Mr. BERGSTROM. There would be about 30 per cent labor, about 20 per cent overhead, and about 50 per cent raw material. That is not exact, of course, although I can give you the exact figures later.

Senator McCUMBER. Where do your profits come in?

Mr. BERGSTROM. There are no profits to-day.

Senator McCUMBER. You are figuring, then, that on the prices to-day you are making no profits at all?

Mr. BERGSTROM. If we were not losing more money than our shut-down expense we would continue to operate, because we have a moral obligation to our employees and their families, which we must recognize if possible to do so.

Senator McLEAN. In the East we pay \$7.50 to \$8.

Mr. BERGSTROM. Mr. Case, what is our freight to New York to-day?

Mr. CASE. \$1.20 a hundred.

Mr. BERGSTROM. The freight is \$1.20 a hundred and the shingles that I was speaking about weigh 180 pounds to the thousand. You may be using the price of a different grade shingle than I mentioned, there are several grades of shingles; we make them all.

Senator DILLINGHAM. Where do you market your shingles?

Mr. BERGSTROM. Our shingles are mostly marketed in the Southwest, in Texas and Oklahoma, and throughout the Middle West.

Senator WALSH. I have a memorandum submitted to me by the Western Pine Manufacturers' Association, operating 65 sawmills in Oregon and Washington, and they are going to appear here in opposition to any tariff upon lumber or shingles. They have submitted some questions to me to ask you. One of them is, what is the difference in the cost of manufacturing shingles in British Columbia and in Oregon?

Mr. BERGSTROM. I have no way of having access to the cost sheets of the British Columbia manufacturers; but it is reasonable to expect that if they are receiving nine hours work for the same price for which I am receiving eight hours work, their cost of labor is not only cheaper, but their cost per unit on their overhead on account of increased production must also be cheaper.

Senator WALSH. So you base your reason for thinking that your cost of production is more upon the difference in hours of labor rather than the efficiency of the labor?

Mr. BERGSTROM. As I explained, they are in a position to employ practically the same labor we do. My comparison was on white labor. They prefer the cheaper oriental labor, and it must be profitable or they would not do so.

Senator WALSH. Have not some statistics been printed showing that one white man, with the machinery that is used in America, is

able to do better work and turn out more shingles than several orientals?

Mr. BERGSTROM. I do not think so. They use the same machinery in British Columbia as they do in America.

Senator WALSH. Is the oriental labor as good as the white labor?

Mr. BERGSTROM. I have never used any oriental labor, so I can not answer that question; but they use the same machinery, and they can employ white men if they want to.

Senator McCUMBER. The orientals are not hired to do any expert work at all, are they?

Mr. BERGSTROM. Yes; what they call skilled labor.

Senator SMOOT. Are they Japanese?

Mr. BERGSTROM. I do not believe I have ever seen any Japanese sawyers or packers. They use Chinese. They use Japanese for common labor.

Senator WALSH. Can you give me the actual labor cost per thousand shingles in 1920 in British Columbia and Oregon?

Mr. BERGSTROM. I can not.

Senator McCUMBER. Senator Walsh, he just went over the subject generally before you came in.

Representative JOHNSON. I would like to say that in the brief we will file we will undertake to put those exact comparative costs in. The people from my congressional district have sent representatives into British Columbia to make a study of the costs. We also undertook to find the names of the Americans who invested money in British Columbia in timber grants and timber lands for the purpose of doing business in Canada, and when we undertook to secure those names we found that British Columbia all of a sudden prohibited the publishing of any lists showing such information, although such lists had been published regularly for many years. So if there is going to be a fight from the Western Pine Association on this wood schedule or any part of it we want to be in it, and we can meet every argument.

Senator McCUMBER. Is that all, Mr. Bergstrom?

Mr. BERGSTROM. Yes, sir.

Senator WALSH. In view of the fact that the witness has covered in his testimony some of the questions that I wanted to ask him, I shall not proceed any further.

Representative JOHNSON. Mr. Case is here. He is a large manufacturer, and I think he can give you very quickly some information on this subject.

STATEMENT OF E. E. CASE, OF RAYMOND, WASH.

Senator WALSH. May I submit to you a list of questions, Mr. Johnson, and ask for answers to them?

Representative JOHNSON. Yes, sir; I shall be glad to answer, as far as I can, at your convenience.

Senator McCUMBER. Mr. Case, I wanted to ask one of your witnesses here who can answer the questions to give me some light on the subject, and I do not know but what I might as well start in by asking you questions on this subject. This last summer I had occasion to take a trip up the McKenzie River, in Oregon, where the Government, in conjunction with the State, is making a road from

Eugene, Oreg., across the mountains on the east. That road goes through the finest belt of Oregon timber—immense trees 200 feet tall, with diameters near the butt of 6 and 8 feet. They paid \$1.50 on an estimated thousand for pulling those logs off of the roadway, which is 40 feet wide, and piling them up. They are chopped down and then sawed into lumber lengths and piled up 10 and 20 feet high in places. The stumps are blasted out. They are building a good, substantial road from there down to Eugene, where it connects with the Southern Pacific. I asked them what they would do with those logs; if there was any way of utilizing them after the road is completed for over 40 miles through that fine forest, and if they could not dispose of those logs.

They informed me that the logs would simply have to rot there, the finest timber that you ever saw; that labor was so high that it was even impossible to take portable sawmills up there and take the logs that were already cut into timber lengths and saw them and take them to market. If we can not, with our labor cost, take logs that do not cost anything and move them on trucks, after being sawed into lumber, a distance of 30 or 40 miles, I confess that I am unable to understand how we can protect ourselves against a market anywhere else. I would like to hear you upon that subject in order to ascertain why it is that we can not even compete with those logs, the finest pine and spruce there is in the United States, already cut, and not the cost of a penny for stumpage.

Mr. CASE. The matter of transportation is of considerable importance. If it were necessary to transport those logs 40 miles on trucks at the present price of logs, a man could not load and pile them on a truck and make his wages.

Senator McCUMBER. Of course they would not truck the logs. If they were going to do anything, they would simply saw them into portable lumber and then, over as good a road as there is here, take them from 30 to 40 miles to market. And remember that it costs nothing for the logs; if anybody will take them away they can have them.

Mr. CASE. Your statement that these logs run from 6 to 8 feet—

Senator McCUMBER. I did not mean to say that 6-foot logs were the smallest.

Mr. CASE. But the fact that they are large logs would almost prohibit using a temporary mill, a small sawmill. You would have to have pretty heavy machinery to handle a log 6 or 8 feet. Besides, those logs are strung out along the road for the whole 30 miles. Of course, logs of that diameter would be the most profitable in the fixed cost of the amount of clear. The amount of clear is the only thing that pays us in the manufacture—that is, if there is any such thing as paying us. To-day the lumber business is probably in as bad a way on the Pacific coast as it ever has been, due, I suppose, from the price of lumber caused by the competition all over the country. Everything is on the downward turn, and everything goes down faster than labor, which constitutes the great percentage of cost in both lumber and shingles. It is almost prohibitive to cut those logs that you speak of along the roadway in a temporary sawmill. The only way they could be utilized to any advantage would be for a man to buy some other timber. But the stumpage is not always the thing that counts. While it is a factor, the stumpage is not the only

thing that counts. It is the cost of getting the logs from the woods out, and there are some places where it costs more than others. Take a strip of timber 30 miles long and 140 feet wide. You understand that to gather up those logs the cost of transportation would be more than the stumpage amounted to, which would be two or three dollars per thousand.

Senator McCUMBER. When lumber was selling at about \$60 a thousand, it would seem to me that there ought to be a market for those logs.

Mr. CASE. That was in 1920?

Senator McCUMBER. Yes; in 1920.

Mr. CASE. 1920, you understand, was a very abnormal year. Not only was the lumber high, but wages and everything that entered into our costs were the highest ever known. Our labor and supplies and everything else were higher during 1920 than they were in any other year.

You asked if there had been any opposition. We know that there is opposition. We know that there is going to be a fight, and we know where the fight is going to come from. That is why I am here to-day. I did not appear before the Ways and Means Committee. Mr. Johnson has stated to you that we want to file a brief. We are going to give you the exact figures of the cost of manufacture of shingles in British Columbia and in Oregon and in Washington. We will also give you the names of the mills. It will be no general proposition. We will give you the names of every shingle mill we can cover, so that you will know where they come from, and you can then go back and check us up.

Senator McCUMBER. The main trouble now is due to labor and transportation?

Mr. CASE. Yes, sir.

Senator McCUMBER. And the labor in the cost of transportation is responsible for the high transportation costs?

Senator WALSH. Does not labor cost the same, whether lumber comes from British Columbia or from Oregon to the East?

Mr. CASE. To a certain extent the transportation cost is the same. When shingles are shipped from Vancouver to Montreal and down into Massachusetts—the State that you are from, Senator Walsh—the cost to the Canadian manufacturer is less than it is to the American manufacturer, because they ship them by the way of Montreal, and there is no war tax charge, only from the United States to the line, and the excess war tax would only apply from the border. That applies to the Eastern States. Also they ship them as far as they can on the Canadian roads.

Senator WALSH. Is not the Canadian shingle sold at a higher price in America than the Oregon and Washington shingle is sold for in the East?

Mr. CASE. That is true and it is not true. There are some American manufacturers that get as much for shingles as the Canadians, and some Canadians sell shingles as cheaply as the Americans.

Senator WALSH. Is not the Canadian cedar shingle of a higher quality; does it not, therefore, receive a higher price, and does it not actually compete with the Oregon or Washington shingle?

Mr. CASE. No, sir.

Senator WALSH. Well, there are some Canadian shingles that sell for a higher price in the eastern market than the Oregon shingles.

Mr. CASE. Possibly a very few.

Senator WALSH. The Canadian shingles do undersell you?

Mr. CASE. In some cases.

Senator WALSH. Why is it that their importation has been so small compared with the total consumption, if they undersell you?

Mr. CASE. Their importation has increased very rapidly; that is, they have built mills up there and increased something like 300 or 400 per cent since the tariff was taken off.

Senator WALSH. What was the total consumption of shingles in America last year?

Mr. CASE. I can not tell you that right offhand. The importation from Canada was about 11,000,000.

Senator WALSH. What was the total production?

Mr. CASE. I can not tell you offhand what the total production was last year.

Senator WALSH. I have been reading the record here of the Fourth Annual Red Cedar Congress. I believe you attended that congress?

Mr. CASE. Yes, sir.

Senator WALSH. What was the date of that congress?

Mr. CASE. December, 1920, or January, 1921, was it not?

Senator WALSH. The date is not given here.

Mr. CASE. I think it was December, 1920.

Senator WALSH. At this convention a resolution was presented in favor of a tariff upon cedar shingles?

Mr. CASE. Yes, sir.

Senator WALSH. And I take it that out of courtesy to some of the Canadian producers who were present the resolution was not pressed?

Mr. CASE. No, sir.

Senator WALSH. But I notice in the minutes before that when the matter was under discussion Mr. Sanders, who evidently is a Canadian manufacturer, made these assertions, which I do not find answered: "The only thing I ought to consider well before you pass that resolution is whether you have a ghost of a show of accomplishing anything by passing such a resolution through this congress. You have to prove, of course, to make it possible for you to get protection, that the thing that you want that protection against is underselling you or else you have no sympathy at all. If you could get this through I would not blame you at all for going after it, but if you can not get it through in your own minds or you think there is a possibility you can not get it, would it not be better for harmony and dealing together to kill that resolution, because you would have to have the support of the Canadian manufacturers," etc.

Senator WATSON. What is that from which you are reading?

Senator WALSH. I am reading from the minutes of this convention.

Mr. CASE. Would you like to have me explain that?

Senator WALSH. No. I think that while you expressed yourself in favor of a tariff, you thought under the circumstances it should not be pressed, and the resolution was defeated?

Mr. CASE. I would like to explain that.

Senator WALSH. I want to ask you why this statement made by him was not answered in this discussion, "That thing that you want that protection against is underselling you or else you have no sympathy

thy at all." In other words, I find through an argument here he claims that they are overselling you in America, and not underselling you. Now, is that the fact?

Mr. CASE. As I said before, in some cases they are and in some cases they are not. The reason that that was not answered was this. We have a shingle association, whose minutes you have read, that was formed for the purpose of advertising and increasing the sale of cedar shingles, and for the betterment and inspection, both of shingles in Canada and the United States; and on account of those gentlemen being part of the association, we did not think it was the proper time to discuss these things. Therefore, Mr. Sanders was not answered.

Senator SMOOT. Mr. Case, can you tell me why the increase of importations in shingles for the year ending June 30, 1920, was greater than the importations for the year before or the following year?

Mr. CASE. Last year?

Senator SMOOT. Well, for the year ending June 30, 1919, there were imported into this country shingles to the amount of \$5,863,927; but for the year ending June 30, 1920, there were imported into this country shingles to the amount of \$12,593,760. For the year ending June 30, 1921, there was \$7,444,319. Why were the importations for the year 1920 greater than those for the year preceding or those for the following year?

Mr. CASE. The comparison that you have mentioned would be for the years 1919, 1920, and 1921.

Senator SMOOT. Yes.

Senator WALSH. I have some figures, Senator Smoot. I wonder if they correspond with yours. I would like to ask the witness.

Senator SMOOT. These are the official figures from the department.

Senator WALSH. Do they show that the number of cedar shingles imported from Canada was \$14,000,000 worth?

Senator SMOOT. No.

Senator WALSH. And the number of shingles produced in Oregon and Washington were 700,000,000 and importations only 14,000,000?

Senator McCUMBER. Seven hundred million what?

Senator WALSH. Shingles.

That is 700,000,000 against 14,000,000 from Canada. Can those figures be explained, Mr. Case?

Mr. CASE. I did not get that. We are getting into pretty big figures.

Senator SMOOT. I stated the prices, Senator Walsh. I imagine you are giving the number of shingles that were manufactured.

Senator WALSH. The question I have here is how many million feet of cedar logs were utilized in 1920 by all Oregon and Washington manufacturers, and the answer is 700,000,000. The next question is how many were imported in 1920 from British Columbia, and the answer is 14,000,000.

Senator McCUMBER. Those are the logs and not the shingles.

Senator WALSH. Yes; those are the logs. I thought they were shingles. Of course, the same proportion would be true as to shingles.

Mr. CASE. I could not answer that question. I have never seen that statement there.

Senator DILLINGHAM. Can you answer Senator Smoot's question?

Mr. CASE. Yes, sir.

Senator DILLINGHAM. Let us have that answer. I am interested in it.

Mr. CASE. There are two features that go into that. During the time of the war, with which you are all familiar, this country—

Senator SMOOT. This is not during war times.

Mr. CASE. Well, this will lead up to it. On the Pacific coast they got out a great deal of spruce, as you know, and they required us to quit our operations in cedar to put in spruce. To qualify that I will say I am in a little different position from some of the witnesses here, inasmuch as we log our own timber and have our own organization and manufacture it; that is, our cedar entirely and some spruce and fir. The Government asked us to discontinue all of our cedar operations and go into spruce, which we did. That left us, when we came into 1919, with all our operations in spruce and fir and necessitated our cleaning up our fir and spruce camps, principally our spruce camps, before we went into cedar again. There was a scarcity of cedar, therefore, that was produced in the United States.

The same condition prevailed, to a certain extent, in British Columbia. But they have a greater percentage of cedar; that is, their forest has a greater percentage of cedar, as ours is distributed among spruce and fir. That made a scarcity of cedar and our mills did not all run. During the war I had four mills and I operated one of them to take care of a few customers. The rest of the mills were closed down because we did not have timber with which to operate them and the Government would not let us log it. The British Columbia mills were favored more and were able to run more.

In 1920, at the time of which I speak, we were unable to get cars to ship our stuff from the American mills. Unfortunately for me, I carried 33,000,000 shingles through the period from the time they were worth \$7 to \$8 a thousand down to the time they sold for \$2.50 to \$4 a thousand.

The Canadians with a treaty agreement that they had with the Great Northern Railroad when they went into Canada were able to secure more cars than the American mills could secure. In fact, they hauled empty cars by the American mills and brought them back loaded from Canada at a time when there was a chance to make more money in the shingle business than at any other time in the history of that business.

Senator WALSH. Do you say there is a treaty between the Great Northern Railroad and the Canadian Government?

Mr. CASE. I say there was an understanding that they were to furnish all cars that the Canadians wanted when they built the road in there.

Senator WALSH. On that very point, this memorandum which I have before me states that 9 per cent only of the shingles moved east on the Great Northern Railroad from July, 1919, to December, 1920, came from British Columbia, according to the statistics of the Interstate Commerce Commission.

Mr. CASE. Well, I could not say anything about the percentage. I know that what I say is true, that they hauled empty cars by the American mills that were closed down for lack of cars and loaded them and brought them back from the Canadian mills. I do not know anything about your report, but that much I know is true and will be able to verify it. Those are two reasons why there were greater

importations in the month of June, 1920, than there were in any other previous month or in either one of the other years, 1919 or 1921.

Senator WATSON. The Tariff Commission in speaking of this question says: "Canadian shingles have had a better reputation for quality than the American, which, to reduce freight costs, have been kiln-dried until the life is baked out of them." Is that true?

Mr. CASE. That is true of both. The Canadians are not above reproach, as far as drying shingles is concerned, to get underweight, and there are any amount of mills on the Pacific coast trying to cut their shingles to conform with the price they are getting for them, because they can not get enough to pay the cost of manufacture.

Since you have brought up this subject of drying and quality, I will say that I traveled 10,000 miles this spring and visited yards from Springfield, Mass., to the far West. I found among shingles coming from Canadian mills that were manufactured and branded as "perfects"—that is, supposed to be 16 inches long and 5 to 2 when dried—there was not a 16-inch shingle among them; there was not a shingle over 15½ inches long; there was not a shingle that was 5 to 2 among them.

I am just giving you this statement to show you that there are just as poor shingles made in Canada as there are in the United States. These shingles were shipped here and hundreds of cars of them were refused in this country.

Senator WATSON. In other words, you do not deny that poor shingles are made in the United States, but you say there are just as poor made in Canada?

Mr. CASE. We have put on shingle inspection in an effort to weed out the poor shingle. I am probably the oldest shingle manufacturer on the Pacific coast, and I was the first man that ever made a high-grade shingle on the Pacific coast to ship to the Eastern States. And when I talk to you about high-grade or low-grade shingles I know what I am talking about. I continually fought with the other shingle mills to get them to make better shingles, and we are making them better, although some of them are trying to make shingles to compare with the price.

Senator WATSON. The Tariff Commission states that conditions with respect to quality have been improved through the activities of the shingle branch of the West Coast Lumbermen's Association.

Senator McCUMBER. Let me see if I understand you. You say that in order to reduce the freight in the drying they are dried to such an extent or so rapidly as to get the water out of them and that that injures the shingles?

Mr. CASE. There are some of them that do that, but not all of them.

Senator McCUMBER. The kiln-drying, then, is liable to injure the shingle itself?

Mr. CASE. Yes; to a certain extent. We are shipping a great many by water to-day to New York, green.

Senator McCUMBER. When you made the statement about these Canadian shingles being both narrower and shorter than the standard, you meant to say that that was brought about by the kiln-drying?

Mr. CASE. No, sir. It did not take as much timber to make them, or they did not weigh as much. You take an inch off a 16-inch

shingle and you know what you have. When you cut off 1 inch you have cut off quite a bit in weight, and some of them are trying to get their cost out by cutting down on the timber and also on the weight. I never saw a shingle coming from the United States that was cut that way. But I have seen a good many cars that came from Canada. Probably there are American manufacturers that went up there that could not make them down here.

Senator WALSH. There is another line of inquiry that I want to take up for the record. Possibly it has been already covered; and if so, I shall not pursue it. To what extent have roofing substitutes affected the roofing business?

Mr. CASE. I could not tell you just exactly, but it has been to quite an extent.

Senator WALSH. The only fact I noticed that impressed me more than anything else in a recent visit to my home was the extent to which people were using substitutes for shingles. I do not know of anything that impressed me so much in the several houses that I saw under construction. It has affected the business pretty generally throughout the country, has it not?

Mr. CASE. It has to a certain extent, although the demand for shingles has continued good. There has been a great increase in building since the shingle industry started on the coast.

Senator WALSH. The extent to which they are using these substitutes must affect the business.

Mr. CASE. It undoubtedly does affect the business.

Senator WATSON. The Tariff Commission reports that substitutes have affected the consumption of lumber 20 per cent.

Senator McCUMBER. Let me ask you one or two questions directly in point, Mr. Case. Are you operating your mills now?

Mr. CASE. At half time.

Senator McCUMBER. And at a loss?

Mr. CASE. At a loss; yes, sir.

Senator McCUMBER. Are the Canadian mills operating the same way?

Mr. CASE. The Canadian mills, sir, are operating on full time and some of them double time.

Senator McCUMBER. And they are importing now?

Mr. CASE. They sell 80 per cent of their shingles in the United States.

Senator McCUMBER. Then how is the shingle business generally throughout the State of Oregon; are the mills running at full capacity?

Mr. CASE. At least 50 per cent of the mills in the State of Oregon and Washington are shut down.

Senator McCUMBER. And the other 50 per cent are running at capacity?

Mr. CASE. The other 50 per cent are running anywhere from half to full capacity.

Senator McCUMBER. That is evident, in the general aspect, that the Canadians are able to compete now and run their mills at full capacity as against running ours at about half capacity and half of the others running 20 to 50 per cent?

Mr. CASE. Yes, sir.

Senator SMOOT. If you were running full time and producing shingles as cheaply as it is possible to produce them, could you not drive out the Canadian importations?

Mr. CASE. No; we would not drive them out at 50 cents duty.

Senator SMOOT. Then you are not satisfied with 50 per cent?

Mr. CASE. I think that the committee that asked for a duty of 60 cents was very moderate in their request. You take a Royal shingle to-day, the rate of exchange into the United States is \$1 a thousand; on a Perfection, the rate of exchange into the United States is 41 cents; on a Perfect the rate of exchange that they save over our money here is 30 cents a thousand. I think they are mighty liberal when they suggest 60 cents. I will give you a little information—that is, I have never seen it: The cost of timber in this country and the carrying charges, part of which is necessitated by our high taxation that we are going to have here and which it is necessary for us to have for a good many years—in Pacific and Grays Harbor counties that I operate in, stumpage is worth from \$3 to \$4 a thousand. Some of this has been held by the men who have owned it for as long as 30 or 40 years at a price of \$3 to \$4 a thousand, which is not unreasonable for the carrying cost, considering that they have been paying taxes 30 or 40 years. A section of that timber costs us on the average about \$100,000; it is a heavy stand of timber; it is an old-growth timber; it is timber that is ripe and that should be cut. You take at a low rate of interest on \$100,000 for a section of timber, and it will cost you \$6,000. The taxes on that timber runs from \$1,000 to \$1,200 a section a year, making a carrying cost for a section of timber in our country there of over \$7,000 a year.

I will take you over to British Columbia, and show you Crown-grant land, and I am giving you these figures so that you may see the difference in our carrying costs and see that it costs us more in our country. The Crown-grant land costs a little over \$147 a year to carry a section of timber in British Columbia. The licensed land is the same; that is, the carrying costs are about the same. The Crown-grant timber can be exported and the licensed land timber can not. So that we have in our country here \$7,000 carrying costs, and the actual carrying costs are taxes, fire prevention, interest, etc., amounting to 25 cents a thousand. On the Crown-grant lands in British Columbia you pay about \$150 per year per section until you begin cutting, and the Government carries it, and there are not any other taxes on it at all; it costs us 25 cents a thousand. If you carry this timber in the United States two years, we have absorbed the entire cost of the British Columbia timber to the manufacturers, so far as stumpage is concerned.

The licensed land is not handled as the Crown grant, because on that the price fluctuates according to the price of lumber at the time the timber is cut. To-day it is 85 cents. Consequently, it will take a little over three years carrying costs in the United States on 1,000 feet of timber to cover the entire costs of licensed timber in British Columbia. There is handicap enough.

I say that the committee that came here and asked for 60 cents was mighty moderate, and if they had asked for \$1 they would have asked for something reasonable. But we are not going to try to go back and change it. You have 50 cents written in the Fordney bill, and

we are going to try to keep it there. We will file a brief showing these things and giving you in every detail the cost of carrying timber, as that is something I have never seen touched on in this tariff proposition, and that is one thing I wanted particularly to call your attention to.

Another thing I desire to bring before you is the railroad problem.

Our railroads in this country are not getting any too much business. As I came across here I found thousands and thousands of cars standing on the siding empty. To-day British Columbia is shipping 80 per cent of all the shingles that they cut, and our mills are standing still, and our railroads are lying still and they need the revenue, and the Government is providing money for the revenue while we are turning this over to the Canadian roads to help take care of them.

Senator WALSH. You brought Mr. Jamison here as a witness?

Mr. CASE. We have a man here who has operated in both places; but along that line—

Senator WALSH. I do not care to bring out anything further. I simply wanted to know if there was a man here who had operated in both places.

Mr. CASE. We have men who own mills in British Columbia and who are operating mills both in British Columbia and Washington—I would say who own mills in British Columbia and Washington, but his Washington mills have not turned a wheel, and he is operating in British Columbia double time. You can draw your own conclusions as to whether it is better to operate in British Columbia or here? We have a man here who is a timber owner in British Columbia but not an operator there.

Senator McCUMBER. Mr. Johnson, I believe that closes your testimony.

Representative JOHNSON. Mr. McMasters is here with a list of answers to a questionnaire which was sent to all of these shingle manufacturers. From what has appeared you all can see that the opposition seems to come from those who have invested American capital since the passage of the Underwood bill in British Columbia land grants with timber.

Senator McCUMBER. What do you mean by "questionnaire"?

Representative JOHNSON. The shingle manufacturers sent a questionnaire around to the shingle mills in Oregon and Washington, and the answers show that 90 per cent of all those men favor a tariff on shingles. The exceptions, in most cases, are citizens of the United States with investments over in British Columbia who would have free trade in shingles.

Senator McCUMBER. Mr. McMasters, you desire simply to file a brief?

**STATEMENT OF W. C. McMASTERS, VICE PRESIDENT OF THE
McMASTERS SHINGLE CO., KENMORE, WASH.**

Mr. McMASTERS. Our concern personally took this referendum of the Washington and Oregon shingles mills, and I have a sample of a postal card we sent out, with the returns. I have been checking those over and find there are only a very few mills, except those American mills interested both in British Columbia and Washington,

who have not signed the cards returned saying they are in favor of 50 cents as found in the Fordney bill.

I would just like to answer one question of Senator Walsh: We personally have a representative selling shingles in Boston whom the Senator probably knows, and if he is called you will find a comparison of our prices against British Columbia shingles. We have on file many letters from them stating they can not send us business because the British Columbia mills undersell us.

REED AND RATTAN.

[Paragraph 411.]

STATEMENT OF CHARLES H. DEMAREST, REPRESENTING RATTAN AND REED IMPORTERS' ASSOCIATION, NEW YORK CITY.

Mr. DEMAREST. I represent the Rattan and Reed Importers' Association and also the American Brush Manufacturing Association of Philadelphia and the Importers' Association of New York.

I myself am an importer of reed and rattan. This refers to schedule 411 in the Fordney bill. Rattan is a raw material from which reed is made, and all rattan comes from the Far East, from the Dutch East Indies and other settlements in the Far East. It is shipped from there to China, to Germany, and to America, and used for a great many different purposes in addition to the manufacturing of reeds.

Rattan has always been on the free list for many years past and under paragraph 648 in the present tariff bill, and reeds unmanufactured have always been on the free list. The manufactured reed we know as a chair reed. Under paragraph 173 in the present tariff bill it now is paying a duty of 10 per cent. Reed manufactured is made in Germany by machines and made in America by machines from this raw rattan, and I might add that recently it has been manufactured in China by American machines which have been sent over there.

Reed unmanufactured is of a different quality entirely, a different article you might say. It is a waste material.

The Chinese take this rattan and slice it off by hand with a knife, and from what is left they pull it through a crude instrument, having a flat knife, by hand, and the product is a very cheap, inferior material; and this material has always been free, is known as a crude material, and has been so decided by the Customs Court of Appeals in upholding the tariff under paragraph 648.

It is used by broom, brush, and basket manufacturers, whom I represent. This material sells to-day in the market at 9 cents a pound. It cost us landed at New York to-day approximately 7 cents per pound.

In large quantities we sell it at 7½ to 8 cents. The machine-made reed which I have described previously is used in the manufacturing of chairs mainly and sells from 25 to 35 cents and up to 60 cents a pound, and even higher for small sizes. You see, it is made in different sizes. This is the size that is used generally for chairs for weaving [exhibiting sample to the committee].

Senator WALSH. Do the chair manufacturers manufacture that reed themselves?

Mr. DEMAREST. They do. They make it here of rattan. There are about 10 manufacturers in this country. These 10 manufacturers make this reed mainly for their own use.

Senator WALSH. The most of them are in my State, are they not?

Mr. DEMAREST. The Hayward Bros. & Wakefield Co. are the largest in the manufacture of these for their own use, and all during these years they had very little to sell to outside small chair or furniture manufacturers or for any other industry.

I want to describe to you a little difference. In making this reed by hand the Chinese select a better grade than this, more round, which is used for chairs as well, which is used for baskets and other uses, and call it an extra selected or selected reed. That reed sells in the market to-day at from 15 to 25 cents a pound. It is also a hand-cut reed, and the Customs Court of Appeals has said that as this is not used for chairs it is free. It is a crude material, used for other purposes than chairs, for baby carriages, and other things. But they made a clear distinction, because the tariff says "chair reeds," under paragraph 173.

Senator SIMMONS. It is the same reed?

Mr. DEMAREST. It is the same reed. But it is mainly used for other purposes than chairs. A small proportion of this is selected out, that is of a better quality, that we do bring in and sell to a lot of small people who can not afford to pay a price that manufacturers like the Hayward Bros. & Wakefield Co. will not give them. They naturally want to protect their own trade and for their furniture—we do not deny that—that they have never had enough reed for the smaller people, of which there are hundreds and hundreds.

Senator SIMMONS. Is it produced in this country?

Mr. DEMAREST. It is not produced here. There is no hand-cut reed produced here. It is a crude material and employs a great many Chinese in cutting it by hand.

Senator DILLINGHAM. Are either of these varieties used in the manufacture of brushes?

Mr. DEMAREST. Yes; what we call the cheapest common reed is used for brooms and brushes.

Senator SMOOT. In the wording of the bill under consideration, what is the distinction you speak of?

Mr. DEMAREST. The present bill—the Fordney bill—does make a distinction. It says in the Fordney bill—you will notice a very peculiar paragraph—

Senator SMOOT. In the Underwood bill, also in the Payne-Aldrich bill, there was a distinction you speak of, but I do not see that there is any in the Fordney bill.

Mr. DEMAREST. Yes, Senator; there is a distinction, and that is just what I am here for to protest against mainly for the broom and brush manufacturers. That distinction is this: They say in their bill, for the purpose of assessing duties, hand-made reed or cane shall be held to be comparable in value to machine-cut reed or cane of corresponding sizes. That is dangerous; that is a bad clause.

Senator SMOOT. I think that clause was put in there from the wording here that you complain of in two other bills.

Mr. DEMAREST. It does not get away from what we object to. It is a restricted tariff on the broom manufacturers. Here is reed as low as 7½ to 8 cents a pound—say, 7 cents it cost us. Twenty per cent based

on the value of machine-cut reed of comparable size which the broom manufacturers use would make the duty 12 cents a pound on 7-cent reed, and therefore restrict the broom manufacturers from using it. In other words, there would be 150 per cent duty according to that clause assessed on reed, hand made.

Senator WATSON. You do not understand that this puts any duty on the raw reed or rattan manufactured?

Mr. DEMAREST. I understand it puts a duty on this unmanufactured reed. There is no other clause providing for it. They have taken it out entirely from the free list, where it has always been.

Senator SMOOT. What you want is a lower rate, if any rate at all, on that used in brushes and brooms. This, however, places, as you say, a duty upon all of them, and does away with the discrimination which is provided in the Underwood and Payne-Aldrich bills. What you complain of is this cheap reed; you think it ought to be on the free list?

Mr. DEMAREST. I certainly do; the same as rattan.

Senator SMOOT. Then there would have to be—

Mr. DEMAREST (interposing). That clause should be stricken out and it should be put in the free list with rattan and split bamboo.

Senator WALSH. How do you make the distinction?

Mr. DEMAREST. The hand-cut reed is imported as hand-cut reed of either three qualities. During this year there has been very little imported of the best grades of these reeds. It is used mainly now for brooms.

Senator WALSH. I suppose the hand-cut is of different qualities, leading up to almost as good reed as the manufactured.

Mr. DEMAREST. No; not as good quality. The manufacturers used it during the war. It was the salvation of the American factories and the industry of chair making and basket making grew enormously. There were small firms all over the country. We have a large list of customers who depended absolutely on this hand-cut reed during the war, and they could not get it from Germany. American manufacturers were selfish enough to use it for themselves, naturally. Why should they not? It was perfectly proper, but we came and imported quite a quantity of this China reed and distributed it around the country and kept that industry working.

Senator SMOOT. You are complaining, then, of the 20 per cent ad valorem on the reed bought and manufactured?

Mr. DEMAREST. We think that under the American valuation that rate is too high.

Senator SMOOT. What are you selling the best grade of hand-cut reed for?

Mr. DEMAREST. From 15 to 25 cents a pound for the best grade of the hand-cut reed.

Senator LA FOLLETTE. What would the rate be under the American valuation?

Mr. DEMAREST. The American reeds are selling anywhere from 60 to 70 cents a pound, and if they are valued at that the rate would be 12 cents a pound duty on an inferior reed.

Senator SMOOT. State just what you want. You want a specific duty?

Mr. DEMAREST. We want a specific duty on the better qualities.

Senator SMOOT. And less than 20 per cent on the cost value?

Mr. DEMAREST. And less than 20 per cent on the cost value.

Senator SMOOT. If you put a specific duty on, then will come directly to the other dilemma of imposing a specific duty on the low-priced reed in comparison with the higher priced.

Mr. DEMAREST. But you can specify on the two better grades.

Senator SMOOT. I am saying if you take out the cheaper reed and put it on the free list, then what percentage do you want here ad valorem—because that is the proper way to have it.

Mr. DEMAREST. Ten per cent, the same as it was before.

Senator CURTIS. There was very little imported dutiable came in?

Mr. DEMAREST. \$170,000. It has been cut down since the war.

Senator CURTIS. Then it was a matter of revenue.

Mr. DEMAREST. It looks to me as if it was for revenue, but there must be another reason there.

Senator CURTIS. When it was free, rattan went up to \$3,000,000.

Mr. DEMAREST. Rattan is a very large article, if they wanted revenue; why not put a specific duty on rattan? As you say, a 2-cent specific duty on rattan would bring the revenue. I am not advocating that, however.

Senator SMOOT. Take it from the free list and put it where you have it, where you have asked.

Mr. DEMAREST. Reeds unmanufactured ought to stay there on the free list, and split bamboo is there, which is another article for brooms, an article which costs 3 cents, and they put on it 2 cents a pound duty, in the Fordney bill, and it has always been free. It is a broom-maker's material.

You gentlemen were speaking about watches while I have been here. A wrist watch and a 17-jeweled watch. It is just as wrong to put value on a wrist watch as a 17-jewel watch, and place a duty on that as it is on this raw material calling it something else, calling it a machine reed for dutiable purposes.

Senator DILLINGHAM. While we are speaking about that, what class of brushes are manufactured from reeds?

Mr. DEMAREST. We make these push brooms and street brooms, and they fill the corn broom with these, in the center. I might cite an instance why the American manufacturers do not need protection on this material. Here is a card from Hayward Brothers & Wakefield Co., received recently, offering the waste material from the rattans that they cut at 5 cents a pound for broom purposes, so that if the broom manufacturers wanted to use this they could do it. They do not need the protection. Our material sells to-day under the most reduced price at 7 cents per pound. It was selling up as high as 20 to 25 cents for the cheapest material. So that the manufacturer does not need protection on any material he makes into brooms. It is waste.

Senator SMOOT. Supposing we imposed a duty of 2 cents a pound on rattan for revenue purposes, what effect would that have upon the manufactured and wrought rattans?

Mr. DEMAREST. I think there will be other people here who will speak on the question. I am not interested as a manufacturer of rattan.

Senator SMOOT. That is what I wanted to find out.

BRIEF OF CHARLES H. DEMAREST, REPRESENTING THE RATTAN AND REED IMPORTERS' ASSOCIATION, NEW YORK CITY.

This brief refers to Fordney tariff, Schedule 4, paragraph 411, and free list, Schedule 15, paragraph 1683. Unmanufactured hand-cut reeds have always been classed "free of duty."

This is a raw material imported from China, mainly for use in brooms and baskets, and the better selections for cheap chairs, furniture, and baby carriages, and wicker goods of all kinds.

This article is not made here by hand and is not grown here, therefore, I submit, should be free of duty, as it does not interfere in any way with the sale of domestic reed.

Paragraph 411 would assess duty on this low grade of reed on the same value as other reed made here by machinery, by a few very large manufacturers, causing the duty to run (instead of 20 per cent as intended) not less than 150 per cent; as American-made reed in small sizes would be worth 60 cents per pound, against a value on broom or basket reed of 7 cents per pound, making the duty 12 cents per pound on a 7-cent article.

There are other grades of hand-cut reed which are known as selected and extra selected. The same inconsistency in a lesser degree would apply to the levying of duty on the same basis of value on these other grades.

We respectfully submit that this is a raw material, the same as rattan, and should be inserted in paragraph 1683, as it is used mainly in the manufacture of brooms, baskets, furniture, baby carriages, etc., as is rattan, which is used for the same and other purposes, and that a duty which would certainly exclude importation should not be placed on this article.

We submit in paragraph 411 that the words "For the purpose of assessing duties hand-made reed, or cane, shall be held to be comparable in value to machine-cut reed, or cane, of corresponding sizes," be omitted, as it is a most aggravating clause.

Also, "split bamboo, 2 cents per pound," be omitted, and that in paragraph 1683 be inserted "Split bamboo, and hand-cut reed, unmanufactured, for brooms, brushes, baskets, etc., free," as it is free under paragraph 648, act of 1913.

There is another article known as machine-cut reed, imported from Germany and China, which compares in value with machine-cut reed made in America by a few American manufacturers only, mainly for their own use.

Most manufacturers depend on imported reed for their supply, as enough reed has never been produced in this country to supply the very large demand for the various purposes, therefore, recommend that a competitive duty be assessed, not over 10 per cent ad valorem on all machine-made reed, same as present tariff schedule D, paragraph 173. If the Government needs revenue, a 10 per cent duty ad valorem, or a specific duty of 2 cents per pound, be placed on rattan, which is also a raw material, and is on the free list under the present and previous tariffs.

STATEMENT OF WILLIAM S. FERRIS, REPRESENTING THE SIDWAY MERCANTILE CO., ELKHART, IND.

Senator SMOOT. You want to speak on paragraph 411?

Mr. FERRIS. Yes; paragraph 411.

I represent the Sidway Mercantile Co., of Elkhart, Ind., manufacturers of baby carriages and reed furniture. With your permission, I will speak for manufacturers who were here on last Friday and Saturday but who were not able to remain over.

Senator SMOOT. Do you also speak for William A. Ryan?

Mr. FERRIS. No, sir. I speak for Mr. Bloch and for other manufacturers whose names are appended to the brief which I will hand to you in a moment.

We believe, in the first place, in the principle of a protective tariff, and we believe in establishing a rate of duty on reed which will represent the difference between the labor cost of production in China and in the United States.

The present duty on reed under the Payne-Aldrich bill is 10 per cent. The measure under consideration proposes to impose a rate of duty of 20 per cent.

Senator SMOOT. You want 10 per cent?

Mr. FERRIS. We want 10 per cent. You have been advised by witnesses who preceded me that reed is cut from rattan and that no rattan is grown in the United States.

Senator SMOOT. Would you have any objection if we put rattan on the dutiable list?

Mr. FERRIS. Not at all, if you want rattan on the dutiable list, but we would suggest that the rate on rattan be 10 per cent if 20 per is imposed on reed—

Senator SMOOT (interposing). Do you want a proviso here saying that for the purpose of assessing duties, hand-made reed or cane shall be held to be comparable in value to machine-cut reeds or cane of corresponding size?

Mr. FERRIS. We think that is unfair, because hand-made reeds are of much less value than machine-cut reeds.

Senator SMOOT. In other words, you would prefer to agree to a 2-cent rate, or whatever rate it is desired to put upon rattan?

Mr. FERRIS. We are perfectly willing to pay an ad valorem rate on hand-cut reed.

Reed is an absolutely essential material for the manufacture of baby carriages and reed furniture. No substitute material of equal value can be found.

No other single item of material entering into the cost of baby carriages and reed furniture that equals in value the reed used.

The baby-carriage manufacturers in the United States have a capital investment of approximately \$15,000,000.

They employ, under normal conditions, about 8,000 operatives.

There are upward of 100 manufacturers of furniture, by whom reed and winding cane are used. These manufacturers have an investment of about \$40,000,000 and employ normally 27,000 operatives.

Senator SMOOT. What is the China hand-cut reed worth per pound to-day?

Mr. FERRIS. From 15 to 25 cents per pound.

There are about 10 American cutters of reed, only four of whom, I understand, cut reed in any large quantities. I am advised by what seems to be dependable authority, that they have invested in that industry approximately \$3,000,000 and employ not over 600 operatives.

Reed is, as I think I have said, an absolutely essential material in the manufacture of baby carriages. There is no single item of material entering into the manufacture of baby carriages and reed furniture that can be used as a substitute.

Senator SMOOT. What is the percentage of labor cost?

Mr. FERRIS. As compared with the material cost?

Senator SMOOT. What percentage of the total cost of the baby carriage is labor cost?

Mr. FERRIS. About 35 per cent, I think. I think that would cover it.

You understand, of course, that there is no hand-cut reed made in the United States. The machines used for the purpose of cutting it are largely manufactured by one single manufacturer, and he, I am advised, has supplied a large proportion of the machines used in China as well.

That manufacturer tells me that one machine will produce in nine hours 334 pounds of reed, in sizes from 4 to 6 millimeters. Granting that the operator receives 50 cents an hour, which is high, the labor cost is less than 1.5 cents per pound.

Senator SMOOT. That is cutting alone.

Mr. FERRIS. Then there is the handling charge of perhaps half a cent a pound. Mr. Demarest said to you that the cost of Chinese reed varies from 15 to 25 cents per pound. A 10 per cent ad valorem rate—the rate under the Payne-Aldrich bill—applied to that amounts to as much as or more than the entire labor cost of producing the reed in the United States.

As I said to you a moment ago, we appeal to you most earnestly to keep the rate at 10 per cent, or, as it now appears in the Payne-Aldrich bill, and not to raise the rate to 20 per cent.

Of these 10 American manufacturers to whom I referred a moment ago, 4 of them are American manufacturers of reed furniture, that is to say, they are producing furniture and baby carriages, and 2 of them are large operators. If this rate is increased to 20 per cent, it will give them a distinct advantage in the cost of the largest item of material over our manufacturers who are buying the imported reed. There are 4 of them; there are 130 of us. This increase would give them a distinct advantage over us. It would give them an advantage which it will be very hard for us to overcome. It means that this amount will have to be taken out of the present profits of the manufacturers, or passed on to the consumer, and when the overhead is added, it is quite a burden by the time the article reaches the consumer.

Senator LA FOLLETTE. About what per cent does the burden, or the overhead, bear to the entire cost?

Mr. FERRIS. On the material or reed?

Senator LA FOLLETTE. I mean the reed.

Mr. FERRIS. Between 45 and 50 per cent. In other words, you are trying to arrive at what is profit?

Senator LA FOLLETTE. No, not yet; I was trying to find out just how badly you would be affected by those two or three factories having this advantage on the materials. Now, what percentage of the cost of the baby carriage is the reed?

Mr. FERRIS. May I answer that in a different way? If we take the Chinese reed at 20 cents a pound to-day and apply the 10 per cent ad valorem, the duty would be 2 cents a pound. If you apply the American valuation and the proposed 20 per cent rate of duty to that same quality of reed, which would sell in this country at 40 cents, the duty would be 8 cents, or an increase of 6 cents. It takes about 7.5 pounds to make a baby carriage that will sell around \$18.

Senator SMOOT. Do they charge 100 per cent more when they sell reed in this country than if it is the Chinese reed?

Mr. FERRIS. The American price is very much higher than the Chinese price.

Senator SMOOT. You said 100 per cent.

Mr. FERRIS. Pardon me. I do not follow your question.

Senator SMOOT. Your illustration was 20 cents for Chinese reed and 40 cents for American. That is 100 per cent. Is there that difference?

Mr. FERRIS. There is that difference. The increase in the cost of this item of raw material would be 45 cents for this baby carriage. It sells for \$18. What we are asking for is that the rate be continued at 10 per cent.

Senator LA FOLLETTE. You stated at the outset that you thought the duty should be based upon the difference between the cost of production—

Mr. FERRIS (interposing). The labor cost.

Senator LA FOLLETTE. Yes; the difference in the labor costs.

Mr. FERRIS. Yes; to protect the American workman.

Senator LA FOLLETTE. Now, in order that we may get at the difference in the cost of labor in the manufacture of baby carriages, will you file a statement of just what proportion of the total cost is direct labor? You would not claim it is as high as 45 per cent, of course, or anything like it, because a large part of the work of getting out baby carriages is accomplished by machinery. Isn't that true?

Mr. FERRIS. This reed is all woven by hand, Senator La Follette.

Senator LA FOLLETTE. I understand 7.5 pounds of reed is woven by hand.

Mr. FERRIS. Yes.

Senator LA FOLLETTE. How long does that operation take?

Mr. FERRIS. That is according to the design and the pattern.

Senator LA FOLLETTE. Of course that would be true, but I am asking for the average time.

Mr. FERRIS. From two to eight hours.

Senator LA FOLLETTE. What are you paying your common labor? You employ some common labor, do you not?

Mr. FERRIS. Yes. We pay 30 cents an hour—25 or 30 cents an hour.

Senator LA FOLLETTE. Well, which is it?

Mr. FERRIS. It varies according to the class of work. The average would be 30 cents.

Senator LA FOLLETTE. That is the average of all the labor?

Mr. FERRIS. The average for common labor.

Senator LA FOLLETTE. What proportion of your pay roll is common labor?

Mr. FERRIS. Thirty per cent.

Senator LA FOLLETTE. About 30 per cent?

Mr. FERRIS. About 30 per cent; yes, sir.

Senator LA FOLLETTE. You are speaking now in numbers or costs?

Mr. FERRIS. In numbers.

Senator LA FOLLETTE. What percentage of your total labor cost is common labor?

Mr. FERRIS. Twenty per cent of the total labor cost.

Senator LA FOLLETTE. Do you call weaving common labor?

Mr. FERRIS. We do not.

Senator LA FOLLETTE. What part of the labor that enters into the making of baby carriages is common labor? What do they do?

Mr. FERRIS. The handling of the material.

Senator LA FOLLETTE. The sorting, you mean?

Mr. FERRIS. Sorting, handling, trucking, and items of that kind.

Senator LA FOLLETTE. I think I have your address, have I not?

Mr. FERRIS. Elkhart, Ind., is my address. Are there any other questions?

Senator SMOOT. No; thank you.

BRIEF OF WILLIAM S. FERRIS, REPRESENTING THE SIDWAY MERCANTILE CO.,
ELKHART, IND.

This brief, subscribed to by the manufacturers of baby carriages and furniture in which reed and winding cane is used—whose names are appended hereto—relates to paragraph 411 of bill H. R. 7456, which places an ad valorem duty of 20 per cent on "reed wrought or manufactured from rattans or reeds."

We believe firmly in the principle of a protective tariff and in the protection of American workmen. We have no complaint to make against a proposal to establish a rate of duty on reed which will equal the difference between the labor cost of production in China and the United States.

The rate appearing in the Fordney bill grants a very much larger measure of protection than is needed for that purpose.

All reed manufactured in the United States is machine cut. None is cut here by hand. One machine carefully operated will produce an average of 334 pounds of reed measuring 4 to 6 millimeters in nine hours. Granting that the operator receives 50 cents an hour, which is high, the labor cost is less than 1½ cents per pound.

The duty under the Payne-Aldrich measure—that is, 10 per cent ad valorem on imported reeds 4 to 6 millimeters in size—ranges from 1½ to 3 cents per pound, or more than the entire labor cost of production in the United States.

Reed is cut from rattan grown in the Far East. No rattan is grown in the United States.

Winding cane is a product of rattan and carries the same rate of duty as reed.

Reed is an absolutely essential material for the manufacture of baby carriages and reed furniture. No substitute material of equal value has been found.

No other single item of material entering into the cost of baby carriages and reed furniture equals the value of the reed used.

The baby carriage manufacturers who subscribe to this brief have a capital investment of approximately \$15,000,000 and employ normally 8,000 operatives. The furniture manufacturers, 100, or more in number, who use reed and winding cane have a capital investment of approximately \$40,000,000 and employ normally 27,000 operatives.

We are advised on good authority that the American cutters of reed, 10 in number, have invested in that industry not to exceed \$3,000,000 and employ in the cutting and handling of reed not in excess of 600 operatives.

At least four of the American cutters of reed manufacture baby carriages and furniture in which reed and winding cane is used.

We, the undersigned manufacturers protest most earnestly against the proposed increase in the rate of duty on reed, because it gives these four manufacturers an unwarranted advantage over their competitors who do not cut their own reed, an advantage to which they are not entitled.

It may be suggested that this advantage can be overcome by cutting our own reed.

The answer is that it is impracticable for a large number of concerns to cut reed in the United States, because there is only a limited market for the by-products, which represent at least 25 per cent of the raw rattan.

These by-products are used in China in the place of heavy wrapping twine and are woven into matting which is used in place of heavy wrapping paper and burlap.

Some conception of the profit made can be obtained from the following figures, quotations made in April, 1921:

	Overseas Rattan & Cane Manufacturing Co., Toisa, Mich.	J. A. Dunn Co., Gardner, Mass.	Heywood- Wakefield Co., Baltimore, Md.	American Rattan & Reed Manufacturing Co., Brooklyn, N. Y.
Reed webbing per square foot.....	18 cents less 10..	18 cents less 10..	18 cents less 10..	18 cents less 10.
Close cane webbing in the various grades as per printed price list.	33 cents less 10..	33 cents less 10..	33 cents less 10..	33 cents less 10.
Common No. 2 cane.....	31½ cents less 10	31½ cents less 10.	31½ cents less 10.	31½ cents less 10.
¼-inch flt.....	40 cents less 10..	40 cents less 10..	40 cents less 10..	40 cents less 10.
No. 2 reed winding.....	37.50 cents less 10	37.50 cents less 10.	37.50 cents less 10.	37.50 cents less 10.
4-millimeter cut reeds.....	40 cents less 10..	40 cents less 10..	40 cents less 10..	40 cents less 10.
3½-millimeter cut ree-fs.....	54 cents less 10..	54 cents less 10..	54 cents less 10..	54 cents less 10.

The following cost figures are taken from the production records of an American manufacturer:

Loontie rattan cost in April, 1921, at Singapore:	Per pound.
\$12 per picul, or.....	\$0.09
Ocean and overland freight.....	.03
Waste in cutting, 25 per cent of original cost plus freight.....	.03
Cost of labor for cutting.....	.015
Total.....	.165
Overhead charges, 50 per cent.....	.0825
Total.....	.2475

To this cost of \$0.2475 per pound must be added a profit—assuming a profit of 25 per cent, which is a vastly larger profit than any baby carriage or chair manufacturer can show—the finished product could be sold at a price of 32 cents per pound, with a 25 per cent profit. From the quotation listed above, it will be seen that American manufacturers were asking \$0.40 a pound for 4-millimeter reed.

In April, 1921, the best grade of machine-cut Chinese reed, 4 millimeters in size, was offered for sale in the United States at 31 to 34 cents per pound, carrying charges to port of entry and duty paid.

We protest against a 100 per cent duty increase and ask that the duty on reed and winding cane be no higher than that imposed under the Payne-Aldrich bill, which is 10 per cent ad valorem.

If the Government feels that its financial needs require that the baby-carriage and reed-furniture industry contribute this increase in revenue, then we most respectfully urge that a 10 per cent ad valorem duty be placed upon rattan.

Carriage & Toy Co., Baltimore, Md.; Ficks Reed Co., Cincinnati, Ohio; Bloch Go-Cart Co., Philadelphia, Pa.; C. H. Hartshorn, Gardner, Mass.; H. N. Thayer Co., Erie, Pa.; The American-National Co., Toledo, Ohio; The Toledo Metal Wheel Co., Toledo, Ohio; The Gendron Wheel Co., Toledo, Ohio; Sidway Mercantile Co., Elkhart, Ind.; L. B. Ramsdell Co., South Gardner, Mass.; Topliff-Ely Co., Washington, Pa.; Travers Manufacturing Co., East Templeton, Mass.; South Bend Toy Manufacturing Co., South Bend, Ind.; Meinecke Manufacturing Co., Milwaukee, Wis.; The Fulton Co., Bay City, Mich.; Union Manufacturing Co., Gardner, Mass.; Murphy Chair Co., Owensboro, Ky.; Morristown Chair Co., Morristown, Tenn.; Piedmont Chair Co., Asheville, N. C.; Frankfort Chair Co., Frankfort, Ky.; Chair Makers Union, Tell City, Ind.; Green River Chair Co., Livemore, Ky.; Fischer Chair Co., Tell City, Ind.; Troy Chair Co., Troy, Ind.

SUPPLEMENTAL BRIEF.

Our original brief contains the statement "that no material of equal value has ever been found as a substitute for reed."

A witness testified before you on August 29 that a substitute exists for reed which is of equal value and can not be distinguished from reed, that a large number of manufacturers are now using this substitute, and that a large proportion of the baby carriages now being manufactured are made of the substitute. The substitute referred to is twisted paper, or "fiber," as it is commercially known.

In order to prevent fiber from absorbing moisture its pores must be completely filled with a casein solution, and when so treated the surface is smooth and will not hold a finish. If treated so that the finish will adhere to the surface, the fiber when brought in contact with moisture will absorb enough moisture so that it swells and the finish drops off.

Reed does not have to be so treated, and because of its porous nature retains a finish indefinitely.

Fiber is very much heavier in weight than reed and produces a much heavier baby carriage. The weight of her carriage is of vital importance to a mother in the weakened condition in which she is left following childbirth.

It must be obvious, therefore, that the substitute falls far short of being equal to reed.

During the war, when importations of reed and rattan were limited or cut off entirely, baby carriage manufacturers used the substitute, which is woven into sheets by machinery, and skilled labor is not required in applying it to baby carriage and furniture frames.

Some baby carriages are still being made of this substitute material, but by far the greater number are made of genuine reed.

The statement was also made by the witness referred to that the labor costs of producing a pound of reed which appear in the original brief filed by us are incorrect. These figures have been subsequently checked and found to be correct.

STATEMENT OF CARL GERDAU, REPRESENTING THE OTTO GERDAU CO.

Mr. GERDAU. We believe that the present duty of 10 per cent on reeds and cane and the duty of 20 per cent on them proposed by the House of Representatives are both too high. We believe that reeds and cane should be on the free list, because they are used only as raw materials. They are the raw materials of the wicker furniture, baby-carriage, toy, and whip manufacturers.

The following are the largest reed and cane producing concerns in the United States: American Reed & Rattan Co., The Heywood Bros. & Wakefield Co., John A. Dunn & Co., and Ypsilanti Reed Furniture Co.

Of these the American Reed & Rattan Co. is the only one which limits itself to cutting and placing the reed and cane on the market. All the other firms which I have mentioned, after cutting their reeds from the rattan, use same for their own furniture and baby-carriage factories, though they also sell their reeds to the thousands of smaller furniture factories which do not cut their own.

We believe that the only reason why these few large furniture concerns which I have just mentioned desire a tariff on reeds is because a tariff will aid their furniture business. They have the natural, though selfish, desire either to keep their thousands of smaller competitors without reeds and cane entirely or to sell to them at prices sufficiently high to make their serious competition in furniture impossible. A duty on reeds makes it possible for the few large furniture companies to do this.

Any duty on reeds, therefore, gives the few large furniture companies who cut their own reeds an immense advantage over the thousands of smaller furniture factories who do not cut their own reeds. We believe that this is the only reason why the former have asked for a tariff on reeds.

In this connection it is significant to note that the American Reed & Rattan Manufacturing Co. produces reeds and cane, but does not manufacture furniture, and did not submit a brief or appear before the Ways and Means Committee.

With the exception of the Ypsilanti Reed & Furniture Co., in whose behalf Mr. Green spoke this morning, all the reed-producing firms I mentioned before have been in business for many years prior to the war, some of them from 30 to 40 years. It can therefore hardly be argued that the reed industry needs protection because it is a new one; nor was there really any reason why they should do so, because there has never been a time when so little reed and cane have been imported as at present. Before the war about \$1,500,000 worth of reeds and cane were imported annually. The total imports at all ports, according to customhouse figures, were: May, \$35,119; June, \$36,137; July, \$34,532. In comparing these imports with the prewar average one must bear in mind that the present prices are still 50 per cent above the prewar average.

When the few large furniture manufacturers who make their own reeds and cane appeared before the Ways and Means Committee, they appeared very much worried over competition from Chinese machine-cut reeds. The figures which I have just given certainly do not justify any fear on account of Chinese machine-made reeds, because fully half of the imports during this three-month period were from Germany, and the bulk of the remainder, if not all of it, was Chinese hand made and not machine made. The Chinese hand-made reed is so inferior that it does not compete against American reed.

As a matter of fact, the attempt to teach the Chinese to use machinery has been made over and over again, and always resulted in failure. The German manufacturer from whom we are getting our reeds opened a reed factory in the East several years before the war. For a short time things went fairly well, but before long inefficient oriental labor had ruined the machinery and the plant was closed down. It would not pay to use skilled white labor, because such laborers would ask much higher wages than they get here in order to induce them to live in the Orient. Since then Heywood Bros. & Wakefield have opened a plant in Singapore, but this also has not been a success. The last to try the experiment were the Ypsilanti people, who have lately sent reed machinery to Singapore.

So that the committee may realize how absolutely imaginary is the fear of Chinese machine-made reeds and judge for themselves that this argument is only brought up with the purpose of obtaining a monopoly of the reed-furniture industry through a tariff on reeds. We should be very glad indeed if you would cable the American consul in Singapore, asking him to submit the value of all machine-cut reeds exported to the United States, say, during the last six months.

Furthermore, the reed and cane cutting industry is not an important one as far as the number of laborers employed by it is concerned. There are not more than 500 men employed in the United States for the actual cutting of rattan into reed and cane.

A duty on reeds, therefore, can only benefit a small number of people, while it harms all the thousands of small furniture, baby carriage, and toy manufacturers, who employ between 100,000 and 200,000 men.

We therefore ask that the duty on reeds be repealed. This will place all the small wicker-ware manufacturers who do not cut their own reeds on a fair and equal basis with the few large manufacturers who do cut their own reeds and cane.

SPLIT BAMBOO.

[Paragraph 411.]

STATEMENT OF F. A. STEIERT, REPRESENTING A. STEIERT & SONS.

Senator SMOOT. Have you tried to agree on some one to speak on paragraph 411?

Mr. STEIERT. No, sir. I have one of the simplest problems you have had to tackle. The product or article in which I am interested is different from any of the articles these gentlemen have spoken about. It is a very simple proposition, and I shall not take more than three or four minutes to explain it. I represent the firm of A. Steiert & Sons.

We are manufacturers of municipal brooms for street-cleaning purposes. We supply 149 cities. We are relying entirely on this raw material to make our brooms from. There is a proposed tariff duty of 2 cents a pound on it, or 66 $\frac{2}{3}$ per cent. There are but two vital points to be dwelt upon, and I shall not take more than three or four minutes to present them to you.

Senator SMOOT. There is not a 2-cent rate in the bill.

Mr. STEIERT. In paragraph 411.

Senator SMOOT. You are speaking now of what?

Mr. STEIERT. Of split bamboo. It is in there in six little words. It is in so small a space that it might easily escape your notice.

Senator SIMMONS. Did I understand you to say that there is a duty of 66 $\frac{2}{3}$ per cent?

Mr. STEIERT. Two cents a pound is. The first point that I wish to emphasize here is—

Senator SIMMONS. Is there any produced in this country?

Mr. STEIERT. That is the point. The first point is that this fiber is of a vegetable nature. It grows in the Orient; it can not grow here. It does not interfere or compete with anything. It does not require a protective tariff, because there is nothing here to protect. That is the first point.

Senator SIMMONS. What other things is it used for?

Mr. STEIERT. For brooms. That is the only use that I know of.

Senator LA FOLLETTE. What percentage of your total output goes to the municipalities?

Mr. STEIERT. Practically all of it. The second vital point is that our industry has the great flushing machines to compete with, the machines that wash the street. Their raw material is water, which costs them nothing. Our raw material costs us something. If this duty is placed upon our raw material, it will be impossible for us to compete.

There is one phase of this situation that is absolutely necessary for you to know in order that you may arrive at a just conclusion. You must know why the reed manufacturers have asked for this duty. Reed is a distinct and separate article from this. When they bring in the reed, from its natural state, the reed grows with bark around it, or a shell. When the shell is removed, so as to get at the reed, this shell or this bark is left. Like the shell of a lima bean, it is absolutely worthless. It is a sort of sleeping, brittle affair, having no sparkle or life to it. We could not use it if they paid us to take it. There is no comparison between it and this good-natured, snappy fiber that I have here [indicating].

Senator LA FOLLETTE. Is it expected to convert that into material for brooms?

Mr. STEIERT. Their plan is that if they can get a duty on this [indicating], they can force us to use it. I hardly think it is necessary to prove that the motive is a selfish one; it is absolutely raw.

Senator LA FOLLETTE. Did I get your address?

Mr. STEIERT. Front and Reed Streets, Philadelphia. I will, if I may, file a brief in which I will prove that our industry at the present time is so badly demoralized that there are not enough brooms consumed in the United States to keep one good-sized plant running. I will prove also that if you put this prohibitive duty on us you will

eliminate us altogether. You will also eliminate about 50 per cent of the broom pushers in the various cities.

Senator SIMMONS. In other words, the manufacturers who actually use this first material—what do you call it?

Mr. STEIERT. Split bamboo.

Senator SIMMONS (continuing). You do not come here and ask for this 66½ per cent, but somebody that wants to force its use upon you has asked for a duty upon that article?

Mr. STEIERT. I did not quite get the drift of that question. I know that the reed manufacturers have asked for a prohibitive duty on this. They put it in six little words.

Senator SIMMONS. Somebody that does not use that at all has tried to get a duty on it, while you, who do use it, do not want the duty?

Mr. STEIERT. No one really wants it. They have this material on their hands and do not know what to do with it.

Senator LA FOLLETTE. It is a duty imposed for revenue purposes, I suppose.

Mr. STEIERT. There is one more thing that I would like to impress upon you, gentlemen, and that is that we have not as large sums invested as have the oil companies and the steel corporations, but nevertheless this means our bread and butter to us, and we beg you not to take it away from us.

REED AND FIBER FURNITURE.

[Paragraph 411.]

STATEMENT OF E. F. GANAHL, REPRESENTING O'CONNOR-HARRISON CO., SAN FRANCISCO, CALIF., IMPORTERS AND EXPORTERS.

Senator SMOOT. Mr. Ganahl, have you agreed to speak for these other gentlemen interested in the same subject?

Mr. GANAHL. No, Senator Smoot; I am here on another subject. I have here a brief that contains our argument. If I may file this brief, I will give way to others who wish to appear.

Senator SMOOT. File it, please. Those are the briefs that we are going to examine.

Mr. GANAHL. This covers the subject. I want to ask this committee that when you consider this subject—

Senator LA FOLLETTE. What paragraph?

Mr. GANAHL. Paragraph 411. I ask you that you remember that it is probably the only commodity of its kind in which the ocean freight charge from the Orient to the Pacific coast ports amounts to more than the original cost of the product. Therefore, this product is already protected to an extent of 100 per cent, besides the protection that you will give it under a protective tariff.

Senator SIMMONS. Who is asking for this protection?

Mr. GANAHL. Only one reed-furniture manufacturer.

Senator SMOOT. You may file your brief.

BRIEF OF E. F. GANAHL, REPRESENTING O'CONNOR-HARRISON CO., IMPORTERS AND EXPORTERS.

We are opposed to that part of paragraph 411 of the proposed tariff as passed by the House which has reference to rattan, reed, and grass furniture. We are not protesting against an increase in the present rate on these commodities. We only wish to call to your attention the excessive rate as proposed by the House and to request

that a lower and suitable rate be substituted therefor. Upon close analysis you will find that the proposed rate of 50 per cent ad valorem on American valuation is an increase of about 3,000 per cent over the present duty, and amounts to about five times the original cost of the furniture.

The proposed duty would entirely stop the importation of all furniture in this class. This has been proven conclusively by the fact that since the proposed rate was announced buyers will not consider placing orders for the imported furniture. Our 14 salesmen who are now traveling through all parts of this country advise that this is occasioned by the fact that we will accept orders only on the basis whereby any changes in the present duties are for the account of the buyer, and the buyers state that the proposed duty of 50 per cent will make it impossible for them to dispose of the furniture at retail.

The American manufacturers have in the past, and are at present, manufacturing reed and fiber furniture. They never have and are not at present manufacturing grass, peel, or rattan furniture to any extent. American-made grass, peel, and rattan furniture is practically unknown. The reason for this we shall set forth later. If the American manufacturer requires additional protection on reed furniture, which we seriously doubt owing to the great difference in quality between the imported and the domestic reed furniture, he can secure no benefit by having a prohibitive duty levied on grass, peel, and rattan furniture. If, therefore, Congress deems it necessary to grant better protection to the manufacturer, a higher rate can be levied on reed and fiber furniture, but grass, peel, and rattan furniture should be eliminated and should take a separate and distinct rate.

The proposed duty will not encourage additional or new industries. Rattan, peel, and grass furniture can not be and never will be manufactured in large quantities in this country so long as reed and fiber furniture is manufactured. An American made rattan, peel, or grass chair will cost as much to manufacture as will a reed chair. Rattan, peel, and grass furniture, if it cost as much or nearly as much as reed or fiber furniture, will not sell in competition with reed and fiber furniture. The reason for this is that reed and fiber furniture can be painted, stained, dyed, or otherwise finished into various colors and effects so that it will match with the furnishings in any part of a house. Most domestic reed and fiber furniture is at present finished into different colors and effects at the factories. Rattan, peel, and grass furniture, especially grass, can not be painted, stained, or finished, owing to the fact that no finishing material will stick to the surface of grass or rattan. Most rattan, peel, and grass furniture must therefore be sold in the natural state, and for this reason never has and never will be manufactured domestically in large quantities. It is only for the reason that the imported furniture sells for very much less than does the domestic reed furniture, and is purchased by those persons who can not afford the domestic reed furniture, that any business is done on the imported rattan, peel, and grass furniture.

The manufacturers of this country as a whole are dependent, especially since the last few years, to a large extent on foreign orders. At present a great many of our largest industries are developed and have expanded to the extent that foreign orders are required. Without foreign orders the size of their plants and organizations must be reduced. In order to continue securing foreign orders for our products, we must continue purchasing from our foreign customers. If we prohibit or reduce imports, we will in time reduce or stop our exports accordingly. The Orient has probably the most possibilities for our manufactured products. We, therefore, should continue importing those oriental products which do not compete or which compete the least with our manufacturers. Grass, peel, and rattan furniture is one of the best non-competing commodities we can import from south China.

The imported furniture is of entirely different quality than is the domestic reed or fiber furniture. While the imported furniture is serviceable, still the domestic furniture is of better material, more attractive, better built, more comfortable, and in all respects better furniture, and sells at a very much higher price. A domestic reed chair sells at \$24 or higher retail on the Pacific coast, while an imported grass chair sells retail at about \$12. The proportion all over the country is the same. There are many American families who can not afford the domestic furniture, but who can afford the imported furniture. If the proposed duty goes into effect, it will be impossible for these people to enjoy this class of furniture.

This furniture is one of those few and peculiar imported commodities upon which the water freight, insurance, and handling amounts to more than the original cost of the furniture in the place of production. Under American valuation, duty will be levied on the average wholesale prices in the principal American markets, which wholesale prices will include duty. Thus, on furniture, the duty will be levied on the original cost of the furniture at place of production, on the water freight, insurance, and hand-

ling, which amounts to more than the original cost of the furniture, on the duty, which also amounts to more than the original cost, as well as on the wholesaler's profits and commissions. Therefore, so far as furniture is concerned, by keeping the present duty of 15 per cent, the amount collected under the American valuation plan would be many hundred per cent higher than at present collected. In order to make ourselves clear, we will show how we arrive at the present wholesale price on an imported grass chair, and to what extent the proposed duty and suggested duties would affect the same price. This calculation is based on the present actual Hongkong cost of a medium-priced chair converted into United States currency at the present rate of exchange, namely, 51½ cents to a Hongkong dollar.

	Present duty.	50 per cent proposed duty.	10 per cent suggested duty, American valuation.	Suggested specific duty.	35 per cent suggested duty, foreign valuation.
Cost f. o. b. Hongkong.....	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
Water freight.....	2.00	2.00	2.00	2.00	2.00
Handling and insurance.....	.12	.12	.12	.12	.12
Duty.....	.30	8.33	.65	.75	.70
Selling commission 10 per cent on selling price.....	.60	1.89	.65	.67	.65
Net cost f. o. b. San Francisco.....	5.02	14.85	5.42	5.54	5.47
Gross profit 20 per cent on cost price.....	1.00	3.00	1.08	1.11	1.09
Wholesale selling price.....	6.02	17.85	6.50	6.65	6.56

The 50 per cent proposed duty would therefore result in the following so far as this particular chair is concerned:

1. Increase in duty of \$8.63, or 2,980 per cent.
2. Increase in wholesale selling price of \$11.83, or 297 per cent.
3. Increase in retail selling price of \$23.86, or 297 per cent.

By referring to pages 1200 to 1208, inclusive, of hearings before the Ways and Means Committee in reference to tariff revision you will find that the only information secured or testimony taken in regard to imported furniture of this class was from the Ypsilanti Reed Furniture Co. This company is one of the largest manufacturers of reed and fiber furniture in the United States. There was no testimony or information secured or requested from the dealers in imported grass and rattan furniture. Mr. F. W. Green, the principal stockholder in the Ypsilanti Reed Furniture Co., appeared on behalf of his company, and submitted a brief which appears on page 1206. This brief includes a suggestion as to how a new tariff should be worded. By comparing the part of paragraph 411 relating to furniture as adopted by the House with the brief you will find that the same is taken verbatim from Mr. Green's brief with the exception of the rate applied. Mr. Green submitted no figures as to costs or competition to the committee, neither did he explain the vast difference between reed, grass, and rattan furniture, and the difference in quality between the imported and domestic article. From his remarks the committee members, who were unfamiliar with imported furniture, would be led to believe that the quality of imported furniture was as good as or superior to domestic furniture, and that the Ypsilanti Reed Furniture Co. was vitally interested in the manufacture of grass furniture.

Imported furniture has been brought into the United States for many years, formerly under a 35 per cent duty, and since 1913 under a 15 per cent duty. During the time this furniture was being freely imported, the Ypsilanti Reed Furniture Co. was organized, in 1901, with an authorized capital of \$50,000. The capital was increased from time to time as follows: \$100,000, \$150,000, \$175,000, \$300,000, at present \$500,000.

Their surplus over and above all liabilities and reserves is reported to have increased in the last 3½ years from about \$750,000 to about \$1,300,000 at present, or an increase of about \$550,000, or 75 per cent. This increase was undoubtedly in addition to dividends. Since 1903 this company has operated its factory within the prison walls at Ionia, Mich., where it employed about 500 convicts at a reputed wage of 50 cents per day. In 1913 it erected a building of its own in Ionia, which has been operated with about 1,000 men, in addition to its plant in the prison. We are citing the above in order to show that the only party requesting increased protection has grown from a

very small company to a very large company in a few years, during all of which time furniture has been imported freely at a duty of from 30 cents to 70 cents per chair. Certainly there is nothing in this company's report to indicate that it needs any protection whatever, and were other manufacturers in need of drastic protection they would have appeared before the committee and have submitted figures and reports to prove their contention. While the Ypsilanti Reed Furniture Co.'s phenomenal growth was no doubt due somewhat to its ability to employ convict labor at a very small wage, still you will find by investigating that the entire reed furniture industry has prospered greatly since being organized. In fact, one of these manufacturers recently purchased, at a cost of \$3,000,000, the business of one of its American competitors, in order to secure control of a patent for weaving fiber articles by machinery and thus reduce competition.

One of the main causes for requiring a revision of tariff is European competition. European competition is caused solely by depreciated European exchange. Oriental exchange is not depreciated; in fact, exchange with China is above normal. Therefore, the furniture under discussion is entirely in a different class from the products of Europe.

In conclusion we request that you consider the peculiarities of this furniture which make it different from other imported commodities, in that the freight amounts to more than the original cost of the furniture, thus affording our manufacturer over 100 per cent protection, plus what he secures under the tariff. We also request that you keep in mind the fact that this furniture, especially the grass, peel, and rattan, does not compete with American-made furniture. If you feel that the American reed and fiber furniture requires additional protection, then we request that you remove rattan, peel, and grass furniture from this class and provide a special rate for same. We request that you do not impose a rate over 10 per cent ad valorem based on American valuation, or over 35 per cent ad valorem based on foreign valuation, on the rattan, peel, and grass furniture. Any rate in excess of these rates will make business impossible. In the event the increased revenue which will be derived from these high rates is not absolutely required, we request that you assess lower rates as these rates are not required to protect American manufacturers. We also request that you specifically provide for peel furniture by including it with grass and rattan in the lower rate, and that you word the tariff so that rattan, peel, and grass furniture can not be considered as fiber furniture. The term "fiber" is extremely ambiguous, and under the wording as proposed by the House it is quite possible that the customs or Treasury decisions would consider grass, peel, and rattan as fiber furniture. Possibly the most satisfactory and economical method of levying a duty on this furniture would be on the basis of so much per piece. By levying a duty of 35 cents each on small or children's pieces, 75 cents each on ordinary chairs, rockers, and tables, and from \$1 to \$1.25 each on the larger pieces, the result would be to more than double the present duty, with a minimum in expense of administration. On page 2 you can see how these suggested rates compare with the present duty, and affect the wholesale selling price.

We have in our possession complete data in regard to the present foreign and domestic costs of this furniture. We also have other data which might be of benefit to your committee in determining the rate to be applied. Any information we have will be turned over to your committee upon request.

STATEMENT OF FRED W. GREEN, REPRESENTING THE YPSILANTI REED FURNITURE CO.

Mr. GREEN. I want to say to you, gentlemen, that our concern was engaged up until 1914 in the manufacture of reed furniture. We obtained our supplies from Germany, but at the outbreak of the war we were not able to get them, so we began the manufacture of reeds in addition to the manufacture of reed furniture.

The manufacture of reeds is not a complicated process. They are made in two ways: One by machine and one by hand. The Chinaman manufactures in both ways. He was not a factor, except in the cheapest hand-made reeds, previous to the war. There is nothing complicated about this process at all. It merely consists in taking and stripping off that hard outer part [illustrating]. This part [indicating] is woven into chairs and seats.

Senator LA FOLLETTE. That is, the outer part?

Mr. GREEN. Yes; the outer part. This inner part, or the core, is the reed that we are talking about. The outer part is the cane.

The importers into this country were not content with a 10 per cent duty on all these things, but they conceived this term "unmanufactured reed." To me it is not plain. I can not understand where the difference lies. Just what difference does it make whether you take that off with a knife by a machine, or whether you take it off by hand? That is the only question there is as between the manufactured and the unmanufactured reed. But the importers went before the customhouse, and they got decisions both ways. First, it was decided that there was no difference between "unmanufactured" and "manufactured" reed; but it was finally decided that there is a difference between the manufactured and the unmanufactured reed. To my mind it is a distinction without a difference. The difference between Chinese hand-cut reed and the other, to a large extent, lies in the quality of rattan that the Chinaman uses to make it. He pulls it through a steel plate that has a series of holes in it. He pulls it through one after the other and gets it down to the size he wants. It would be impossible for him to pull a piece like this [indicating] because it would be too hard and stiff, so he has to make his hand-cut reed out of the cheapest of rattan. It would not pay to bring them over here, because they would not bring any money. The outside of it would be, as one gentleman has already expressed it, trash. The American manufacturers have had to import a good quality of rattan out of which they could get, not only the reed, but also the outer part of the cane.

At the time we went into the business, we were perfectly content with the German supply, and the duty of 10 per cent was nothing that interfered with us.

Before the war there was a limited number of people—perhaps two—who manufactured reeds and were not engaged in the manufacture of baby carriages or furniture. With the stopping of the war, there was quite a number. I jotted down the names of eleven concerns that are now engaged in cutting reed in this country: A. L. Randall, Chicago; John A. Dunn Co., Gardner, Mass.; F. A. Whitney Carriage Co., Leominster, Mass.; American Rattan & Reed Manufacturing Co., Brooklyn, N. Y.; United States Rattan Co., Hoboken, N. J.; Heywood-Wakefield Co., Wakefield, Mass.; American Reed & Willow Furniture Co., Wakefield, Mass.; Ypsilanti Reed Furniture Co., Ionia, Mich.; Eastern Chair Co., Gardner, Mass.; L. S. Drake (Inc.), Boston; New England Reed Co., Boston.

I am somewhat surprised at some of the statements made by the secretary of the Baby Carriage Association. I believe that he made them because he did not quite understand or because he was not a manufacturer. Some of them are quite ridiculous. The largest manufacturer of baby carriages, if I am correctly informed, is the Lloyd Manufacturing Co., of Menominee, Mich. They do not use one pound of reed. According to Mr. Ferris's statement, one-third of the baby carriages are made of twisted paper or fiber. Across this table Mr. Ferris could not tell whether they are made of reed or fiber.

Senator LA FOLLETTE. What do you mean by "fiber"?

Mr. GREEN. "Fiber" is made of twisted paper. When it is finished, there is not one man out of a number, unless he is an expert,

that can stand back and tell the Menominee fiber from the reed; it is so fine that I do not think they can tell it.

As to the question—the quality of hand-cut reed—there are some very smoothly cut samples in this box. They were sent on August 20 from San Francisco, and neither myself nor Mr. Ferris can tell which is hand-cut and which is machine-cut. They are so nearly alike that it is practically impossible to tell.

As to the duty being prohibitive, I wish to make this statement. I have multiplied our selling price (not our cost) by 20 per cent, the rate of duty named in paragraph 411 of the Fordney bill. I have added this 20 per cent to the prices of the corresponding sizes of Chinese reed, both handmade and machine-made, using the price list dated at San Francisco August 20, 1921, and there is no instance in which the Chinese are not still under our price.

Senator SMOOR. With this 20 per cent rate?

Mr. GREEN. Yes. I am going to submit that to you with the Chinese prices, with your permission.

Senator SMOOR. Are you in favor of the 10 per cent?

Mr. GREEN. I am not. I am also opposed to including in any new tariff bill the words "unmanufactured reeds." Under the 10 per cent duty the German importer and the other importers got wealthy, and they collected large sums that should have gone to the United States through the conflicting decisions on the "unmanufactured reed" question. It must be remembered that the Chinaman sells his goods f. o. b. China. There are going to be immense sums of money taken from the United States if this phrase is put back in the tariff.

With reference to another statement that has been made, I want to say that I do not believe there is a carriage manufacturer in the United States who has not used machine or hand cut reeds from China. There is not one of them.

As to the expense of establishing this industry, it is nominal. No one will be kept out of the baby-carriage business because of high costs in connection with manufacturing reed. The highest price we ever paid for a machine for cutting these reeds was \$1,350. When I tell you that it would cost a baby-carriage manufacturer approximately \$5,000 to engage in this business, I am well within the truth. That does not provide for buildings, but not much room is needed to care for a small furniture or baby-carriage factory.

As to the labor cost of splitting rattan into reeds. There is no one who can do this for 1.5 cents, as has been claimed. It will run between 5 and 6 cents per pound.

I want to say a word in regard to the manufacture of furniture. The Chinese manufacture reed furniture. They have no overhead, as we do. A man comes along, he has a number in his family. He goes back home and starts the thing and the rest of the family make it. There is no overhead. If he gets \$3.50 for a chair he thinks he is getting an enormous sum of money. There are some, of course—very large ones—that cost more money than that. A man who has to twist and turn these reeds, has to bend them in all these different shapes, has to have very strong hands. It is very hard work. He has to work at least six months before he is of any value in making good reed furniture. It is difficult to get an American citizen to

work six months to learn a trade. We find that it is very high-priced labor.

There is one thing about it, that is, that it does not always require sight. I know of a factory in Chicago that employs about 20 men on this work. At least 15 of them are blind soldiers.

WILLOW AND WILLOW FURNITURE.

[Paragraph 411.]

STATEMENT OF WILLIAM A. RYAN, REPRESENTING THE UNIVERSAL WILLOW & REED WARE CO.

Mr. RYAN. I wish to confine my remarks to willow furniture—raw material used in the manufactured article as well as the manufactured article.

I call attention to paragraph 411, page 80. In line 4, after the comma following the word "bamboo," insert the words "osier or willow."

Senator SMOOT. Those are the words used in the Payne-Aldrich bill?

Mr. RYAN. They are used further along in the paragraph, but are not specifically mentioned in connection with furniture.

Senator SMOOT. And you want them in both places?

Mr. RYAN. Yes. Then, in line 5, after the comma following the word "grass," insert the word "osier or willow."

Then, on the same page, line 8, strike out "25," in figures, and insert "10," which is the present rate.

Before the war 65 per cent of osier or willow used in the manufacture of furniture was imported from Germany. About 25 per cent came from France. Less than 10 per cent was grown here. To-day there are under cultivation in the United States not more than 500 acres of osier or willow.

In 1919 there was imported willow aggregating \$304,696; in 1920, \$284,611; and for the six months ended June 30, 1921, \$54,053.

As to the manufactured products, before the war there were 100 manufacturers in the United States. At the present time there are about 80. Those are the ones making willow furniture. The capital invested in willow furniture is about \$1,500,000; and about 5,000 people are engaged in the manufacture of such furniture.

As to labor conditions in the other countries, they are quite different from those prevailing here. The work there is farmed out to a family and the mechanics finish the job. Here, where our child-labor laws are in effect, the work is necessarily performed by men. Their average hours run about 49½ per week. The average pay for common labor is between 30 and 35 cents per hour. The pay of mechanics and skilled laborers is about 45 cents an hour. In this industry the men have accepted voluntarily a reduction of wages amounting to 25 per cent.

I should like to cover this subject more fully in my brief.

Senator SMOOT. Correct your brief in any way you wish to and hand it to the stenographer.

Mr. RYAN. There is one further point that I would like to call to your attention. There is one article called the Bar Harbor chair.

It is advertised here in the Brooklyn Eagle for \$4.95. It costs us to make it \$4.75. That is the retail price, delivered anywhere within 100 miles of New York—\$4.95.

Senator SMOOT. Is that an imported chair?

Mr. RYAN. It is an imported chair. I will give you figures on our costs in my memorandum.

I thank you very much.

Senator SIMMONS. What did I understand you to say about that ad valorem rate? Did you want that in line 6?

Mr. RYAN. I said line 5—lines 4, 5, and 8.

Senator SIMMONS. Line 8 is the raw material?

Mr. RYAN. Yes.

BRIEF OF WILLIAM A. RYAN, REPRESENTING THE UNIVERSAL WILLOW & REED WARE CO.

PROPOSED CHANGES IN PARAGRAPH 411.

1. On page 80, in line 4, after the comma following the word "bamboo," insert the words "osier, willow."

2. On page 80, in line 5, after the comma following the word "grass," insert the words "osier, willow."

3. On page 80, in line 8, strike out "25" in figures and insert "10" in figures.

So that the paragraph will read as follows:

Par. 411. Reeds wrought or manufactured from rattans or reeds, whether round, flat, split, oval, or in whatever form, cane wrought or manufactured from rattan, cane webbing, and split or partially manufactured rattan, not especially provided for in this section, 20 per centum ad valorem. For the purpose of assessing duties, handmade reeds or cane shall be held to be comparable in value to machine-cut reeds or cane of corresponding size; furniture made with frames wholly or in part of wood, rattan, reed, bamboo, osier, willow, or malacca, and covered wholly or in part with rattan, reed, grass, osier, willow, or fiber of any kind, 50 per centum ad valorem; split bamboo, 2 cents per pound; osier or willow, including chip of and split willow, prepared for basket makers' use, 10 per centum ad valorem; all articles not specially provided for, wholly or partially manufactured of rattan, bamboo, osier, or willow, 40 per centum ad valorem."

This paragraph treats of reeds, rattans, bamboo, and "osier and willow." I shall confine this memorandum to osier and willow, raw material, and willow furniture, as I feel that sufficient has been said touching the other items in this paragraph.

RAW MATERIAL.

I will first touch on the raw material which relates to proposed change 3 above mentioned.

There are under cultivation in the United States not more than 500 acres devoted to the raising of willow.

It is impossible to tell how much willow is grown within the United States, but inquiry among the trade indicates that there is only one grower within the United States that raises a carload of willow a year, and that is his entire output.

For 1919 there was imported osier or willow (raw material) \$304,696; 1920, there was imported osier or willow (raw material) \$284,611; for the first six months of 1921 there was imported osier or willow (raw material) \$54,538.

It will appear upon a cursory examination that there is a great reduction in the importations of raw materials of osier or willow at the present rate of 10 per cent ad valorem. The willow grown here is insufficient in quantity and so inferior in quality that it is not suited for use in connection with willow furniture.

Allowing that there will be as much as \$54,538 worth of willow imported into the United States during the last six months of 1921, which would be quite unusual, as the larger importations of willow as a raw material are imported the first six months of the year, this shows a reduction of imports of willow for 1921 of at least 60 per cent. If importations of the raw material which are the chief source of supply to willow furniture manufacturers continue to be reduced, the willow-furniture manufacturers of foreign countries will dominate the American market, and at this time it might be

well to mention the fact that while the raw material has been reduced more than 60 per cent the importations of willow furniture has increased in the same period more than 1,200 per cent.

WILLOW FURNITURE.

This relates to proposed changes 1 and 2.

Before the war there were about 100 manufacturers of willow furniture in the United States. Now there are about 80. They are all small manufacturers. The Universal Willow & Reed Ware Co., which I represent, is the largest willow-furniture manufacturing concern in the United States.

The capital invested by the manufacturers of willow furniture in the United States is more than \$1,500,000. The number of people engaged in this industry is about 5,000.

The imports of willow furniture for 1919 were \$3,040; 1920, \$28,114; for six months of 1921, \$35,547.

A cursory examination of these figures shows a 1,200 per cent increase in the imports of willow furniture from January 1, to July 1 1921, a period of six months, over the entire year 1919.

LABOR CONDITIONS.

In other countries the seats and skirts of chairs and other willow furniture are given out to the peasants to work on, and, as a matter of fact, it results in the whole family working from early until late, which gives a very low labor cost of production. Over here we have our child-labor laws protecting children from engaging in this industry. Our workmen have accepted a voluntary cut in their wages of 25 per cent. It was either that or close up shop. Our men work 49½ hours per week. The pay of unskilled labor is between 30 and 35 cents per hour, the pay of our skilled workmen is between 45 and 90 cents an hour at this time, and we have no immediate intention of making any further reduction in wages. We are not at this time paying dividends. The situation is tense, and we are waiting the enactment of the new tariff law, which will enable us to pay dividends and in that way help to support our Government.

In order to give the committee a practical illustration of the very serious condition of our business, I just wish to submit a typical case:

Bar Harbor armchair.—American cost as to labor, \$2.35; American cost as to material, \$2.16; total, no allowance for overhead, etc., or profit, \$4.51.

The Bar Harbor armchair is imported for sale at New York City, delivered anywhere within 100 miles of New York, all charges paid, \$4.95; and to any person taking two, why they will sell them at the rate of \$4.37½.

We are selling this chair for \$5 in quantities and holding our breath for the passage of this tariff bill. We can not keep it up. We do not sell direct to consumers; our price is to large concerns. The price of the imported article given above is selling retail. The above imported chair appeared in the New York market during May and was advertised for \$3.95, but finding that they could safely compete they raised the price to \$4.95.

It is asserted in many quarters that Germany will not be a very serious competitor for years. So far as willow business is concerned, we are unable to agree with such a proposition. The Willow & Reed Co. has been approached by a representative of a large willow and reed corporation in Germany to give up our factory here and sell the German willow furniture at prices that we could not possibly hope to compete with. We will be pleased to submit to the committee, in confidence, proof of this fact.

In conclusion, I wish to say that willow imports (raw material) at this time show a reduction of at least 60 per cent with a tariff imposed at the rate of 10 per cent. Willow furniture imports at this time show an increase of more than 1,200 per cent during the first six months of 1921 over the whole year of 1919.

If the rate in present law is increased on raw material in so far as willow used in connection with the manufacture of furniture, it will not only wipe out the manufacture here, but the grower here of willow will have no market. We could give you illustration upon illustration as to costs, but the Bar Harbor armchair well illustrates.

CHINESE FURNITURE.

[Paragraph 411.]

STATEMENT OF JAMES F. DONNELLY, REPRESENTING THE MENTZER-PIAGET CO., GRAND RAPIDS, MICH.

Senator SMOOT. Have you a brief that you desire to file?

Mr. DONNELLY. Yes. I prepared a brief.

I am really not here on rattan or willow. It is really Chinese furniture, inserted in paragraph 411.

Heretofore, under the Payne-Aldrich and the Underwood tariffs, this Chinese furniture in which we are interested came under a corresponding paragraph—414.

Senator SMOOT. Are you satisfied with furniture the way it is here?

Mr. DONNELLY. In paragraph 411 they specifically provide for Chinese furniture.

Senator SMOOT. We can put it in here.

Mr. DONNELLY. Under paragraph 411 it provides a duty of 50 per cent, American valuation plan, on Chinese furniture. The ocean and rail freight in itself is twice as much as the Chinese furniture.

Senator SMOOT. You are an importer, are you?

Mr. DONNELLY. Yes, sir.

Senator SIMMONS. What do you want on Chinese furniture?

Mr. DONNELLY. Well, sir, in my brief I have suggested three different ways.

Senator SMOOT. Is there anything made in this country to compare with the Chinese furniture?

Mr. DONNELLY. No, sir; unless made from fiber.

Senator SMOOT. And sea grass?

Mr. DONNELLY. No, sir; they do not make it from sea grass. It is summer furniture.

Senator SMOOT. They are not anything alike? There is nothing like it?

Mr. DONNELLY. Not unless you compare it with fiber furniture.

Senator SMOOT. If "comparable" is taken out, then there is nothing like it in this country?

Mr. DONNELLY. No, sir; not to my knowledge.

Senator SMOOT. Then the American valuation would not apply.

Mr. DONNELLY. How would that work out?

Senator SMOOT. The same as it is to-day. If there is nothing in this country that is similar, it does not apply.

Senator LA FOLLETTE. Supposing there is something similar to it, then the American valuation will be applied. Is there something similar to the Chinese furniture that is coming in?

Mr. DONNELLY. As a manufacturer of furniture or importer, I should say yes. I would say that a fiber chair or an American reed chair would answer the same purpose as the Chinese sea grass.

Senator SMOOT. That is not what the law says. It says "similar."

Mr. DONNELLY. It is similar; it is used for the same purpose; but under the 50 per cent—

Senator SMOOT. The material is entirely different, though?

Mr. DONNELLY. Yes.

Senator SMOOT. Then it does not apply.

Mr. DONNELLY. All right, sir.

Senator SMOOT. I would like to know, provided it did apply, what you would want then.

Mr. DONNELLY. We have suggested, instead of a 50 per cent duty, a 5 per cent duty, or a duty of 75 cents a chair. We are paying now a duty of 32 cents. We possibly could afford 75 cents. But the way it works on the American valuation plan is this: You take a chair that I sell for \$15 in the American market; that is, my wholesale selling price; and it is sold at Grand Rapids at that price. As a matter of fact, we are selling it for \$9, but we will say \$15. Fifty per cent of that would be \$7.50. Out of the other \$7.50 we would have to pay the cost of the chair, pay the ocean freight of \$2 or \$2.25, pay the rail freight of \$1.81, and, in addition, pay the salesman a commission and allow the customer a 2 per cent discount. It never could be done, sirs. Ordinarily, this furniture has come in under regular household furniture. It was so decided years ago.

I may say that we did not have an opportunity to appear before the House Committee on Ways and Means.

Senator SMOOT. You would like to have it dropped down into paragraph 414?

Mr. DONNELLY. But not at a 25 per cent rate.

Senator SMOOT. You want a 5 per cent ad valorem rate?

Mr. DONNELLY. Yes.

Senator SMOOT. Isn't that too high?

Mr. DONNELLY. Five per cent of the American valuation?

Senator SMOOT. Yes.

Mr. DONNELLY. No; we sell for \$9; that would be 45 cents.

Senator SIMMONS. You say you want 5 per cent? Is that your suggestion?

Mr. DONNELLY. Five per cent, or a specific duty.

Senator SIMMONS. You say that would be equivalent to what, under the American valuation?

Mr. DONNELLY. In dollars and cents, Senator?

Senator SIMMONS. Yes.

Mr. DONNELLY. Well, we sell that chair for \$9. You see, the principal item of cost in this furniture—and it is furniture that does not go into high-class homes—

Senator SIMMONS (interposing). What I am trying to get at is, what would be the difference?

Mr. DONNELLY. That would be 50 per cent advance on the present 15 per cent rate.

Senator SIMMONS. That would be due to the American valuation?

Mr. DONNELLY. Yes.

In reading the testimony before the Ways and Means Committee, I find that the paragraph is practically inserted verbatim at the suggestion of a domestic manufacturer. We certainly do not compete with this domestic manufacturer. They were organized in 1901, with a capital of \$50,000. To-day they are rated over \$1,500,000. Possibly some of that profit was secured through advantages that they had. In fact, they employed prison or convict labor. Even so, discounting this, there are other manufacturers whose profits have increased in proportion. We do not compete with them. Our furniture does not go into the same class of homes.

Senator LA FOLLETTE. This furniture is sold to people in moderate circumstances, is it not?

Mr. DONNELLY. Yes.

Senator SMOOT. I do not think it is moderate-priced furniture if a chair costs \$15.

Mr. DONNELLY. I said \$9. I said, admitting we could get \$15, which we could not—

Senator SMOOT. Oh, well—

Mr. DONNELLY. Even at \$9, we have to pay \$4.50.

Senator SIMMONS. You say that you sell this chair for \$9. What does the chair manufactured in China sell for?

Senator SMOOT. That is the chair.

Mr. DONNELLY. That would cost in the neighborhood of \$4, Hong-kong currency, or, at the present rate of exchange, about \$2.25.

Senator SIMMONS. It gets to you at \$9?

Mr. DONNELLY. As to this \$9 chair, to bring it over on the ocean costs us from \$2 to \$2.25; and the rail rate for freight from Seattle or San Francisco to the market would be in the neighborhood of \$2 per chair.

Senator SMOOT. Don't you land in New York? Why don't you land the furniture there?

Mr. DONNELLY. No; we do not.

Senator SMOOT. Why do you land on the coast?

Mr. DONNELLY. Because at the present time there is a steamship line that makes regular hauls, and, in addition, we can ship by way of the Pacific coast because the American Shipping Board has regular sailings and they have a regular \$8 rate from either San Francisco or Seattle to Chicago or New York. It is a transcontinental freight rate.

Senator SMOOT. You may file that brief.

BRIEF OF JAMES F. DONNELLY, REPRESENTING THE MENTZER-PIAGET CO., GRAND RAPIDS, MICH.

As importers and distributors of Chinese sea-grass and rattan furniture provided for in Schedule D, paragraph 176, of the tariff act of 1913, we desire to direct your attention to the proposed change in rate of duty as provided in Schedule 4, paragraph 411, tariff bill H. R. 7456.

The following brief is respectfully submitted that members of Senate Finance Committee may be in possession of the facts before passing on a measure which in effect will constitute an absolute embargo on Chinese sea-grass and rattan furniture.

The proposed tariff bill (H. R. 7456) as relates to Chinese sea-grass and rattan furniture would increase the present rate of duty over 3,900 per cent.

As Chinese sea-grass and rattan furniture is not made in America, this prohibitive duty is not needed to protect home industries. In fact the only advocate for an increase in rate of duty on this commodity to appear before the Ways and Means Committee was Mr. F. W. Green, representing the Ypsilanti Reed Furniture Co., Ionia, Mich., which was incorporated in 1901 with a capital of \$50,000, which has been increased from time to time, and at present this firm is rated at over \$1,500,000.

If the tariff is designed to increase revenue it defeats itself, as the duty is so excessive it would prohibit all importations, thus depriving the Government of a substantial revenue.

Under the Payne-Aldrich tariff (1909-1913) Chinese sea-grass and rattan furniture, chief value wood, was dutiable under Schedule D, paragraph 215, at 35 per cent on foreign value.

Under the Underwood tariff (1913 to date) Chinese sea-grass and rattan furniture, chief value wood, is dutiable under Schedule D, paragraph 176, at 15 per cent on foreign value.

Under the proposed Fordney tariff Chinese sea-grass and rattan furniture, chief value wood, would be dutiable under Schedule 4, paragraph 411, at 50 per cent on American valuation.

IS A DUTY SIX TIMES THE COST OF THE CHAIR ITSELF A JUST DUTY?

Compare the duties on a chair costing \$2.14 United States currency in China:

Payne-Aldrich (1909-1913).....	\$0.749
Underwood (1913 to date).....	.32
Fordney (proposed).....	12.85

This is an increase of over 3,900 per cent. It is prohibitive. It amounts to an embargo on the products of a friendly republic, to the relief of whose suffering people America recently gave millions.

IN EFFECT A DUTY ON FREIGHT RATES.

The ocean and rail freight is approximately twice the cost of the goods in China. Under the American valuation plan the duty as imposed is a duty on the transportation costs as well. This plan may not seriously affect importations on which the freight is a small item, but on bulky articles like Chinese sea-grass and rattan furniture, where freight is a major item of cost, the American valuation plan will automatically more than double the value on which duties are assessed.

Merchandise has a certain intrinsic value, and while supply and demand determine the "fair market value" to a certain extent, there is always a limit to what may be obtained for merchandise, and as Chinese sea-grass and rattan furniture is essentially merchandise that goes into the average citizen's home it can not be marketed at any fancy price.

We estimate \$9.10, the present wholesale selling price, as the maximum wholesale selling price, based on years of experience as importers and a knowledge of trade conditions.

WHAT IS A FAIR DUTY?

A study of the cost sheet attached will show that the proposed duty is prohibitive. A duty of 5 per cent on the American valuation plan would be about the maximum that an importer of Chinese sea-grass and rattan furniture could pay and continue to do business.

We ask therefore that portion of paragraph 411, page 80, line 3 (H. R. 7456), be changed to read—beginning with the word "furniture":

"Furniture made with frames wholly or in part of wood, rattan, reed, bamboo, or malacca, and covered wholly or in part with rattan, reed, grass, rattan peel, or fiber of any kind, 5 per centum ad valorem."

Or a substitute based on a specific duty as follows:

"Small pieces, 35 cents; regulation chairs and rockers, 75 cents; larger pieces, such as settees, lounges, recliners, extension chairs, etc., \$1.00."

With the application of the American valuation plan this shows an increase of approximately 50 per cent over the present rate of duty. Where we are now paying \$0.32 on No. 22 chair we would be paying \$0.45 on a 5 per cent ad valorem duty.

Under a specific duty of 75 cents a chair, the increase in duty would be approximately double that obtained under the present rate.

We have gone into some detail in an endeavor to cover this matter in a complete and comprehensive manner. If there is any point upon which you desire further information we will be glad to submit it. In all cases where we have quoted figures we have been very conservative and have sincerely tried to present the facts to you. Further, when we state that if the proposed tariff was to become effective we would be compelled to discontinue business we are stating the absolute truth. This tariff would not act as a revenue producer but as an absolute embargo on Chinese sea-grass and rattan furniture.

Detailed costs of a typical Chinese sea-grass chair (No. 22) under present tariff, under proposed tariff, under a duty of 5 per cent of American valuation, and under a specific duty of 75 cents a chair.

[Wholesale selling price f. o. b. Grand Rapids, Mich. Terms, 2 per cent, 30 days.]

Items of cost.	Chair measures 11½ cubic feet, weighs 22 pounds packed. Hongkong cost, \$3.90 Hongkong currency.			
	Costs under present duty of 15 per cent of foreign valuation.	Costs under proposed duty of 50 per cent of American valuation.	Costs under a duty of 5 per cent of American valuation.	Costs under duty of 75 cents a chair.
Cost of chair in United States currency (exchange of \$0.55 on Hongkong currency of \$3.90).....	\$2.14500	\$2.14500	\$2.14500	\$2.14500
Marine insurance, stamps, consular fees, etc., about...	.02145	.02145	.02145	.02145
Shippers' commission, 5 per cent of cost.....	.10725	.10725	.10725	.10725
Ocean freight, at \$3 per ton of 40 cubic feet, on 11½ cubic feet.....	2.25000	2.25000	2.25000	2.25000
Marking each bale of 2 pieces, at 7 cents per bale.....	.03500	.03500	.03500	.03500
Forwarding agents' charges, bale of 2 pieces, at 7½ cents per bale.....	.03750	.03750	.03750	.03750
Incidental charges, including revenue stamps on entry, bond fees, cartage to appraisers' stores, etc.....	.01600	.01600	.01600	.01600
Rail freight at \$8 per hundredweight on 22 pounds, plus war tax.....	1.81280	1.81280	1.81280	1.81280
Salesmen's commission and trade discount, approximately 10 per cent.....	.91000	2.57000	.92500	.96000
Total cost, excluding duty.....	7.33500	8.99500	7.35000	7.38500
Duty.....	.32175	12.85000	.46500	.75000
Total cost, including duty.....	7.65675	21.84500	7.82500	8.13500
Importers' profit (which includes rent, office expenses, etc.), approximately 20 per cent.....	1.45000	3.83500	1.42000	1.47000
Wholesale selling price, f. o. b. Grand Rapids....	9.10	25.70	9.25	9.60

BROOM HANDLES.

[Paragraph 414.]

STATEMENT OF SAMUEL WASSERMAN, NEW YORK CITY.

It appears that broom handles under paragraph 414 of the Fordney bill are to bear a duty of 25 per cent ad valorem, to which we are opposed. They are now on the free list, and there is every reason why they should remain there.

There are between 35 and 40 broom-handle factories in the United States. There are about 1,000 establishments, consisting of factories, penal institutions, and institutions for the blind engaged in the manufacture of brooms, with an output of about 50,000,000 brooms annually. These establishments are spread all over the country from coast to coast. Broom corn, the raw material used in the manufacture of brooms, is grown principally in Kansas, Missouri, New Mexico, Illinois, Oklahoma, and Colorado. Wire, twine, nails, and velvet also enter into the manufacture of brooms. Amsterdam Broom Co., of Amsterdam, N. Y., represented by the undersigned, the largest broom factory in the United States, with a capacity of 12,000 brooms daily, is running at present about 25 per cent normal. This concern has been in business for nearly 40 years, employs when running full several hundred men, and has a large wage list.

Broom handles are made out of the following hard woods: Beech, birch, and maple. Hardwood lumber costs about \$40 per thousand feet. About 1,700 handles can be manufactured from 1,000 feet of hardwood lumber. The cost of manufacture of the handles runs from about \$5 to \$7 per thousand, according to factory conditions. This would bring the cost to the manufacturer of the handles to about \$30 per thousand for the first grade. The present selling price is about \$50 per thousand. The prevailing prices for broom handles before, during, and after the war are as follows: Before the war, \$18 to \$20 per thousand; during the war, \$80 per thousand; after the war, \$50 per thousand.

These prices can be substantiated by invoices in my possession, and which are at the disposal of this committee. During the war it was almost impossible to obtain the necessary supply of broom handles at any price. This country's supply of beech, birch, and maple, the hard woods used in the manufacture of broom handles, is very limited, and our forests are now being denuded of these very valuable hard woods, which could be much better utilized in building homes. We should, therefore, welcome the importation from other countries of the hard woods necessary to make broom handles. Putting and keeping broom handles on the free list has the effect of stabilizing prices, so that broom-handle manufacturers here can not charge an unreasonable price for their product. Broom handles on the free list will also enable the broom manufacturer to turn out his finished product, the broom, at a lower price. Broom handles on the free list will enable the consumer to reap the benefit.

Broom handles on the free list will not injure the broom-handle manufacturers, as they are to-day receiving more than a fair margin of profit and need no protection. If a duty is put on broom handles, it will encourage the handle manufacturer to raise his prices even above that now prevailing. This household necessity, the broom, is in the possession of and purchased by every thrifty and careful housewife in the land and should not be called upon to bear the burden of any duty. The broom manufacturer, in competition with the vacuum cleaner, carpet sweeper, and other devices, has a difficult time, indeed, in making both ends meet and putting out an article at a moderate price.

We have no knowledge of the broom-handle manufacturers having requested this tariff. They have always prospered without it and do not require it now, while many broom manufacturers have requested at prior tariff hearings that broom handles be placed and kept on the free list. Furthermore, it would be such a small source of revenue to the Government as to be negligible.

SCHEDULE 5.

SUGAR, MOLASSES, AND MANUFACTURES OF.

CUBAN SUGAR.

[Paragraph 501.]

STATEMENT OF EDWIN F. ATKINS, REPRESENTING E. ATKINS & CO., BOSTON AND NEW YORK.

Mr. ATKINS. My name is Edwin F. Atkins; I represent E. Atkins & Co., Boston and New York.

Senator McCUMBER. And your business?

Mr. ATKINS. Our primary business is that of sugar importers and managers of sugar estates.

I am also president and director and manager of several sugar estates in Cuba.

Senator McCUMBER. Mr. Atkins, you can make your own statement in your own way. I will ask that Senators allow Mr. Atkins to proceed and get through before any questions are asked.

Mr. ATKINS. I prepared a brief when I was asked to come here on September 2, but for the sake of brevity I propose to give you a statement embodying the salient points of that brief, instead of attempting to read the brief here, which would take too much time; and then the brief will be presented later for publication, if it is your pleasure to do so.

An experience of over 40 years in the island of Cuba, coupled with the substantial character of the American interests which I represent, justifies, I feel, my request to appear before you and make protest against the enactment into law of the rates upon sugar proposed by the Fordney bill. I speak primarily for American interests, but I also appear as a friend and coworker with the Cuban people, with whom for nearly half a century I have been associated.

The rates proposed are higher than the duties in either the McKinley, Wilson, Dingley, Payne-Aldrich, or Underwood tariff acts. They are higher than any duties which have been imposed upon sugar in over 30 years. Recognizing, however, that the demands of the Federal Government require an increase in its revenues, I realize that your committee must be shown that either the proposed rates will not produce the expected revenue or that there are special reasons why the rates should not be made effective. The objections to the bill to which I wish to call your attention are as follows:

The rates are so high that they will check importations and reduce revenues. Cuba is in dire financial straits, and instead of aiding her in her hour of distress this bill will create a more serious situation than now exists in the island.

Cuba is one of the best customers America has, and America's own business interests are threatened by the proposed bill.

After freeing Cuba from Spanish rule, we undertook a wardship unique in the history of international relations. As a result of that wardship we are morally bound to help Cuba and not to injure her.

The second paragraph of the proposed sugar schedule, which permits certain domestic manufacturers to import sugar "at three-fourths of the rate of duty to which such sugar would otherwise be subject," is not only a domestic class discrimination, but it is apparently a violation of our treaty with Cuba.

Now, I want to touch upon the conditions in Cuba.

Between June and December, 1920, the price of Cuban raw sugar dropped from 22½ cents to 3½ cents per pound. The phenomenal drop in price from the highest known since Civil-War days to the prewar level has caused the greatest distress. The past six months have been but a series of bankruptcies, insolvencies, and failures of the most prominent banking and commercial firms of the islands. As a result, to-day practically the entire banking business of the island is in the hands of American and Canadian banks, the success of which is entirely dependent upon Cuba's sugar industry.

Unfortunately, the disaster which Cuba has suffered was not confined to her banks and to her men of wealth, but the greatest distress has come upon the laboring class. Upon the mills ceasing to grind at the end of the season—that was last May and June—many estates found they could not pay their laborers. In the absence of money, men were paid off with vouchers, and the laborers were forced to accept the pay vouchers which locally passed as currency and had to be accepted as the estates had nothing better to offer.

Under the conditions which confronted them, those laborers who could find passage money left the island either for their homes in Spain, Haiti, Jamaica, or the Canary Islands. Those who could not do so were forced to remain and make the best of the situation. They are now not only out of work, but they and their families are in absolute want. Such of the laboring element as is able to leave the island will probably not return, and a shortage of labor for the coming crop is certain.

I might add here that many of the passages of these laboring people are paid either by the Cuban Government or by the Spanish Government, in order to assist them.

Many Cuban producers are being forced into bankruptcy, and the condition of the Cuban farmers and laborers is most serious. Banks and bankers have large sums outstanding as loans to the estates, which can not be collected except through the prosperity of the sugar industry.

American exporters of goods to Cuba have some \$125,000,000 of uncollectible bills outstanding, their correspondents being unable to pay owing to their inability to collect. In many of the country districts the grocery stores have been closed, the storckeeper being unable to obtain supplies from their customers; that is, they can not buy because they can not pay. The small farmers or colonos, as well as the large sugar estates, with few exceptions, have been unable to employ labor during the past months. All the Cuban banks, with the exception of some private institutions, were forced to close, and

the island is entirely dependent now upon the banking institutions of the United States and Canada, which, through force of circumstances, have been obliged to restrict credits to a minimum. In many districts the country people are suffering from hunger and are without proper clothing and the necessities of life. Women and children and many laboring men are being fed by charitable societies and such of the sugar estates who have any means at their disposal, also through municipal governments. These conditions have given rise to grave fears of political disturbances and attacks upon property which may call for American intervention.

I might add here that I am speaking in regard to the conditions of these people from actual experience. I have been taking care of a great many of these people, and I know that many other estates have been doing the same through the summer time, because they could not give them employment and they have been simply feeding them out of charity.

Under the reciprocity treaty with Cuba, following the peace treaty with Spain, known as the treaty of Paris, special concessions were granted by Cuba to the United States amounting to from 20 per cent to 40 per cent preferential duties, and in return the United States accorded a 20 per cent preferential on Cuban sugar and other products. Trade thereafter between the United States and Cuba showed a tremendous gain.

Previous to the Spanish-American War our exports to Cuba were approximately \$25,000,000 per annum. Last year, as shown by the Statistical Abstract of the United States, our exports were over \$500,000,000. These exports comprised pretty much all of Cuba's requirements, and report of the department of commerce of the Cuban Government for 1919 giving imports into the island from all parts of the world showed that the United States had furnished 78 per cent of all Cuban imports. The balance of her imports not coming from the United States were composed of merchandise and articles not produced here, or with such articles with which we could not compete in price. Since the Spanish-American War Cuba has always been one of our best customers, but last year she rose from the seventh place to the fourth; that is, she occupied the fourth place as among our customers purchasing from the United States; her purchases amounted in value to 80 per cent of all merchandise purchased by South American countries.

I submit a tabulation giving the values of the principal commodities exported by the United States to Cuba in 1920, the last figures available. A glance at this list makes it clear that any injury to Cuba's buying power will immediately affect American manufacturers. This is a condensed list taken from a very long list of all the exports, and this, I think, is accurate. I will only touch upon a very few of the leading articles that go to Cuba:

Wheat flour, \$17,000,000, and then comes automobiles, \$14,000,000; freight cars, \$10,000,000; bituminous coal, \$13,000,000; textile goods, \$60,000,000; wearing apparel, \$14,000,000; foodstuffs of all kinds, nearly \$63,000,000; oil and grease, \$13,000,000; manufactures of iron and steel, \$26,000,000; locomotives, \$8,000,000; sugar-mill machinery, \$13,000,000. That machinery comes from Ohio, largely; Birmingham, Ala., and various points in New York State and Michigan; a good deal of it comes from Detroit. Steel rails, over

\$7,000,000; parts of other machinery, more than \$17,000,000; boots and shoes, \$21,000,000.

Now, those exports go from my own country—that is, the New England States, very largely Massachusetts. They have taken all of the trade of Cuba in boots and shoes. Manufactures of leather, \$2,000,000; paper and bags, \$7,800,000; soaps, \$1,251,000. Here is pitch pine and railroad ties, shipped principally from our Southern States, over \$15,000,000; manufactures of wood, \$2,500,000; boilers and parts, over \$5,000,000.

I will not tire you with the other items, but simply say that the entire value of these exports last year exceeded \$500,000,000.

Of products of our farms, we shipped nearly \$15,000,000 of lard; of hams and shoulders, over \$5,000,000; of corn and oats, over \$5,000,000; of sausage, \$2,500,000; and of cheese, \$1,000,000. Of cattle and hogs we shipped \$3,500,000; condensed milk, I think, \$8,000,000. We also sold to Cuba fertilizers to the extent of \$8,000,000.

The list I submit is an imposing one and concerns sending over \$500,000,000 of products of various kinds to Cuba were American concerns doing business in the island and fully as dependent upon her welfare as the grower of cane in the island itself.

As President McKinley so wisely said in his address at Buffalo:

We must not repose in fancied security that we can forever sell everything and buy little or nothing.

The Fordney bill will reduce the buying power of Cuba with the inevitable loss of trade to countless American concerns of whom she is a customer.

The statistical abstract of the United States for 1920 shows that we paid Cuba for that year \$721,000,000. As she purchased from us about \$515,000,000, it will doubtless be said that the balance of trade of \$206,000,000 was against America, and for that reason Cuba took more than she gave. Such a statement would overlook two vital considerations:

First. The value of imports from Cuba do not represent money payments sent to the island. The investment and ownership by American interests in Cuba means that very large sums are paid to these American interests in the shape of dividends, interest charges, transportation, etc, which would more than offset the figure given as the balance of trade in Cuba's favor.

Second. Since the American occupation there has been a tremendous increase by the United States in its participation in Cuban business enterprises.

I have stated that fully \$125,000,000 is due to American exporters. One of the largest items of this indebtedness is due for sugar machinery which has been sold partly upon installments. The cotton-textile people who have formed a creditor's protective committee advise me that they have at least \$6,000,000 in outstanding accounts.

I might add that this is the New England interests alone; that does not include the southern cotton exporters, nor does it include the woolen textiles. This does not include woolen goods or wearing apparel. Manufacturers of boots, shoes, ladies' hosiery, canned goods, fertilizers, automobile parts, automobiles, railroad supplies, steel rails, and the oil people all have debts due them, the payment of which is dependent upon the success of Cuba's sugar industry.

Those people who have outstanding accounts in Cuba are some of the best known firms in the United States in all lines of business.

Others submit in more detail than I can furnish the total holdings of the American interests in the island. It is my belief that one thousand millions of dollars is a low estimate for the approximate total of American investments there.

The Fordney rates made permanent will work great harm to Cuba's sugar industry and impose an unjust burden upon American consumers.

I am sure that our opponents will say that the producers have paid this additional duty, which I concede. Whenever there is an over-production of any article the price declines and the producers in order to get into this country have to reduce their price. After awhile those low prices will reduce the production, prices will advance, and then the consumer must pay the duties to which I refer here. I think that people have been very much befogged and misled on that principle. It is a simple rule of supply and demand. When you have a supply exceeding the demand the prices go down and vice versa. This Fordney bill will destroy in a great measure our large export trade to the island and make impossible the collection of several hundreds of millions of dollars due to our banks and to our exporters, which can not be collected unless the sugar business of Cuba prospers.

I have tried to show that commercial reasons of the highest importance demand that we promote the welfare of Cuba. There are, however, reasons of still more weight that render it imperative that we do not jeopardize Cuba's international standing.

Modern historians, in seeking the cause of wars and international misunderstandings, lay great weight on economic conditions. Spain sought to protect her own interests at the expense of Cuba and enacted legislation entirely with a view to her own benefit. This legislation not only related to the tariff but to shipping, various forms of excise taxes, and the innumerable devices which monarchies are known to make insufferable to colonial governments.

I submit that with some authority, because I was in Cuba previous to these developments. I cautioned my Spanish friends about the course they were pursuing, telling them they would lose the island unless they treated Cuba with more justice.

As long as the European countries were dependent upon the West Indies for the greater part of their sugar supply, Cuba had the buyers of Europe competing with those of the United States, but as time passed the continental countries of Europe all became producers of beet sugars and levied heavy duties against foreign imports. Then their markets were closed to Cuba. Since their production exceeded their consumption requirements, export bounties were paid which enabled them to sell free trade England at prices below the cost of production. Cuba could no longer compete there and so became dependent upon the United States. Fortunately for her a counter-vailing duty, in addition to the regular tariff, had been imposed by the United States against those countries paying an export bounty, and the United States became the market for her sugar.

In 1890 the McKinley tariff bill was passed and by what was known as the Aldrich amendment power was conferred upon the President of the United States to negotiate treaties of reciprocity which would

admit sugar free of duty from such countries as would make concessions in their tariffs upon American merchandise. Under the power so conferred a treaty of reciprocity was negotiated with Spain and afterwards similar treaties were made with the principal sugar-producing countries of the world, and the United States tariff on sugar was practically abolished; so our exports with Cuba rapidly increased; the cost of food supplies in Cuba was greatly reduced, and the island entered upon a period of prosperity such as it had not known for many years.

In 1894 the change from a Republican to a Democratic administration at Washington was followed by the passage of the Wilson tariff bill which again placed a duty upon sugar, canceled the reciprocity treaties, and brought a return to the Spanish tariff rates in Cuba. Prices of sugar declined, while cost of living increased and as the estates finished their crops in the spring of 1895, all work on the plantations ceased. Thousands of laborers were suddenly thrown out of employment, and unable to gain a livelihood took to the woods and joined the ranks of the insurgents. The destruction of property, the loss to commerce, and the reduction of Cuba's sugar crop in one year from 1,040,000 to 230,000 tons, with the Spanish-American War which followed, are now matters of history.

So it was in fact economic troubles that sent Gens. Gomez, Maceo, Marti, Garcia, and others to the fields in their ultimately successful struggle for independence.

To correct this situation the United States went to Cuba's aid, freed her from Spain and in the process let in Porto Rican sugars, as well as Philippine Island sugars, free of duty. The Fordney bill proposes to put on a duty higher than has existed in 30 years. If we do it and bring about a serious curtailment of Cuba's sugar industry, we are not only violating our international obligation to Cuba but setting in motion economic forces the result of which I hesitate to predict.

When Cuba accepted as a part of her constitution the Platt amendment, which gave the United States the "right to intervene for the preservation of Cuban independence, the maintenance of a government adequate for the protection of life, property, and individual liberty," she at the same time agreed that she would "never enter into any treaty or compact with any foreign power or powers which will impair or tend to impair the independence of Cuba, nor in any manner authorize or permit any foreign power or powers to obtain any colonization, or for military or naval purposes, or otherwise, lodgment in or control over any portion of said island."

In addition to this provision Cuba is, of course, debarred by the Monroe doctrine from affiliating with any foreign nation, has she any desire so to do. The result is that Cuba is in every way, politically financially, commercially, and industrially tied up with the United States and anything which threatens to injure her will inevitably injure this country.

In 1901 Elihu Root, who was the Secretary of War, spoke unreservedly in favor of this country granting tariff concessions to Cuba, and declared:

Aside from the moral obligation to which we committed ourselves when we drove Spain out of Cuba and aside from the ordinary considerations of commercial advantage involved in a reciprocity treaty, there are the weightiest reasons of American public

policy pointing in the same direction; for the peace of Cuba is necessary to the peace of the United States. The same considerations which led to the war with Spain now require that a commercial agreement be made under which Cuba can live. The condition of the sugar and tobacco industries in Cuba is already such that the earliest possible action by Congress upon this subject is desirable.

President Roosevelt in a special message to Congress urging reciprocity with Cuba said:

In the case of Cuba * * * there are weighty reasons of morality and of national interests why the policy should be held to have a peculiar application, and I must earnestly ask for your attention to the wisdom, indeed to the vital need, of providing for a substantial reduction in tariff duties on Cuban imports into the United States. Cuba has in her constitution affirmed that she should stand, in international matters, in clearer and more friendly relations with us than any other power, and we are bound by every consideration of honor and expediency to pass commercial measures in the interest of her material well-being.

This obligation to stand by Cuba was thoroughly recognized by our Government in 1902 and, I believe, is recognized to-day. But a tariff bill which proposes rates which will require Cuba to pay substantially more than those in effect when President Roosevelt asked Congress to reduce the import duties, will not promote the "closer and more friendly relations" desired by our Government.

I want to touch on the second paragraph of the Fordney bill, which apparently violates the treaty with Cuba.

The second paragraph of the Fordney bill provides that for every pound of domestic sugar used, a refiner can import 2 pounds of foreign sugar at three-fourths of the regular duty. If such imports consisted of full duty sugars paying 2 cents per pound, such as Javas, for instance, the effect would be that such sugars would pay less duty than Cuban sugars.

In the reciprocity treaty providing for admittance of Cuban merchandise at 20 per cent less than the tariff rates, appears the following:

The rates of duty herein granted by the United States to the Republic of Cuba are and shall continue during the term of said convention preferential in respect of like imports from other countries.

If the Fordney bill is enacted, domestic manufacturers or refiners coming within the scope of this paragraph, could import full-duty-paying sugars at 25 per cent less than the full tariff rates; and they could be imported by the beet sugar factories or Louisiana refiners at a duty of 1.50 cents per pound while Cuba pays 1.60 cents. The object of the treaty with Cuba was to give to the island a preference of 20 per cent over all like imports from other countries. Manifestly any tariff act that prevents the complete carrying out of our treaty obligations with Cuba would be a breach of international faith, which I can not believe the Government of the United States intends to commit.

One of the representatives of the refiners, whom I think is present, can elaborate a little upon the refining end of that paragraph.

Senator SMOOT. Mr. Chairman, I do not know whether Mr. Atkins can answer the questions I want to put to him or whether the gentleman who is trying to tell him what I am saying can follow the exact words as I say them.

Senator McCUMBER. Perhaps if you use his speaking tube you can carry on your examination without difficulty.

Senator SMOOT. All right; I will try that method.

Mr. Atkins, you have always been opposed to the creation of a beet-sugar industry in the United States, have you not?

Mr. ATKINS. Certainly not; I deny that most emphatically. At one time I was the representative of the largest holders of beet-sugar stocks in the United States.

Senator SMOOT. I am aware of that, Mr. Atkins, but let me read you your testimony. You are perfectly willing to stand by your testimony given before the committee in the House?

Mr. ATKINS. If I have not been misinterpreted. Let me see it.

Senator SMOOT. I will read it to you. This was before the Hardwick sugar investigation committee, 1912 [reading]:

Mr. MADISON. You stated a moment ago, Mr. Atkins, or this morning, that you decidedly opposed going into the beet-sugar business. What was the reason of that?

That was a question that Mr. Madison asked you. I want to read you your answer—not what you are going to say now, but what you did say [reading]:

Mr. ATKINS. The beet-sugar business was a competitive business. It produced in the western territories, where our market lay. That is, I say, "our market"—I mean the market of the refiners, the various refiners, of the United States. As that industry grew—and I foresaw that it would grow rapidly—I believed that it would reduce the volume of business not only of the American Sugar Refinery Co. but all the refineries on the Atlantic coast; and although we had millions of dollars invested in the business there we were building up a competitive business, one that would compete with ourselves, and which was bound to get away from us; we could not control it in the end. I say "we"—I had no connection whatever with it. That was simply a business man's opinion.

Mr. RAKER. How far west do you ship?

Mr. ATKINS. We ship, when we are able to do so, out to Omaha and Kansas City.

Mr. RAKER. You ship no further west than these points?

Mr. ATKINS. We would if we could, but we can not get in there owing to the competition of the beet factories.

I am not going to read any more of your testimony, but that is what you testified in 1912, and that is why I asked you if you are not opposed to the creation of the beet-sugar industry in the United States.

Mr. ATKINS. Mr. Chairman, if you will bear in mind that that was an examination by the—whatever is the name of that committee—

Senator SMOOT (interposing). The Hardwick committee.

Mr. ATKINS. An examination of me as the representative and chief of the American Sugar Refining Co. My testimony was given there with that only in view, and when I speak of opposing the policy of the American Sugar Refining Co. in entering upon this beet business, I did so because I thought it was inconsistent for them to be on both sides. They could not follow up, as they should do, the beet-sugar industry and also the refining business.

Senator SMOOT. You do not say that in your testimony. You spoke for the American Sugar Refining Co., and you were at the head of that concern. Did you speak for all of the sugar refiners in the United States?

Mr. ATKINS. Exactly, sir. I intended to speak for every refiner, because the business of the American Sugar Refining Co. was the refining business of the United States, and I knew that the rapid development of the beet sugars would gradually drive them back, and it has been proven to be so.

Senator SMOOT. Certainly. Nobody contends that it has not been a competitive business of the sugar refineries themselves, the same as evidently appeared in 1911 when the sugar refiners would have

placed a price upon the sugar in the United States on account of lack of sugar in that year that would have made the American people pay more money than all of the beet-sugar refiners in the United States had cost them.

Mr. ATKINS. I beg to take exception to that statement. The sugar refiners would never care to do such a thing as that.

Senator SMOOT. They did it up to November.

Mr. ATKINS. Not at these extreme prices.

Senator SMOOT. Absolutely, and I can prove it. You say that the sugar producers are in dire financial straits?

Mr. ATKINS. Yes.

Senator SMOOT. Do you not know that the beet-sugar people are in just as dire straits, financially?

Mr. ATKINS. I am fully aware of that, Mr. Chairman.

Senator SMOOT. But you are perfectly willing they should be?

Mr. ATKINS. No, sir; I am not perfectly willing that they should be. I will tell you, if you will listen one moment, that when I came down here after the last change of the tariff I made as strong a plea as I could in favor of the beet-sugar manufacturers having sufficient protection, which we settled upon at that time to the satisfaction of everybody, a cent a pound against Cuba.

Senator SMOOT. You say "to the satisfaction of everybody." Who do you mean by "everybody"?

Mr. ATKINS. I mean the beet-sugar producers as well as everybody else.

Senator SMOOT. Then I deny that. Cuba is a fair customer of ours, is she not?

Mr. ATKINS. Yes.

Senator SMOOT. She has preferential rates on all exportations, does she not, of 20 per cent, and we have a preferential rate on all goods going into that country?

Mr. ATKINS. From 20 to 40 per cent.

Senator SMOOT. If she could buy her goods cheaper anywhere else there is where she would buy.

Mr. ATKINS. She can not buy them, under treaty.

Senator SMOOT, Oh, yes; she can. She can buy anywhere she wants to. But she gives the American manufacturer 25 per cent advantage.

Mr. ATKINS. If she can do it, there is no reason why she should not buy somewhere else.

Senator SMOOT. Oh, yes; but you said she could not.

Mr. ATKINS. She can not break with the United States on account of treaty.

Senator SMOOT. The treaty does not bind her from buying goods anywhere on earth. Cuba was responsible, was she not, for the importation of nearly 800,000 tons of sugar into the United States from Java and from other parts of the world, when Cuba was trying to hold the price up to 24, 25, and 26 cents a pound, was she not?

Mr. ATKINS. No, sir.

Senator SMOOT. Why did the United States Government, through its Food Administration, ask certain men in New York to scour the world for sugar and import into the United States to break the Cuban price, if that were not true?

Mr. ATKINS. They did not understand the situation.

Senator SMOOT. Oh, no.

Mr. ATKINS. Will you wait a moment?

Senator SMOOT. Yes.

Mr. ATKINS. I was called to Washington two years ago, I think it was, when I came back from Cuba, for an interview with Palmer. He wanted the various sugar people to make suggestions about how the price of sugar should be checked. He said it was going up to a very high point. I said, "Mr. Palmer, I have just come from Cuba. I can assure you that there is no real scarcity of sugar." I said that there was sugar enough in Cuba to run the United States through into the next beet crop in October, and this was early in June. He said, "How do you know that?" "I have seen the sugar in Cuba. I know that there is a large stock of sugar in the interior of Cuba that never has been reported." They only reported the stocks in the ports, and "I know that there is sugar enough there to supply this country up until the 1st of October, together with what other sugar is to arrive."

But he did not think I was right. I knew I was right.

Senator SMOOT. I know you were right, too; and Mr. Spreckels and myself testified before a Senate committee that there was ample sugar to take care of the situation, but that was not what the Government was after. They were trying to break the price of sugar, and only last week there was a bill passed the Senate granting to one of these importers of sugar a claim of \$1,000,000, and the claim was pressed by our own department because of the fact that they had requested them to bring this sugar in, and it did not come here—the last two shipments—until the price had broken in Cuba. They paid 11 cents for it, and we just the other day granted the claim of over \$1,000,000 to that one importer upon one importation of 9,000 tons of sugar.

Mr. ATKINS. Because the Government had requested it.

Senator SMOOT. Certainly. That is why I said the Government had to go to work and get 800,000 tons of sugar from somewhere else besides Cuba to break the price that the Cuban planter was holding his sugar at.

Mr. ATKINS. There was no need of that on the part of the United States Government. They took that responsibility entirely upon themselves. They disregarded the advice of the sugar people who knew about the situation.

Senator SMOOT. But it was the only way that the Cuban price was broken; that is what broke the price and nothing else.

Mr. ATKINS. It would have broken. I told Palmer at that time if he would call the newspaper reporters in—they were waiting outside of the door—and tell them that the consensus of the opinion of that meeting was that there was plenty of sugar, if carefully handled, to carry the country through and to prevent a further advance, that it would check all of these high prices. If he had taken my advice they would have had none of those high prices.

Senator SMOOT. They did take your advice as far as the Senate was concerned, and we held that investigation of the whole thing, and the Sugar Equalization Board was there. The Sugar Equalization Board took exactly the opposite position; and I think that Mr. Spreckels and I were the only two witnesses who said there was ample sugar in Cuba and in the United States to take care of the situation. But that does not affect the price. The price of sugar in

Cuba did not decline until importations began, and the result of those importations has been that there has been too much sugar in the market, together with the extreme amount of sugar that Cuba produced—3,900,000 tons—and that is what is the trouble with the sugar market to-day, and you as a refiner must know it.

Mr. ATKINS. Of course, I know it—that the trouble to-day is overproduction of sugar, and I also know that for overproduction Mr. Hoover is directly responsible. He, in his desire to help win the war and to do everything in his power—and he did it well, too; I appreciate his ability—but he is responsible for this overproduction of sugar.

Senator SMOOT. Your position is, of course, that the beet sugar has got to stand this?

Mr. ATKINS. No.

Senator SMOOT. Cuba brought it on.

Mr. ATKINS. Why do you make such an assertion as that?

Senator SMOOT. Because of the very fact that you know very well, as you are a refiner, that the cost of sugar here in America is more than a cent a pound above what the cost of sugar in Cuba is. You know that and every other refiner knows it, and you yourself testified as to how interested you were and about the charity that had been extended to the laboring people of Cuba. It seems to me that if you wanted to extend charity to the Cuban laborer you people ought to pay them more than 65 cents a day in store pay.

Mr. ATKINS. How is that? Why do you make such an assertion as that? Here I am, an American citizen from Cuba. There are many others there also in the same position. We have done everything in our power to take care of our laboring population. I have paid those men a dollar a day all through the summer time when I did not need them at all, in order that they might provide for their families, and I resent the charge that I have only paid 65 cents a day. It is not true.

Senator SMOOT. I do not know what you have been doing, but I will put in this testimony, which no one on earth can deny, that the price that has been paid this last winter has been 65 cents a day, payable in merchandise at retail.

Mr. ATKINS. I do not know where you got that information.

Senator SMOOT. I got it from better authority than you are, and it is from the officials of the Government of the United States; that is where I got it; and I am not stating anything here that I do not know.

What is the duty on sugar in England?

Mr. Atkins. I can not tell you.

Senator SMOOT. It is 4½ cents a pound, is it not?

Mr. ATKINS. I do not know, sir. I have not followed that, because we have no English business now.

Senator SMOOT. Would it not be a good thing now for the American refiners to get some English business?

Mr. ATKINS. Undoubtedly; it would be a good thing for the American refiners to get some English business all the time.

Senator SMOOT. They are going to get it, too?

Mr. ATKINS. I do not know.

Senator SMOOT. I am going to help them.

Mr. ATKINS. I think it very doubtful if they get it.

Senator SMOOT. I do not think so.

Mr. ATKINS. We are trying every day. We have one of the best houses in Great Britain acting as our agents. We are very close to them.

Senator SMOOT. I think you will get it, all right.

Mr. ATKINS. We are trying to get that business.

Senator SMOOT. You will, if I can help you.

Mr. ATKINS. We want to get it, but the trouble is you have not only to arrange for the export of this sugar. You have got to arrange for a buyer. "You can lead a horse to water but you can not make him drink" until he gets thirsty.

Senator SMOOT. I guess he is thirsty now, and I want to help you. I think that is what we will do. I think you will get the export business.

Mr. ATKINS. Now, tell me how you are going to get it.

Senator SMOOT. I do not know that it would do any good to go into details, but if you will come to my office I will tell you.

Senator WALSH. The Senator wants to keep you out of this country and send you over to Great Britain.

Senator SMOOT. No; I want, Senator, to do something to relieve the situation that was brought onto this country by the Cuban sugar manufacturers.

Senator WALSH. I think you are both trying to make the consumer pay the bill.

Senator SMOOT. That is all, Mr. Atkins, that I wanted to say.

STATEMENT OF HENRY A. RUBINO, REPRESENTING MIRANDA SUGAR CO., NEW YORK CITY.

The CHAIRMAN. You represent the Miranda Sugar Co., of 79 Wall Street, New York City.

Mr. RUBINO. Yes, sir.

The CHAIRMAN. Where do you reside?

Mr. RUBINO. New York City.

The CHAIRMAN. Where is the Miranda Sugar Co. located?

Mr. RUBINO. In the Province of Oriente, Cuba.

The CHAIRMAN. You are an importer, then?

Mr. RUBINO. Yes, sir.

The CHAIRMAN. Go ahead and state your views to the committee.

Mr. RUBINO. I represent the American interests who are engaged in the production of raw sugar in Cuba, and we desire to present to you the facts and the proofs with reference to the magnitude of the American interests in Cuba. Judging from the debates and the testimony that has been introduced before your committee and the Ways and Means Committee at the time the Fordney bill first made its appearance as an emergency measure, it was evidently the desire of the Congress to extend to the domestic sugar industry—and by the "domestic sugar industry" I mean not only the continental industry, but the industry in sugar in the insular possessions—relief from the conditions that existed a year ago, and it was believed by the Congress that that relief could best be extended by increasing the duty on sugar and measuring the difference by what the Congress deemed to be the difference in cost of production between the domestic industry and Cuban sugars.

So that primarily it affected Cuban sugars and Cuban sugars alone.

In order that I may logically present my argument to you, I trust you will bear with me for a few minutes if I state briefly some facts which are—some of which are necessarily known to you.

The United States consumes annually four and one-half million tons, approximately, of refined sugar, and that four and one-half million tons of refined sugar comes to us in this way: The beet industry of the United States, which produces a refined sugar when it is through with the process, makes approximately 800,000 tons. Louisiana, Texas—

Senator WATSON (interposing). Four and one-half million tons refined is how much raw sugar?

Mr. RUBINO. That is very difficult to answer, sir, because you get a different quantity out of beets than you do out of cane sugar.

Senator WATSON. That is what I supposed; but I was just asking for the information you can best give us.

Mr. RUBINO. As near as I can give it to you, a ton of beets produces 250 pounds of sugar.

Senator SMOOT. No; not that much.

Mr. RUBINO. That is the testimony given before your committee, Senator Smoot.

Senator WATSON. Whether it is beet or cane?

Mr. RUBINO. No; it differs with reference to cane—different in Louisiana cane from Hawaiian cane.

Senator WATSON. Then, when you say that a ton of raw sugar produces 250 pounds refined, you had reference to beet.

Senator SMOOT. You could get as much as 250 pounds out of a ton of beets of the very highest saccharine content. But the average is 233, so our department says.

Senator WATSON. That has been my understanding—235 pounds.

Mr. RUBINO. I gave the highest figure.

Senator SMOOT. I know you did.

Mr. RUBINO. Approximately 200,000 tons come into the markets of the United States from Louisiana and Texas. That sugar is raw cane sugar, but is refined or clarified in most of the plantations or factories in Louisiana, so it is a higher grade of sugar.

So that, generally speaking, we get in the United States a million tons of sugar, and that sugar is marketed in the West and in the far West.

From Hawaii we receive approximately 500,000 tons of cane sugar, and that cane sugar is practically all marketed in the far West; some of it in the mountain States of the West, and is mostly refined in a refinery controlled by the Hawaiian plantations in California—the California-Hawaiian Sugar Refining Co.

Porto Rico produces about 350,000 tons of raw sugar.

So that with a small quantity that comes in from the Philippine Islands, of raw sugar, there is received into the United States and produced in the United States approximately 2,000,000 tons.

The eastern section of the United States consumes about two and one-half million tons, and that sugar is obtained from Cuba in the shape of raw sugar and to the extent of about 350,000 tons from Porto Rico, which is also, like Cuban sugar, imported in a raw state and refined along the Atlantic coast by refiners who refine the bulk

of the sugar, and it is sold mostly in the Atlantic States, except when there is a condition of freight rates which permit it to be sold farther West.

What I want to impress upon you, if I may, is this: If the theory of this increase of the tariff by the Fordney bill was to ease the American industry from loss, it has signally failed in that accomplishment.

The Fordney bill has now been on the books for about seven months, and ever since its enactment down to the present time the benefit of that increase has not increased the selling price of domestic sugar. It has not made it one farthing dearer to the American public; it has not put one dollar into the hands of the domestic industry. All that it has accomplished, all that it can accomplish, is to practically ruin the American investment in Cuba, an investment that I will presently show you the magnitude of and will show to you has not been anything but injured by this measure.

Now we plead that if you have not benefited the domestic industry, if you have not helped it—and that was its conceived and avowed purpose—that the only thing it has accomplished is to injure the vastly greater American industry, that surely ought to be a compelling plea.

Senator McLEAN. That is your assumption. How do you know what the price of American sugar would have been if it had not been for the increase in the tariff?

Mr. RUBINO. What it would have been?

Senator McLEAN. Might it have been much lower than it is now?

Mr. RUBINO. It has been lower.

Senator McLEAN. How do you know? You have had your protection on it and it has gone lower. Now it is mere speculation on your part as to what the price would have been if there had not been protection.

Mr. RUBINO. I can not say that, Senator, for this reason, that we know what the market has been; we know what the sugar has brought; we know that despite the tariff it has not even maintained itself.

Senator McLEAN. You do not know what the price would have been if you had not had the tariff.

Mr. RUBINO. Suppose that be true—

Senator SMOOT (interposing). There would not have been any sugar industry in the United States if that had been true.

Mr. RUBINO. No, Senator; and you know that, and you know—

Senator SMOOT (interposing). I do know this, that the tariff has at least kept the industry alive, and that is all. I do not know how long it can live, but without it they could not live a month.

Mr. RUBINO. But is not that just as much speculation, Senator, as the theory that has just been advanced by the Senator, that it might have gone lower?

Senator SMOOT. No. If that is the case, if your theory is correct, what we want to do is to take \$1.60 a hundred on Cuban sugar, refined, out of the Treasury of the United States and give it to Cuba.

Mr. RUBINO. I do not think so, sir.

Senator SMOOT. Then how could you possibly make the statement that you did, that it did not do the sugar-producing industry of America any good whatever?

Mr. RUBINO. Because that is the fact.

Senator SMOOT. Well, I say it is not the fact.

Mr. RUBINO. Then we may differ upon the proposition, of course.

When we come to the two and one-half million tons of sugar that are imported from Cuba into the United States, I am going on the assumption that when you speak of protecting the American industry in sugar you are not going to discriminate between the American interests in Utah or Hawaii or any other beet-producing State against the American investment in Cuba, and I want to show you the extent of that investment.

There will be filed with you a memorandum, where we have attempted, with the greatest care and with all the data that is available and at our command to make accurate, to show you the extent of that American investment to-day, represented by stocks and securities, widely held and distributed in the United States, amounting to over one billion dollars invested in the sugar industry in Cuba according to actual figures.

Let us compare the amount of that investment with the total investment of domestic sugar, whether it be continental sugar in the United States or sugar embraced in the insular possessions.

You have invested in the sugar industry, according to the latest available data—and we have given the benefit of every doubt—\$175,000,000; the highest that the Tariff Commission shows or the Trade Commission shows is \$150,000,000. There is invested in the Hawaiian industry \$208,000,000; there is invested in Louisiana and Texas \$39,000,000; there is invested in Porto Rico \$71,000,000. With the investment in the Philippine Islands, the total amount invested in the industry in the United States and in its insular possessions, from which it draws 2,000,000 tons, is \$545,000,000.

So that the American industry in Cuba has twice as much at stake as all the other industries.

Senator SMOOT. Of course the Cuban industry takes in the value of the lands that these people hold.

Mr. RUBINO. I beg your pardon, Senator; that is an assumption.

Senator SMOOT. Well, it is not any assumption; it is the report.

Mr. RUBINO. You may have figures that are not available to us, but at least we can say this, that in case of many of the beet-sugar farmers the land that is not held directly by the beet farmers is held by the beet factories who actually have it under control by a lease or otherwise; and it also is a fact—

Senator SMOOT (interposing). There is not one-fourth of 1 per cent so controlled.

Mr. RUBINO. Suppose that be true—

Senator SMOOT. There is not one-fourth of 1 per cent. I do not think there is any except for experimental purposes and in some cases for the raising of beet seed.

Mr. RUBINO. I can not tell you the percentage, Senator, but I can tell you this, that I know from personal knowledge and experience that one beet-sugar factory controls over 50 per cent of its land, how many more I do not know. But, then, we might get into a controversy on that proposition.

I do know that what is actually invested in the sugar business in America and its insular possessions does not exceed, at its highest, \$545,000,000, and we do know to a definite certainty that American

capital widely distributed here to the extent of \$1,000,000,000 is invested in Cuba.

The American industry does not turn into the Treasury of the United States by way of a duty a single penny, but the Cuban sugar, controlled by American capital, not only pays its cent a pound, but is now asked to pay and has been paying 1.60 cents a pound. Why injure the American industry? If there is any virtue in it it might be that the sugar is grown here? I have heard it said—and the author of this bill is reputed to have said; I hope he did not say it—that if Americans are foolish enough to invest their money in a foreign country that is their lookout. I can not credit that; I can not credit that the American investor who invested his money in Cuba because he was requested by this Government under a different political complexion to do so should suffer or pay the penalty for that reason.

Senator SMOOT. The American investor invested his money in Cuba before there was ever a world war.

Mr. RUBINO. You are quite mistaken about that. He invested some of it.

Senator SMOOT (interposing). I did not say all of it; I said part of it.

Mr. RUBINO. But the great bulk of it was put down there, and it was put down there for this reason—I am going to be very brief in reading this to you, if you will permit me, but it is reputed to be Secretary Hoover's statement to the President in discussing the sugar production of the Western Hemisphere. He is quoted as saying:

The above figures show the tremendous increase in the production which resulted during the period of Government control in Cuba, against which increase the slight decreases in the other sources of supply were negligible. A much higher price than that which prevailed in 1918-19 might have conceivably increased production in the United States beet industry, Porto Rico and Hawaii, to the extent of a few hundred thousand tons. But the wiser policy was adopted of assuming a price level which would encourage production in the only source of supply from which large increases could be immediately expected in response to the relatively small price increases, which is Cuba.

Senator SMOOT. That was not so very much of an investment. That was land you already had, and you planted more lands to get more cane.

Mr. RUBINO. No, we did not.

Senator SMOOT. I know you did increase; nobody denies that. But take the amount of sugar that you produced in 1917, when we went into the war, and then 1919, and that will tell you how much you increased.

Mr. RUBINO. Let me tell you that increase—

Senator SMOOT (interposing). I know it.

Mr. RUBINO. If you know it, then my statement will simply be a repetition of something that you know. But for the benefit of those who do not, it is 15 per cent.

Senator SMOOT. That is perfectly satisfactory to me, sir.

Mr. RUBINO. So it is now, sir; but the beet industry increased 30 per cent. The increase is not in the Cuban cane industry, as you would have it appear. I do not say that offensively. The Cuban industry is suffering by reason of this tremendous increase. It made this increase because it was requested by this Government to do so,

and I wonder why Mr. Atkins, in answer to your question, when you spoke of the tremendous increase in price of Cuban sugar in 1920, did not recall to you that it was the subject of such acrimonious debate on the floor of the Senate, when the McNary bill was under discussion, that the Cubans offered their entire crop to this country for—not 24 cents nor 20 cents nor 15 cents or 10 cents, but 6½ cents, and the offer was not accepted—and why did the Cubans increase their price? Because the Attorney General of the United States tacitly agreed that the price of Louisiana sugar should be 18 cents—at least he agreed not to prosecute—and if Louisiana could get 18 cents for its sugar, would you, Senator, expect that the beet industry would take less, or that the Cuban industry would take less? Cuba had offered you her crop at 6½ cents. Why did not the Government accept that offer? I am not here to answer that. I am answering your argument.

Senator SMOOR. So far as that is concerned, I ask why they did not take it. If I had had my way they would have done so. But you know why they did not take it, and there is no need of discussing that.

Mr. RUBINO. I understand the reason we did not take it was because Prof. Taussig had the ear of the Government at the time and thought that economically it was a blunder. Perhaps he was mistaken. There was no reason why Cuba should not get its price if the beet-sugar people got their price. Did the beet people fare poorly under that? They got the same price.

Senator SMOOR. The beet people were restricted in price, and when Louisiana was allowed to sell at 18 cents they were compelled to sell at 10.50. We were compelled to pay \$12 for beets, and we have got some of that sugar on hand now not disposed of.

Mr. RUBINO. So have the Cubans. The boat the beet-sugar people are riding in is no different from the boat that the Cuban sugar people are riding in. They are suffering just as much and just as badly. That is why I urged upon you for consideration—though it seems not to have met with ready acceptance—that presumptively on the face of it the domestic producer has not benefited at all times by this increased tariff. And in answer to the Senator's question, the price of sugar is even below the price that prevailed before the duty was put on.

Senator SMOOR. You know the reason why, of course?

Mr. RUBINO. The reason, sir—

Senator SMOOR (interposing). It has nothing to do with the duty. If the duty had not been put on it would have been just that much less.

Mr. RUBINO. The reason is the ordinary law of supply and demand; and that will occur no matter what the duty is. But in the meantime, I am trying to press home to you that a billion dollars of American industry is entitled at least to some measure of protection at the hands of Congress.

Senator SMOOR. Yes. But if it is entitled to some measure of protection by Congress, then it must pay its labor somewhere near what the American people pay their labor, and that it is not doing.

Mr. RUBINO. Senator, what labor does the domestic sugar indus-

try pay? Does the sugar industry employ American labor for whom we all recognize the American standard of living, or does it employ Russian labor and Japanese labor and Mexican peons? That is the testimony given before your committee that that is the kind of labor employed, and how much difference does it pay? You have heard somebody say that in Cuba perhaps a Haitian or Dominican Negro gets 70 cents a day and takes it out in store trade.

Senator SMOOR. Not 70, but 65.

Mr. RUBINO. I came from Cuba Friday. I manage three large mills there. Our laborers are not paid any such amount, and I know of none that do.

Senator SMOOR. In the mill—the men that raise the cane, the labor that is in the field the same as we have to have the labor in our beet fields? There is not any labor that we can get at less than \$3 a day.

Mr. RUBINO. The reason for that is obvious, because the farmer, where he happens to be an American farmer, and in the beet industry he is a scarce commodity, finds he can get a more profitable crop if he raises corn than beets.

Senator SMOOR. That is not the question at all.

Mr. RUBINO. No; but it is a vital question. Your scientific body, the Tariff Commission, has stated that it is only in exceptional localities that beets can be raised economically; that all the conditions must be just right for its production. I can only take the reports as I find them given by a body of governmental experts. If they are wrong, I can not be right. I take it from their reports, and apparently they have the willing ear of this committee and of the House Ways and Means Committee. There are statements in the public press from time to time that you get great aid and assistance from the Tariff Commission. So I assume that that body, with no bias and with no axes to grind, is giving accurate information, and when I make these statements to you they are made on the strength and authority of those experts.

Senator SMOOR. Let me tell you, I care nothing what the Tariff Commission says. If there was a duty sufficient to protect the labor of the United States against the labor in Cuba, and the American people felt that that would remain on the statute books for 20 years, there is ample—yes, more than ample—ground in the United States to raise all of the sugar that the United States would consume and two or three times more.

Mr. RUBINO. Senator, I have heard the statement made, and I have heard it said by so well informed a witness as Mr. Petrikin—I think you know him?

Senator SMOOR. Very well.

Mr. RUBINO. Mr. Petrikin represents beet-sugar companies, if I am correctly informed, producing about 30 per cent of the crop of the country. Chairman Fordney asked Mr. Petrikin in January of this year, "Mr. Petrikin, is it a fact that the United States can produce all the beet sugar that it needs to supply the sugar consumption of the country?" And Mr. Petrikin's answer was this: "I wish it was so, but it is not humanly possible." He should know.

Let me give you something further—

Senator SMOOR (interposing). I can take my own State of Utah. We could produce four times the amount of beet sugar—yes, ten

times the amount of beet sugar that we are doing to-day if conditions were such that would justify it.

Mr. RUBINO. Exactly. What are those conditions?

Senator SMOOT. By equalizing the cost of producing the sugar in America and in Cuba; that is all.

Mr. RUBINO. Senator, may I ask you this: What makes you believe that there is a disparity in the cost between Cuba and this country?

Senator SMOOT. To-day?

Mr. RUBINO. Yes; to-day or any time?

Senator SMOOT. The amount that Cuba can produce sugar for and deliver it in New York and have it refined. The amount it costs to-day would not equal the amount that we pay for the beet itself—that is, the saccharine in the beet.

Mr. RUBINO. Let us see a minute. You know, Senator, because you are probably the best informed on sugar of any man in Congress—with all due respect to the other gentlemen—you know that the State of California can produce beet sugar much cheaper than the State of Utah, and you know that the State of Utah can produce sugar much cheaper than the State of Michigan; you know that, I am sure?

Senator SMOOT. We can not do it much cheaper.

Mr. RUBINO. As much as 2 cents a pound.

Senator SMOOT. That is not so.

Mr. RUBINO. If in the last three years of the sugar business, with the highest prices known and paid for refined sugar, why is it that the American beet industry has steadily declined in production, if it was such an easily cultivated process, and why is it that Cuba, as you just pointed out, can grow sugar in such great abundance, and if it can grow it ever so much cheaper why should the American public be made to pay the increased price for the beet sugar in order that that industry may prosper at the expense of the American industry in Cuba?

Senator SMOOT. That is bringing up the whole question of the tariff.

Mr. RUBINO. Of course, that is bringing up the whole question of the tariff.

Senator SMOOT. There is no need of discussing that with you. The committee will decide whether they want American industry or whether they want a foreign industry.

Mr. RUBINO. I take it the committee will do justice between American industries, whether it happens to operate in the United States, in Utah, Colorado, or California, or whether it operates in Cuba, 90 miles from the east coast of the United States.

Senator SMOOT. There is quite a different class of people that operate it, and quite a different pay roll that is paid, and they are just as good customers as the people of Cuba.

Mr. RUBINO. I do not say that we are better customers, but when it comes to the class of laborers I can point out to you that such experts as Mr. Petrikin and Mr. Edgar and other beet-sugar people say that they are dependent upon Mexican peons and to some extent upon Japanese. And when it comes to the Japanese, and the manu-

facture of Hawaiian sugar, which is also being protected, I read your own statement made in this committee room, where you pointed out that Japanese clerks in Hawaii were getting \$18 a month in wages; and that is the industry that you were seeking to protect by this extra tariff.

Senator SMOOT. No; it is not. I will say to you that that happened under forced contract, forced upon the manufacturers and growers in Hawaii at a time when they were compelled to enter into a contract that was made, and that happened because the price of sugar rose so rapidly in the world, and as it rose so did the contract price raise. But they never would think of a contract like that in ordinary times. They could not live under it and you know they could not live under it.

Mr. RUBINO. Certainly, I agree with you. No more could they make such a contract than the beet people can make a contract for their beets, and the farmers, in whose interests so much clamor is raised, in their own interest had to come to Congress and ask an investigation at the hands of Congress to secure fair prices from the beet sugar and mill owners. You know that just as well as I do. You know the report of the commission.

Senator SMOOT. I think there is no farmer but who is well taken care of and paid \$12 a ton for beets, and that meant at least \$10 sugar, and I do not think that sugar sold for much more than 5 cents.

Mr. RUBINO. May I ask you, if it not an impertinent question, if the desire is to protect the beet farmers of the United States, why is the duty on beets 5 cents ad valorem against a 90 per cent duty on the price of cane sugar? Is it because the Michigan beet-mill owner might import plenty of beets from Canada?

Senator SMOOT. You know what he imports from Canada?

Mr. RUBINO. That is increasing, sir.

Senator SMOOT. It does not amount to much.

Mr. RUBINO. It is increasing. Senator McLean, you wish to ask a question?

Senator McLEAN. No; I think not.

Senator SMOOT. I will say that Mr. Petrikin will testify as to what he knows about sugar and about importations, and about the difference in cost, to-morrow, I suppose.

Senator WATSON. I want to ask you what is the difference in the cost of production of sugar in California, Utah, and Michigan? You made a statement awhile ago that according to the report of the Tariff Commission the most profitable State to grow beets in is California, by reason of climatic conditions; and they have pointed out that the difference in growing beets under well regulated, economical conditions is as high as 2 cents a pound as against Michigan and States that are in the Middle West zone.

Senator SMOOT. Senator, I want to explain what the commission did say. The commission took the mill that could produce sugar the cheapest in California and took the mill that costs the most to produce beet sugar in Michigan, and that is the difference; that is not the ordinary run of mill.

Mr. RUBINO. Senator Smoot, you may have read another report. That is not the report I had reference to. I had reference to the average produced in those two sections.

Senator SMOOT. I say that any commission that would make the statement that with \$6 beets there was \$2 a ton difference between California on the average and Michigan on the average or Utah on the average has never made that investigation.

Mr. RUBINO. That, sir, must be an indictment that the Tariff Commission must answer. I simply replied to Senator Watson's question.

BRIEF OF HENRY A. RUBINO, REPRESENTING AMERICAN SUGAR INTERESTS IN CUBA.

This country now consumes annually about 4,500,000 long tons of raw sugar for refining purposes.

Of this amount there is normally produced in this country about 850,000 tons of beet sugar. This sugar is produced to a great extent in factories located in the Western States and to some extent in the Middle West. The raw beets are turned into refined sugar in the same factories.

In addition, there is produced mostly in Louisiana normally about 150,000 tons of cane sugar. This is manufactured in so-called raw-sugar mills and many of them are equipped to produce refined sugar.

In the United States, therefore, about 1,000,000 tons of sugar is produced.

Our insular possessions—Porto Rico, the Hawaiian and the Philippine Islands—normally produce, respectively, 400,000, 500,000, and 200,000 tons of cane sugar brought to the United States and refined here. Practically all of this sugar, with the exception of the Hawaiian and Philippine sugars, is refined in the Atlantic States.

The total sugar produced in our country and our insular possessions aggregates 2,100,000 tons.

About 2,500,000 tons are normally secured from Cuba, concededly the largest raw-sugar producing country in the world. None of the sugar produced in the United States or in its insular possessions pays any duty.

The raw sugars from Cuba manufactured in its raw-sugar mills is brought to the United States and practically all refined in the Atlantic States.

This sugar, by reason of a reciprocity treaty between the United States and Cuba, pays 20 per cent less duty than raw sugar coming to the United States from any other country.

For some years past and up to the time of the passage this year of the Fordney emergency tariff, the duty on Cuban raw sugar amounted to about 1 cent per pound. The Fordney emergency tariff increased the duty, making it 2 cents a pound, and with the differential of 20 per cent in favor of Cuban sugars, brought the duty of Cuban raw sugar to 1.6 cents a pound, or six-tenths of a cent a pound higher than before.

The proposed tariff bill now under consideration proposes to continue the rate of duty enacted by the Fordney emergency tariff bill.

It is necessary in order to intelligently discuss this increase with your committee that it shall have some idea of how the sugar produced in the United States or which reaches here is sold and distributed.

BET SUGAR.

This is generally sold in the Middle West and Western States and the manufacturing plants obtain their supply of raw beets from the territories where the plants are located and sell the refined sugar in that territory.

As the expense of cultivating and harvesting the beet seed and beets (all the good beet seed has to be imported from Europe) is high, the geographical situation must be considered, as the transportation expense of the raw material and the finished product prevent competition too far east. Beet sugar comes in competition with cane sugar only where the freight rates are not prohibitive and for that reason is rarely found east of Buffalo and Pittsburgh.

LOUISIANA CANE SUGARS.

As the climatic conditions do not favor growing cheap cane sugar in Louisiana and considering its geographical location, the sale of the comparatively small amount of Louisiana cane sugar is limited to the South and Southwestern States adjacent to

Louisiana. Its relatively small production can not be materially increased by reason of limited land available.

HAWAIIAN SUGARS.

Practically the entire Hawaiian raw-sugar industry is in the hands of a few interests who are also interested in what is known as the California and Hawaiian Sugar Refining Co., located near San Francisco, Calif., and the refined sugar is mostly sold in the extreme Western States, but competes with beet sugar to the extent that inland freight rates permit it. It has apparently reached the limit of production by reason of limited land available.

PHILIPPINE SUGARS.

The relatively small quantity of Philippine sugars (about all it can produce) goes to the Pacific coast, but as permitted by freight rates and the use of the Panama Canal a comparatively small quantity reaches the Atlantic States refiners.

PORTO RICAN SUGARS.

This crop practically goes to the Atlantic coast refiners. It also has apparently reached the limit of production by reason of limited land available.

CUBAN SUGARS.

These sugars practically go to the Atlantic coast refiners.

As a practical proposition, therefore, our beet, Louisiana, Hawaiian, and Philippine sugars, due to their geographical situation, leave the large eastern territory (where over one-half of the refined sugar of the United States is consumed) to the raw sugars furnished by Cuba and Porto Rico.

In the past the hearings before the Congress relating to the question of sugar as affected by the tariff legislation enacted in prior years proved and it has been generally considered by the Congress that our own sugar production and that of our insular possessions were sufficiently protected by the duty of 1 cent per pound on Cuban sugars and 1.25 cents per pound on the full-duty sugars.

The Federal Trade Commission in its "Report on the Beet Sugar Industry in the United States" (Washington, Government Printing Office, 1920) at page 16 says:

"Even after the Cuban reciprocity treaty when the duty was reduced to about \$1.35 per 100 pounds the advantage (to the beet-sugar industry) was still very great."

Cuban sugars are practically sold on a parity or price basis of the free-duty sugars of our insular possessions, especially Porto Rico.

The 20 per cent differential in favor of Cuba simply enabled Cuba to compete to a certain extent with the full duty-paying sugars from other countries and even this apparent advantage disappeared when the full-duty sugars sold in competition with Cuban sugars and Cuban sugars in turn competed with the free-duty sugars of our insular possessions.

It is only at such times when raw sugar sells at a very low price that Cuba is enabled to sell its sugar in competition with the full-duty sugars, and since the enactment of the emergency tariff the full-duty sugars have successfully competed with Cuban sugars.

Since the enactment of the Fordney emergency tariff, Cuban, as well as full-duty sugars, have sold on a price basis equivalent to free-duty sugars and at no time has the increased tariff of six-tenths of a cent been borne by the American consumer. (At times refiners have purchased full-duty sugars and Cuban sugars at a slightly higher price and only where these sugars were reexported to Europe and the benefit of the drawback obtained.) The increased tariff, therefore, has in all cases been borne by the Cuban producer.

It is reasonably certain that any increased tariff will continue to be borne by the Cuban producer. That Cuba is not benefited by the differential in her favor is well known. The report of the United States Tariff Commission furnished to the Congress pursuant to section 704 of Title VII of the act of September 8, 1916, on "Reciprocity, and commercial treaties," clearly shows that the American price throughout the larger

part of each year was determined upon the basis of the duty on Cuban sugar and not on the full-duty sugars, and the American consumer gained all or most of the remitted duty through a corresponding reduction in the price of sugar.

The American price throughout prior years was consequently on the basis of the Cuban duty and they inured wholly to the benefit of the American consumer and up to the outbreak of the war the American consumer was gaining the whole of the benefit from preference to Cuban sugar.

The Tariff Commission reached certain general conclusions on this subject, one of which reads as follows:

"The imports into the United States from Cuba appear to reflect the influence of reciprocity to a much less significant degree than do the exports of the United States to Cuba."

Assuming therefore that any increase in the tariff on sugar is not borne by the American consumer, but by the Cuban sugar producer, the present proposed increase is opposed on the ground that it will do serious injury to the large amount of American capital invested in the sugar industry in Cuba. The proposed tariff, no matter what its avowed purpose may be, is either a tariff for revenue or a tariff to protect American industries. Whatever may be its purpose the arguments to be hereinafter advanced apply with equal force.

Assuming solely for the purpose of argument that our own sugar production and that of our insular possessions need protection, it is urged on your committee that the Cuban sugar industry, the largest in the world, is for all practical purposes an American industry and institution.

Due to changes in ownership that have been going on steadily for a number of years, and especially within the last few years, the American investor attracted by the favorable geographical and climatic conditions of Cuba, the seeming protection afforded by the various treaties between the United States and Cuba, especially the treaty of 1903, deemed himself safe in making large investments in Cuban sugar mills, lands, allied and associated industries and businesses, and the attempt has been made in this brief and its supporting exhibits to present to your committee the extent of such investments.

A careful investigation has been made and it is the belief that the data secured is reasonably accurate. It is supported in many instances by the latest balance sheets of the corporations whose data is quoted. Recourse has been had to approved and reliable financial agencies, sugar-trade agencies, those familiar with the sugar business, and officers of the corporations whose names are set forth.

Exhibits have been prepared and will be submitted with this brief which it is believed will startle and amaze your committee as to the vast extent of American capital invested in the sugar industry in Cuba. From the best sources available it appears that the securities outstanding, such as bonds, stock, etc., are widely held and distributed among investors of the United States.

Before quoting the total of these figures it may be well to point out that it appears that the aggregate amount of American capital invested in the Cuban sugar industry is far greater than the combined amount of American investments in the United States beet-sugar properties, the Louisiana sugar industry, and the sugar industries of our entire insular possessions.

It is obvious that if our sugar industries need protection, the Cuban industry, practically owned by Americans and in which the American investing public is vitally interested and involving more than the combined investment of this country's sugar industry and that of its insular possessions, is entitled to the same measure of protection.

Certainly if a 1 cent per pound duty was deemed sufficient to protect our sugar industries, now that it appears that our industry in Cuba is vastly greater, the protection to our own investment should not be increased at the expense of our industry in Cuba.

The proposed increase of six-tenths of a cent per pound, while it may afford a greater measure of protection to our own sugar industry, would ruin our industry in Cuba and utterly destroy our American investment there.

In tabulating the schedules accompanying this brief, the endeavor has been made to show:

1. The investments of companies in Cuba represented by corporations organized in the United States and including companies or sugar estates solely owned by Americans.

2. Sugar estates financed by American banking and other American interests and for all practical purposes controlled and owned by them.
 3. American-owned interests located in Cuba dependent entirely or in great part upon its sugar industry.
 4. American manufacturers and business houses dependent in whole or in great part upon their business with the Cuban sugar industry.
 5. The investment in the beet-sugar industry of the United States.
 6. The investment in the cane-sugar industry of Louisiana and Texas.
 7. Investment in the cane-sugar industry of Porto Rico.
 8. Investment in the cane-sugar industry of the Philippine Islands.
 9. Investment in the cane-sugar industry of the Hawaiian Islands.
- Schedules 5 to 9, inclusive, have been taken from such publications as "Moody's" and other well-known agencies, and where no other data was available the rating given by the commercial agencies has been taken into consideration.

Cuba's production of sugar is the largest in the world.

As the present crop is not yet completed, the crop ending in 1920 is taken as a basis for production. That crop in round numbers amounted to 3,725,000 tons and again using approximate figures the production in the mills owned and controlled by American capital amounted to 2,500,000 tons or about 67 per cent. It appears, therefore, that with a production of more than two-thirds owned by American capital in Cuba, this production exceeds the entire production of the beet sugar and cane sugar industry of the United States and its insular possessions.

Or to state it more definitely, the amount of Cuban cane sugar annually consumed in the United States is furnished entirely by American capital.

When we come to the amount of money involved, the figures are even more startling. Over \$1,000,000,000 appears to be invested in Cuban sugar mills and its allied business dependent upon sugar. The combined investment of the beet-sugar industry of the United States, its cane sugar and its insular possessions, aggregates \$545,000,000.

A brief summary of these investments is as follows:

CUBA.

Sugar mills and estates owned by Americans.....	\$621,219,766
Sugar estates controlled by Americans by reason of their being financed by Americans.....	125,000,000
Investments in Cuba owned by Americans dependent entirely upon the sugar business.....	156,250,000
Amounts due Americans for machinery, merchandise, and supplies and secured in part by equipment trusts, etc.....	128,000,000
Total.....	1,031,069,766
Beet-sugar industry in the United States.....	172,610,022
Cane-sugar industry in the United States.....	32,828,407
Cane-sugar industry in Porto Rico.....	59,708,527
Cane-sugar industry in the Hawaiian Islands.....	208,911,520
Cane-sugar industry in the Philippine Islands.....	71,200,000
Total.....	545,258,476

These figures speak for themselves. The proposed permanent increase is 60 per cent higher than the present tariff, a very considerable increase (this is after the differential of 20 per cent is taken into consideration). In dollars and cents and as a revenue measure it means \$35,000,000 more to the Treasury of the United States.

We will presently show the ruinous result to the American investment in Cuba, an industry of over \$1,000,000,000 is at stake and has its existence threatened by a tariff which will yield \$35,000,000. But it is by no means certain that it will mean \$35,000,000 to the United States and for these reasons:

If the basis of our belief that this increased tariff will ruin the American investment in Cuba is correct, it will also ruin the Cuban investment in sugar and this will certainly result in a vast reduction of the sugar production in Cuba.

The imports of sugar into the United States from Cuba will be correspondingly less and the United States will not be able to fill the national sugar bowl, because if Cuba, with the differential in her favor, can not produce sugar, then the full duty sugars can not be produced, and this country and our insular possessions do not furnish half the amount of sugar needed in the United States. (The full duty sugars are not sufficient in volume to make up the difference.)

The imports into the United States are, of course, problematical, but it will be considerably less than the \$35,000,000 expected besides jeopardizing the \$50,000,000 now obtained from the present duty. In other words the decreased imports are not likely to realize any duties to the United States more than is being at present realized and if this be true an investment of \$1,000,000,000 of American capital has been ruined or ruined to a great extent in the hope that a revenue will be produced.

The American companies that now operate in Cuba have and expect to continue to pay large taxes to the United States, both in the shape of corporate taxes and income taxes. To ruin this industry or cripple it will deprive the United States of obtaining these taxes to a far greater extent than the amount of revenue expected to be obtained through the tariff increase. Our own sugars produced in this country and our insular possessions pay no duty and furnish no revenue to the Government in the sense of a duty equivalent to the tariff; therefore is it fair to the American investment in the sugar industry in Cuba to cause a duty to be paid due solely to the mere fact that Cuba is classed as a foreign country?

Cuba was originally a Spanish possession, the same as Porto Rico and the Philippine Islands. At the successful termination of the war with Spain we acquired by purchase the Philippine Islands and Porto Rico was ceded and they became part of the United States.

Cuba was granted independence. The United States looked with approval on the effort of the Cubans to establish an independent form of government. Cuba was granted full, free, and independent government (except as limited by the Platt amendment) by the approval of the United States. The entire industry of Cuba revolves around sugar; it is its life, it is its main artery; cripple or ruin it and the entire economic life of Cuba is at an end.

While granted independence, the two other sugar-producing countries, the Philippine Islands and Porto Rico, gained measurably more by becoming a part of the United States, as their sugars came in free.

Cuban sugars pay a duty. Our unselfishness in granting Cuba independence should not be made a sham independence, if her main article of livelihood is taxed merely under the guise of being a foreign country. It must pay a duty on its principal or practically sole commodity, especially when it appears that that commodity for all practical purposes is owned by Americans and American capital.

Nor will any of our own industries engaged in the sugar business be affected. Prior to the admission of the Hawaiian Islands it was claimed by our beet-sugar industry that ruin would stare it in the face if these sugars were admitted duty free. That ruin has not taken place, but the beet-sugar industry has been more prosperous than before. When the Philippine Islands and Porto Rico were admitted, the same claim of ruin was advanced, and again it did not happen. When Cuba was granted a 20 per cent differential under the reciprocity treaty, the claim was again urged not only by the beet-sugar industry but this time by the Porto Rico and Philippine sugar interests, but again it did not happen. These interests went on and prospered just the same. But there is a limit to the amount of duty which can be exacted, and the proposed tariff would be ruinous to the American interests in Cuba as well as Cuba itself, for the following reasons:

For many years and up to the time of the World War the sales price of Cuban sugars was around 2 cents a pound. The United States Equalization Board bought the Cuban crops of 1917-18 and 1918-19 at a fixed price. These years are no criterion, and the conditions which existed in 1919-20 after the armistice, when prices of all commodities increased to unheard-of levels, furnished no comparison; but this year we find that the price of Cuban sugar is down to approximately 2 cents a pound in Cuba.

The proposed duty amounts to nearly as much as it costs to produce a bag of sugar. When sugar was selling in Cuba at 2 cents a pound prior to the war, it was generally conceded that a well managed mill could earn about one-third of a cent a pound, depending upon its location, the condition of its cane, and its milling machinery.

At present, that is during this year, at the price of 2 cents a pound for raw sugar in Cuba no such profit could be made for the very obvious reason that the price of production has increased enormously and is not yet back to prewar levels. As a result practically all the sugar mills in Cuba operated this year at a very large loss. And on top of this they have been compelled to stand, as previously shown, the loss entailed by the increased Fordney tariff which it is proposed to perpetuate.

If without this increased tariff a loss was had, it needs no citation of figures or extended argument to show that the loss would be so much greater by reason of having to stand the increased tariff. It simply will mean the inability to continue the in-

dustry and even if the cost of manufacturing is reduced to prewar levels, it will not compensate for the increased tariff but the loss will be simply lessened.

It is only by the exercise of the strictest efficiency and modern economic methods without the burden of the increased tariff that the American investment in Cuba can be safeguarded to a point where it will not be obliterated and an extremely small profit obtained.

For these reasons your committee is requested to give serious heed and thought to the gravity of the situation and to at all times realize that in its final analysis this increased tariff solely affects Cuba because the other full duty paying sugars play but a small part in our consumption and that it is mainly American capital in Cuba that is being penalized and its very existence seriously threatened.

It will be for others to point out additional reasons in opposition to the proposed tariff.

This brief is not concerned with the Cuban point of view, however urgent and meritorious it may be, it is concerned solely with American industry operated in Cuba with a belief that it should have the ample protection which this country seems to have extended by its treatment of Cuba and its treaties, and the protection the other American sugar industries now obtain.

(1) American companies operating sugar mills in Cuba which are owned or controlled by Americans.

Name of company.	Sugar mills operated.	Production, 1920 crop (bags).	Stocks, bonds, and other securities outstanding.	Total assets.	Acreage of land in Cuba owned or controlled.
Cuba Cane Sugar Corporation (New York corporation).	Mercedes.....	336,581			
Do.....	Socorro.....	250,031			
Do.....	Conchita.....	212,524			
Do.....	Feliz.....	108,001			
Do.....	Alava.....	289,654			
Do.....	St. Gertrudis.....	195,031			
Do.....	Soledad.....	125,182			
Do.....	Perseverancia.....	123,665	\$80,000,000.00	\$124,000,000.00	747,800
Do.....	Lequeto.....	98,536			
Do.....	Maria Victoria.....	110,502			
Do.....	La Julia.....	192,534			
Do.....	San Ignacio.....	79,278			
Do.....	Lugareno.....	204,972			
Do.....	Moron.....	611,031			
Do.....	Stewart.....	447,684			
Do.....	Jagueyal.....	371,609			
Do.....	Violeta.....	184,208			
The Cuban-American Sugar Co. (New Jersey corporation):					
Cuban corporations—					
Tinguaro Sugar Co....	Tinguaro.....	250,920	7,000,000.00	7,000,000.00	31,690
Colonial Sugar Co....	Constancia.....	126,171	8,983,044.00	8,983,044.00	63,021
Mercedita Sugar Co....	Mercedita.....	115,577	3,500,000.00	3,500,000.00	22,411
San Manuel Sugar Co....	Delicias.....	578,738	8,300,000.00	8,300,000.00	129,962
Chaparra Sugar Co....	Chaparra.....	420,878	23,300,000.00	23,300,000.00	217,841
Unidad Sugar Co....	Unidad.....	83,338	3,000,000.00	3,000,000.00	2,824
Francisco Sugar Co. (New Jersey corporation).	Francisco.....	345,667	5,667,800.00	15,981,862.28	101,000
Do.....	Ella.....	136,618	2,100,000.00	5,292,513.87	65,000
Manati Sugar Co. (New York corporation).	Manati.....	373,150	14,500,000.00	21,500,000.00	276,060
Tuinicu Sugar Co. (New York corporation), (operating company, Cfs. Atuc. Tuinicu, Cuban corporation).	Tuinicu.....	255,522	2,054,000.00	5,063,040.78	17,830
Do.....			1,000,000.00	3,081,934.58	
Tacajo Sugar Co. (New York corporation).	Tacajo.....	143,924	8,900,000.00	9,346,629.94	25,159
Washington Sugar Co. (New York corporation).	Washington.....	160,661	600,000.00	1,373,090.61	12,700

(1) American companies operating sugar mills in Cuba which are owned or controlled by Americans—Continued.

Name of company.	Sugar mills operated.	Production, 1920 crop (bags).	Stocks, bonds, and other securities outstanding.	Total assets.	Acreege of land in Cuba owned or controlled.
Punta Alegre Sugar Co. (Delaware corporation).	Punta Alegre.....	284,566	\$12,014,550.00	\$30,345,422.00	196,226
Do.....	Florida.....	258,462	.....	.....	.....
Do.....	Trinidad.....	80,592	.....	.....	.....
San Augustin Sugar Co. (Cuban corporation owned by Americans).	San Augustin.....	125,000	8,000,000.00	8,200,000.00	25,000
Soledad Sugar Co. (Cuban corporation owned by Americans).	Soledad.....	108,693	500,000.00	3,000,000.00	20,000
Caracas Sugar Co. (Cuban corporation owned by Americans).	Caracas.....	179,741	4,250,000.00	8,900,000.00	25,000
F. J. Peterson (American owned).	San Ramon.....	94,322	1,500,000.00	3,000,000.00	20,000
Ermita Sugar Co. (American corporation).	Ermita.....	122,997	1,950,000.00	2,500,000.00	25,000
Guantanamo Sugar Co. (New Jersey corporation).	Soledad.....	111,645	.....	.....	.....
Do.....	Isabel.....	59,908	12,870,247.00	12,870,247.00	57,547
Do.....	Las Canoas.....	69,513	.....	.....	.....
Cia. Azuc. Andres Gomez Mena (Cuban corporation owned by Americans).	Gomez Mena.....	330,179	.....	.....	.....
Do.....	Amistad.....	220,000	12,200,000.00	29,884,304.08	100,000
Miranda Sugar Co. (Cuban corporation owned by Americans).	Miranda.....	136,041	.....	.....	.....
Do.....	Palmarito.....	27,697	6,786,601.60	20,728,493.35	100,000
United Fruit Co. (New Jersey corporation).	Boston.....	479,671	.....	.....	.....
Do.....	Preston.....	353,693	.....	42,000,000.00	350,000
American Sugar Refining Co. (Central Cunagua) (New Jersey corporation).	Cunagua.....	553,121	.....	.....	.....
Do.....	Jaranu.....	.....	15,000,000.00	30,000,000.00	300,000
Hershey Corporation (owned by Hershey Corporation, Delaware corporation).	Rosario.....	216,359	.....	11,500,000.00	100,000
Do.....	Hershey.....	104,355	.....	.....	50,000
Compania Cubana (Cuban corporation owned by Americans).	Jatibonico.....	136,231	.....	.....	.....
Do.....	Jobabo.....	323,947	14,500,000.00	18,303,354.33	220,591
Santa Ana Sugar Co. (Cuban corporation owned by Americans).	Hatillo.....	96,117	.....	.....	.....
Do.....	Santa Ana.....	59,389	14,900,000.00	14,900,000.00	33,200
Palma Soriano Sugar Co. (Cuban corporation owned by Americans).	Palma.....	245,338	12,400,000.00	12,400,000.00	33,057
Central Alto Cedro Sugar Co. (Cuban corporation owned by Americans).	Alto Cedro.....	214,767	8,100,000.00	8,100,000.00	24,333
Central Cupey Co. (Cuban corporation owned by Americans).	Cupey.....	112,608	6,700,000.00	6,700,000.00	46,334
New Niquero Sugar Co. (New York corporation).	New Niquero.....	169,030	5,158,223.00	5,158,223.00	57,500
Central Cuba Sugar Co. (New Jersey corporation).	Cuba.....	145,657	.....	.....	.....
Do.....	Flora.....	70,769	9,400,000.00	13,500,000.00	20,000
Do.....	Saratoga.....	51,992	.....	.....	.....
Atlantic Fruit Co. (Delaware corporation).	Cayo Mambi.....	.....	15,000,000.00	15,000,000.00	125,000
George W. Loft (American owned).	Dulce Nombre.....	.....	.....	.....	.....
Do.....	De Jesus (Loft).....	49,300	650,000.00	3,500,000.00	20,000
Baragua Sugar Co. (Delaware corporation).	Baragua.....	412,063	13,525,000.00	8,255,000.00	83,000
North American Sugar Co. (New Jersey Corporation).	Narcisa.....	242,212	6,000,000.00	9,000,000.00	7,467
Santa Cecilia Sugar Corporation (Delaware corporation).	Santa Cecilia.....	56,905	3,250,000.00	4,217,507.00	10,600
Cape Cruz Sugar Co.....	Cape Cruz.....	101,748	1,280,000.00	3,000,000.00	10,000

¹ Also 63,250 shares, no par value.

(1) American companies operating sugar mills in Cuba which are owned or controlled by Americans—Continued.

Name of company.	Sugar mills operated.	Production, 1920 crop (bags).	Stocks, bonds, and other securities outstanding.	Total assets.	Acres of land in Cuba owned or controlled.
Mañanzas American Sugar Co. (Delaware corporation).	Jesus Maria.....	100,025	\$2,500,000 00	\$2,900,000.00	10,000
Central Teresa Sugar Co. (Maryland corporation).	Central Teresa....	192,001	3,500,000.00	5,250,000.00	100,000
Central Sugar Corporation (New York corporation).	Central Fe.....	190,968	4,600,000.00	6,200,000.00	100,000
Cuban Sugar Mills Co.	La Francis.....	75,423	1,500,000.00	2,500,000.00	36,000
Peterson, Barker & Hill.....	Gerado.....	40,010	(1)	1,500,000.00	20,000
C. A. Central Havanna.....	Habana.....	87,267	(2)	3,500,000.00	50,000
Central Armonia Co.....	Armonia.....	67,964	(3)	2,500,000.00	20,000
Hires Sugar Co.....	Dos Rosas.....	52,660	(1)	2,000,000.00	20,000
La Paz Sugar Co.....	Por Fueza.....	71,171	(3)	2,750,000.00	25,000
Constancia Sugar Co.....	Constancia.....	137,836	(3)	5,000,000.00	50,000
Hormiguero Sugar Co.....	Hormiguero.....	216,200	(3)	7,500,000.00	100,000
Sta C. Sugar Co.....	Juragua.....	36,542	(1)	1,200,000.00	10,000
Santa Lucia Sugar Co.....	Santa Lucia.....	234,006	(3)	8,000,000.00	125,000
Santa Maria Sugar Co.....	Santa Maria.....	44,048	(1)	1,750,000.00	20,000
Cuban Sugar Refining Co.			2,028,575.00	2,028,575.00	14,074
Cia. Azuc. San Vicente.....	San Vicente.....	79,771	580,300.00	1,925,403.17	20,000
Total.....		14,990,025	356,616,340.00	621,219,766.00	4,459,407

* Based on production basis.

(2) Sugar estates financed by American banking and other institutions and practically controlled by them.

	[Production, 1920 crop.]	Bags.
Central Mascota (San Lino).....		144,957
Central Parque Alto.....		64,000
Central Dos Hermanos (Cienfuegos).....		20,600
Central Canarias (San Jerman).....		6,400
Central Agramonte (Vertientes Sugar Co.).....		319,867
Central Vertientes (Vertientes Sugar Co.).....		
Central Andorra (Cia. Azuc. Andorra).....		84,905
Central Araujo (Cia. Azuc. Araujo).....		75,038
Central Estrella (Cia. Azuc. Estrella).....		96,600
Central El Pilar (Cia. Azuc. Pilar).....		179,379
Central Lutgardita (Sagua Sugar Co.).....		62,000
Central San Isidro (Sagua Sugar Co.).....		162,000
Central Sta. Rosa (Sagua Sugar Co.).....		111,715
Central Progreso (Laurentino Garcia).....		106,000
Central Sta. Amalia (Laurentino Garcia).....		108,000
Central San Cristobal (Calcavecchia).....		61,840
Central San Cristobal (Cia. Azuc. San Cristobal).....		59,360
Central Triunfo (Juan Menendez).....		30,600
Central Sta. Rita (Cia. Azuc. Caobillas).....		95,300
Central San Antonio (Vicente G. Abreu).....		72,327
Central Orozco (Cia. Orozco).....		98,061
Central Santo Tomas (Cia. Azuc. Sto. Tomas).....		91,602
Central Tamona.....		118,681
Central Fajardo.....		71,061
Central Nombre de Dios.....		85,227
Central Union.....		138,268
Central Espana.....		463,589
Central Altamira.....		00,201
Central Fidencia.....		85,530
Central Pastora.....		51,699
Total.....		3,125,107

(3) *American-owned interests located in Cuba dependent entirely or in great part upon its sugar industry.*

Cuba Railroad (this company runs through the section where most of the mills are located and is entirely dependent upon the sugar mills both in the hauling of cane to the mills, the taking of the finished sugar to the ports, and the hauling of merchandise and supplies to and from the mills).....	\$65,800,000
Cuba Co.....	28,150,000
American Steel Car Co. of Cuba.....	5,000,000
Munson Steamship Co.....	500,000
New York & Cuba Mail Steamship Co.....	3,500,000
Cuba Distilling Co. (engaged in the carrying of molasses from sugar mills, including box cars, tank cars, etc., etc.).....	30,000,000
Independent warehouses.....	300,000
Baldwin Locomotive Co.....	3,000,000
American Locomotive Co.....	2,000,000
International General Electric Co.....	20,000,000
Total.....	156,250,000

(4) *Amounts due Americans for machinery, merchandise, and supplies secured in part by liens, etc.*

Fulton Iron Works.....	\$2,500,000
Reading Iron Works.....	350,000
Fox Bros. & Co.....	750,000
Various manufacturers, etc., holding commercial paper of sugar mills and other securities and held by American banks.....	125,000,000
Total.....	128,600,000

(5) *United States beet-sugar factories.*

Name.	Refineries operated.	Common stock.	Preferred.	Bonds.	Total securities issued.	Outstanding capital and surplus.
Alameda Sugar Co.....	Alvarado, Tracy, Calif.	\$1,500,000	.....	\$500,000	\$2,100,000	\$2,543,130
Amalgamated Sugar Co.	Ogden, Logan, Corish, Smithfield, Lewiston, Utah; Berley, Paul, Twin Falls, Idaho.	25,000,000	\$3,000,000	.....	11,824,400	14,100,440
American Beet Sugar Co.	Oxnard, Chino, Calif.; Grand Island, Nebr.; Rocky Ford, Lamar, Las Animas, Colo.	15,000,000	5,000,000	.....	20,000,000	25,346,362
Continental Sugar Co..	Blissfield, Mich.; Findlay, Fremont, Ohio.	5,000,000	.....	.....	2,480,600	3,481,024
Great Western Sugar Co.	Loveland, Eaton, Greeley, Windsor, Longmont, Fort Collins, Sterling, Brush, Fort Morgan, Brighton, Colo.; Billings, Missoula, Mont.; Gerding, Scottsbluff, Boyance, Nebr.; Lovell, Wyo.	15,000,000	15,000,000	.....	28,630,000	28,630,000
Iowa Sugar Co.....	Waverly, Iowa.....	550,000	.....	.....	550,000	550,000
Michigan Sugar Co.....	Detroit, Caro, Bay City, Sebewaling, Saginaw, Alma, Criswell, Mich.; Toledo, Ohio.	7,500,000	5,000,000	.....	11,174,600	14,152,606
Columbia Sugar Co.....	Bay City, Mount Pleasant, Mich.; Paulding, Ohio.	3,000,000	.....	.....	3,000,000	3,910,501
Holland St. Louis Sugar Co.	Holland, St. Louis, Mich.; Decatur, Ind.	2,000,000	800,000	86,700	2,212,540	2,643,120
Holly Sugar Corporation.	Swink, Colo.; Huntington Beach, Calif.; Sheridan, Wyo.; Santa Ana, Calif.; Phoenix, Ariz.; Delta, Colo.	290,000	3,700,000	.....	3,990,000	6,315,039

(5) *United States beet-sugar factories—Continued.*

Name.	Refineries operated.	Common stock.	Preferred.	Bonds.	Total securities issued.	Outstanding capital and surplus.
Utah-Idaho Sugar Co..	15 factories—Utah, Idaho, Washington.	\$30,000,000		\$8,000,000	\$31,730,000	\$24,698,275
Los Alamitos Sugar Co. (Inc.)	Los Alamitos, Calif....	1,000,000			1,000,000	1,000,000
Menominee River Sugar Co.	Menominee, Mich.....	825,000			825,000	825,000
Minnesota Sugar Co....	Chaska, Minn.....	1,200,000	\$600,000		1,210,250	1,210,250
Northern Sugar Corporation.	Mason City, Iowa.....		1,600,000		1,600,000	1,550,000
Peoples Sugar Co.....	Utah.....	18,125	1,000,000		828,296	833,932
Union Sugar Co.....	Betteravia, Calif.....	3,000,000			2,530,000	3,739,934
Spreckles Sugar Refining Co.	California.....	5,000,000			5,000,000	5,000,000
Anaheim Sugar Co.....	Anaheim, Calif.....	547,800		300,000	847,800	1,468,019
Total						142,017,722

Estimated worth of United States beet-sugar factories based on capitalization.

	Capital.
Ohio Sugar Co., Ottawa, Ohio.....	\$400,000
West Bay City Sugar Co., Bay City, Mich.....	200,000
Independent Sugar Co., Marine City, Mich.....	750,000
Mount Clemens Sugar Co., Mount Clemens, Mich.....	600,000
Owosso Sugar Co., Owosso, Mich.....	1,895,000
Chippewa Sugar Refining Co., Chippewa Falls, Wis.....	500,000
United States Sugar Co., Madison, Wis.....	700,000
Rock County Co., Janesville, Wis.....	800,000
Green Bay Sugar Co., Green Bay, Wis.....	1,000,000
Iowa Valley Sugar Co., Belmont, Iowa.....	1,100,000
Garden City Sugar Co., Garden City, Kans.....	2,677,200
National Sugar Manufacturing Co., Sugar City, Colo.....	750,000
Wyoming Sugar Co., Worland, Wyo.....	1,000,000
Layton Sugar Co., Layton, Utah.....	1,000,000
Beet Growers Sugar Co., Rigby, Idaho.....	3,000,000
Gunnison Valley Sugar Co., Salt Lake City, Utah.....	1,325,000
Kooper Sugar Co., Ogden, Utah.....	1,000,000
Idaho Cooperative Beet Sugar Co., Twin Falls, Idaho.....	4,500,000
Sacramento Valley Sugar Co., Los Angeles, Calif.....	2,210,000
Santa Ana Sugar Co., Denver, Colo.....	596,200
Sheridan Sugar Co., Denver, Colo.....	730,000
Southern California Sugar Co., Denver, Colo.....	500,000
Springville-Mapleton Sugar Co., Provo, Utah.....	900,000
Toledo Sugar Co., Detroit, Mich.....	458,900
West Cache Sugar Co., Salt Lake City, Utah.....	1,000,000
Wisconsin Sugar Co., Menominee, Wis.....	1,000,000
Total	30,592,300

(6) *Louisiana and Texas cane-sugar operators—Capital and net worth based on mercantile ratings.*

R. O. Martin Sons (Inc.), Albemarle.....	\$50,000
W. I. Haas, Alexandria.....	750,000
Clarence O. Barten, Avoca.....	200,000
Oakley Sugar Co., Avoca.....	125,000
J. M. Pharr & Sons (Ltd.), Berwick.....	750,000
Billeaud Sugar Factory, Broussard.....	200,000
Shirley Co. (Inc.), Bunkie.....	125,000
Smedes Bros. (Inc.), Cade.....	300,000
Shadyside Co. (Ltd.), Calumet.....	300,000
Oscar Zenor, Calumet.....	300,000

Centerville Co., Centerville.....	\$35,000
Moreira, Lehwan & Moreira, Centerville.....	200,000
Hymel Bros. & Co., Central.....	50,000
Devall Planting Co., Chamberlain.....	200,000
Youngville Sugar Factory (Ltd.), Youngsville.....	200,000
L. N. Folse, White Castle.....	150,000
Mary & Tuma, Washington.....	35,000
Sougy Planting Co., Wallace.....	50,000
Webre Steit Co. (Ltd.), Vacherie.....	75,000
Union Planting & Manufacturing Co., Union.....	75,000
Waverly Sugar Manufacturing Co. (Ltd.), Thebodaux.....	200,000
Roth & Legarde Sugar Planters, Thebodaux.....	50,000
Robichaux & Roger, Thebodaux.....	500,000
Ernest Roger Co. (Ltd.), Thebodaux.....	150,000
Mrs. Andrae Price, Thebadoux.....	500,000
Levert-Morvant Planting Co., Thebodaux.....	200,000
Lagard Cleophas Co. (Ltd.), Thebodaux.....	300,000
E. G. Robichaux Co. (Ltd.), Tallieu.....	200,000
Blanchard Planting Co. (Ltd.), Tallieu.....	100,000
Waguespach & Haydel, St. Patrick.....	100,000
Octave Roussel, St. Amelia.....	35,000
Roussel Bros. & Co., St. Amelia.....	20,000
Graynard Bros., St. Amelia.....	200,000
Stark Bros., Rosedale.....	150,000
Longview Sugar Co., Remy.....	200,000
Caire & Grangnard, Edgard.....	500,000
R. W. Cocke, Ellindale.....	200,000
Ed. McCollam, Ellindale.....	200,000
McCollam Bros., Ellindale.....	300,000
McCollam & Cocke, Ellindale.....	300,000
J. D. Shaffer, Ellindale.....	200,000
Erath Sugar Co., Erath.....	200,000
South Bend Sugar Factory, Foster.....	35,000
Belleview Plantation Co., Franklin.....	200,000
Forster & Forster, Franklin.....	200,000
Franklin Sugar Manufacturing Co., Franklin.....	125,000
Oak Bluff Planting & Manufacturing Co. (Ltd.), Franklin.....	125,000
Barrow & Duplantie, Houma.....	300,000
Henry C. Minor.....	500,000
Oaklawn Sugar Co. (Ltd.), Irish Bend.....	500,000
Poplar Grove Planting & Refining Co., Port Allen.....	500,000
George Hill, Port Allen.....	500,000
E. J. Gay Planting & Manufacturing Co. (Ltd.), Plaquemine.....	400,000
M. A. Patoute & Sons (Ltd.), Patoutville.....	400,000
Dugas & Le Blanc (Ltd.), Paincourtville.....	500,000
J. N. Pharr & Sons (Ltd.), Oliver.....	1,000,000
Fourche La Lower Planting & Manufacturing Co., Norah.....	200,000
Westover Planting Co. (Ltd.), New Orleans.....	100,000
Shadyside Co. (Ltd.), New Orleans.....	400,000
Miles Planting & Manufacturing Co., New Orleans.....	500,000
William Henderson, New Orleans.....	1,000,000
J. N. Burguieres Co. (Ltd.), New Orleans.....	1,000,000
Glenwood Planting Co. (Inc.), Napoleonville.....	150,000
F. Waguespach & Co. (Inc.), Mount Airy.....	150,000
John J. Shaffer, Minerva.....	150,000
Martin J. Kahas, Lonewa.....	500,000
Catherine Planting & Manufacturing Co., Lonewa.....	250,000
Graugnard & Reynaud, Lions.....	400,000
Levert-St. John (Inc.), Levert.....	1,000,000
Barker & Lepine, La Fourche.....	500,000
Libby & Blouin (Ltd.), La Fourche.....	300,000
Godchaux, Louisiana.....	11,623,407
Arcola Sugar Mills Co., Texas.....	1,020,000
Total.....	32,828,407

(7) Porto Rico sugar factories.

Name.	Refineries operated.	Common stock.	Preferred.	Bonds.	Total securities issued.	Outstanding capital and surplus.
Carmen Centrale (acreage, 10,000; capacity, 800 tons daily).	Vega Alta, P. R.....			\$600,000		\$600,000
Central Aguirre Sugar Co.	Jobos, P. R.....	\$4,000,000			\$4,000,000	6,373,672
Fajardo Sugar Co. (produced, 1919, 54,682 tons).	Fajardo, P. R.....	7,000,000	\$1,500,000		8,500,000	5,760,100
South Porto Rico Sugar Co. (produced, 1920, 90,000 tons).	Central Romana, Guanica Central, P. R.	1,250,000	5,000,000		10,602,800	17,748,471
Total.....						30,482,243

Porto Rico sugar factories—Production figures for 1919; no data available regarding capitalization.

	Tons.
Central Cambalache Co., Arecibo.....	11,021
Yabucoa Sugar Co., Yabucoa.....	12,445
Plazuela Sugar Co., Barceloneta.....	11,749
Juncos Central Co., Juncos.....	13,181
Loiza Sugar Co., Loiza.....	15,184
West Porto Rico Sugar Co., Aguada.....	10,668
Rubert Hermanos, Vega Baja.....	10,379
Central Pasto Viejo (Inc.), Humacao.....	9,681
Central Fortuna (Inc.), Ponce.....	
St. Anonime Suc. de St. Jean, Caguas.....	7,031
New Corsica Central Co., Rincon.....	7,392
Sta. Isabel Sugar Co., Santa Isabel.....	8,932
Azuc. Central Machete, Guyama.....	9,845
Vannina Central Co., Rio Piedras.....	11,733
Suc. de J. Serralles, Ponce.....	8,593
Sucrs. C. y J. Fantauzzi, Arroyo.....	13,094
Ramon Valdes, Suc., Mayaguez.....	3,970
Mario Mercado e Hijos, Guayanilla.....	6,438
Comp. Azuc. del Toa, Toa Baja.....	6,913
Benitez Sugar Co., Vieques.....	8,208
Mayaguez Sugar Co., Mayaguez.....	4,744
Fantauzzi Verges y Co., Maunabo.....	5,189
Federico Calaf, Manati.....	5,277
Central Juanita (Inc.), Bayamon.....	7,098
Central Los Canos, Arecibo.....	4,375
Comp. Azuc. de Carolina, Carolina.....	5,485
Comp. Azuc. El Ejemplo, Humacao.....	5,152
Gustavo Cabrera, Juana Diaz.....	5,672
Central Eureka (Inc.), Hormigueros.....	3,527
Suc. de Enrique Bird Arias, Vieques.....	6,000
Cayey Sugar Co., Cayey.....	2,637
Providencia Central Co., Patillas.....	
Central Alianza (Inc.), Camuy.....	1,243
Lluberias y Sobrinos, Guayanilla.....	2,740
Sauri y Subira, Ponce.....	1,590
Plata Sugar Co., San Sebastian.....	1,462
Garzot & Guertes (Inc.), Naguabo.....	3,255
Soller Sugar Co., Camuy.....	1,000
Total.....	252,899

(8) Philippine Islands sugar factories.

Name, Calamba Sugar Estate.
 Refineries operated, Canlubang, island of Luzon.
 Common stock, \$5,000,000.
 Preferred stock, \$2,000,000.
 Bonds, \$1,224,000.
 Total securities issued, \$8,995,900.

Outstanding capital and surplus, \$4,972,125:

No data available regarding capitalization.

The 31 mills here listed have a daily capacity of 18,725 tons of cane:

Island of Negros—

Esteban de la Rama, Talisay.
 Esteban de la Rama, Bago.
 Urquijo & Co., Capiz.
 Gomez Bros., La Castellana.
 San Carlos Milling Co., San Carlos.
 Juan Vidaurrazaga, Kabankalan.
 Lizarraga Hermanos, Kabankalan.
 Espiridion Guanco, Hinigaran.
 Salvador Serra, Ilog.
 Camansi Ph. Co., Isabela.
 Miguel Osorio, Manapla.
 Jose de la Vina, Valle Hermoso.
 Central Azucarera de la Carlota, La Carlota.
 Central Azucarera de Bais, Bais.
 Isabela Sugar Co., Isabela.
 Hawaiian-Philippine Co., Silay.
 Maa Sugar Central Co., Maa.
 Talisay-Silay Milling Co., Talisay.
 Bacolod-Murcia Sugar Co., Bacolod.

Island of Mindoro—

Mindoro Sugar Co., San Jose.

Island of Luzon—

St. Louis Oriental Co., Salasa, Pangasinan.
 Muntinlupa Sugar Co., Muntinlupa, Rizal.
 Smith, Bell & Co., Floridablanca, Dinalupihan, Bataan.
 Heirs of P. Roxas, Calatagan, Batangas.
 Catholic Church, Calamba, Laguna.
 Heirs of Pedro Roxas, Nasugbu, Batangas.
 Bernia Sugar Co., Floridablanca.
 Pacific Development Co., Carmen, Pampanga.
 Pacific Development Co., Bacolor, Pampanga.

Island of Bohol—

Tubigan sugar factory, Tubigan.

(9) Hawaiian cane-sugar factories.

Name.	Refineries operated.	Common stock.	Preferred.	Bonds.	Total securities issued.	Outstanding capital and surplus.
Haiuku Sugar Co.....	Hawai...	\$1,500,000			\$1,500,000	\$1,688,722
Hawaiian Sugar Co.....	do.....	3,000,000			3,000,000	5,398,332
Honokaa Sugar Co.....	do.....	2,000,000		\$600,000	2,600,000	2,911,696
Honolulu Plantation Co.....	do.....	5,000,000			5,000,000	7,267,287
Honomu Sugar Co.....	do.....	750,000			750,000	1,442,828
Hutchinson Sugar Plantation Co.....	do.....	1,500,000			1,500,000	1,916,424
Kahuku Plantation Co.....	do.....	1,000,000			1,000,000	2,158,924
Kekaha Sugar Co. (Ltd.).....	do.....	1,500,000			1,500,000	3,020,044
Maul Agriculture Co.....	do.....	4,900,000			4,900,000	11,312,888
Kilauea Sugar Plantation Co.....	do.....	1,000,000			1,000,000	1,108,788
Koloa Sugar Co.....	do.....	1,000,000			1,000,000	1,903,261
McBryde Sugar Co.....	do.....	2,800,000	\$600,000	933,600	4,333,600	6,329,232
American Factors (Ltd.).....	do.....	6,000,000			6,000,000	9,993,316
Oahu Sugar Co. (Ltd.).....	do.....	6,000,000		587,500	7,299,500	10,078,518
Olas Sugar Co. (Ltd.).....	do.....	5,000,000		2,271,000	7,247,720	9,131,187
Onomea Sugar Co.....	do.....	2,000,000			1,500,000	2,725,255
Pasauhau Sugar Plantation Co.....	do.....	2,000,000			2,000,000	2,102,394
Pacific Sugar Mill.....	do.....	850,000			850,000	1,369,185
Pala Plantation.....	do.....	2,250,000			2,250,000	2,525,954
Peepeekeo Sugar Co.....	do.....	750,000			750,000	1,773,561
Wailuku Sugar Co.....	do.....	5,000,000			5,000,000	9,352,837
Alexander & Baldwin (Ltd.).....	do.....	7,500,000			7,500,000	10,953,604
Brewer & Co. (Ltd.).....	do.....	3,000,000			3,000,000	8,979,289
Ewa Plantation Co.....	do.....	5,000,000			5,000,000	10,543,890
Hawaiian Agriculture Co.....	do.....	2,000,000			2,000,000	2,901,486
Hawaiian Commercial & Sugar Co.....	do.....	10,000,000			10,000,000	15,637,456
Lihue Plantation Co. (Ltd.).....	do.....	3,000,000			3,000,000	5,404,533
Pioneer Mill Co. (Ltd.).....	do.....	5,000,000			5,000,000	6,739,627
San Carlos Mill Co. (Ltd.).....	do.....	1,200,000			1,200,000	1,458,886
Waialua Agriculture Co. (Ltd.).....	do.....	5,000,000			5,000,000	11,504,616
Total.....						169,634,020

Hawaiian cane-sugar factories—Production figures for 1918; no data available regarding capitalization.

Hawaii:	Tons.
Waiakea Mill Co., Hilo.....	8,250
Hilo Sugar Co., Hilo.....	12,834
Hawaii Mill Co. (Ltd.), Hilo.....	2,203
Hakalau Plantation Co., Hilo.....	14,369
Laupahoehoe Sugar Co., Laupahoehoe.....	14,626
Kaiwiki Sugar Co. (Ltd.), Cokala.....	4,625
Hamakua Mill Co., Hamakua.....	5,873
Niulii Mill & Plantation Co., Kohala.....	2,102
Halawa Plantation, Kohala.....	1,310
Kohaala Sugar Co., Kohala.....	4,349
Union Mill Co., Kohala.....	1,169
Hawaii Mill & Plantation, Kohala.....	3,690
Puakua Plantation, Kohala.....	690
Kona Development Co. (Ltd.), Kona.....	5,645
Island of Maui:	
Olowalu Co., Olowalu.....	2,000
Kaelku Plantation Co. (Ltd.), Hana.....	6,512
Kipahulu Sugar Co., Kipahulu.....	1,240
Oahu:	
Opokaa Sugar Co. (Ltd.), Ewa.....	690
Waianas Co., Waianae.....	5,815
Laie Plantation, Laie.....	1,891
Koolau Agriculture Co. (Ltd.), Koolau.....	1,484
Waimanalo Sugar Co., Waimanalo.....	5,303
Kauai:	
Grove Farm Plantation, Nawiliwili.....	3,790
Gay & Robinson, Makaweli.....	5,661
Waimea Sugar Mill Co., Waimea.....	2,203
Est. V. Knudsen.....	960
Makwe Sugar Co., Kealeia.....	11,641
Total.....	130,925

SHOREHAM HOTEL,
Washington, December 19, 1921.

Hon. DAVID I. WALSH,
United States Senate, Washington, D. C.

DEAR SIR: At your request and in view of the testimony elicited before the Senate Finance Committee to-day in reference to the sugar schedule, especially the plea of the beet-sugar witnesses that their industry was suffering and needed the protection of the proposed tariff, we deem it proper to lay before you certain facts with reference to the beet sugar industry which may be of interest in view of their contentions.

The Great Western Sugar Co. is unquestionably the largest of the beet-sugar producing companies, and, according to the testimony given by its president, Mr. W. L. Petrikin, before the Ways and Means Committee in January of this year, when the Fordney emergency tariff legislation was under discussion, it appeared that his company produced 30 per cent of the entire amount of beet sugar produced in the United States. The company does not publish for distribution any annual report, but the following facts are well known and will be found in any manual of sugar companies. The company's present outstanding capitalization is: Preferred stock, \$13,630,000; common stock, \$15,000,000.

As shown in the last published report of the American Sugar Refining Co., the latter company owns 31 per cent of the stock in this company. During 1919 and 1920 and until January of this year the regular dividends of 7 per cent were declared on the preferred and a total yearly dividend of \$47 on the common stock. In other words, in a little over two years this company declared more than the face value of its common stock as a cash dividend to its stockholders.

This company operates some 16 factories in Colorado, Montana, Wyoming, and Nebraska, and is one of the best managed and most efficient beet companies in the United States. Owing plants distributed over quite a large area, it has been able to build up a large capital and surplus under the tariff existing before the passage of the emergency bill.

In other words, the growth and success of this company was entirely accomplished under the Payne-Aldrich and Underwood tariff acts.

Likewise the American Beet Sugar Co., which has a number of plants located in California, Colorado, and Nebraska, is capitalized as follows: Preferred stock outstanding, \$5,000,000; common stock outstanding, \$15,000,000. This company has paid the following dividends:

Year.	Dividends paid.	
	Preferred.	Common.
1921.....	\$3.00	\$2.00
1920.....	6.00	8.00
1919.....	6.00	8.00
1918.....	6.00	8.00
1917.....	6.00	20.00

Another very successful beet-sugar company is that of the Spreckels Sugar Co., which owns a large plant in California. There is no published report concerning this company but its stock is owned one-half each by the American Sugar Refining Co. and the Spreckels family. This company has published no statement of earnings, but it is splendidly located and it undoubtedly has built up a large capital and surplus.

If objection be made to the fact that we have picked the years 1919 and 1920, when high prices were paid for sugar, we respectfully refer you to the report of the Beet Sugar Industry in the United States, published May 24, 1917, by the Federal Trade Commission. This commission, by the way, made its report on conditions in the beet-sugar industry in the United States by reason of the fact that an investigation was ordered by the Commissioner of Corporations, at the direction of the Secretary of Commerce, because of complaints on the part of farmers that they were not receiving a fair price for beets. The Federal Trade Commission, in an exhaustive report in chapter 5, treated of the investment, capitalization, and earnings of beet-sugar companies. It examined companies whose production aggregated 98.6 per cent of all the sugar produced in the United States. It found in the period under investigation, which ranged from March 1, 1910, and the fiscal year ending nearest the same date in 1914, that for the companies producing practically all the beet sugar in the United States in that period the average annual rate of earnings during the period covered, after taking account of depreciation, was 11.6 per cent.

On page 123 of this report it is stated that the companies examined, "taken collectively, were overcapitalized to the extent of \$9,579,105, or 8.3 per cent." Complete schedules of the overcapitalization are set forth in the report.

It does not appear from any governmental reports what average earnings were made by the beet-sugar companies during the period from 1914 to 1919. We have given the figures for certain companies for 1919 and 1920, and respectfully suggest that you require of the witnesses who are going to appear for the beet-sugar industry to furnish you with a statement of the average earnings of their companies engaged in beet-sugar production for the years 1914 to 1919; that will, at least, show whether or not they prospered during the period that the Underwood tariff was in effect.

So much for the profits made by the beet-sugar industry. When it comes to the question of the relative cost of production between beet sugar and Cuban cane sugar, we refer you to the following:

Tariff Information Survey, paragraph, 177, article 1913, page 32: "In all of the regions in which domestic sugar is produced, except perhaps Louisiana, a considerable proportion is produced at a cost as low as, or lower than, that of the marginal Cuban costs. Such producers would be able to continue to compete with Cuba if there were no duty, so that profits would be less."

On the question of the protection sought for American labor engaged in the beet industry, the testimony given by S. M. Edgell, vice president and treasurer of the Amalgamated Sugar Co. of Utah, operating in Utah and Idaho, before the Ways and Means Committee, is of interest, especially in view of Senator Smoot's statement this morning that in his State, Utah, none but Americans were employed. Mr. Edgell, in testifying with reference to conditions in Utah, was asked by Chairman Fordney the following:

"The CHAIRMAN. Mr. Edgell, ever since I have been in Congress this question of duty on sugar has been up. It was first brought up in Congress, since I have been a Member, when the Cuban reciprocity act of 1902 was considered, along there, and finally passed in 1903; then again when the Payne-Aldrich tariff bill was up in 1909, and then when the investigating committee, called the Hardwick committee, were investigating conditions, and was up again in 1913, when the Underwood tariff bill was

passed, and every time that this question has been brought up it has been defended by the refiners and everybody who opposes any duty on sugar, or who is in favor of decreasing the duty on sugar, or is in favor of a lower rate; it has been contended that the western beet-sugar manufacturer employs very largely Japanese, Chinese, and Mexican cheap labor. To what extent are these statements true, and, if true, what is the percentage of those nationalities which you now employ in the beet fields where you are operating?

"Mr. EDGELL. Well, where we are operating we employ, to my knowledge, no Chinese whatever. I can not give the percentage of the Japanese, but there are some. We employ quite a lot of Mexicans that we brought in in order to work in the beet fields. I would have to be a little more careful in answering the question, because I have only been associated with the company which I am now representing for about a year and a half. We have been compelled to bring labor in from Mexico because we could not get it from anywhere else."

Very respectfully, yours,

HENRY A. RUBINO.

STATEMENT OF M. E. GOETZINGER, REPRESENTING ARBUCKLE BROS., NEW YORK, N. Y.

Unlike the other sugar refiners who are represented at this hearing we have no interest whatsoever, direct or indirect, in the production of either cane or beet sugars. We are refiners pure and simple, whose raw material must be bought in the open market and whose selling price of the refined product must reflect all costs of manufacture and the cost of the raw material including the duty imposed on Cuban and other dutiable raw sugars. We will, therefore, confine our remarks to a refiner's view of the pending tariff bill, and that view is the view of an American manufacturer working on dutiable raw material. His problems include the investment of considerable capital, the employment of labor in large volume, the production and transportation of heavy tonnage, the good will of a wide circle of customers and finally a profit for himself. In these problems he does not differ much from the manufacturer of domestic sugar except in the one important respect that, unlike the latter, the refiner does not ask a bounty in the shape of a protective duty. The two face the same difficulties, are of equal service to their respective communities, and are entitled to the same consideration and protection of the law.

Somewhat roughly stated, the total consumption of sugar in this country is about half domestic and half dutiable, and necessarily every argument advanced in favor of fostering the domestic sugar industry as a stabilizer of prices and a factor in competition, applies with precisely the same force to the eastern refined cane sugar. So too the employment of capital and labor in the one industry is as important to the country as in the other. With a refinery located in New York, our raw material must be imported. We can not use domestic raw beet sugar because none is made in this country. We can not often use Louisiana cane sugar because very little or none at all comes north. We do, however, use the raw sugar of our insular possessions and in the past have worked on large quantities of raw sugar from Porto Rico, Hawaii, and the Philippines, but all sugar from these insular possessions commands the duty-paid price of Cuban sugar. Furthermore, our insular possessions do not produce enough sugar to supply the demand of the Eastern States, and thus the use of Cuban raw sugar is not a matter of choice, but of necessity, and therein lies our interest, for if the cost of our raw material were to be legislated out of line with the law of supply and demand there would result a depression in the refining industry involving unemployment of labor, idle capital, diminished supplies of cane sugar to compete with beet sugar and correspondingly increased cost to the consumer.

As usual at hearings of this character, the consumer has no spokesman at the present hearing. His only rôle is to pay the bill. We hold no brief for him, but he is our customer; without him our occupation is gone, and so in his behalf we volunteer the request that his interests be not wholly overlooked nor wholly sacrificed in order that a distant domestic industry may thrive. Let it be recalled that on the Atlantic coast the consumer lives in large numbers, wholly dependent for his sugar on the eastern cane refiners, for he does not raise sugar beets, no beet sugar is made in his home States, and none is shipped there because freight charges preclude it. This one item of transportation of a commodity that runs into such tremendous tonnage as does sugar, necessarily relegates both beet and cane sugar to a natural zone of its own, separated from the other by a neutral zone in which each may participate on equal transportation terms. When, however, as has happened, the domestic industry diverts part of the advantage which the duty gives it over eastern refined cane sugar to absorb part of the freight charges on shipments into the eastern cane zone, the consumer living in the

eastern States who pays a large part of the tariff bill, has just cause to hold up a warning finger and ask to be heard from. Furthermore, some six or eight thousand of these eastern consumers earn their living as employees of the sugar refineries in New York Harbor alone, and when to these are added the employees in the refineries at Boston, Philadelphia, Baltimore, and Savannah, and the many others who find useful employment in the sale, transportation, and distribution of the eastern refined cane sugar, there is an aggregate of eastern labor that is entitled to considerate attention every time that the domestic industry presents new demands for still higher bounties.

The eastern refiner and his customers the eastern consumers, must now live with some alarm, the suggestion that the solution of the present sugar problem is to be worked out largely at their expense. On that point it is respectfully urged upon your attention that the present extremely abnormal condition does not offer a fair standard wherewith to measure a tariff differential between beet and cane sugars. The abysmal drop in price, unparalleled in the history of sugar, coupled with the extraordinarily high costs of production in war days, and which still persist in a measure, have so violently disrupted the relationship between the producing costs of the two sugars that to build a tariff differential between the two on such shattered foundations would lay too heavy a burden on the consumer. Cost differentials in the two industries are bound to reach their old parallel again, and as the lines approach each other from day to day an artificial tariff differential based on to-day's conditions would simply take us from one extreme to the other and lead to confusion worse confounded.

And let us not overlook the very important fact that the present distressed condition of the sugar industries in this country was not brought about by abnormally large importations of Cuban sugar, but by the large surplus of sugar that is still in Cuba and only knocking at our doors for admission. To put another lock on our doors will not make the Cuban surplus vanish, nor lessen by one whit its depressing influence upon the world's sugar market, either behind our double-locked doors or outside them. The inexorable law of supply and demand may not be so easily thwarted. Just so long as that surplus exists will it weigh heavily upon and depress the entire sugar market, no matter where the surplus sugar be stored. The faster that it is consumed the more quickly will the crisis be passed. The crisis is not local but world wide, and to shirk our fair share of the unpleasant results by shoving them upon other nations would be not only cowardly but futile as well. Normally the United States should consume about one-half of the Cuban crop. To levy additional tribute on Cuban sugar for the purpose of shutting off its customary outlet, will not only accomplish that purpose, but by holding the price of sugar in this country above the world price, obviously will restrain instead of encourage consumption. On the day that the surplus sugar, wherever it be shall have been consumed, the sugar problem will be a thing of the past. Then, why defer the coming of that day by impeding its approach in any manner.

We respectfully urge that the duty on sugar be left where it was before the emergency tariff bill increased it, and that in due time sugar be placed on the free list and be required to contribute to the Nation's tax bill only in the same proportion that the domestic article is required to contribute.

A new and truly startling innovation in the present House bill is the proposed discrimination against the eastern refiners by giving to beet factories and to refiners of domestic cane a substantial reduction in the duty on all foreign sugars which they may choose to use in their establishments. A more brazen and un-American proposal scarcely can be conceived nor can we believe that it will receive the serious consideration of your committee. We therefore dismiss it with the observation that its constitutionality is so grave a question that it might well be feared that to include it in the new bill will put the entire bill in jeopardy.

One other phase of the situation remains to be stated and then we are through. As cane sugar refiners we are not blind to the fact that the beet sugar interests and the southern cane sugar interests have as good a right to engage in and remain in the sugar business as the Atlantic coast refiners. But the question now is not one of fundamental right; it is a question of how much the consuming public shall be charged for the privilege of keeping these home industries in business.

We have hereto addressed the Congress with reference to the economic phase of the sugar question and we reaffirm every statement made in the past. The demands of home producers, however, have grown so great that another question of paramount importance has come to the fore which affects our responsibility as a nation. The question of import duties on Cuban sugars is not only economic, but is a question of national honor. It comes up at a time when the world is critical and when we have undertaken to lead the peoples of the world into the light of international altruism.

We have in this Capitol City a beautiful structure known as the Pan-American Building in which there is now sitting a conference of nations which looks to the

betterment of all people by the limitation of armaments. Far-reaching results are already assured. But what a travesty: Where one body sitting in Washington seeks world peace by the limitation of forces that make for war, and another body chosen by popular favor and sitting in the same city, is being besought to continue and increase discriminations that invite retaliation and which must inevitably end in the breaking of cordial international relations.

A nation that undertakes to do certain things in an international way and then forgets, can hardly expect to merit the continued confidence of the world.

In 1898 we sent the Spanish navy to the bottom. We took over a qualified protectorate of Cuba and hailed "Cuba Libre." Then our Congress with patriotic fervor granted a preferential of 20 per cent of duties on importations from this favored island. Now our generous national impulse faces the assaults of the favor seekers, at whose behest the pending bill contemplates an increase under which the 80 per cent will be just about as high as the 100 per cent duty in effect before the Spanish War.

STATEMENT OF EDWIN P. SHATTUCK, REPRESENTING THE CUBAN-AMERICAN, FRANCISCO, TUINUOU, AND TAOAJO SUGAR COMPANIES.

The American producers of sugar on the island of Cuba have a deep interest in the tariff on sugar because of two imposing facts: First, they represent more than 50 per cent of the sugar production of that island, and, second, Cuba supplies the United States with about 50 per cent of its annual consumption.

In considering the proposal contained in the House tariff bill it is necessary at the outset to recognize the fact that the rates there proposed have an adverse effect only on Cuban sugars and not those of other foreign sugar-producing countries, as the importation of full-duty sugar for the past 10 years, with the single exception of last year, has been negligible. The advocates of the bill, as passed by the House, openly state that its purpose is to build a higher tariff wall against the Cuban product. As was said by Mr. Martin, when this bill was under discussion in the House:

"In considering the duty upon sugar, the Cuban product alone is to be considered, and it is against the importations from that country that we must be protected."

And again:

"As nearly all of the sugar imported into this country comes from Cuba, the Cuba tariff alone need be taken into consideration."

This remark seems not only untimely because of Cuba's present deplorable economic condition but is seemingly void of an appreciation of the intimate political, geographic and economic unity of the two countries.

It is therefore essential that we consider this subject from the point of view thus expressed, that this proposed legislation is in fact directed against Cuba, and in examining its effect the special relations existing between Cuba and the United States should be fully recognized.

Cuba, a sovereign and independent State, is nevertheless under the protection of the United States, both by the latter's announced policy and course of dealing, and also by the treaty agreements between them. By her acceptance of the so-called Platt amendment of March 2, 1901, Cuba has limited her treaty-making power with other foreign powers and her power to incur public debts, and has consented to take a position which practically renders her a dependency of the United States, in so far as her relation with other powers is concerned. We quote from the Platt amendment, as follows:

"Restrictions on treaties.—That the Government of Cuba shall never enter into any treaty or other compact with any foreign power or powers which will impair or tend to impair the independence of Cuba, nor in any manner authorize or permit any foreign power or powers to obtain by colonization or for military or naval purposes or otherwise, lodgment in or control over any portion of said island.

"Restrictions on public debt.—That said Government shall not assume or contract any public debt, to pay the interest upon which, and to make reasonable sinking fund provision for the ultimate discharge of which, the ordinary revenues of the island, after defraying the current expenses of government, shall be inadequate.

"Intervention by United States.—That the Government of Cuba consents that the United States may exercise the right to intervene for the preservation of Cuban independence, the maintenance of a government adequate for the protection of life, property, and individual liberty, and for discharging the obligations with respect to Cuba imposed by the treaty of Paris on the United States, now to be assumed and undertaken by the Government of Cuba."

The imposition of these restrictions on Cuba's rights as a free and sovereign State has placed the United States under very strong moral, if not legal, obligations to that

country. Cuba stands to-day under the guiding and restraining hand of our Government; she makes no unusual move without the tacit consent or pronounced approval of our Government. In fact, Cuba's relation to our Government, except in form, is little different from Hawaii and Porto Rico. But because of this difference in form the two latter islands are given the blessings of free importations, and to Cuba is proposed a tariff higher than has existed for 30 years.

This fertile island, largely given to the sugar industry, lies almost at our shores; it is nearer to the metropolis of America than is New Orleans. Its wealth of production is in great measure the result of the capital and labor of American citizens; its great industrial development draws its supplies almost wholly from the United States.

It is estimated that the capital investment of United States citizens in Cuba exceeds \$1,000,000,000. It is more than the combined investment of our people in the sugar industry of the United States, the Philippines, Hawaii, and Porto Rico.

Also it may be said with some pride by those who are interested in Cuban affairs that she buys more in commodities from the United States than do the dependencies of Hawaii, Porto Rico, and the Philippines combined, each of which are now accorded a preference over her of \$1.60 per hundred pounds on sugar. But this comparison is to speak slightly of Cuba's imposing position as a customer of the United States. And this has a vital meaning to every farmer, laborer, and manufacturer in the United States. What are the facts?

During the last year Cuba imported from the United States over \$515,000,000 worth of products. More than the combined exports to Argentina, Brazil and Chile, and almost as much as was exported from the United States to all South American countries.

An examination of the reports of the Secretary of Commerce shows that Cuba as an export market for our products was in the calendar year 1920 only exceeded by the United Kingdom, Canada, and France. Of all the countries in the world Cuba is fourth in respect to the value of our exports.

"Increase our export trade" is the slogan of the day. Yet with this enormous Cuban export market already in our hands, we would destroy it. Eminent authority has said that Latin-American countries are the fields to which we must look for our export development. Cuba is to-day the greatest and most fertile of all of these. Why try to dethrone Cuba? Let her utilize her preeminent position in sugar culture to supply the markets of the world. The revenue thus received will be used by Cuba for purchasing products from the United States. The markets of Cuba are of vast importance to our industrial life and especially to our rice, wheat, pork, and other food producers and to the textile, iron, steel, and machinery industries.

If we destroy the Cuban sugar industry, or lessen its prosperity, or by your action drive Cuba into other commercial alliances in order that she may preserve her very life, we, in the same measure, decrease the export of our food, fuel, and manufactured commodities to Cuba. We submit for your earnest thought that this market is worthy of retention and expansion. It should not be destroyed or divorced at the behest of those interests which seek a prohibitive tariff. Wise statesmanship can not be turned to such a use.

Not only is the extensive trade between Cuba and the United States of unestimated value to the producer and manufacturer in the United States, but it is of immense value to our shipping interests and especially at this time when the problem of the American merchant marine is so acute. A large volume of trade between the United States and Cuba is carried on almost exclusively in ships of American registry. For the calendar year 1920 vessels of American registry engaged in this trade amounted to 7,151,138 tons out of a total tonnage of 9,477,047.

In dealing with Cuba the United States should take these commercial facts and its political associations with Cuba into serious consideration. To impose another barrier in the commercial relations between the two countries, by an added tariff duty on sugar, is comparable to a request of Louisiana, because of her high producing costs, to ask that her product be protected against the beet sugar industry of the West, and that a tax be placed on the latter in order to protect the producer against losses in Louisiana. The two countries are too intimate politically and too closely associated commercially to permit the addition of a new and increased burden on Cuba's essential industry, and the dependable source of our own supply of this prime commodity.

Our understanding of the dominant party's idea is that tariff legislation should be based on the principles of protection; not only protection to American industries but to her population; not protection to a small favored group of American citizens but protection that will be felt largely and broadly by her whole people; protection that tends to make our country independent economically; that brings to us from abroad at low cost those articles which we need, and in return gains for us a market for our surplus products. We believe that these principles are woefully disregarded in the proposed bill.

It is also the aspiration of every nation that she will always have at her command her supplies of any essential commodity. How better can the United States assure itself of this essential commodity than to foster and protect the sugar industry of Cuba. In reviewing our industrial history of the late war where will you find a more striking example of such assurance of a needed supply than that accorded by Cuba to our Government in the case of sugar.

When the United States declared war against Germany in April 1917, Cuba, on the following day likewise declared war against Germany. In doing so she was guided only by the thought to serve her northern neighbor. Her action was of great importance; with her long seacoast she prevented harbors to the German fleet and early took decisive action to prevent the spread of enemy propaganda in her own territory and adjoining countries.

Soon after war was declared Cuba met the requests of the United States Government in immediately placing at its disposal the entire sugar production of the island at a price far below the relative prices of other important food commodities. Again in 1918 Cuba sold to the United States its entire sugar crop, at a time when it was evident that she could have sold her sugar crop in the markets of the world at more than double the return which she had received under the arrangements made with the United States, and also, at the behest of our Government, greatly augmented its production to supply the crying needs of the United States and its allies. Her cooperation was full and complete. She took no note of her great industrial gain by holding aloof, but in the true spirit of the alliance which had been built up between the two countries she came to its support. In 1919, after the war, she offered her crop again to the United States in the interest of a stable and reasonable price; she did this at a time when it was well known that sugar prices would rapidly advance and that the world's sugar shortage would make a demand on her product, at whatever price she choose to fix. It is of interest here to recall the warning given by the mission representing the Cuban Government as to the disastrous results that would follow if Cuba's offer was not accepted. In the letter written by the mission to our Government this language is used:

"If, on the contrary, the opportunity to serve—not the American people alone but the universal welfare—is for any reason, technical or otherwise, not availed of through one medium or another, there is not a community anywhere in America, in Europe, or Asia that will not feel the consequence of our failure to provide a stable price for this most necessary article of human consumption."

The United States unfortunately failed to heed Cuba's warning and declined to accept her offer for the 1919-20 crop, but the earnestness of the offer showed her desires and purposes. This prophetic warning of the Cuban Mission was only too true. The fear of sugar scarcity drove the price of sugar to 23½ cents per pound and brought sugar to us from all parts of the world. When the fear subsided and reason ruled the collapse came, and not only in our country but throughout the world financial distress and suffering were the inevitable consequences.

The United States producers of sugar in Cuba ask no favors but they expect no discrimination from the hands of their Government. This sugar industry has been developed and expanded upon the faith of the reciprocity treaty and upon the basis of the tariff rates prevailing prior to the enactment of the emergency tariff which were found after careful survey and study to represent a differential that would fairly equalize between the costs of production in the United States and its possessions and Cuba, and which would permit legitimate sugar industries here and there to prosper.

The rate fixed by the emergency tariff act, which the tariff bill as passed by the House proposes to perpetuate, increased the duty on raw sugar of 96° test from 1.256 cents to 2 cents a pound. Under the reciprocity treaty of December 11, 1902, between the United States and Cuba, the latter has a reduction of 20 per cent from full duty on all importations of sugar into this country. On the basis of 2 cents duty Cuba pays 1.6 cents per pound as against approximately 1 cent per pound before the enactment of the emergency tariff act. Under this act the producer in Cuba has been compelled to absorb this additional duty of 0.6 cent per pound. The day before this act was signed by President Harding Cuban sugars were selling at 3.875 cents, and on the following day at 3.275 cents, or a decrease of 60 cents per 100 pounds. It is estimated that the coming into force of this act depreciated the value of the raw sugar then in Cuba about \$35,000,000.

The emergency tariff act was a severe blow to Cuba. It followed the unfortunate occurrences that had befallen that Republic since the collapse of the local banks and the moratorium last year. It became operative at the end of May during the peak of the Cuban crop and during the stagnation of the sugar market in general and when the financial crisis in Cuba was at its height, and when Cuba was trying to sell

her high-cost sugar at not too great a loss. She is still staggering under its disastrous effects.

We also desire to call attention to the bearing of this increased tariff on the reciprocity treaty between Cuba and the United States. For a few years succeeding the treaty Cuba received the benefit of the differential of 20 per cent provided therein, but since her sugar production exceeded the requirements of the United States, Cuba has received no part of this differential. Immediately after Cuba ceased getting the benefits of this differential the United States consumer received it. The United States Tariff Commission in its 1921 edition of Tariff Information Surveys on Sugar, at page 31, states this proposition as follows:

"In 1903 a reciprocity treaty was arranged with Cuba providing for a reduction of 20 per cent from the full duty on all importations from that country. So long as considerable importations continued under full-duty rates, it is safe to assume that the price established in the international market was enhanced in the United States by the full duty, and that therefore the remission of 20 per cent to Cuban producers was simply so much bonus to them and of no benefit to American consumers. The Cuban manufacturers added the 20 per cent to their former price and pocketed the profit. Under such stimulus, however, Cuban production rapidly increased, and ultimately competition brought down the Cuban price again to the international level. This process has been estimated to have required about five or six years. By 1908 to 1909 the American consumers were receiving the benefit of the 20 per cent reduction. Full-duty sugars were from that time on virtually excluded."

In striking contrast to the fact that Cuban sugar producers receive no part of this differential is the tremendous advantage to the United States exporters from the differential accorded to them. Under the treaty Cuba admits all United States products at a preferential ranging from 20 to 40 per cent. The United States producers and manufacturers of these products receive the full benefit of this preferential, as Cuba buys very little, if any, of similar products elsewhere.

There are many commodities that Cuba could buy abroad cheaper than from the United States, such as machinery, locomotives, rails, railroad cars, automobiles, shoes, and all kinds of leather goods, and luxuries, were it not for the differential allowed to the United States under the reciprocity treaty. The increased price that Cuba pays for these and other commodities in the United States, goes directly to the United States producer and manufacturer. On the other hand, Cuba receives no part of the differential allowed to the importation of sugar into the United States from Cuba. Cuba is required to meet the world market price in her sale of sugar to the United States, but the United States may sell to Cuba at a premium over the world market equal to the differential allowed to her under the reciprocity treaty.

If Cuba is to be denied the reciprocal advantages which she had supposed she would receive under the reciprocity treaty, she necessarily must take steps to prevent paying increased prices for commodities to the United States, when she can secure them at a cheaper price in other foreign markets. This will inevitably require Cuba to modify her own tariff schedules and to increase her duties against American goods in order to be in a position to buy cheaper elsewhere. The Cuban tariff has not been changed since the reciprocity treaty was concluded on December 11, 1902. Products of the United States enter Cuba to-day on the same terms and with the same advantages as when the treaty was signed, yet Cuban sugars have not only lost the preferential, but it is seriously proposed to burden them with a permanent increased tax of 60 cents per 100 pounds.

The mistaken contention has been advanced that as the value of imports from Cuba to the United States exceeds the value of our exports to Cuba the reciprocity treaty has worked to the disadvantage of the United States, by giving a balance of trade in favor of Cuba. But the facts are that the moneys paid from Cuban industries to the United States in transport hire, interest charges, dividends, taxes, etc., have more than offset the excess of import over export commodity values.

An examination of the arguments that have been made before and will be made now by the advocates of the House bill leads to no other conclusion than that the purpose for striking down the normal, advantageous, and desirable relation which existed between the United States and Cuba prior to the emergency tariff act, is that the beet sugar manufacturer in this country may have a subsidy accorded to his industry.

We contend that for all legitimate purposes a differential of 1 cent per pound between Cuban sugars and those of the United States is sufficient and more is unwarranted. If to expand the domestic industries we must add a further differential against sugars produced in Cuba, which is part of our own political and economic system, then this expansion should not be fostered. Illegitimate industries should never be subsidized by our tariff. Under the differential mentioned there is ample

room for the sugar industries of both Cuba and the United States and for the legitimate expansion of each. It is believed that a differential of approximately 1 cent a pound as between our insular possessions and Cuba is amply sufficient to cover any disparity between the cost of production in the respective countries. It is also a well known fact that legitimate domestic beet sugar industries have prospered under the recent tariff schedule. The United States Tariff Commission in its Tariff Information Survey, above referred to, at page 31, shows that only a small proportion of the beet sugar industry of the United States is dependent upon the tariff. They say:

"Taking the industry as a whole, roughly speaking, about 20 per cent of the output is dependent upon the tariff."

It is a recognized fact that the United States can never hope to produce all of its sugar requirements. Porto Rico and Hawaii, it is conceded, have obtained their maximum output. The Philippines have increased somewhat, but the total will be small and the Louisiana crop is capable of no expansion but has shown a considerable reduction in recent years. In the light of experience it is also unlikely that the United States beet crop is capable of any substantial increase. Certainly the consumption of sugar in the United States will increase more rapidly than the production of domestic sugar can be increased.

The present consumption in the United States is about 4,500,000 tons, of which the United States produces in the aggregate about 2,250,000, leaving 2,250,000 tons to be imported, which in former times all came from Cuba. A 1-cent duty on this importation amounts to about \$50,000,000 duty per year. Under the present tariff bill, with Cuban sugars paying \$1.60 per hundred pounds, the duty collected would equal about \$81,000,000. Compare this with the total increased cost to the consumer, to arrive at which we must figure 1.6 cents per pound on the total consumption of 4,500,000 tons, which amounts to approximately \$162,000,000, of which \$81,000,000 would go directly to the domestic producer.

We do not believe the Government can justify this increased tariff as a revenue measure, for if this is the purpose to be accomplished it would be better to levy a 1-cent duty on sugar to protect the producers in the United States, and a tax of some form on the entire consumption of sugar. This would result in considerably less tax on the consumer and an additional revenue to the Government. Surely it can not be justified on the theory of protection, for to do so we must admit the wisdom of striking down the extensive market now existing for lucrative export trade in many lines of industry, of denying the American consumer his natural source of supply and imposing on him a highly artificial tax to subsidize an exotic beet production and to award an excessive profit to the favored Porto Rican, Hawaiian, and Philippine producers as well as to those legitimate beet sugar producers who have greatly prospered under our recent tariff.

It should be recalled that for the 10-year period prior to the war sugar sold at an average price of about 2½ cents per pound. To-day San Domingo full-duty sugars are quoted c. i. f. United States ports at 2.06, or an f. o. b. price San Domingo of about 1.91. The 2-cent duty on these 96-degree test sugars is about 110 per cent. Is such a tax to be continued on one of the most important items of the food supply of this country? Is the American consumer to be required to pay over 100 per cent protection on an article like sugar to producers who can not hope to furnish enough for the American consumption, especially when they can get this article at their very door? Even the tariff rate on luxuries does not approach this astounding rate on sugar.

The increased tariff imposed against Cuba by the emergency tariff act of 60 cents a hundred pounds is a heavy burden to her. On top of the very high production costs that prevailed while the recent crop was being made we have had a colossal decline in sugar values. This decline has been brought about in great measure by the very large crop of Cuban sugar, which was the result of the stimulus given to Cuban production through the entreaty of our own Government during the war. These high production costs and the relatively very low prices for sugar have thrown the island into financial chaos. It would seem to be an anomaly that one department of our Government should have sent its special representative to Cuba to inform and advise it during this commercial crisis and should be seeking remedial measures for the assurance of the island's financial and economic recovery and another department should be considering the enactment of a measure that will have the effect to preventing its rehabilitation and will be a permanent menace to its industrial life.

It is pertinent at this time to call attention to the words of President Harding, reported in the New York Times of April 12 of this year, on the occasion of the opening of the direct telephone communication between the United States and Cuba. President Harding, in talking over the telephone with then President Menocal, is reported to have said:

"This time is especially auspicious for the exchange of assurances that our two Republics are bound together by indissoluble ties of sympathy and interest. Our fortunes have been linked together already in two history-making struggles, and to-day, when Cuba stands under the shadow of a national misfortune, I want you to know that the United States is determined as always to prove itself the true and helpful friend of your nation."

This message was given within a day or two after the suspension of payment by the National Bank of Cuba, which followed a period of distressing industrial and financial conditions in Cuba and indicates a sympathy and understanding of the close political and commercial relations which exist between the two Governments. Yet, notwithstanding these sentiments, Congress to-day by its tariff legislation is proposing to build a barrier between the two Governments and to force Cuba into a position where she must look for her very life to some other commercial alliance.

Are our people to look complacently on and witness a tariff of above 100 per cent placed on their sugar requirements, and see a market for half a billion dollars of their farm and mill products taken away by intemperate legislation?

The investment of American money in Cuba produces more than twice as much sugar as is produced in continental United States, and in excess of the total sugar production of the United States, including its insular possessions of Hawaii, Porto Rico, and the Philippines. It is therefore earnestly requested that the foregoing facts be given careful consideration, in the sincere belief that they are sufficient to warrant your committee in reporting a sugar schedule which will accord to Cuba and in equal measure to the United States the treatment which is justified by the many ties of commerce and friendship between the two countries and which will also tend to preserve the investments of the United States in this island. To this end our petition is that the duty on Cuban sugars be reduced to at least the previous rate of 1.0048 cents per pound which was in effect up to May 28, 1921.

STATEMENT OF HORATIO S. RUBENS, REPRESENTING THE AMERICAN COMMITTEE ON CUBAN EMERGENCY, NEW YORK CITY.

Senator McCUMBER. Give your name and address and state whom you represent, for the information of the committee.

Mr. RUBENS. My name is Horatio S. Rubens, 40 Exchange Place, New York City. I represent the American Committee on the Cuban Emergency, and several other gentlemen in connection with the Cuban sugar industry who have surrendered their time to me so that I might explain the situation as a whole.

Senator McCUMBER. Proceed in your own way.

Mr. RUBENS. Inasmuch as we are to be heard before the gentlemen who are to speak in favor of the bill, there are several things to which I would like to call the attention of the committee by way of answering certain statements, arguments, and objections that have come to our attention—criticisms made of the Cuban situation, of the producers in Cuba, of the opposition to the American interests in Cuba and to the Cuban Government itself.

I think this is absolutely essential for the proper consideration of this question, no matter whether you sympathize with beets or sympathize with Cuba. The question is very plain. We are not here to ask for any free trade. We appreciate the situation of the American beet industry, particularly, as an example of their situation which is common to producers of sugar, whether Hawaiians or Porto Ricans or Louisianians or Filipinos, the beet or the Cuban producers—but there are certain principles which we would like to place before the committee for its deliberation, with the idea not of injuring any American interest but of preventing the injury to those interests ultimately through the immediate injury and paralysis of the situation in Cuba.

Senator SMOOT. Are you a member of the American Commission on Cuba?

Mr. RUBENS. No, sir.

Senator SMOOT. Or the Cuban Commission, I should say.

Mr. RUBENS. No, sir; I have had nothing to do with the commission. You mean the old commission?

Senator SMOOT. It ceases to exist on the 31st of this month?

Mr. RUBENS. Yes, sir; I understand that is its fate. No. I will say, Senator—I am speaking in an individual capacity—that I was in Cuba at the time when it was proposed, and I opposed it. But it was submitted to the approval of the State Department in the United States, and by and with the consent and approval of the State Department it was created.

Senator SMOOT. I do not know the history of it down here; I did not know what it was in Cuba altogether, and I thought that if you had been connected with it I would like to ask you some questions about it.

Mr. RUBENS. I must confess that while I was consulted, my opinion was not taken, and I was opposed to it because I felt that it was an ephemeral measure, would simply tend to hold up the ultimate situation, was an attempt to fix a price artificially in spite of the overplus of the supply to the demand, and for those reasons I was opposed to it.

However, one of the charges made against Cuba is that she brought about not only her own present condition but that of the sugar industry as a whole. One of the charges is that undue speculation and ambition to make more and more money brought about this situation. I think, in view of the fact that we want to do justice to the one and to the other, and particularly as I was impressed with the remarks of the honorable Senator who pointed out the condition of the market because of the holding back of sugars, when, as he said, there were ample sugars in the United States and in Cuba to take care of the demand; it was then that the American Government through its officials stepped in and practically requisitioned the importation, which ultimately amounted to 800,000 tons of foreign sugars, which brought about the disaster. I was very much interested, Senator, in your statement that there was enough American and Cuban sugar in this country, so that if the speculation was on the part of the Cubans it was also on the part of the Americans, and the further statement that a great deal of the sugar that was made at a very high price in 1920 in the beet district met with the same misfortune that the Cubans met. They also held their sugars and they were not sold until the spring of 1921.

Senator SMOOT. It hit the beet people harder than it did any of the cane-sugar people for the reason that the beet-sugar people have got this contract one year ahead for their beets, and they had the contract for beets for 1920 when sugar was away up in the air, and those beets were not manufactured for the next year, and when manufactured were produced from \$12 beets they found a \$6 market.

Mr. RUBENS. Yes; but it was the United States Government that was responsible for this.

Senator SMOOT. I am aware of that.

Mr. RUBENS. That precipitated the situation.

Senator SMOOT. But, I want to say, be fair to the Government, too. Their advisers did not take the position that some of us did, that there was ample sugar; they took the position that there was not.

Mr. RUBENS. I am trying to disclose, Senator, if I may, that the Cubans, who may have made a mistake, and probably did, some of whom were naturally overambitious, had the same example, as was shown to you to-day, of the fixation of price by the Attorney General, in the case of Louisiana at 17 to 18 cents, and the banner of speculation was nailed to the foremast of the vessel.

So that my plea is: Please do not blame the Cubans entirely for the very natural assumption that when in November or December of the year previous to their making their crop, Louisiana was authorized to charge 17 to 18 cents, so it was no marvel that finally, in May and June, the raw sugar went up to 23 cents.

Senator SMOOT. That is a fair statement.

Mr. RUBENS. The other charge against Cuba—and I am reviewing some of the charges against Cuba so as to smooth down some of the acrimony of the debate, and anything that I may say which may appear to be a criticism of anybody else is only said in the way of defensive argument to some of the offensive statements which are perfectly proper in debate. Several gentlemen in the House of Representatives have called attention to the fact that the balance of trade in Cuba was against the United States. I will not go into the details which have been touched upon by Mr. Atkins and his reply that you have to take into consideration interest paid, insurance and transportation and the dividends which were earned by American companies. But I wish further to call attention to the fact that a great deal of sugar in these last years came to the United States, apparently sold to the United States, but only passing through the process of refining and then reexported by the refiners. So that, furthermore, this should be taken into consideration in amelioration of the charge that the balance of trade has been in favor of Cuba. I remember some years ago when I was in San Domingo and then came to Washington that the newspapers pointed with a great deal of glee and satisfaction to the fact that under our auspices San Domingo had the balance of trade in her favor. That simply meant to me, after I had seen the conditions in San Domingo, that after dividends were declared by foreign companies that owned the main production of San Domingo, which at the time was sugar, the population of San Domingo was on a bare wage, and therefore they could not purchase more than their country exported.

The balance of trade is not an argument against the trade with Cuba. We do not say to the rest of the world with which we have formed trade, "We do not want to trade with you because you are not fair; the balance of trade is not in our favor."

Senator McCUMBER. That balance of trade was due to the fact that the only thing that Cuba had to sell us rose enormously in value during that year, was it not?

Mr. RUBENS. Yes.

Senator McCUMBER. It did not increase other exports outside of sugar to any appreciable amount?

Mr. RUBENS. No.

Senator McCUMBER. And the amount of sugar was not particularly increased?

Mr. RUBENS. Oh, yes; its value and the volume of sugar, too. There was a considerable increase in sugar.

Senator McCUMBER. But not as much an increase in weight of sugar as the increase in value?

Mr. RUBENS. No. There was an increase in a few years from two and one-half to nearly four million, Senator.

But you have touched upon another point which should not be forgotten in connection with Cuba, and that is that we are dealing with many nations that have a number of products, but with few nations that are almost entirely dependent upon one main product, and such as is the sugar crop of Cuba.

I do not want to take the time of the committee on useless details, but the Senator made a statement which I just took down hastily on a slip of paper, that for the price of beets now paid—which I understand is \$6—the Cubans could lay down and refine their sugar at the eastern seaboard.

There is a slight mistake about that, Senator, because if you figure 235 pounds—

Senator SMOOT (interposing). It is 233 pounds.

Mr. RUBENS. I took five because it was easier to figure—at \$6 you get 2.55 cents a pound—

Senator SMOOT (interposing). And that is what they are laying sugar down now for in New York.

Mr. RUBENS. But not refined.

Senator SMOOT. There is a cent's difference in that, and you are laying it down in New York at 2.55.

Mr. RUBENS. That is a part—

Senator SMOOT (interposing). And then if you add freight and the handling of it to get it to the mill, you will find out that you can deliver Cuban refined sugar in New York at no more to-day than the saccharin in the \$6 beet, without our putting an ounce of work on it in slicing and manufacture.

Senator WATSON. At what are you laying it down in New York for now for January delivery?

Mr. RUBENS. For January delivery, I understood, 2 cents, cost and freight.

Senator SMOOT. That is 96 rough?

Mr. RUBENS. And that means that afterwards—and I wish to call the attention of the committee to it, because the Senator doubtless understands the method of calculation—when there is a protection of 1 cent or 1.6 or 2 cents on sugar, it means this, that is only the tariff—there is an additional protection.

Senator SMOOT. You say there is an additional protection?

Mr. RUBENS. Yes; there is an additional protection in this way, that when the beet sugar cost is calculated it is the cost of beet sugar ready for market, a refined product. When you figure on Cuban sugar it is raw sugar, which must be transported to a refinery, and that refinery must get its cost of refining plus its profit; and then there are lost in that process of refining 7 pounds of raw sugar which have already paid the duty, to every 100 pounds of raw sugar which are refined. In other words, only 93 pounds of refined resulting from

a hundred raw, and the entire hundred they paid their duty on, and they have to pay for every pound of sugar to the refiner, plus profit; and when they get in competition with beets they have to pay considerable freight from the seaboard to the competitive zone.

Senator SMOOT. You can get a freight rate from New York to Chicago, where our market is, for less than one-half of what you can get it from our factory to Chicago—that is the advantage we get. And, another thing, I wanted you to understand that the dollar a hundred, or cent a pound, that I stated, you know that is added on for the refined charges and the losses?

Mr. RUBENS. Yes, sir. When the cost of raw sugar is low—

Senator SMOOT (interposing). That is what it is to-day.

Mr. RUBENS (continuing). When the cost of sugar is high, it goes up; and by the same token, when the price was fixed by Mr. Hoover for the purchase of the Cuban crop, the Equalization Board added on 0.35 cent per pound, or 35 cents a hundred, which, in effect, was for the benefit of the domestic sugar producers, and the result of that was that there was accumulated some \$30,000,000 which went out of the profit of the transaction on the importation of Cuban sugar during that period and became merged with the general funds of the United States.

Senator SMOOT. You want to be perfectly fair. But that 35 cents that was added on was because everything that the beet refiner bought increased over 100 per cent—everything that the beet sugar refiner purchased increased over a hundred per cent—bags of all kinds, limes of all kinds, acids of all kinds, bone black, and everything else increased over 100 per cent, and Mr. Hoover allowed them to have \$1.35 instead of \$1.

Mr. RUBENS. That 35 cents represented about \$30,000,000 which the Cubans lost during the operation of the sale.

Senator SMOOT. Not at all.

Mr. RUBENS. If they had gotten the same price and the same level as the American producer they would have had \$30,000,000 more, would they not, Senator?

Senator SMOOT. Evidently; of course, Cuba had to pay more for her goods, too. There is not any doubt about it. It happened in everything that occurred in business—everything went sky high, and, of course, Mr. Hoover allowed 35 cents for refining charges and differential and loss from 96 raw to granulated, and I do not think that that was unreasonable, and I believe that you will say that it no doubt did cost the refiner that much.

Mr. RUBENS. I do not envy anyone the profit they did make, because after all they have to contribute by way of excess profit, charges, and other things to the exchequer of the United States.

A great deal has been said in criticism of Cuba lately as to labor. The statement that 65 cents is the fair and general charge at the present time, I think, needs a certain amount of explanation.

I heard that this was to be used as an argument, Senator, and I had the curiosity to ascertain what was being paid in Porto Rico at this time and, rather to my surprise, I find it is 50 to 60 cents.

Senator SMOOT. I do not deny it at all; and, for one thing, I think of course, if it were possible to avoid, it should be avoided.

Senator McCUMBER. That is labor in the field?

Senator SMOOT. In the field.

Mr. RUBENS. And, of course, the Senator has explained—

Senator McCUMBER (interposing). That has reference to labor in the fields?

Mr. RUBENS. Yes; that has reference to labor in the fields at a time when there is practically no necessity for that labor, because they are just about ready to harvest their crop. It is not a question of economics; it is not a question of actual costs either in Porto Rico or in Cuba, Senator; it is a question of common humanity. They must have something or they starve.

Senator WATSON. Do they pay 50 cents on the average or more; what is the truth about that statement?

Mr. RUBENS. The truth about that statement is that there is no work at this season, and rather than permit the people around you to starve, you invent, if you please, some operation in the field which otherwise would be unnecessary.

Senator WATSON. Is that 65 cents wages paid the year around?

Mr. RUBENS. No.

Senator SMOOT. I do not say right now, because I heard it two months ago. I had an investigation made and I have that report now; and they have been paying it. I have not the report here, but I will be glad to put it in the record—and they had been paying that price for common labor in the field for a month past.

Mr. RUBENS. And it may be that in some cases they paid for labor simply by giving enough to keep them from death and from starvation.

Senator SMOOT. We can not do that in our country.

Mr. RUBENS. But, Senator, there was no sugar cultivation in the fields. And may this be a grain of comfort to all of us: The latest estimate of the coming crop in Cuba is not 3,900,000 pounds as it was last year, but it is 3,000,000 tons.

Senator SMOOT. Three million two hundred thousand is what was given to me.

Senator WATSON. Do they pay more for labor than for harvesting the crop?

Mr. RUBENS. Naturally, and they will just as soon as they begin harvesting.

Senator SMOOT. And if Cuba would limit the crop this year to 2,250,000 tons she would get more money out of her sugar.

Mr. RUBENS. But as to the proposition of importation from Cuba, only a few days ago there was one made in the nature of an embargo on Cuba. She was told that she would only be permitted to bring in 2,000,000 tons, and then she would have the benefit of the emergency tariff or the Fordney tariff, and if she brought in 500,000 tons more she would be penalized.

Senator WATSON. Who told Cuba that?

Mr. RUBENS. That was the proposition, I think, invented by some of the beet sugar gentlemen. And another proposition which was recently invented is still more ingenious—

Senator CALDER (interposing). How will they control it?

Mr. RUBENS. How will they control it? They will have commissions controlling in Cuba and commissions controlling in this country. But the other suggestion, which I think has not met with

any serious consideration, was that a price could be fixed which would be a living price for American sugar producers, and then let us assume that was 2.9 cents a pound for Cuba. If she sold for anything than 2.9 then she would pay a proportionately higher duty. So that if a farmer, for instance, were told to sell his wheat at \$1.50 and he sold at \$1.40, his taxes would go up; and then if he sold for \$1.25 they would go up still further.

I am the first one to agree, Senator, that something ought to be done to take care of the actual situation in Cuba, which is a menace not only to this country but to herself.

I am the first one to agree with that principle, but I am here, unfortunately, to argue a question which I want to bring to your attention, and that is if the Fordney tariff is assumed to be a permanent tariff, not a question of doctrine of the present condition—of trying to save all the people interested in sugar, whether the stockholders be the stockholders of the American Continental Beet Producing or cane corporations, or whether they be the stockholders of American corporations producing sugar in Cuba. I think there ought to be no discrimination, and I believe there is none in fairness between the American investors whether they are in beets or whether they are in Cuban corporations.

Senator SMOOT. I do not want to assent to any such proposition. To me, as an American citizen, I would very much prefer to have my products manufactured in America. If your theory is correct, to have free trade or to have all the advantages of cheap labor from a foreign country, all you have got to do is to tell the cloth manufacturer and the cotton manufacturer, the jewelry and toy manufacturers, "You go and invest your money in Germany, and we are going to protect you, and you will have it come into this country without any protection whatever," in order to protect American money invested in Germany. I say I would like to do that so far as the laws of Germany, but when it comes to the question between a manufacturer investing his money in America, employing American labor, paying American wages, paying taxes, to help maintain the American Government, I am going to stand by him before any other American who is manufacturing his goods to come into this country from any other country in the world.

Senator WATSON. Of course, that brings up the whole question of tariff.

Mr. RUBENS. That brings up another question which I am very sorry to have to touch upon.

Senator WATSON. Do you agree with the statement made here a moment ago that the Fordney emergency tariff has no effect whatever in the maintaining of the price of sugar and in sustaining American industry?

Mr. RUBENS. I have a letter from Mr. Fordney here somewhere, in which he calls the attention of one of his colleagues to the fact that the result of the increase of the duty on sugar has not raised the price to the consumer.

Senator SMOOT. For the reason, of course, that the sugar condition is such that the market has been steadily dropping.

Mr. RUBENS. Exactly.

Senator SMOOT. But if it had not been, there would not have been any sugar industry in the United States left.

Senator WATSON. Suppose you made the tariff five times as high as we did. Would not the American producer have the benefit of the entire American market?

Mr. RUBENS. When you have had before you the various figures—when you get some to-morrow from the beet people, you will find they are all very ingenious and made by gentlemen who have their pencils sharpened at both ends, and if you ask them the basis of calculation of so many cents per pound you will find it was on the old exchange rate and not on the new. If you take the new exchange rate it would be quite a different thing.

Senator SMOOT. That has nothing to do with the specific rate of duty?

Mr. RUBENS. No; except that it works on an ad valorem basis. In the case of Cuba, you have to take the ad valorem basis in order to ascertain whether or not there is any article which has imposed upon it anything comparable in ad valorem under the present conditions.

However, Senator, your declaration that the investments of Americans in Cuba do not redound to American interests as do those in the West, where you have American labor, etc., I wish to say that it is only a raw material, as you well know. It is brought into the United States to be worked in refineries. I am holding no brief for refiners or refineries. They are here to speak for themselves. But they, too, are American interests.

Senator SMOOT. Sure.

Mr. RUBENS. And I believe their investment is between \$400,000,000 and \$500,000,000 as against \$175,000,000 of the beet industry, and they, too, are in a condition where they should be respected. They also engage tens of thousands of American labor, if you please.

Senator WATSON. Have the American refiners investments in Cuba?

Mr. RUBENS. They have some; they have now two estates in Cuba. Heretofore they have had none, but it seems that the policy of Mr. Havemeyer, who sought to insure his investments in the American Sugar Refining Co. by taking up a good deal of the stocks of the original beet producing companies, which I understand are still held and are very profitable as a source of income to the American Sugar Refining Co.—I understand that he, in his wisdom, sought those investments in the beet industry so as to protect himself if the prophecy which was then made should hold good sooner or later—early in beet culture it was prophesied by one beet sugar man that the United States would in ten years produce enough sugar to export abroad in competition with European sugar.

Senator SMOOT. The refiner gets his money without a question of doubt. He takes no chances whatever in buying his sugar, because he sells his sugar and buys it from Cuba at the price it is—Cuba regulates the price, so that the Sugar Refining Co. is perfectly safe. It is not like the man who puts the seed into the ground, raises the beets and then refines them and prepares the product for the market.

Mr. RUBENS. Senator, if you will pardon me, since the middle of 1920 the refiner has been in the same position as any other purchaser on inventory: He has found his inventory has shrunk and all during

this year he has found that certain gentlemen have nipped the price below, so that he hardly dared to go into the market to purchase. He found that after every purchase, and before he could refine there was a still further slump in the price.

But, getting down to the question of Cuban labor: The labor in the agricultural beet fields in the West consists of Mexicans, of Japanese, and of Russians.

Senator SMOOT. Of course, so far as my State is concerned, that is not true. I do not know how other States are, and it is only limited to other States. When they could not get the labor, there were some Mexicans here who were allowed to come in temporarily. But that is not so this year. They have all had to go back, and the Russians who came in here from Canada have all been sent back.

Mr. RUBENS. We brought this question up. There is, unfortunately, a late report of the United States Department of Labor, Children's Bureau, showing the effect of working the children in the sugar beet fields in Colorado, a partial review of a part of two counties in Colorado. I will just quote a few words [reading]:

Postural deformities and malpositions apparently due to strain were shown by 70 per cent of more than 1,000 of these beet-working children who were examined by a physician of the Children's Bureau. The continued stooping when engaged in "thinning" and the lifting and handling of heavy weights in "topping" are believed to affect the growing child's body unfavorably.

Then they go on to show that out of 930 school children from 9 to 16 years of age in the study from home school records obtained 40 per cent were from 1 to 7 years below the normal grade of their age.

They also show an average of 9 to 10 hours a working day of children working between the ages of 8 years to 12 years.

This is all official; this is the official report of the Children's Bureau.

Senator SMOOT. The only time a child goes into the beet fields is for thinning, and all he can pick up is a bit of grass or weeds, or the little beets which have just sprouted.

Mr. RUBENS. These photographs [exhibiting photographs to the committee] show them pulling beets.

Senator SMOOT. Let me tell you, they do not pull beets.

Senator WATSON. They only thin them out?

Senator SMOOT. They plow the beets out and then pick them up.

Mr. RUBENS. Here are photographs [exhibiting further photographs to the committee] showing the topping operations. Here [indicating] are some children engaged at the work, which are very interesting, as they are actual photographs from the fields.

Senator SMOOT. Of course, I do not know who they expected to deceive by saying that children pull the beets out of the ground. That is not done by anybody—man, woman, beast, or anybody else; they are plowed out. And you hardly ever see a child in the fields after the thinning is over. A child can thin beets but with very little effort. When they put the seed in the ground, which is done by machinery, the seed sprout, and always they have to plant more seed than is necessary. But in order that the beets may develop they have to thin them out. If there were any possible way of getting rid of that the beet growers would be very thankful, indeed. But in thinning the boys or girls go along usually on their knees, and just

pull them out where too many have sprouted, leaving one healthy plant there; and that is the limit of the work that they do.

But as far as loading or pulling the beets out of the ground, or topping them, you see men do that.

Mr. RUBENS. I merely was assuming that the Children's Bureau of the Department of Labor was correct in its report so far as Colorado is concerned; and this is a report of the National Child Labor Committee in connection with similar conditions in Michigan [referring to another report].

However, when we come——

Senator SMOOT (interposing). I want to say to you that, so far as the child labor of Utah is concerned, thinning of beets has been a godsend to the children. Instead of their running on the streets and going everywhere, they get something to do, and during 1919 and 1920 some of those children made over \$3 a day thinning beets.

Mr. RUBENS. That brings us to another point about the agricultural part of the beet production, and my understanding is that the operation is performed under contract, with laborers who receive so much an acre for the entire agricultural operation from the thinning to the ultimate topping and stacking.

Senator SMOOT. That may be done in some places. In Utah a man never has more than 5 acres, and he and his boys attend to it.

Mr. RUBENS. I am speaking now of contracts which I have seen, and have available forms.

Senator SMOOT. There are contracts; there is no doubt about it.

Mr. RUBENS. Available forms——

Senator SMOOT (interposing). There are contracts; there is no doubt about it.

Mr. RUBENS (continuing). I understand that the present price paid for the agricultural care of the beet after it is planted, and it is thinned, and it is weeded, and it is hoed, and after it is dug by machinery, in some places, it is separated from the dirt that adheres to it, and it is topped, and it is piled and then loaded, is somewhere at the rate of \$25 an acre; and according as to how many children there are in the Russian family, so is the measurement of the success of that family resulting in taking 15 and sometimes 20 acres. That is a condition, undoubtedly, not true in your part of the country, but it is true in connection with some of the larger beet-producing corporations.

I further call attention to the fact, on this question of labor, about the proposition with which you gentlemen concerned are doubtless aware, that a man who formerly occupied a very high position in the Hawaiian government is now in Washington for the purpose of obtaining the free admission of Chinese coolie labor for Hawaii which, I will say, by the way, is absolutely impossible so far as Cuba is concerned, because of the condition imposed on Cuba by the United States at the time of the ratification and exchange of the reciprocity treaty whereby it was distinctly understood and agreed to by Cuba that she would maintain the same immigration and exclusion laws that we have. So there can not be anything used in Cuba except native labor.

Senator SMOOT. Cuba has not been in the same situation as the Hawaiian Islands, although Chinese can not enter there unless——

Mr. RUBENS (interposing). I wish to call attention to the fact that there is in Congress such a proposition in order to cheapen the labor in the Hawaiian Islands.

Senator SMOOT. It is not altogether the cheapening of the labor, I want to say to you, because I know the situation very well. The Hawaiian sugar business is absolutely in the control of the Japanese. You can not do anything in the Hawaiian Islands unless you have the consent of the Japanese; in fact there are only two classes of labor that amounts to very much there that would ever work in the cane fields, and you know what a different job it is after it is burned and how they have to load it, and it is an awful job, and the Japanese absolutely control conditions in Hawaii.

Mr. RUBENS. As to the increase of the Cuban crop, I have already alluded to the fact that the coming crop will not be 3,900,000 tons as last year, but about 3,000,000 tons. That comes about through various sources of a changed condition in Cuba. One is that there was no replanting in 1921 for the 1922 crop, perhaps for the best reason in the world that there was no available money.

The next thing is that despite the fact—

Senator SMOOT (interposing). What do you mean by "replanting"—the seed?

Mr. RUBENS. By "replanting" I mean, Senator, that in certain parts of the Island of Cuba, notwithstanding all that you hear of the wonderful fertility of the soil, particularly in the western part of the island which has been cultivated for nearly a century constantly, you must replant; you must put the plow into the ratoon and tear them out and replant them then to the extent of 20 or 30 per cent a year.

Senator SMOOT. What I meant was, ratoons or seed?

Mr. RUBENS. Yes. The cultivation of cane, also due to the lack of funds, was not up to the usual agricultural performance in Cuba, and that means another shrink.

There is another possibility, but that is only a possibility, and that is by reason of faulty cultivation and excessive rains during the growing season there will be a shrinkage in yield.

Senator SMOOT. It is agreed by all that the production in Cuba this year will not exceed 3,200,000 tons.

Mr. RUBENS. They have at least had that virtue, if only from necessity, they have not voluntarily replanted any cane for the coming crop.

Senator SMOOT. If something does not happen here to take care of the beet sugar people, there will not be any replanting at all.

Mr. RUBENS. The beet sugar people, unfortunately, took their chances, because after it was proven that both they and the Cubans had a surplus, after the Sugar Sales Commission was appointed in February, in order to take care of the market of the Cuban surplus and Cuban crop, it was then that the beets went into the ground to an unfortunately large extent.

Senator SMOOT. We could not avoid it. The contracts were made, and the contract was made on the basis of \$12 a ton for beets.

Mr. RUBENS. I am not criticizing, but I am trying to prove that the present difficulties are not entirely due to the acute foolishness of the Cubans themselves.

Senator SMOOT. And that was done under the direct instruction of the Attorney General?

Mr. RUBENS. They have in Cuba, as well as you in the beet sections, suffered from the intervention of the American Government; and from the point of view of the foreigner he at least has some measure of charity and courtesy due him in the consideration of his problem.

I want to say further something as to the criticisms of the Cuban people, not here but elsewhere: The statement was made that the Cubans are ungrateful; why should we do anything for them? Why should we have any consideration? When the high cost of living was bothering all peoples of the earth, when the prices began to crash in Cuba and elsewhere, the American Government—you see I am still speaking of the American Government—appealed to Cuba in order that Cuba might protect American producers of rice, who had made consignments and sales of rice—a great necessity in Cuba, a daily food and prime necessity of life; at prices that were very high. Cuba did not say, "I am for Cuba first. I do not care anything about the United States rice people, or the United States banks." Despite the fact that it was inordinately high in Cuba, they placed an embargo on the importations of rice at the request of the American Government and for the benefit of the American rice industry.

Senator SMOOT. And on a very high price for the rice?

Mr. RUBENS. At a very high price for the rice.

Senator SMOOT. Which was the price Java was asking, and the price that they could bring it from Java into Cuba?

Mr. RUBENS. Yes.

Senator SMOOT. That is all it was.

Mr. RUBENS. But the embargo was there, and a free trading proposition would have relieved the necessities in Cuba, and would have reduced the cost of living, and yet Cuba did not say "Cuba first."

Senator SMOOT. Because she has always had every chance in the world to come in at 20 per cent preferential with her main crop. I am not complaining of that, nor am I complaining against Cuba, I am just looking out for the United States.

Mr. RUBENS. About the differential, I am going to quote an authority with which you do not entirely agree, Senator. It is, however, an authority; and that is the Tariff Board. They say on page 329 of their 1919 publication, that "the reciprocity arrangement did not result in any sales to the United States of sugar, which but for the reciprocity would have gone elsewhere."

Senator SMOOT. That was true under conditions.

Of course, at that time England was perfectly willing to buy sugar anywhere in the world.

Mr. RUBENS. And let me go on to say as to the reciprocity treaty [reading]:

In this year (1913) the amount of protection to the domestic producers and the producers of the noncontiguous territories was less by the amount of Cuban preference than the rate of duty on the tariff act. In 1914 up to the outbreak of the war the American consumer was getting the whole of the benefit from the preference to Cuban sugar.

That is to say, that the Cuban had lost his preference and the American consumer was getting the advantage of it; and that is the situation acutely now and will be the situation so long as Cuba has a sufficient amount of the sugar; the difference between the full duty and the preferential duty is not for the benefit of the Cuban.

But I want to be perfectly fair, Senator, and admit that when you raised the tariff from 1 cent to 1.6, then the old principles which we recognize as good protectionists took effect; that is, the foreigner pays for the increased duty, and the American manufacturer, on the other hand, so far as his production is concerned, gets the benefit of that increase of impost upon the foreigner.

Senator SMOOT. We do not disagree on that at all.

Mr. RUBENS. I just want to call attention of some gentlemen to the fact that when you say that Cuba has this preferential she has in fact lost her preferential so far as full-duty-paying sugars are concerned, and she has lost it ever since she produced a little more than enough than was required to come to the United States.

When we say to Cuba that we are giving her this market, why, Senator, if we could produce in this country and did produce all our needs and requirements, there would not be any market for Cuba. We are not giving her anything except that to which she is entitled because of her proximity and because of her close political relations to the United States and because we need her sugar.

On the other hand, it is said that we Americans have given everything and received nothing. In the past 10 years the exports from the United States to Cuba have been in round numbers nearly \$1,800,000,000. Cuba by reciprocity treaty has granted the United States not 20, but 25, 30, and 40 per cent. So, taking the average as that of the minimum 20 per cent, American manufacturers have in the past 10 years received the direct premium or benefit to the extent of \$320,000,000, and it is because they have received that direct premium and benefit, and because of the increase of trade by producers in the United States that they have joined the committee over which I have the honor to preside, and place before you in evidence the necessity of keeping up their trade, by not completing the ruin of Cuban industry just as they have no desire to see any American industry ruined. We ask you to weigh very carefully not merely a local business of certain States in the West, not only the interests of certain stockholders in the beet and cane industries of continental United States, but the interests of those who have invested—according, again, to the gentlemen of the Tariff Commission—because “the United States has greatly profited by the opportunity of profitable investment of capital in Cuba,” which you will find on page 322 of their 1919 statement.

There seems to be some little confusion about the question of what was the Equalization Board's profit at the time of the purchase of the Cuban crop by the United States. I do not want to take the time of the committee to read the few figures which I have jotted down, but I do wish to call your attention to a statement showing that the Equalization Board's profits, not profit to the refiners, but the profit which was established over and above the margin, went, so far as the domestic producer is concerned, to his benefit, and, so far as the Cuban producer is concerned, it went to the benefit

of the Equalization Board and became merged in the Treasury of the United States.

With reference to the question of child labor, it does not seem to have been the custom in the State of Utah. I have here as far back as 1916, for February, the child labor bulletin showing the conditions in Colorado, and portraying the conditions in the schools at the time of full attendance and at the time of the beet harvest. Some of these are very interesting indeed.

Senator McCUMBER. Do you know of any farming community in the whole United States where children do not work as soon as they are big enough to work?

Mr. RUBENS. But during the school year——

Senator McCUMBER (interposing). Many of them work during the school year, at least at all times when they are required to do the work. The harvest time is generally the time of vacation.

Mr. RUBENS. Yes; that is true.

Senator McCUMBER. Conditions on the farm, so far as I know them, could be much worse than they are to-day. Isn't it a fact that the child, from the time it is big enough to hunt eggs until the time it can do heavier work, has to do some work on the farm?

Mr. RUBENS. That is true in a way. But these children are not usually American children. They are children of foreign birth and foreign extraction. I have here a little report, which was made confidentially, showing the conditions. The observer says:

It is making the problem of Americanization more difficult. The American children are beginning to make much of this class distinction. I asked a boy at school if he ever worked in beets. He said, "No, indeed; we Americans don't have to; we make the Russian and Mexican kids do that."

In the Russian families a large number of children is considered a prize. The statement I have in regard to this is as follows:

A Russian counts each child as an asset, and when his wife bears him a new boy he considers himself \$5,000 better off. Their women are valued for the number of children they can bear. One a year is the rule, more if possible. A child is seldom called upon to support his widowed mother, for there is no such thing among them as a widow with children. The more children she has the quicker she is married again. If a young man can marry a widow with children he considers himself just that much ahead. A minister of these people tells of a Russian who was burying his wife. While standing by the open grave he had his hand over his eyes with his fingers spread, and was crying with one eye and looking for a wife with the other. He was married again in a very short while.

I shall submit this bulletin of the child labor organization and also some extracts from confidential reports showing the conditions of all workers.

(The bulletin referred to is as follows:)

CHILDREN WORKING IN SUGAR-BEET FIELDS IN COLORADO.

The United States Department of Labor, through the Children's Bureau, has just issued some preliminary figures regarding the findings in a study of children who work in the beet fields, one of a series of studies which the Children's Bureau is making of the work of children on farms.

The study covered parts of Weld and Larimer Counties in Colorado, and included 1,077 children under 16 years of age who did beet work. While some of the beet growers plant small acreages and depend upon their own families to do the handwork which is involved, the great majority hire contract laborers for the handwork. Over seven-tenths of the working children were the children of these contract laborers. In the area studied in Colorado four-fifths of the laborers were resident; that is, they

lived in towns near the beet fields, moving out to the farms in the spring and returning to their homes after the harvest. About 70 families, however, were those of transient laborers, recruited by the sugar companies, often from distant parts of the country. Many of them were attracted to the beet-growing areas by the fact that the whole family could work in the fields.

Children thinned out the small beet plants in the spring, hoed, pulled up the beets, and "topped" or cut off the beet tops at harvest. The worked at very early ages. Over one-fourth of them were under 10 years old, a small percentage under 8. Less than one-fifth were as much as 14 years old. Considerably over half were from 9 to 13 years of age. Physically, the most harmful feature of the work probably lies in the long hours. From 69 to 85 per cent (according to the process in which the child was engaged) worked 9 hours or more a day. From more than one-seventh to one-third (again varying with the process) worked 11 hours or more. Thinning and blocking in the spring and pulling and topping in the autumn are both done under more or less pressure; the first process must be done before the beet plants grow too large; the second before severe frosts occur. Hoeing is done in a more leisurely way during the summer, but it is the spring and fall processes in which the younger children are most generally used. The average working day for all processes was usually between 9 and 10 hours.

Postural deformities and malpositions apparently due to strain were shown by 70 per cent of more than 1,000 of these beet-working children who were examined by a physician of the Children's Bureau. The continued stooping when engaged in "thinning" and the lifting and handling of heavy weights in "topping" are believed to affect the growing child's body unfavorably.

Mr. RUBENS. The point about it is that these workers are not American farm workers; they are not American citizens; many never will be. They are Japanese; they are Mexicans; they are Russians; of a certain type that perhaps never will become citizens, or, if they do, they will be the fathers of children and the mothers of children that, for lack of education, will be a real menace to the community, because as they grow up in vast numbers they can outvote the local American population. And then you are going to have another local question besides the question of tariff on your hands.

I shall say this, further, about the cost of production in Cuba. The cost of production is not the reflex of the present sales price. When the point was brought out to-day that sugar for January delivery is 2 cents a pound, I wish it distinctly understood that this is not a reflex of the cost of production of that sugar, because there has not been a sale of sugar from Cuba, or, I am willing to admit from any other source, that has come into this market since the beginning of this year that has not been sold under the cost of production. But, gentlemen, sugar—the beet-sugar industry and the cane-sugar industry of Louisiana—is not alone in this plight. There is not a single industry in the United States that is not in the same plight. You may look at your farmers who are raising corn and wheat and oats. They are in the same plight. Look at the production of steel, of copper, or of any commodity of which there has been a surplus or a hangover, or even where there is not any in the hands of the producers, but the United States Government, through its war purchases, has a great surplus. You will find that same condition in many other lines of industry.

It is not because we are fearful that the tariff which is proposed to you in the Fordney bill is not a remedy for the specific needs of the moment that we ask for your consideration, but it is because we fear that by reason of the peculiar circumstances of the moment you will be argued into taking action definitely on a tariff which is going to prevent Cuba from ever coming back and from ever making profit because of a law which, when once placed on the statute books,

we may not be able to persuade you to expunge, and which, as I hope to show you, will prevent Cuba absolutely from making any profit on a prewar basis.

Six-tenths of a cent, which is an addition to the tariff as it existed before the emergency tariff bill, represents upon the unit of production in Cuba, which is sack of 325 pounds, \$2 per bag.

I wish to call the attention of the committee to the fact that in prewar times the best situated mills in Cuba were satisfied with a profit of anywhere from one to two dollars a bag. This six-tenths of a cent (additional to the tariff paid before the passage of the emergency tariff bill) which is sought to be perpetuated in the Fordney bill is just \$2 per bag. If the principle of protection, as we understand it, worked out properly in normal times at the old rate, never mind whether it works out now.

What I am afraid of is that you are going to legislate under abnormal conditions and in so doing continue to paralyze Cuba when normal conditions come along.

I say that that \$2 a bag which Cuba will have to pay is harmful, because if the exporter, the foreign exporter, does not pay the tax, then the American consumer pays it; and I believe we are all good enough protectionists not to believe the latter. This extra 60 cents a hundred, or this extra \$2 a bag, on the unit of Cuban production, simply means that when normal conditions are reestablished, the Cuban sugar mills best situated can never hope for a profit.

I want to call the attention of the gentlemen who are producing sugar in this country to a few serious facts. They and the Cuban producer are really in the same position. The ruin of one is not going to help the other; the ruin of Cuba is not going to help the beet industry. Quite the contrary. In the process of ruining Cuba you will be up against what they are now, which is this—ruinous and bankrupting competition against which there is no tariff protection. There is no protection against that. The worst thing that can happen is the continued lack of credit from which the Cuban industry suffers, and that is why, despite the increase of the tariff by 60 per cent, the price has not increased. It is because the supply was too great; because there was no credit in Cuba to hold the sugar, and because those who suffered from necessity had to dump their product on the market; and that condition will be more acute when the control of the present Finance Sales Corporation is off.

Senator WATSON. What tariff will you be content with?

Mr. RUBENS. I am not a plenipotentiary of Cuba, but I am simply arguing the facts for your decision, keeping in your minds that what we want is not the amputation of a leg on the theory that it will cure the itch.

Senator WATSON. You have been arguing in generalities in an attempt to show the production in Cuba and in the United States, but you have not told us what you want.

Mr. RUBENS. One cent. We want that under which there was ample security for the American product.

The point of fact is they have increased their factories. The point of fact is that they have declared, despite all the troubles and difficulties that they tell you they have gone through, heavy dividends. In some cases, I believe there was a 100 per cent stock dividend;

in other cases, a 47.5 per cent extra dividend in one year. They have been prosperous. There is no jealousy on the part of the Cuban producer, but we see that the situation is such in Cuba that it has become necessary for this Government, not only to exercise, as it always has, a protectorate in Cuba, but to send a plenipotentiary to Cuba for the purpose of counseling, advising, directing, and restraining on all subjects, not only politically, but economically.

That raises a question entirely different from that of any other nation in relations with the United States. We need not go back far in the history of Cuba and her relations with the United States. Some gentlemen have said, "You spent too much money on her." I think, so far as the people of the United States are concerned, they have never regretted, and they never will regret, having declared in the war with Spain for the principle which later was consolidated in that greater war through which we have just passed. It was the first time that a great Republic sacrificed its treasure and its blood for the purpose of establishing another free government.

Not content with that, it became the champion of that government. It has protected it; it continues to protect it. But there is no use in protecting it physically, if you are going to ruin it economically, and there is absolutely no reason why the best gentlemen should fear annexation any more than they should fear intervention, because if we should actually intervene, not in name as we did and have, through the presence of Gen. Crowder in Cuba, but if we step in and tell the Cubans, "You can not keep your house in order; you can not run your government properly; you are a menace to the existence of such a stable government as is covered in the Platt amendment and the treaty, and therefore we will take charge of you," then this country could do only one thing, which would be to show to Cuba and to the world that, having taken possession, it could do better than Cuba; and it could not do better than Cuba if it did not right the question of the income of the Cuban Government. That income depends upon customhouse receipts, and, in turn, they are dependent upon the purchasing power of the people, and the purchasing power of the people is dependent upon the economic and trade conditions in Cuba, which are all based upon the main crop—sugar. Therefore, if there is any intervention, the United States would either fail in getting a sufficiency of revenue, or it would have to do what was done when the Republic of Cuba was first established and when Secretary Root, who has been quoted to you, made his declaration of principle, and when President Roosevelt made his, and when that great banner bearer of protection, Mr. Payne, among other things, said that "the United States would be recreant in its duty if it failed to create conditions which, by assuring Cuba a favorable market, would render her prosperous."

And in the debate, against all the protests of the gentlemen whom you are about to hear, and who have told you in past years how the admission of free Hawaiian sugar, the admission of free Porto Rican sugar, and how the admission of the Philippine sugar would affect conditions, he held to his view.

I do not blame them for wanting to get as much as they can, but I ask you gentlemen to consider the history of the protests of these

very same interests. They have cried "wolf" so long that I think you ought to look into the facts and the figures. The fact is that, despite the influx of island sugars free of duty, they have continued to increase and to prosper.

A situation would arise under the circumstances that I have endeavored to point out which would cause any governor who might be named in case of intervention in Cuba to use the same words Governor Wood used in 1902. He said, "Relief must be granted and granted quickly or a condition will arise which will render the establishment and maintenance of the stable government highly improbable."

This is not an ordinary tariff question.

The peculiar relationship, once established, and now continued with Cuba, our real intervention through a resident representative with almost plenary power and with tacit veto power when occasion arises, must not be lost sight of. He may suggest to the Cuban Government, or to the legislature, or the President of Cuba, what legislation is beneficial to Cuba. It is all done in the best of faith: it is all done for the benefit of Cuba. That raises the question if you can properly say that, as between the United States and Cuba, you are always for the United States first.

Now, as to the question of the advantages of reciprocity. I doubt whether you gentlemen, even if you have been in Cuba, realize the great demand for American products which exists in Cuba, and which one might almost say exists in no other country of its size and potential wealth. Cuba manufactures hardly anything. It purchases, not only manufactures in the United States, but it purchases vast quantities of food products in the United States.

When you arise in the morning, your pajamas, your slippers, the soap you use, the dentifrice, the brush, the sheets you slept on, the furniture—all is imported and is usually imported from the United States and has enjoyed the great benefit of the additional tariff allowance of 25 to 40 per cent.

As you go through your daily life in Cuba, all the eggs that you consume, the milk that comes in to the extent of \$4,000,000 worth in a year in cans, the vegetables—in fact, everything that you use in the way of clothing, outward and inward, from hats to shoes, comes from the United States.

And that is why the trade with Cuba is so very essential. That is why the gentlemen who have formed our committee are asking you please to consider, in connection with this tariff, not the question of the protection of a certain locality or one certain industry, but to consider that the manufacturers, the exporters, and the merchants of this country have been doing an enormous trade, that they have debts due from Cuba which they hope to collect; and they hope that there will be such tariff legislation as not only to enable the Cuban people to pay their just indebtedness, but to make them good customers in the future.

There are millions of dollars invested in American enterprises there that seem to me to have the same right to protection. There is \$1,000,000,000 of it as against \$175,000,000 at the outside, in the beet industry. The question is whether this is going to be legislation for the greatest good to the greatest number of American citi-

zens, not only for those stockholders who have interests in Cuba to the extent of a billion dollars, but for those merchants and laborers who are manufacturing articles for export commerce to Cuba.

Then I come to the question of the farmer. Mr. Atkins has read to you a series of imports in 1920 representing farm products. It runs to the extent of about \$100,000,000.

The farmer is very much of an exporter and business man so far as Cuba is concerned, because Cuba, outside of a little tobacco, produces nothing but sugar and has to buy her corn, her wheat, and her foodstuffs of all sorts—potatoes, canned goods, butter, eggs, meat and hog products—from us.

I do not speak as the representative of the farmer, but if the farmer in this country knew what is at stake, he and the other business men in this country would demand at once that Cuba should be so treated as not to be prevented from again becoming a valued customer of the United States.

Again, I insist, gentlemen, that you must not be swayed by the conditions of the moment, which are just as bad for one industry as they are for the other; and I beg of you not to place our decision upon the facts as they are presented at the moment with reference to the great over-plus and the smaller demand, but to look upon this tariff question in the broadest possible light, so that your decision will be not only a decision on the tariff question, but it will be a decision which involves a great principle—the principle as to whether, you might also say, quoting a Democratic candidate for the presidency who once was defeated, for saying the “Tariff is a local issue.”

My hope is that you will decide to the effect that the tariff is not a local issue, and that the people who have investments in Cuba are under the protection of the United States, and not merely under a foreign government, as was suggested to-day with respect to Germany, an ex-enemy. They should be taken care of. That includes our producers, manufacturers, the farmers—yes, even the refiners, who have an investment of between four and five hundred million dollars, as against \$175,000,000 invested in the beet industry. Even those companies are Americans, and their stockholders have equal rights with the stockholders of the gentlemen in the West.

Now, let me take up a question of comparison. We have passed an emergency tariff bill. We have given the American farmer, the producer of wheat, 25 cents a bushel at a time when the selling price was about \$1.35, or about 20 per cent ad valorem. On an ad valorem basis the same emergency tariff bill, on a product that comes into the United States and is refined here, gives a profit and supports labor and another industry, imposes somewhere in the neighborhood of 80 per cent ad valorem. And the same bill, paragraph 506—and I am now speaking of the Fordney bill—provides: “Sugar candy and all confectionery not specially provided for, and on sugar after being refined, when tintured, colored, or in any way adulterated, 30 per cent ad valorem.” So we call attention to the inconsistency of a bill that provides for the raw product which is brought into the United States, and which gives a profit to the American industry, which gives a profit to the American workman, an 80 per cent ad valorem, while the finished, manufactured product, pays but 30 per cent ad valorem. The question

may be raised, just as it was raised in the House by the gentlemen who want as high a tariff as they can get, that this Government needs the money. Well, gentlemen, if this Government needs the money and it must have its income from one of the elements of the breakfast cup, perhaps the other elements of the breakfast cup should share that burden.

The tariff information surveys of the Tariff Commission, under the heading "Competitive conditions," state that "in all the regions in which domestic sugar is produced, except perhaps Louisiana, a considerable proportion is produced at a cost as low as, or lower than, the marginal Cuban cost. Such producers would be able to continue to compete with Cuba if there were no duty, although their profits would be less."

Again, the same authority says: "Taking the industry as a whole, roughly speaking about 20 per cent of the output is dependent upon the tariff."

The question of relative cost of production, gentlemen, as Senator Smoot pointed out, can not be arrived at by taking the enormously high cost of production of badly situated producing units, and comparing that cost with the low cost unit which is favorably situated on the other side. As he truly said, we have to take the law of averages, and you need not take my word as to the comparative necessity for protection. I beg of you not to take the word of these other gentlemen, who, as I said before, sharpen their pencils at both ends, and when they figure begin to figure back from the answer, as we did when we were in school, in order to find out by what method they are best served. Here is the information from the Tariff Board, and I assume that they are honest in their statements when they point out that only 20 per cent of the less favorably situated producers are dependent upon the tariff at all.

When the argument started to-day, emphasis was put upon the question of the refiners in connection with the beet industry. Testimony was read from the Hardwick committee. I think it was best stated by Mr. Thomas, who was the president or chairman of the board of the American Sugar Refining Co., as successor to Mr. Havemyer, when he said, "We went into the beet-sugar industry because that was the only way in which we could share the benefits of the protective tariff." They went into it further, of course, because they wanted to have a possible income from a source which might in the end wreck the entire operation of the refining units in the East.

If the prophecy of one of the high priests of the beet industry whom I see seated here and who once said, "If you give us only a moderate protection, within 10 years we will be exporting beet sugar to Germany," had been fulfilled, things would be different. Unfortunately, that prophecy has been as false a prophecy as the various prophecies of the gentlemen interested with regard to the absolute ruin of their industry.

Every time a question has come up as to whether a certain amount of sugar would come in at a lower rate of duty, as in the case of the negotiation of the reciprocity treaty, or as in the case of the islands which are now a part of the United States, their entire sugar crop, they were very certain, would be ruined; and you will hear to-day that they are going to be ruined once more.

The question was raised as to another provision of the Fordney bill whereby 25 per cent reduction should be allowed to certain American producers of sugar if they imported a certain quantity of sugar, which should be twice as much as they produced or refined from American production.

Mr. Atkins said that this, to his understanding, was a violation of the reciprocity treaty. I would like to say just one word in explanation of that situation. It will be answered that if there be a rebate of 25 per cent of the duty, the full duty being 2 cents, as proposed in that bill, that means $1\frac{1}{2}$ cents for the full duty paid sugars; and by the same token, if Cuba pays \$1.60 a reduction of 25 per cent in her case would mean \$1.20, so that, making such a comparison as that, it may be argued that Cuba is not being discriminated against in any way.

But, gentlemen, that is not how it will work. The situation now is that the full duty paid sugar is sold on the basis of Cuban sugar, and therefore the full duty paid sugar must absorb the difference between the Cuban rates and the full rate. In other words, the refiner buys the sugar at a lesser price and then adds the full duty, or 2 cents, to it, and that sum total is not more than the Cuban sugar with \$1.60 added to it. But the refiner gets a drawback and therefore the refiner, under these circumstances, will buy only the full-duty sugar. He will not buy the Cuban sugar because he will get 2 cents a pound drawback for what he pays $1\frac{1}{2}$ cents for. In the other case, he will get only \$1.60 for which he paid \$1.20. In other words, it is not human for you to expect the refiner to give Cuba the advantage of this 25 per cent and therefore it is a violation of the spirit, if not the letter, of the reciprocity treaty between Cuba and the United States.

I think you will find that the trend of argument will be that Cuba has brought upon herself her present situation and also upon her confreres in the sugar business by having produced what appears to-day to be an unmarketable surplus.

I have touched upon this phase very little. Cuba, when she plants cane, can harvest for a number of years. She has planted nothing since the evil days came upon the sugar market. That is not so in connection with the beet industry. They knew that there was a surplus of sugar, but they hoped that that would be absorbed, and they contracted in order to produce a larger crop under the present circumstances than they have ever produced in their history. I merely mention this again to try to avoid the argument that Cuba alone is responsible for the evil days which have fallen upon the sugar market.

Another one of the charges against Cuba is speculation in 1920. About 20 per cent of the sugar crop of Cuba was sold, before grinding began, at prices varying between $6\frac{1}{2}$ and $7\frac{1}{2}$ cents a pound to Canadian, Australian, and European buyers. At the end of 1920 less than 10 per cent of the entire Cuban crop remained in the hands of the Cubans—about 350,000 tons maximum, as against 800,000 tons which were exported practically by behest of the American Government from other countries.

Speculation in sugar, as was said by some one here to-day, was not brought about by Cubans alone; it was brought about by the fixation

of prices for Louisiana refined sugar long before the Cuban crop began. Everybody took advantage of it. Cuba should not be blamed.

Cuba is further charged with having such maladministration that her present financial condition is brought about by her laxity and ignorance and the loss of her principal local banks through her own fault and neglect. There may be something in it, but I wish to call the attention of this committee to the fact that we have twice intervened in Cuba. We have twice had the opportunity, which we exercised, of amending the laws, and we Americans did no better than the Cubans in the establishment and the proper legal control of banks and the banking system.

We are told, furthermore, that the present condition of Cuba, so far as her government finances are concerned, results from the fact that she lives beyond her income; that her budget is such that her income can not possibly meet her expenditures. In answer to that, gentlemen, I ask you what Government there is in the civilized world to-day that is living within its income or within its budget? And the answer is, not even we, the people of the United States.

The question of Cuban deficits, and that she can not pay even her ordinary monthly pay roll until the end of the month, is one which I think we ought to consider in connection with our own history. I think we ought to remember that in the history of this Government, in the youth of this Republic, there was a time when there was insufficient money to pay for the stationery of our Department of State. That was about the year 1816.

As far as banks are concerned, every student of American history will remember the terrible, universal crash which occurred in the history of our own country after the revocation of the charter of the first bank of the United States.

We are also frequently reminded that Cubans are a bad lot; that they are always in trouble; that they have had frequent local difficulties. That is true, and so is it true, gentlemen, that the United States of America has gone through the same course of experience. We had Shay's rebellion. As a result of that, if my memory is not at fault, one of our great statesmen wrote a letter in which he said that he gloried in the virility of the spirit which resulted in that demonstration of interest in the affairs of our country, and he hoped that every once in a while there would be public spirit enough to cause another uprising. That was Thomas Jefferson.

Now, let us, in the consideration of this question, if you please, remember that every sugar producer is to-day suffering as every producer in every line is suffering, and that we hope to arrive at a condition where we all may be prosperous, but we should not drive the Cuban producer into additional discredit and bankruptcy and force him, either to seek political annexation or to go to the desperate measure of bankruptcy. Any competition which will give nobody a chance of livelihood will be as destructive of the people who demand it as it will be destructive of the people who are required to make this supreme sacrifice.

I ask the committee to consider in this measure before them not only the present but the future, not only the question of the relations of the stockholders of the West, but also the stockholders of the East,

the American stockholders of the investment in Cuba of a billion dollars, the trade of the United States, the good faith of the United States to Cuba, which will have its echo in its relationship to trade with all the Spanish-American countries.

You have to sit as more than the Finance Committee in the decision of this question; you have to consider foreign relations, because Cuba is foreign, although our ward. You have to consider the interests of merchants and manufacturers, of investors in other parts of the country, and not the mere local question confined to a restricted territory in these United States.

I shall say in closing that in the last days of the life of Senator Hanna, whom I knew very well, he once said to me, "There was a time when I considered the wishes of my party and of my State of Ohio as paramount and supreme, and I acted accordingly. I have now, in the maturer, riper years of my experience, realizing the true duty of a United States Senator, come to the conclusion that I am the representative of the whole people of the United States and I must look upon every question that comes, not in the light of a member of the Republican Party, not as a representative only of the State of Ohio, but as a representative of the majority of the people and the majority interests."

I want to call your attention, finally, to the words expressed by Mr. Harding, when, at the beginning of this year, he opened up communication with the President of Cuba on the long-distance telephone between Habana and the mainland and expressed his uttermost sympathy with the dire distress and calamities which had fallen upon Cuba through the crashing of banks simultaneously with the evil condition of her main industry, and in which he promised her all the aid and support we could render. I hope, gentlemen, that with the Executive of this Nation reaching out the hand of help and sympathy, the Legislature of this Nation will not so decide as to deny that help, that aid, that sympathy, which was tendered by the President in that conversation with the then representative of the Cuban people.

LETTER OF R. E. DESVERNINE ON CUBAN RECIPROCITY.

NEW YORK, December 22, 1921.

HORATIO S. RUBENS,

Chairman American Committee on Cuban Emergency, New York City.

DEAR MR. RUBENS: At your request I have considered the emergency tariff act and the proposed Fordney tariff act in their respective sections referring to Cuban products in the light of the historical and traditional policy of the United States toward Cuba, and take pleasure in giving you my opinion from such study that the emergency tariff act and the proposed Fordney tariff act in said sections constitute a reversal of the traditional policy of the United States toward Cuba and a breach of the clear and undoubted duty which the United States Government owes to Cuba.

The enactment of the emergency tariff act and the proposed Fordney tariff act is a clear departure from the commitments of the policy of reciprocity as established between the United States and Cuba and also practically a disavowal of the close political and commercial relationship between the United States and Cuba, as set forth from the beginning by leading statesmen.

On December 11, 1902, a treaty of commercial reciprocity was entered into between Cuba and the United States, Article VIII of this treaty reading as follows:

"ART. VIII. While this treaty is in force the rates of indebtedness which result for the importation into the United States from the Republic of Cuba by virtue of the rebates stipulated in this treaty are, and shall continue being, preferential over similar articles of merchandise from other countries; and in compensation of the said pref-

preferential rights granted the Republic of Cuba by the United States it is agreed that the concessions made on the part of the Republic of Cuba to the products of the United States are also, and shall continue being, preferential over similar products of other countries; it being understood that—while this treaty is in force—no sugar imported from the Republic of Cuba and which is a product of the soil or of the industry of the Republic of Cuba shall be admitted into the United States with a reduction of duties of more than 20 per cent of those established by the tariff law of the United States approved July 24, 1897, and—while this treaty is in force—no sugar which is a product of any other foreign country shall be admitted by treaty of 'convencion' in the United States with lesser duties than those imposed by the tariff law of the United States approved July 24, 1897."

It will be observed that this article stipulates that the reduction allowed to Cuba shall not be extended to any other country and the proviso of said article establishes that during the continuation of the treaty no Cuban sugar should be admitted to the United States at a rate of duty lower by more than 20 per cent than the duty imposed by the tariff act of 1897, and no sugar from countries other than Cuba should be admitted by treaty or covenants into the United States at a lower rate of duty than that provided by the act of 1897. This agreement has been in force continuously since 1903, except that the aforesaid proviso in Article VIII was abrogated by Section IV-B of the United States tariff act of 1913, at which time it was abrogated on the theory that after May 1, 1916, sugars were to be admitted free into the United States, and is now threatened abrogation by section 319 of the Fordney tariff act without any compensating consideration being suggested in its stead.

That the duty preferential on Cuban sugar will continue, even under the Fordney tariff act, seems clear, as section 319 is a verbatim reproduction of Section IV-B of the tariff act of 1913, in respect of which the Attorney General of the United States, in his opinion of February 20, 1914, said:

"Clearly it was the intention of Congress as long as any tariff remained on sugar to continue the preferential to Cuban sugar. This was the spirit of the treaty and act of 1903, and the purpose of Section B-IV is to carry out that spirit."

Granting that the Congress of the United States has the constitutional power, as a matter of internal legislation, to abrogate and repeal the aforesaid proviso of Article VIII of the treaty of commercial reciprocity, let us consider, however, whether such an attempted repeal and abrogation is not a violation of international law, arising out of a breach of the reciprocity treaty with Cuba, and, as stated above, a radical change in and reversal of the traditional policy of the United States toward Cuba.

That it is an express and direct violation of the letter of the treaty needs no supporting argument, as it by its very terms expressly abrogates and repeals same in the following phraseology:

"Except as to the proviso of Article VIII of said treaty, which proviso is hereby abrogated and repealed." (Extract of sec. 319.)

As to whether or not it violates and offends the "spirit" in which the treaty was conceived and the object which it was intended to serve, and also as to whether it is a radical departure from the traditional policy of the United States toward Cuba, has been conclusively determined by the historical study hereinbefore made.

As early as January, 1901, a commission of Cuban planters and merchants came to Washington and made representations to Congress respecting the improvement of Cuban commerce, which, however, were not given adequate consideration by Congress at that time, because Congress was concerned strictly with the political aspect of the relations between the two countries. (57th Cong., 1st sess., H. Doc. No. 535, p. 408.) Cuban overtures for a treaty of commercial reciprocity with the United States became more insistent during the summer of 1901, and the provisional military government, which still controlled the island, supported the overtures of the Cubans. In fact, the provisional military government even financed a campaign in the United States to inform the country "of the desires of the people of Cuba as to * * * trade relations." (57th Cong., 1st sess., H. Doc. No. 679.) In December, 1901, another commission of prominent Cubans petitioned the United States Senate for the enactment of a law which effected a reduction of 50 per cent from the Cuban tariff rates in return for a reduction of similar amount on the American tariff on Cuban sugar and molasses.

President Roosevelt and his administration cordially reciprocated the demands of the Cubans in this respect. In his annual report for 1901, Mr. Root, then Secretary of War, expressed emphatic approval of the policy of extending tariff concessions to Cuba. He declared that—

"Aside from the moral obligation to which we committed ourselves when we drove Spain out of Cuba, and aside from the ordinary considerations of commercial advantage involved in a reciprocity treaty, there are the weightiest reasons for an American

public policy rounding in the same direction, for the peace of Cuba is necessary to the peace of the United States; the independence of Cuba is necessary to the safety of the United States. The same considerations which led to the War with Spain now require that a commercial agreement be made under which Cuba can live. The condition of the sugar and tobacco industries in Cuba is already such that the earliest possible action by Congress upon this subject is desirable." (57th Cong., 1st sess., H. Rept. No. 1276, p. 1.)

President Roosevelt in his message to the Fifty-seventh Congress (57th Cong., S. Doc. No. 405, p. 1) said that the United States was "bound by every consideration of honor and expediency to pass commercial measures in the interest of her (Cuba's) well-being."

The United States Tariff Commission, according to its report made in December, 1918, pointed out that even at so early a date as 1901 the domestic beet-sugar and cane-sugar producers exerted what influence they could to prevent the granting of concessions upon Cuban products. Their efforts then failed because the United States Government regarded it as a superior duty and necessity to insure the economic stability of a free and prosperous Cuba. This issue was then met and decided, and its de novo consideration at this time, under unchanged conditions, seems inopportune.

In January, 1902, the question was again agitated, and it is significant to note that the Cuban side was presented in a communication from Military Governor Wood to Chairman Payne, of the Ways and Means Committee, in which it was pointed out that the planters had exhausted their resources and that a crisis was imminent. In the judgment of Gen. Wood, one of the foremost obstacles to the recovery of Cuban agriculture was the uphill competition with the bounty-fed sugar of Europe and the highly protected product of the United States. "Relief," he declared, "must be granted and granted quickly, or a condition will arise which will render the establishment and maintenance of a stable government highly improbable." (57th Cong., 1st sess., H. Doc. No. 535, pp. 648-649; also 57th Cong., 1st sess., Congressional Record, 35, 1902, p. 4629.)

While the bill was before Congress, the government of the island, on May 20, 1902, had been turned over to the Cuban people. Subsequently, on June 12 of the same year, President Palma cabled to President Roosevelt an earnest petition for legislative relief, before it was "too late and the country was financially ruined." (57th Cong., 1st sess., S. Doc. No. 405, pp. 1-3.) President Roosevelt immediately sent a special message to Congress, in which he again drew attention to the exceptional circumstances of the case:

"We expect Cuba to treat us on an exceptional footing politically and we should put her in the same position economically. * * * I ask that the Cubans be given all possible chances to use to the best advantage the freedom of which Americans have such a right to be proud and for which so many American lives have been sacrificed."

President Roosevelt, failing in obtaining the requested legislation, sought to attain the same ends by the negotiation of a treaty, which was ratified by the Senate of the United States on March 19.

President Roosevelt before the Fifty-eighth Congress declared in his message that the legislation requested was "demanded not only by our interest but by our honor," and he pointed out that the conditions under which the withdrawal of the American authorities from Cuba was agreed upon had brought Cuba into close political relations with the United States and it necessarily followed that Cuba must also, to a certain degree, become included within the lines of American economic policy.

The foregoing seems to conclusively establish that the "spirit" of the United States Government in which the treaty of commercial reciprocity was conceived and the objective sought to be obtained was one of preferring Cuba to all other nations of the world in commercial relations, because the stability of the Cuban Government is conditioned upon her economic prosperity and because the United States, by virtue of the existing political relationship, can not avoid its obligations to facilitate peculiarly the economic prosperity of Cuba. This, President Roosevelt has so aptly said, is a matter of national honor for the United States. This has been the unbroken policy of previous administrations of the United States Government, but it may be characterized particularly as the political testament of President Roosevelt respecting Cuba, the execution of which he has bequeathed to his successors.

In the debates before Congress the issue was always clearly defined, the opposition contending for the resultant damage to American interests and the supporters predicating their case on the moral duty of the United States toward Cuba, the political importance to the United States that the Cuban Government be sufficient to main-

tain law and order in the island, and the commercial advantages to the United States in the development of her foreign trade (U. S. Tariff Commission Report, Dec. 4, 1918, p. 320), "American interests" against "moral duty," and the political necessity of the stability of the Cuban Government. This is likewise the issue of to-day. Is it not of controlling importance that the United States Government has unequivocally and in most emphatic and unambiguous terms committed itself to this policy dictated by "moral duty" and required by political necessity? Has not the United States irrevocably committed itself to a decision of this issue and has not Cuba the right to rely upon the good faith of the United States? Even from the point of view of "American interests" the United States Tariff Commission says in its report of December 4, 1918, that "the imports into the United States from Cuba have reflected the influence of reciprocity in a less significant degree than have the exports from the United States to Cuba."

Though it might seem that the tariff act of 1913 was an attempt to modulate this spirit and policy, nevertheless it was interpreted otherwise by the Attorney General of the United States, who, in his opinion of February 20, 1914, said: "This was the spirit of the treaty and act of 1903, and the purpose of Section B-IV (tariff act of 1913) is to carry out that spirit." It is significant to note that the tariff act of 1913 only abrogated said proviso of Article VIII because sugar was to be admitted free into the United States after May 1, 1916 (38 Stat., 131; see also Atty. Gen. Op., Feb., 1914, *infra*), and under such circumstances the Attorney General was of course right in saying that "The purpose * * * is to carry out that spirit" as Cuba was ultimately to receive an even greater preferential by virtue of duty free sugar and the benefits of the proviso would automatically then become unnecessary. Now, when it is no longer a question of free entry of sugar into the United States, which then served as the excuse or consideration for the abrogation of the proviso of the treaty, the question has a different aspect, as the present section would seem to expressly eliminate and destroy Cuba's preferential without offering anything to compensate therefor or to mitigate the effects thereof.

For these reasons it is submitted that section 319 of the Fordney tariff act, as presently drafted, is an absolute change of the "spirit" of the commercial relations between the United States and Cuba and is a complete departure in the traditional policy of the United States toward Cuba. This is the first effort of a Congress of the United States in this direction, and it is inconceivable that the United States Government would change so radically and abruptly its policy of commercial reciprocity toward Cuba at this most critical moment in the economic and political life of that Republic.

The right of Cuba to commercial reciprocity with the United States is not singly predicated upon the treaty of commercial reciprocity, but would seem from the above quotations to be also founded upon immutable principles of moral duty and sacred honor. If the United States abrogates or repeals the treaty, which as a matter of internal legislation it might have the power to do, upon what new and different circumstances could this change in policy of commercial reciprocity to Cuba be predicated and justified when the reasons which occasioned its adoption exist to-day to a greater extent than ever before in the history of the Republic of Cuba?

All of the reasons advanced for the establishment of the treaty of reciprocity with Cuba may be urged with renewed vigor under the present critical conditions. In fact, they may be accentuated by the new and additional responsibility which the United States has to Cuba because of her request to Cuba to produce her maximum sugar production to assist and facilitate the United States Government and her allies in the World War, the efforts of Cuba in response to this request being to a great extent responsible for the present industrial and economic depression of that country.

It is true that a treaty is a bilateral agreement and can not be abrogated or repealed without the action of both parties, but there seems to be nothing to prevent the Government of the United States through congressional enactment, constitutionally and legally adopted, from violating the treaty of commercial reciprocity with Cuba. From the point of view of international law the effect of the adoption of section 319 of the Fordney Tariff Act would be a violation and breach of said treaty.

In conclusion the United States has irrevocably bound itself to foster to the greatest possible extent the commercial interests of Cuba and can not enact tariff legislation detrimental to Cuban interests without it being a serious breach of international law, a reversal of its traditional policy toward Cuba, and a breach of a clear and undoubted duty toward Cuba.

Respectfully submitted.

R. E. DESVERAINES.

STATEMENT OF FREDERIC L. CRAYCRAFT, REPRESENTING THE AMERICAN STEEL CO. OF CUBA.

Senator McCUMBER. Mr. Craycraft, I notice that you represent the Pressed Steel Co. of Cuba. Has that anything to do with the sugar schedule?

Mr. CRAYCRAFT. I do not represent the Pressed Steel Car Co. but the American Steel Co. of Cuba, which has large interests which depend upon the welfare of the sugar producers of Cuba.

Senator McCUMBER. Your remarks will be directed to the sugar question, will they?

Mr. CRAYCRAFT. Yes, sir. I do not come before you to discuss technically the relative cost of production of sugar in the different countries. What I do wish to set forth is brought out in detail in tabulated statistics showing how the excessive duty on sugar, as provided in the Fordney bill, will react on the American farmer, the stock raiser, the dairyman, and the manufacturer.

In discussing the terms of the trade in millions of dollars, it does not go home to the ordinary individual. He does not see how it affects him unless you talk to him in terms of eggs, bacon, shoes, or whatever may be his particular industry.

Senator McCUMBER. The committee desires you to go on in your own way, because you have formulated in your own mind what you desire to present. The committee, however, can not emphasize too strongly the necessity for avoiding repetition of the same arguments on the same subject, and you will get a great deal more consideration if what you have to say is something new—new phases of the question and not duplicate testimony.

Mr. CRAYCRAFT. This is presented from a different viewpoint. People, I say, do not realize that Cuba is the largest purchaser of hogs, lard compounds, canned sausage, rice, potatoes, beans, onions, brass pipe and fittings, railway passenger cars, cement, calcium carbide, medicinal and pharmaceutical preparations, shoes, harness and saddles, and so on. Of the latter, more than 50 per cent of the total of our exports go to Cuba. She is also the largest purchaser of ready-mixed paints, fertilizer, twine, furniture of metal, glassware, roofing felt, engine and boiler parts, woven wire fencing, paper bags, cotton blankers and comforts, cotton cloths, etc. The total of these articles alone in 1920 amounted to over \$140,000,000 of exports of American products to Cuba alone.

Cuba ranks second in the purchase of cattle, horses, mules, pickled pork, sausage other than canned, poultry, cheese, sweetened condensed milk, cocoa and prepared chocolate, corn, manufactures of asbestos, commercial automobiles and parts, railway freight cars, lubricating greases, automobile tires, electrical machinery, office furniture, railway car wheels and axles, locomotives, boiler tubes, pumps, builder's hardware, galvanized sheets, and so on. The total of these exports last year amounted to over \$60,000,000.

Cuba ranks third in the purchase of hams and shoulders, miscellaneous canned meat products, hay, athletic and sporting goods, sulphuric acid, bicarbonate of soda, anthracite coal, wood and manufactures of wood, flour, structural iron and steel. The total of these items during the year 1920 amounted to over \$53,000,000.

I have mentioned only a few of the principal commodities. There are many others which, for the sake of brevity, I have omitted.

Senator McCUMBER. What were the total importations from the United States to Cuba of all character of merchandise?

Senator WATSON. We sold \$515,000,000 in 1920 and bought \$720,000,000 from them.

Mr. CRAYCRAFT. That is correct. The difference in the balance of trade, in round numbers, does not signify the importance of a country's purchasing power.

Senator McCUMBER. Will you give us her population? Of course it would have a close relation to exports and imports.

Mr. CRAYCRAFT. Yes; Cuba has approximately two and a half millions of people. She has, I believe, per capita, the largest export and import trade of any country in the world. I am not sure, but I think that is correct.

Senator McCUMBER. Certainly she has an exceedingly large volume of trade for such a small country.

Mr. CRAYCRAFT. That is very true. That is a point that should be carried home to the American producers.

So far the discussion has been as to how it is going to hurt Cuba and American investments in Cuba. This shows another side of the question. It will show how it is going to hurt the American farmer and, as I understand it, one of the principal objects of the increased duty is to protect agricultural products.

Another point to which I wish to call attention is that heretofore, during prewar times, the American sugar industry prospered, the same as the Cuban industry, and the emergency tariff, when it was put in force a few months ago, was, from the viewpoint at that time, the best possible expedient, but world conditions were and still are in an unsettled condition. Values have not arrived at a proper basis; consequently, it is not an opportune time to arbitrarily establish a basis of duty on the differences existing to-day between the cost of sugar production in Cuba and in the United States, because neither side to-day can tell exactly what it is going to cost when things get back to normal, which they undoubtedly will within a short time.

In view of this I would like respectfully to suggest that the same rates which applied at the time the emergency tariff bill went into effect be continued. Both the United States and Cuba have built up a prosperous trade relationship under a rate of duty which has apparently been satisfactory to both sides.

During 1920 the truck gardening and farm products alone that Cuba bought from the United States amounted to \$85,000,000. Of live stock she bought \$6,600,000. She is the second best purchaser of the United States. She bought of dairy products alone, \$15,000,000. She bought of meat products over \$60,000,000. She bought of cotton and manufactures of cotton over \$93,000,000. The last item, cotton cloths and its manufactures, is something which Cuba has never attempted to produce.

Senator McCUMBER. You have given some of the figures. All that you have given were for 1920?

Mr. CRAYCRAFT. 1920; yes, sir.

Senator McCUMBER. Is that the calendar or the fiscal year?

Mr. CRAYCRAFT. The calendar year. They are taken from statistics published by the American and Foreign Commerce and Navigation Bureau.

Senator McCUMBER. They have fallen off considerably since 1921 both as to exports and to imports.

Mr. CRAYCRAFT. They possibly have, as values of all commodities have decreased.

Senator SMOOT. And quantities too.

Mr. CRAYCRAFT. The items of farm products, live stock, dairy products, and meat products, which total nearly \$170,000,000, Cuba can produce within her own borders if her sugar industry is seriously crippled.

On the item of cotton and manufactures of cotton, of which she buys \$93,000,000, Cuba allows a preferential duty of 30 per cent instead of the average 20 per cent allowed on American sugar.

For the purpose of showing the specially protected market that Cuba offers for American products, I have segregated here the volume of importations of last year as showing the rate of preferential allowed by Cuba. Cuba allows to come in under the free list only \$15,000,000 worth of American products, principally coal. She purchases under the 20 per cent differential \$163,000,000; under the 25 per cent differential, \$9,573,000; under the 25 to 30 per cent differential, she purchases over \$78,000,000; on the 30 per cent differential she purchases \$109,000,000; from the 30 to 40 per cent differential, she purchases over \$22,000,000; at the 40 per cent differential she purchases over \$10,000,000.

Should a country that shows results like this have her chief industry practically killed in order to afford temporary relief to a domestic product which supplies, I think, only about one-half of the total consumption of the United States? These are points which are bound to come home to the American producer. Cuba may be ruined. She may yet drift on our shores as a political and economic wreck on account of the excessive rates of duty applied on her sugar, but that is not going to help the American producer.

Gentlemen, I shall take up no more of your valuable time in discussing this question. The detailed tables in connection with this are all extracted and compiled from the publication of statistics issued by the Bureau of Foreign and Domestic Commerce.

Senator SMOOT. Do you want that printed in the record?

Mr. CRAYCRAFT. I have a brief that I would like to submit.

Senator McCUMBER. The entire brief will be printed in addition to your remarks.

Mr. CRAYCRAFT. The statements made are not speculative opinions; they are actual facts which the American voter must analyze for himself, and by putting it not in dollars but in actual commodities he is in position to see how it affects his own particular interests.

Consequently, is it wise policy to increase the duty permanently six-tenths of a cent on the consumption of the United States of approximately 4,600,000 tons which would mean a tribute to be paid by the American consumer of \$55,000,000 a year for the benefit of an industry of which, I believe, the acreage is less than one-half of 1 per cent of the general farm acreage in cultivation?

I thank you very much, gentlemen, for your attention.

BRIEF OF FREDERIC L. GRAYCRAFT, REPRESENTING THE AMERICAN STEEL CO. OF CUBA.

My presence before your committee is in representation of American industries which deal not only with the sugar industry but also with other industries which have been established and have prospered under the purchasing power of Cuba because of its sugar production. I respectfully ask on behalf of the company I represent and other American owned industries in Cuba, for the welfare of these industries, for the continuance of a profitable and desirable market for the American farmers, dairymen, stockraisers, and manufacturers, for the saving which will go to the American people by not increasing the cost to them of a prime necessity of life, for reasons of equity and fair dealing which Cuba is entitled to receive for her principal product in return for the protected market she offers to American industries, that your committee fix a rate on full duty sugar of 96° polarization of 1.256 cents per pound; and a rate on Cuban sugar of the same polarization not exceeding 1.0048 cents per pound; or, if a higher rate for full-duty sugar is established, that a corresponding differential be granted to Cuban sugar so that the duty on Cuban sugar will not exceed 1.0048 cents per pound.

At the rate of 1.0048 cents a pound which was in effect for a period of eight years, the American sugar industry was able to develop along sound economic lines, proving that it had ample tariff protection at that rate and enabled Cuba to prosper and American industries to receive the full benefit of this prosperity as proved by the facts and figures given below. In determining the tariff to be placed on Cuban sugar it is important to consider in the first place the effect that such a tariff would have on American industries other than those allied to the sugar industries. In the second place, to arrive at an intelligent conclusion, it is necessary to consider the importance and value of the Cuban market for American products and the extent to which this valuable market will be closed or restricted through a reduction of the purchasing power of Cuba, because every increase in the tariff on Cuban sugar lessens the income of the Cuban producers. During 1919 and 1920 Cuba purchased from the United States as follows: Over \$85,000,000 of truck gardening and farm products, over \$6,600,000 of live stock, over \$15,000,000 of dairy products, over \$60,000,000 of meat products, over \$63,000,000 of cotton cloths, and over \$30,000,000 of manufactures of cotton.

From 1916 to 1920, inclusive, Cuba purchased from the American manufacturers of building materials, machinery, bridges, railway equipment (excepting rolling stock), and agricultural machinery for use in the sugar industry in Cuba over \$67,000,000. Between the period of 1911 and 1915, inclusive, Cuba purchased \$19,000,000 of the same products. On these products Cuba only collected an 8 per cent ad valorem rate of duty. The marked difference in value between the first five-year period and the second five-year period in a great measure is attributable to the fact that in the erection of new mills American machineries and parts replaced the German, Belgian, and other European productions. To show how closely allied the Cuban sugar industry is with American industries, it is interesting to note that Cuban purchases of commodities used directly in the sugar industry including bags from the United States in 1919 amounted to over \$19,000,000 while similar purchases from all other countries were only \$1,500,000. In 1920 the purchases from the United States of these same commodities amounted to \$25,500,000, while from all other countries a little over \$9,000,000. Considering the item of sugar bags alone, Cuba purchased in 1919 \$8,892,722, of which \$4,588,626 was purchased from United States. During 1920 the total purchases of bags amounted to \$11,398,058, of which \$2,699,999 was purchased from the United States. (See Cuban Government Sugar Industry Statistics for 1920, p. 98.)

Attached hereto is a statement showing principal commodities exported from the United States to Cuba; Cuba's rank as a purchaser of these American products, the respective protective differential reduction of duty granted by Cuba and the total exports of these same commodities from the United States to all countries. Of the total of the United States exports to Cuba during 1919 and 1920, amounting to \$278,391,222 and \$515,208,731, these commodities comprise a value of \$214,956,121 and \$409,380,326, respectively. This statement shows that Cuba's purchasing power and the benefits derived therefrom are not restricted to any narrow field of American industries, as for example, Cuba for 1920 ranks first in the purchase of hogs, lard compounds, canned sausage, rice, potatoes, beans, onions, brass pipe and fittings, railway passenger cars, cement, calcium carbide, medicinal and pharmaceutical preparations, shoes, harness, and saddles (more than 50 per cent of the total), ready-mixed paints, fertilizer, twine, furniture of metal, glassware, roofing felt, engine and boiler parts, woven wire fencing, paper bags, cotton blankets and comforts, cotton

cloths, totaling approximately \$130,595,022. Ranks second in the purchase of cattle, horses, mules, pickled pork, sausage other than canned, poultry, cheese, sweetened condensed milk, cocoa and prepared chocolate, corn, manufactures of asbestos, commercial automobiles and parts, railway freight cars, lubricating greases, automobile tires, electrical machinery, office furniture, railway car wheels and axles, locomotives, boiler tubes, pumps, builders' hardware, galvanized sheets, totaling \$60,455,431. Ranks third in the purchase of hams and shoulders, miscellaneous canned meat products, hay, athletic and sporting goods, sulphuric acid, bicarbonate of soda, anthracite coal, wood and manufactures of wood, flour, structural iron and steel, totaling \$53,769,792.

For the year 1919 Cuba was in most instances only one rank lower than 1920. With reference to other commodities in which rank is lower than third the volume of such commodities nevertheless remains around important figures, to wit:

Lard.....	\$15,907,000
Bituminous coal.....	13,000,000
Passenger automobiles and parts.....	9,385,000

In comparing the trade balances between the two countries, aggregate amounts are apt to be misleading, because in the figures of imports into the United States from Cuba are included the sugar imported for refining for export, and this item in 1919 amounted to nearly 600,000 tons of a value approximately \$72,000,000, which should be deducted when making comparisons. (See Tariff Information Surveys, par. 177, act 1913, p. 37.) Does your committee desire to close or restrict this important market for American industries, because it is an economic truth that any country must sell in order to buy and the ability of Cuba to continue to purchase from the United States depends on Cuba's ability to continue to sell its principal product to the United States in a volume controlled only by economic conditions? Any tariff legislation which discourages or reduces the production of sugar will affect immediately the purchasing power of Cuba and compel her to devise means to secure, as far as possible, a supply from within her borders, of those commodities which she is able to produce and forego the purchase of those she can not supply.

Our President's message to Congress at the present session states:

"We recognize the necessity of buying wherever we sell, and the permanency of trade lies in its acceptable exchanges. In our pursuits of markets we must give as well as receive. We can not sell to others who do not produce, nor can we buy unless we produce at home."

Before destroying the established basis of mutually beneficial exchange of products between the two countries, it will be well to consider the specific agricultural and industrial commodities of the United States, which the proposed tariff law will seriously affect, and which are not set forth in condensed statistical tables of trade balances. These commodities have been divided into four general groups.

First. Specific agricultural products which Cuba purchases from the United States, and which she can produce within her own borders, approximately \$62,000,000. (United States Foreign Commerce and Navigation, 1920.)

Second. Specific agricultural products which Cuba does not produce in quantity but which she purchases in the United States on account of close trade relations, and in some cases on account of greater differential than the 20 per cent allowed by Cuba on products of the United States, approximately \$24,000,000. (United States Foreign Commerce and Navigation, 1920.)

Third. Industrial products purchased from the United States for the sugar industry, approximately \$25,000,000. (Cuban Government Sugar Industry Statistics, 1920.)

Fourth. General American agricultural, mineral, and industrial products which Cuba will not be in a position to buy as heretofore, if her economic status is seriously crippled by discriminating tariff rates on sugar, approximately \$300,000,000.

In the discussion of any proposed tariff burden to be placed on the principal products of any country, equity demands, among other things, that consideration be given to the treatment which such country gives to products of the legislating country. Under this equitable principle Cuba is entitled to the most preferential consideration, because while the specific duty levied by the United States on Cuban sugar during the nine-year period from 1911 to 1919 was equivalent, when converted to ad valorem rate, to 35.5 per cent. (See Tariff Information Survey, par. 177, act 1913, p. 37.) Cuba during the same period only collected but an average of 13 per cent ad valorem duty on American products and protected them from foreign competition with differentials in duty ranging from 20 to 40 per cent. Furthermore, during the past 18 years, Cuba has levied a duty of only 8 per cent ad valorem on all building material, machinery, bridges, railway equipment, except rolling stock, and agricultural machinery

used in the production of sugar. Cuba's importations from the United States, grouping the commodities shown in the annexed statement under the several differential preferentials, are as follows:

Free list.....	\$14,971,139
20 per cent.....	163,116,079
25 per cent.....	9,573,044
25 per cent-30 per cent.....	78,622,700
30 per cent.....	109,878,642
30 per cent-40 per cent.....	22,838,493
40 per cent.....	10,380,229

From which it will be seen that more than \$231,297,108 of commodities enjoyed protective differential ranging from 25 per cent to 40 per cent.

Cuba, unlike other countries, can not exercise the right of free selection of the markets or sources from which she can draw her requirements. She must either purchase them from the United States or else produce them within her borders. Cuba has been considered geographically, commercially, and economically a part of the United States. In the discussion of tariff legislation which affects her economic and commercial existence this close relationship should entitle her to receive the most favorable consideration.

The proposed tariff on sugar can not be justified, because it would increase the cost to the American people of a prime necessity of life in order to protect an American industry which professes its inability to exist unless artificially fostered and protected beyond sound economic principles.

Furthermore the proposed tariff on sugar is not essential to the protection of the industry in America as shown by the following extract from Tariff Information Survey, paragraph 177, act 1913, page 32:

"In all of the regions in which domestic sugar is produced, except perhaps Louisiana, a considerable proportion is produced at a cost as low as, or lower than, that of the marginal Cuban cost. Such producers would be able to continue to compete with Cuba if there were no duty, though their profits would be less.

"With every increase in duty a newer and higher margin is established for domestic producers, a greater proportion of the consumption will be domestically produced, and a less proportion imported from Cuba. The new domestic marginal producer simply 'breaks even,' the former marginal producer now makes a profit, and those who formerly produced at a cost lower than that of the marginal producer make a greater profit. The effect upon the revenues will depend upon whether the falling off in Cuban importations is or is not sufficient to offset the increased receipts from each unit imported."

To place the proposed tariff on Cuban sugar will mean a loss to Cuba which will immediately be reflected in her purchasing power from the United States, compel her to develop within her own boundaries means to secure her requirements, thus greatly restricting the protected market American industries now enjoy; will increase the cost to the American people of a prime necessity of life, and can not be justified from an economic standpoint, because it would exact on the present value, approximately, a 64 per cent ad valorem duty on Cuban sugar when Cuba in return burdens American products with only an average ad valorem duty of 13 per cent and protects them from foreign competition with preferential differentials ranging from 20 per cent to 40 per cent.

Statement showing principal commodities exported from the United States to Cuba, Cuba's rank as a purchaser of these American products, the respective protective differential reduction of duty granted by Cuba, and the total exports of these same commodities from the United States to all countries.

[Of the total of United States Exports to Cuba during 1919 and 1920, amounting to \$278,391,222 and \$315,208,731, these commodities comprise a value of \$214,956,121 and \$409,380,326, respectively. These statistics were taken from the Foreign Commerce and Navigation of the United States, 1920.]

Commodity.	Protective differential allowed by Cuba to United States.	Calendar year 1919.		Calendar year 1920.		Rank as compared with all other countries.
		Total United States exports.	United States exports to Cuba.	Total United States exports.	United States exports to Cuba.	
Live stock:	<i>Per cent.</i>					
Cattle.....	40	\$5,439,521	\$827,649	\$10,752,525	\$2,043,021	Fifth in 1919, second in 1920.
Hogs.....	20	684,911	521,035	1,723,784	1,494,739	First in 1919, first in 1920.
Horses.....	20	2,856,395	133,575	2,716,400	437,687	Sixth in 1919, second in 1920.
Mules.....	20	1,189,180	440,688	1,896,343	576,284	Second in 1919, second in 1920.
Sheep.....	20	389,974	3,637	571,690	8,559	Fourth in 1919, fourth in 1920.
All other.....		464,702	154,223	702,218	214,081	Second in 1919, second in 1920.
Total live stock.....		12,004,684	1,880,807	18,332,960	4,774,371	
Meat products:						
Beef—						
Canned.....	20	20,672,964	45,414	5,789,711	97,616	Sixteenth in 1919, ninth in 1920.
Fresh.....	20	40,280,747	41,442	17,564,887	92,003	Thirteenth in 1919, tenth in 1920.
Pickled, cured.....	20	8,739,141	24,414	3,659,815	39,185	Twenty-sixth in 1919, nineteenth in 1920.
Oleo, oil.....	20	22,025,340	63,126	16,585,209	83,409	Eighteenth in 1919, fifteenth in 1920.
Oleomargarine.....	20	6,576,760	17,089	4,567,120	1,390	Twentieth in 1919, thirty-sixth in 1920.
Tallow.....	20	6,370,112	241,018	2,950,675	329,498	Seventh in 1919, fourth in 1920.
Total beef products.....		104,663,064	433,504	51,117,417	643,101	
Pork—						
Bacon.....	20	373,913,227	4,179,328	156,286,908	4,378,657	Thirteenth in 1919, seventh in 1920.
Ham and shoulder.....	20	189,428,837	3,112,929	50,897,588	5,033,220	Sixth in 1919, third in 1920.
Lard.....	20	237,983,449	14,111,770	143,371,441	15,907,936	Fifth in 1919, fourth in 1920.
Neutral lard.....	20	7,725,983	17,088	5,806,042	132,079	Twelfth in 1919, seventh in 1920.
Canned pork.....	20	2,422,364	10,220	752,120	17,993	Seventeenth in 1919, sixth in 1920.
Fresh pork.....	20	8,347,557	153,701	9,090,463	188,784	Fifth in 1919, fifth in 1920.
Pickled pork.....	20	8,632,518	1,702,245	7,670,024	1,082,474	Second in 1919, second in 1920.
Lard compounds.....	20	31,605,885	2,333,358	7,218,845	1,601,336	Third in 1919, first in 1920.
Sausage, canned.....	20	2,761,944	662,910	2,344,684	1,295,669	Second in 1919, first in 1920.
Sausage, other.....	20	5,911,850	475,983	4,187,574	1,178,823	Third in 1919, second in 1920.
Sausage casings.....	20	6,809,534	12,626	5,860,935	6,067	Eighteenth in 1919, twenty-first in 1920.
Total pork products.....		875,543,448	26,772,158	393,486,624	30,823,068	

Statement showing principal commodities exported from the United States to Cuba. Cuba's rank as a purchaser of these American products, the respective protective differential reduction of duty granted by Cuba, and the total exports of these same commodities from the United States to all countries—Contd.

[Of the total of United States Exports to Cuba during 1919 and 1920, amounting to \$278,391,222 and \$315,208,731, these commodities comprise a value of \$214,956,121 and \$409,380,326, respectively. These statistics were taken from the Foreign Commerce and Navigation of the United States, 1920.]

Commodity.	Protective differential allowed by Cuba to United States.	Calendar year 1919.		Calendar year 1920.		Rank as compared with all other countries.
		Total United States exports.	United States exports to Cuba.	Total United States exports.	United States exports to Cuba.	
Meat products—Continued.						
Miscellaneous:	<i>Per cent.</i>					
Mutton, except canned.....	20	\$632,667	\$8,939	\$758,526	\$31,503	Fifth in 1919, sixth in 1920.
Poultry, game.....	20	4,560,278	66,917	756,748	123,823	Second in 1919, second in 1920.
Extracts from animal fats.....	20	4,171,151	254,002	3,487,578	420,907	Seventh in 1919, fourth in 1920.
Other canned meat products.....	20	12,950,669	115,938	6,480,276	324,098	Seventh in 1919, third in 1920.
All other.....		11,642,612	203,673	7,169,589	224,636	Eleventh in 1919, seventh in 1920.
Total miscellaneous products.....		33,957,377	649,469	18,652,717	1,124,967	
Total meat products.....		1,014,165,899	27,855,130	463,256,758	32,591,136	
Dairy products:						
Butter.....	30	17,504,446	337,016	10,142,403	539,241	Eighth in 1919, fourth in 1920.
Cheese.....	40	5,349,577	814,423	5,054,253	1,006,199	Second in 1919, second in 1920.
Milk, condensed and evaporated.....	20	121,894,357	4,899,391			Fifth in 1919.
Milk, condensed and sweetened.....	20			47,566,834	7,227,141	Second in 1920.
Evaporated, not sweetened.....	20			16,672,432	919,192	Fifth in 1920.
Milk, powdered.....	20			999,754	29,681	Sixth in 1920.
All other.....		1,729,884	359	381,626	10,818	Unimportant.
Total dairy products.....		146,477,244	6,051,189	80,817,302	9,732,272	
Miscellaneous:						
Eggs.....	20	18,812,231	4,607,199	13,509,144	6,347,504	Second in 1919, first in 1920.
Cocoa and chocolate prepared.....	20	21,380,801	126,340	9,047,918	569,060	Twentieth in 1919, second in 1920.
Coffee, raw.....	20	7,295,511	4,294,432	9,223,966	7,128,218	First in 1919, first in 1920.
Total miscellaneous.....		47,488,543	9,026,971	31,841,028	14,044,902	
Total specific agricultural products which Cuba purchases from the United States and which she can produce within her own borders.....		1,220,135,360	44,814,097	594,248,048	61,142,681	
Agricultural products:						
Rice.....	40	34,775,622	7,385,218	37,469,175	7,331,009	Do.
Potatoes.....	20	6,475,203	4,394,344	10,199,928	7,151,772	Do.

Beans.....	20	19,965,737	2,290,891	7,672,241	4,226,789	First in 1919, first in 1920.
Onions.....	20	2,095,142	1,155,342	2,075,862	1,164,783	Third in 1919, first in 1920.
Corn.....	30	18,624,386	3,441,163	26,453,681	3,530,238	Second in 1919, second in 1920.
Hay.....	20	962,975	259,249	1,797,396	104,320	Second in 1919, third in 1920.
Total agricultural products which Cuba does not produce in quantities but which she purchased in the United States on account of close trade relations and in many cases on account of greater protective differential than the 20 per cent allowed by the United States on Cuban products.						
		82,899,065	18,927,207	85,668,283	23,508,901	
Miscellaneous agricultural, mineral, and industrial products:						
Manufactures of asbestos.....	20	3,531,978	465,973	4,431,132	757,215	Second only to Canada.
Athletic and sporting goods.....	20-30	2,903,305	229,937	2,788,971	203,737	Third in 1919, third in 1920.
Brass pipe and fittings.....	20	1,413,875	107,414	2,141,217	423,214	Third in 1919, first in 1920.
Brass, manufactures of except shells, pipes and fittings, and wire.....	20	9,438,554	685,572	10,541,116	1,194,032	Third in 1919, second in 1920.
Automobiles and parts, commercial.....	20	35,425,437	1,955,509	46,775,781	4,937,281	Do.
Automobiles and parts, passenger.....	20	116,262,713	4,703,469	251,453,934	9,585,187	Fifth in 1919, seventh in 1920.
Railway cars, passenger.....	20	1,606,540	178,579	1,171,674	848,087	Second in 1919, first in 1920.
Railway cars, freight and other.....	20	57,473,824	2,455,105	37,159,684	8,476,239	Third in 1919, second in 1920.
Railway car parts, except wheels and axles.....	20			13,139,911	1,281,501	Third in 1920.
Cement, hydraulic.....	20	7,513,389	1,675,022	10,045,369	3,036,916	Second in 1919, first in 1920.
Sulphuric acid.....	30	486,966	66,679	738,188	135,360	Third in 1919, third in 1920.
Calcium carbide.....	30	1,404,870	492,033	1,111,587	431,546	First in 1919, first in 1920.
Medicinal and pharmaceutical preparations.....	30	18,985,793	2,347,214	21,214,833	4,010,730	Second best to England in 1919, best in 1920.
Bicarbonate of soda.....	30			616,261	130,891	Third in 1920.
Caustic soda.....	30	6,744,762	184,729	10,944,017	406,064	Eighth in 1919, eighth in 1920.
Coal, anthracite.....	Free.	36,668,131	395,540	45,538,100	541,451	Second to Canada only in 1919, third in 1920.
Coal, bituminous.....	Free.	83,708,842	5,918,152	304,273,241	12,922,524	Third in 1919, seventh in 1920.
Grease, lubricating.....	20	6,039,701	279,813	7,371,695	766,483	Sixth in 1919, second in 1920.
Tire for automobiles.....	20	28,924,659	2,013,071	52,044,271	3,409,986	Second in 1919, second in 1920.
Shoes, leather.....	30	74,836,547	11,313,754	67,144,542	21,241,291	Best, notwithstanding over \$9,000,000 shipment of men's shoes to Russia in Asia for war and relief purposes during first half of 1919.
Harness and saddles.....	20	1,142,832	649,884	2,273,244	1,441,460	Best, more than 50 per cent of total exports.
Paint, ready mixed.....	30	4,699,923	888,121	6,313,288	1,524,153	Best.
Electrical machinery.....	20	89,089,711	3,905,911	101,990,004	7,603,107	Seventh in 1919, second in 1920.
Fertilizer, including superphosphates and sulphate of ammonia.....	20	17,341,888	4,242,172	25,985,637	8,151,216	Second in 1919, first in 1920.
Twine, except binder.....	20	1,643,518	269,063	1,411,396	523,173	Do.
Furniture of metal, office.....	25	800,108	108,181	2,115,884	281,122	Second in 1919, second in 1920.
Furniture of metal, all other.....	25	1,993,488	648,360	3,781,220	1,394,402	Best.
Glassware: bottles, jars, demijohns.....	25-30	5,283,655	1,916,426	9,375,343	2,869,685	Do.
Roofing felt and similar material.....	30	3,106,826	442,267	4,641,909	844,888	Do.
Wood and manufactures of.....	20	138,802,166	10,731,880	186,502,152	25,330,390	Third best.
Wheat flour.....	30	293,452,744	15,648,989	224,472,448	17,044,543	Fourth in 1919, third in 1920.

¹ Probably second after deducting shipments to impoverished European countries.

Statement showing principal commodities exported from the United States to Cuba, Cuba's rank as a purchaser of these American products, the respective protective differential reduction of duty granted by Cuba, and the total exports of these same commodities from the United States to all countries—Contd.

[Of the total of United States Exports to Cuba during 1919 and 1920, amounting to \$278,391,222 and \$315,208,731, these commodities comprise a value of \$214,956,121 and \$409,380,326, respectively. These statistics were taken from the Foreign Commerce and Navigation of the United States, 1920.]

Commodity.	Protective differential allowed by Cuba to United States.	Calendar year 1919.		Calendar year 1920.		Rank as compared with all other countries.
		Total United States exports.	United States exports to Cuba.	Total United States exports.	United States exports to Cuba.	
Iron and steel:	<i>Per cent.</i>					
Railway car wheels and axles.....	25	\$11,843,738	\$258,377	\$9,061,305	\$819,207	Twelfth in 1919, second in 1920.
Railway locomotives.....	20	30,273,728	2,599,870	53,629,847	8,369,082	Fourth in 1919, second in 1920.
Engine parts, boilers.....	20	6,361,229	1,268,383	8,000,288	2,095,213	Best.
Boiler tubes.....	20	7,916,665	345,099	6,077,930	716,191	Sixth in 1919, second in 1920.
Pumps and pumping machinery.....	20	9,067,458	1,037,495	13,684,468	1,979,301	Second in 1919, second in 1920.
Hardware, builders.....	25-30	7,413,760	512,645	11,258,188	1,297,908	Third in 1919, second in 1920.
Galvanized sheets.....	25	15,223,289	1,071,472	10,727,590	2,073,487	Fifth in 1919, second in 1920.
Structural iron and steel.....	25	28,956,816	1,953,297	38,394,690	4,702,275	Fourth in 1919, third in 1920.
Barbed wire.....	Free.	11,354,297	1,357,747	16,056,346	1,507,134	Do.
Woven wire fencing.....	25	933,143	287,624	903,272	302,551	Best.
All other iron and steel manufactures.....	25-30	839,174,031	37,199,496	939,045,313	74,455,117	
Total iron and steel manufactures.....	25-30	968,520,154	47,891,515	1,112,835,237	98,917,456	Fifth in 1919, third in 1920.
Paper:						
Paper bags.....	20	1,566,373	781,226	2,593,459	1,588,951	Best, over 50 per cent of total exports 1920.
All other manufactures of paper.....		85,416,690	5,770,700	86,478,830	9,310,303	
Total manufactures of paper.....	20-30	86,983,063	6,552,926	89,072,289	10,899,254	Fourth in 1919, second in 1920.
Cotton:						
Cotton blankets and comforts.....	30	3,551,511	264,997	5,196,387	1,212,815	Fourth in 1919, first in 1920.
Cotton cloths.....	30	151,997,817	13,618,011	238,153,557	49,312,824	Second in 1919, first in 1920.
All other manufactures of cotton.....	30-40	117,566,376	7,965,549	158,691,353	22,838,493	
Total manufactures of cotton.....	30-40	273,115,704	21,848,557	402,041,277	73,364,132	Do.
Total of the above American agricultural, mineral, and industrial products which Cuba will not be in a position to buy as heretofore if her economic status is seriously crippled by discriminating tariff rates on sugar.		2,377,442,692	151,214,817	3,063,737,002	324,728,744	

PHILIPPINE SUGAR.

[Paragraph 501.]

STATEMENT OF HON. ISAURO GABALDON, RESIDENT COMMISSIONER FROM THE PHILIPPINES.

Mr. GABALDON. Mr. Chairman, I am in receipt of the following cablegram, through the Bureau of Insular Affairs, from Gov. Gen. Leonard Wood, of the Philippine Islands, under date of December 12:

The Philippine Chamber of Commerce and the Chamber of Agriculture jointly request that the present emergency tariff rate on sugar be made permanent in order to protect the sugar industry of the Philippine Islands. If Cuban sugar interests succeed in lowering present rate, Philippine sugar would be totally driven from the American markets. Competition is made impossible by difference in freight rates against the Philippines and other items highly favoring Cuban sugar.

RAMIREZ,
PRIETO,
Presidents.

In presenting this telegram, Mr. Chairman, I wish to state that I am fully aware of the peculiar status of the Philippines in such matters.

While we are under the American sovereignty, we nevertheless have our own tariff laws, and in some respects our situation is analogous to that of Cuba.

Like the Cubans we responded to the world appeal for increased sugar production when the World War cut off the European source of supply, and as a result there are supplies on hand and in sight that can not be absorbed through the usual channels.

As we enjoy the American market on terms of equality with domestic producers, our people are naturally concerned over legislation that will threaten our likelihood of disposing of the sugar which we have produced under heavy and abnormal expense. The cost of laying our sugar down in the United States is greater than the Cubans must pay, and we are under the further disadvantage that all duty-free sugars must bear because of the drawback regulations.

For these reasons, Mr. Chairman, and with no unfriendly feelings for the Cuban interests but solely in the interest of self-preservation, we respectfully urge that the present status be maintained.

PORTO RICAN SUGAR.

[Paragraph 501.]

STATEMENT OF PAUL J. CHRISTIAN, WASHINGTON, D. C., REPRESENTING THE PORTO RICAN SUGAR PRODUCERS.

Mr. CHRISTIAN. Mr. Chairman, the Resident Commissioner from Porto Rico, Hon. Felix Cordova-Davila, who is present, has asked me to present a statement for the Porto Rican Sugar Producers' Association, which I represent in Washington, and to request that Mr. Frank A. Dillingham, of 62 Cedar Street, New York, president of the South Porto Rico Sugar Co., be heard briefly regarding the cost of producing sugar in the better class of centrals on the island.

Mr. T. Subirana, who arrived in Washington this morning from Porto Rico, brought the latest revised figures regarding the crop from Mr. J. Ruiz-Soler, secretary of the Porto Rican Sugar Producers' Asso-

ciation, and a statistician of recognized standing. He states that the last crop, 1920-21, amounted to 491,000 tons (2,000 pounds), and his estimate for the current crop, 1921-22, is 446,000 tons, or 45,000 tons less than the last crop.

(The statement is as follows:)

On behalf of the Porto Rican Sugar Producers' Association we desire to submit the following facts with respect to the sugar industry of that island:

The crop for the current campaign of 1920-21 is estimated at practically 10 per cent less than that of 1919-20, which was placed by the United States Tariff Commission at 485,900 tons. That was slightly more than one-third of all the cane sugar produced in the United States and insular possessions; and was 22 per cent of the combined domestic-cane and beet-sugar crop, estimated at 2,147,818 tons.

Not only is Porto Rico, therefore, one of the important sources of our domestic supply of sugar, but the population of the island is entirely dependent upon agriculture, and sugar represents approximately 80 per cent of the value of the annual output of the soil.

Most of the crop is grown by small farmers and sold to the mills under the same system that prevails in the United States. In this respect conditions have not changed materially since the Department of Commerce in 1917 published the results of an investigation, which showed that 63 per cent of the crop was grown by "colonos," or farmers, and 37 per cent by the corporations that operate the mills.

Since the American occupation the crop has grown from 54,000 tons to 485,000 tons, and this development has been paralleled by an equally wonderful improvement in the condition of the people who produce it. When the Americans went to Porto Rico there were practically no schools. The great bulk of the population lived in the direst poverty, suffering from lack of nutrition and the ordinary necessities of life, and an official health survey showed that more than 90 per cent of the population was afflicted with pellagra or kindred diseases, due to the wretched condition of living. The daily wages on the plantations ranged from 21 to 30 cents.

To-day the sanitary situation is well in hand. A splendid system of public education prevails that will compare with any in the United States, and in many respects the same may be said regarding the improved standard of living. The report of the governor for 1920 shows that some of the field labor had received as high as \$2.75 for that year's crop, and practically none of the field hands were paid less than \$1.50 a day.

Not only has the price of labor increased, but practically every operation that enters into the production of the crop has shown an increased cost. The nature of the Porto Rican soil makes drainage more difficult and necessary than on any of the other islands of the West Indies, and in addition to drainage a large part of her cane acreage has to be irrigated. Some of her fields have been in continuous use for more than 400 years, the cultivation of sugar cane having started in 1515, and her depleted soil calls for continuous and costly applications of commercial fertilizers.

In some respects Porto Rico suffers from more onerous conditions than any branch of the domestic sugar industry. In the matter of freight rates she is penalized by coastwise shipping laws, because she is domestic territory, whereas all of her competitors in the West Indies, and especially Cuba, enjoy the cheaper rates that result from the unrestricted competition of foreign ships. It developed in the course of the hearings yesterday that the beet factories of the Mountain States are compelled to pay a freight rate on that part of their product laid down in Chicago that is double the amount that the seal oard refiners pay on Cuban refined sugar shipped to Chicago from seaboard points.

Porto Rico suffers from this unjust freight discrimination on her entire output. Although she is domestic territory and this matter is entirely under the control of the Shipping Board she is compelled to pay practically 100 per cent more on her product to seaboard refining points than is charged the competitive foreign Cuban sugars for an identical service.

Throughout the period of governmental sugar control that prevailed during the war a parity was maintained on ocean freights between all of the West Indian ports and seaboard refining points. As an illustration, the United States Shipping Board Emergency Fleet Corporation on December 16, 1918, issued its "official announcement covering rates and conditions governing shipments of sugar from the West Indies for the season 1918-19." The rates to New York or Philadelphia from northside Cuban ports ranged from 38½ to 43 cents, and from southside Cuban ports from 45½ to 53½ cents per hundred pounds. The rate from all Porto Rican ports was 40 cents.

Since the war there have been numerous readjustments of these sugar rates from all West India ports, but instead of a parity being maintained between Porto Rico and Cuba, the Cubans have secured a rate cheaper by 50 per cent almost than that allowed Porto Rico. The rate from the domestic island to-day on full and broken cargoes is 27 cents a hundred pounds, while from northside Cuban ports it is only 14½ cents per hundred pounds.

For more than two months we have been trying to equalize this condition in order that the new crop could be moved on equal terms with that of Cuba, but as yet our efforts for relief have been in vain.

But this inequality in freight is by no means the principal discrimination made against Porto Rican sugar and in favor of Cuba. For years she has suffered from an intolerable condition which compelled her sugar to absorb much of the 20 per cent concession allowed Cuban sugar, and the injustice of which could not be stated in better language than was employed by the Cuban speakers themselves on yesterday, now that they are remotely threatened with the same treatment.

In protesting against paragraph 502 of the pending bill, by the terms of which all manufacturers of either cane or beets grown in the continental United States may import for refining purposes at a reduction of 25 per cent of the duty, 2 pounds of foreign sugar for each pound of output of the domestic article, all of the Cuban spokesmen contended that this would tend to lessen the value of their product by making it less attractive for the refiners. Mr. Rulens, in a vehement protest for the Cubans, said:

"The situation now is that the full duty paid sugar is sold on the basis of Cuban sugar, and therefore the full duty paid sugar must absorb the difference between the Cuban rate and the full rate. In other words, the refiner buys the sugar at a lesser price and then adds the full duty, or 2 cents, to it, and that sum total is not more than the Cuban sugar with \$1.60 added to it. But the refiner gets a drawback, and therefore the refiner, under these circumstances, will buy only the full-duty sugar. He will not buy the Cuban sugar because he will get 2 cents a pound drawback for what he pays 1½ cents for. In the other case, he will get only \$1.60 for which he paid \$1.20. In other words, it is not human for you to expect the refiner to give Cuba the advantage of this 25 per cent, and therefore it is a violation of the spirit, if not the letter, of the reciprocity treaty between Cuba and the United States."

In the formal brief which they submitted the Cuban interests said:

"The practical operation of this paragraph, if made law, will be to reduce the Cubans to absolute dependence upon the American refiners and manufacturers, and will destroy sugar production as a separate industry, making it industrially subservient to refiners.

"To hamper Cuba through the proposed discrimination in sugar would mean having a good neighbor in financial distress, unable to pay what is owed you, desperate and lacking the proper means to live and prosper. And if you consider that this neighbor is a small country whose population derives angular credit for rendering the largest per capita amount of work in the world; a friendly nation whose past history is so interlocked, politically, geographically, and economically, with your own country, you will understand why this Cuban mission has come to you full of hope and with absolute confidence of getting the fair treatment we ask and expect and which at this time is so essential to the welfare and future development of our country."

If the Cubans can make such a plea, based on the comity that should prevail among nations, how much stronger must be the plea of the Porto Ricans, who are our own people, not against such treatment in the house of their friends, but in their father's house. And yet Porto Rico has been suffering from this injustice since the winter of 1915, when the discrimination against her sugars and in favor of Cuba was established by the refining trade.

This condition of affairs, which reduces the Porto Ricans "to absolute dependence on the American refiners," grows out of the existing statute and the Treasury regulations governing the payment of the drawback. Porto Rican sugars are sold at all seaboard refining points in the same manner and in open competition with sugars from Cuba. As the Porto Rican product is on an equal footing with all other domestic sugars it follows that it should have the full benefit of the duty. But the practical effect of the drawback regulations has been to partly defeat the protective tariff, and instead of Porto Rican sugar of equal grade being sold at a parity, it is habitually sacrificed at from one-sixteenth to one-half of a cent a pound below Cuban sugar. As a case in point the New York Journal of Commerce of Wednesday, August 31, quoted the spot market as follows: Cuban 96° centrifugals, duty paid, 4.86; Porto Rico 96° centrifugals, delivered, 4.50, a difference of 36 cents a hundred pounds in favor of the foreign sugar of identical quality, and yet by the terms of the emergency tariff law now in force this Cuban sugar paid a duty of 1.6 cents a pound. It is estimated that as a result of this

discrimination the value of the Porto Rican crop is annually penalized more than \$3,000,000.

The injury which the Cubans anticipate should paragraph 502 be enacted into law differs only in degree from what Porto Rico has suffered for years, and inasmuch as the matter has been forcibly brought to the attention of the committee the Porto Rican industry respectfully submits the following observations on the general subject of the drawback on sugar.

The present regulations require the absolute identification of all material upon which a duty has been paid and a refund or drawback asked after reexportation of the finished article. Obviously this is impossible when both foreign and domestic raw sugars are melted together in the same kettle. The proportionate parts of each may be exactly computed but the identity of the individual grains at the end of the refining process is lost, and because this identity can not be established the refiners, who are the only purchasers, claim that when they have export orders to fill Porto Rico sugar is handled at a loss. As has been explained, the refiners are the only purchasers, and because of the existing drawback regulations they compel Porto Rican sugar to absorb a large fraction of the difference between domestic and Cut an sugars, just as Mr. Rubens explained would happen as between Cuban and full-duty sugars if paragraph 502 was enacted into law.

At the time the present law was placed upon the statute book the export trade in refined sugar was negligible, only 23,113 tons being sent abroad during the year 1913. But in the intervening years, with the dislocation of the European refining industry as a result of the war, the export business has become very valuable. Last year it amounted to 412,494 tons, and there is every indication that it will be an important factor in the refining trade for some years to come.

The growth of the export trade lends color to the explanation of the refiners for their discrimination against Porto Rican sugar. They claim that if they have export orders or anticipate such orders they must, in order to secure the full drawback provided by law, run their refineries from which such orders are to be filled wholly upon foreign dutiable sugar; that if at the same time they attempt to melt any proportion of domestic sugar, however small, the identity of the melting is thereby lost and they can not longer obtain full drawback; also that after melting any domestic sugar they must, in order to establish the right to secure the full drawback, shut down and clean out every vestige of the domestic sugar at a great loss of time and at heavy expense. As a result, refining companies owning but one plant do not want domestic sugars if they are working up export goods, while the larger companies operating several refineries set apart one of the plants to handle the domestic crop.

The refiners illustrate the onerous working of the drawback regulations by this concrete example:

"If a refinery melts in one week 10,000 tons of Cuban sugar and 5,000 tons of Porto Rican sugar, the drawback applicable to the Cuban sugar is approximately \$20 a ton, or \$200,000. Under the present regulations this entire drawback can be recovered, but to do so it is necessary to export the entire 15,000 tons. In other words, it is necessary to export domestic sugar in order to obtain the drawback on dutiable sugar. Upon any less amount being exported, only two-thirds of \$20 would be paid as drawback upon the number of tons exported."

This explains the reason for Porto Rican sugar being sold at a discount. Until the export trade developed they maintained a parity with Cuban sugar, but in December, 1915, the differential was established against them, and it has been maintained ever since. In order to equalize conditions the domestic producers have suggested the following amendment be added to the drawback section of the tariff law:

"*Provided*, Where either refined sugar or sirup is produced from an admixture of dutiable and free or domestic raw sugars, drawback shall be paid on such exported quantity as shall not exceed the proportion which has been ascertained, in accordance with the regulations of the Treasury Department, to have been produced from the dutiable raw sugars used."

Reverting directly to paragraph 502, the Porto Rican industry wishes to go on record as opposing it. Aside from the questionable legality of such a provision, it is so unfair to the domestic producers living beyond the limits of continental United States that it is difficult to understand the policy that prompts it. It would further aggravate the present intolerable condition in which Porto Rican sugars find themselves by broadening the market for foreign dutiable sugars at the expense of the domestic product, as the greatest profit would accrue in working up those dutiable sugars for export so as to receive 99 per cent of the duty as drawback.

In the matter of cost of production it is always difficult to speak with accuracy, because of the wide range of conditions and efficiency that must be considered.

The following information which was received from Porto Rico yesterday is as comprehensive with respect to the cost of the last crop as it is possible to obtain at this time. It reads:

"Information given by 16 centrals in Porto Rico show that the cost of producing sugar for 1921 averaged 5.04 cents per pound, and estimated costs for 1922 are 3.89 cents per pound. The general financial condition of the centrals is precarious, due to heavy losses sustained on the last crop and complete collapse in 1922 can only be avoided by maintaining an adequate duty."

The comparative cost of the previous crops can be stated with more accuracy.

The cost of production in the better class of Porto Rican factories during the period embracing the years 1913-14 and 1915 varied from 2½ to 3¼ cents a pound landed in New York, and at the same factories for the years 1916, 1919, and 1920 the average cost was 6½ cents, or practically double. During the same time a fair average for Cuba was 2 cents for the years 1913-1915 and 4 cents for the years 1918-1920.

In its last official announcement the United States Tariff Commission, under date of 1921, has given the following comparison between Porto Rico and Cuba of all cost reduced to a raw basis:

Prewar:		1918-19:	
Porto Rico.....	2.828	Porto Rico.....	5.802
Cuba.....	1.700	Cuba.....	4.104
Difference.....	1.128	Difference.....	1.698

• Railroad freight rates on cane transported from field to factory have increased 44 per cent since 1915. Taxes have been practically doubled in the same period, and from official budgets and estimates of insular expenses no relief is in sight.

For these reasons we suggest that an effective tariff of 2 cents is necessary to equalize the high cost of production, the heavy increased ocean freight rate our sugar is compelled to absorb, and the differential which the refiners have established against Porto Rican sugar and in favor of Cuba by reason of the operation of the existing Treasury Regulations governing the drawback on sugar.

STATEMENT OF FRANK A. DILLINGHAM, PRESIDENT SOUTH PORTO RICO SUGAR CO., NEW YORK, N. Y.

Mr. DILLINGHAM. I will speak very briefly.

Mr. Chairman, the sugar industry in Porto Rico is the principal industry in the island, and the greater part of the wealth of the people is invested in that, either in the fields or in the factories. The production has increased since 1912 from 371,000 tons to 489,000 tons this year, being the same this year that it was in 1916 and 1917. In other words, during the war period there has been no substantial increase. There have been slight increases here and there, but no large increase in any part of the island.

The cost of making sugar has doubled in the last 10 years. Last year's figures, from 16 factories that produced about 50 per cent of the output of the island, varied in cents per pound from 4½ to 5½, an average of 5.03 cents per pound.

Three other factories producing 100,000 tons averaged the same, but do not give definite figures for each factory. That gives a cost of 5 cents a pound for three-fourths of the island's production last year, and that is undoubtedly correct; that is, the crop that ended last July.

For this coming year such factories as have been able to make estimates give figures running from 3.5 to 4.6 cents, an average, f. o. b. Porto Rico, of 3.89 cents per pound.

Senator SMOOT. That is 96 per cent raw sugar?

Mr. DILLINGHAM. That is 96 per cent raw sugar.

Senator McLEAN. Why does it cost twice as much to produce in Porto Rico as it does in Cuba?

Mr. DILLINGHAM. Porto Rico has no virgin land; it is land that has been in cultivation for a great many years and needs fertilizing and cultivation, as is done in a garden here. In other words, it is more like Hawaii than like Cuba. We have no land that will produce crops year after year without replanting and cultivation. We have to plant every year ordinarily, and at least every two years on the average; some lands give a crop for three years, but very few; land has to be irrigated on the south coast, fertilized, and cultivated by instruments or by hand, which is not done in Cuba and Santo Domingo to any large extent.

This sugar that will cost 3.89 cents f. o. b., must be transported to New York at a cost perhaps the same as last year, a little over 20 cents per 100 pounds and the expenses of bringing it to the coast and landing it in New York will make the total cost c. i. f. New York, between 4 and 4½ cents.

I do not think it is possible for the island as a whole to do as well as that. I think that when our season is over we will find we have been a little hopeful about reducing costs. So far they have been reduced materially, but there are some things that can not be further reduced. The cost of cane has risen, and, on account of increases in the cost of labor and supplies, it is not going back as fast as it came up. I doubt if we ever get back to prewar costs. The net result is that we need, in order to sell in competition with Cuba, "delivered in New York" price of 2 cents is reasonable, as I believe it to be, another 2 cents effective duty, in order to break even in Porto Rico.

(Mr. Dillingham submitted the following statements:)

Cost of production of sugar in Porto Rico, season of 1920-21.

Centrals.	Cost per 100 pounds.	Centrals.	Cost per 100 pounds.
Guánica.....	\$1.96	* Columbia.....	\$3.80
Cambalache.....	4.5612	Los Canos.....	4.3106
San Vicente.....	4.6547	Central Defensa.....	6.67
Plazuela.....	3.75	Sta Isabel Sugar.....	7.17
Juanita.....	4.58	Antonio Rog.....	8.85
Constancia, Ponce.....	5.078	Juncos Central.....	5.31
Mercedita, Ponce.....	5.4939	Central Victoria.....	4.545
Vannina.....	5.051		
Carmen.....	4.7512	Average.....	5.037

Estimated cost of sugar in Porto Rico for the years 1921-1923.

Centrals.	Cost per 100 pounds.	Centrals.	Cost per 100 pounds.
Guánica.....	\$1.00	Central Defensa.....	\$4.62
San Vicente.....	4.00	Sta Isabel Sugar.....	3.79
Plazuela.....	3.32	Juncos Central.....	3.52
Mercedita, Ponce.....	3.712	Aguilre.....	4.00
Columbia.....	6.25	Fajardo.....	4.00
Los Canos.....	3.99		

Average, based on 1921 production, \$3.89.

BET SUGAR.

[Paragraph 501.]

STATEMENT OF FRANCOIS KING CAREY, BALTIMORE, MD., PRESIDENT NATIONAL SUGAR MANUFACTURING CO., SUGAR CITY, COLO.

Mr. CAREY. Mr. Chairman and gentlemen of the committee, quite unexpectedly I have been asked to sing the first hymn at the opening of the beet-sugar services before your honorable committee. I will only sing one verse of it, and will try to make that a brief one, because I will be followed by gentlemen who represent interests vastly larger than my own, and who can speak with larger expert experience of the agricultural and manufacturing subjects about which you will be glad to be advised:

I am the president and controlling owner of the National Sugar Manufacturing Co., which operates a small but entirely independent beet-sugar plant at Sugar City, in Crowley County, Colo., with a rated slicing capacity of 600 tons of beets a day. If the great Republican Secretary of Agriculture, the late James Wilson, were still alive I might almost be tempted to hold him responsible for some of my losses in the beet-sugar business, because the Sugar City plant was really a child of the splendid propaganda for which Mr. Wilson was largely responsible, in the interest of the development of the arid lands of the Mountain States which could be brought into cultivation by irrigation. I think it was largely due to the Department of Agriculture that alfalfa was made one of the valuable crops of this region; but artificial irrigation makes land expensive, and Mr. Wilson sought for an intensive crop which could be made highly profitable and which would add to the productivity of the soil for grain and other crops, and his clear mind, backed by his indomitable energy and enthusiasm, led many people, including those who established the plant at Sugar City, to invest enormous sums of money in establishing the beet-sugar industry in the United States. Speaking seriously, I think it is fair to say that the beet-sugar business in the United States is distinctly the creation of Government propaganda, conceived in the interest of the people of the United States at large.

When the construction of our plant at Sugar City was begun 21 years ago its surrounding territory gave life only to coyotes, antelope, prairie dogs, and lean kine. The soil had never been turned, and, if I may use the jocular expression of the West, it was a barren prairie on which "the hand of man had never set foot." The men who backed this plant went 10,000 feet above tidewater near Leadville and built a great dam in front of the Twin Lakes where we now impound over 53,000 acre-feet of water and bring it 200 miles—as far as from Baltimore to New York—to aid in the irrigation of 56,000 acres of irrigated land, of which now in the neighborhood of 42,000 acres are being successfully cultivated with alfalfa, sugar beets, canteloupe, wheat, corn, beans, apples, cherries, and, indeed, practically all other farm products. From absolutely wilderness conditions the construction of our beet sugar plant has built up the bright little town of Sugar City, with a population in and tributary to it of about 2,000 people, with a snappy little newspaper, a sound little

bank, two hotels, a little theater, five churches offering five different ways of climbing the "golden stairs," and public school buildings which would do credit to an eastern town of 20,000 people. The primary school building cost about \$70,000, and the new high school building cost over \$120,000. At Sugar City alone 600 children are enrolled, and in the adjoining towns of Ordway and Crowley, with similar high-class school buildings, as many more. A boy or girl graduating at the Sugar City high school can pass without further examination into college life. Under the consolidated school system which prevails in Colorado "the little brick schoolhouse" with its underpaid and undertrained teacher is not known. From the beautiful school buildings at Sugar City, which are models of ventilation, light, and equipment, gasoline omnibuses proceed each morning into the country districts and bring the farmer's child to school, returning him in the afternoon. Our company is the largest taxpayer in Crowley County, and the taxes we pay—between \$30,000 and \$40,000—furnish a large part of its total receipts. It is possible that the Missouri Pacific Railroad pays larger taxes. Within the last two years it has completed a really beautiful up-to-date railway station at Sugar City at a cost of about \$60,000 at which all the transcontinental trains stop, in both directions.

Senator WATSON. In what year was your plant built?

Mr. CAREY. In 1901. Some years ago, Mr. Chairman, I said, in speaking before a committee of Congress, that I thought it was reasonably probable that if our American friends who have invested their money in Cuba succeeded in stopping the flywheel of our great Corliss engine, and in silencing the whistle which called our highly trained labor organization to its work, the schoolteachers of Crowley County, the 1,200 children who are getting their education as American citizens, the farmers who are profiting by the growth of sugar beets, the little banker, the little newspaper editor, the storekeepers and the day laborers, like John Brown, "Osawatomie Brown," would be "bound to give you trouble" if you nail their coffin down.

At this point, Mr. Chairman, I refuse to be misunderstood. My sense of humor is sufficiently well developed to prevent me from assuming for a moment that either the members of this committee, or any other Members of the Congress, are interested in "hard-luck stories" about losses in business. We are not, therefore, seeking shoulders on which to shed our tears, because we know that business men everywhere have suffered great losses and have no tears to spare for other people. Hard-luck stories to-day remind one of the game of golf. If you start to tell a golfer what experience you had at the seventeenth hole of a particular golf course, he will not pay the slightest attention to a single word you are saying, but as soon as he can break in he will tell you his experience at the tenth hole.

Senator McCUMBER. None of the members of this committee, Mr. Carey, know anything about the game of golf and don't understand the meaning of your simile. [Laughter.]

Senator SMOOT. None of the members of this committee are old enough to play golf yet. [Laughter.]

Mr. CAREY. In view of the executive interest in golf, Senator, I think this committee might take judicial notice of the game. I suggest, however, that if you don't play golf, you will never be President of the United States. I might add that, from my personal

experience with presidential golfers, you don't have to know much about the game to become President. [Laughter.]

Of course, the real question before this committee is not whether this or that company, or this or that stockholder, has lost his money in the beet-sugar business; but whether the beet-sugar business is worth preserving; whether it is really approaching the valley of the shadow of death, and whether, assuming the truth of the first two assumptions, it would not be wise for the Congress of the United States to take any reasonable steps that are necessary, solely in the public interest, to preserve it. The logic of the situation can be simply stated in the proposition which the beet-sugar industry hopes to establish by argument and testimony as follows:

PROPOSITION.

1. Because of the industrial importance of the beet-sugar industry to the people of the United States in the employment of labor; the support of agriculture, including the payment to the American farmer of an adequate price for an important product of the soil, and because of the protection which the beet sugar supply gives to the required sugar supply of the United States, it would be against the public interest that the Congress should take any step which would imperil the continuance of beet-sugar manufacture, or omit to take any step which is reasonably required for its preservation.

2. The cost of manufacturing beet sugar at the present time, with efficiency of operation and the use of all known chemical and mechanical economies, is so far affected by the high cost of American labor which is thought necessary to maintain American standards of life that beet sugar can not at present compete with cane-granulated sugar refined from raw sugar produced in countries where a very much lower cost of labor prevails, because a very much lower standard of life for the laborer is thought sufficient, and because of this fact, added to the very large overproduction of sugar in Cuba, the American beet-sugar industry is threatened with virtual extinction during the coming year.

3. Public interest, therefore, demands the imposition by the Congress of a duty on imported raw sugar, which will enable the American beet-sugar industry to continue to perform its valuable industrial functions; and for that purpose the import duty must be made high enough to equalize the cost of producing the imported raw sugar, plus freight and refining cost, with the average cost of manufacture of standard granulated sugar by the beet-sugar plants of the United States.

Now, let me speak briefly on the major premise of this proposition: Is the beet-sugar industry, from a public standpoint, worth preserving?

A few striking statistics relating to the magnitude of the beet-sugar industry will be interesting. It manufactures annually about 1,000,000 tons of granulated sugar—or say, 20,000,000 bags—and at the present approximate average cost of manufacture, we start with an annual operating outlay, including the payment of wages of labor, price of beets to farmers, and cost of supplies, of over \$100,000,000. There are 95 beet-sugar plants now constructed in the United States, in 17 separate States which have a total daily slicing capacity—a capacity which is in a great number of cases largely exceeded—of 105,950 tons. It is fair to estimate that the total replacement cost of these plants, including warehouses, beet sheds, beet dumps, pulp drying plants, pulp silos, feed yards, trackage, factory water supply, etc., is between \$175,000,000 and \$200,000,000, so that a reasonably conservative estimate of the total plant value and annual operating disbursements would not fall far short of \$300,000,000. The total acres of beets grown in the United States in 1921 was 880,000 acres. It goes without saying that the withdrawal of that huge number of

acres from beet-sugar culture, and their application to the growth of other crops, is not a matter to be lightly thought of. Over 100,000 farmers, employing about 85,000 laborers are engaged in the beet industry. The factories themselves employ at high wages over 35,000 men, which by the way is in striking contrast to the number of men employed in the refining of cane sugar in this country, which, as is known, is a process of manipulation and not a process of manufacture.

It is not possible to overstate the importance to the people of the United States of the fact that the beet-sugar industry produces at a reasonable cost, within the political borders of continental United States, practically 1,000,000 tons of the finest and purest standard granulated sugar made in the civilized world, which is not only safe from the closure of the high seas by war from the outside, but is to such an extent manufactured at inland points that it is safe even from a temporary invasion of our shores by an enemy country. But it has a far higher value in times of peace than that arising from war conditions. If a nation like the United States can manufacture from its own raw material—i. e., from beets grown within its border—nearly one-fourth of its own consumption (increased to about one-half of its consumption by American-grown cane and cane sugar coming from its insular possessions), it has a great factor of safety in keeping down the price of sugar to its people; if it is threatened by some great sugar source, like the island of Cuba, with an attempt to hold back and speculate with its sugar supply. It will not be forgotten in this connection that this source of supply may be, as in the case of the island of Cuba, a country over which the laws of the United States have no control. At the close of the late war the price of granulated sugar in the United States rose to the preposterous figure of between 25 and 35 cents a pound, based on the speculative price of raw sugar which was established in Cuba, but it will be remembered that this rise did not and could not take place until the beet-sugar supply was practically exhausted. In 1920, during which year Cuban raw sold at 23 cents a pound, refined beet granulated at the plant sold at an average of less than 12 cents a pound. Our company received for its entire 1919-20 product an average of less than \$10.50 a bag of 100 pounds. We were formally offered \$18 a bag for our entire output. If we had felt at liberty to accept this offer, it is quite needless to say that we would now be "making faces" at our banks.

While it is not intended to make any invidious comparisons between the patriotism and generosity of the beet-sugar industry and other great industries which bent their backs to help win the war, Mr. Hoover has publicly justified the pride of the beet-sugar industry in the fact that it was the first great American industry voluntarily to submit its operations to the control of the Food Administrator. I quote from Mr. Hoover's official statement in the New York Times of August 27, 1917:

The beet-sugar producers of the country have patriotically agreed with the Food Administration to limit the price of their product to a basis which should result in a reduction of about 14 cents a pound from the present price, effecting a saving of \$30,000,000 to the consuming public between now and the first of next year. . . . This patriotic action of the domestic beet-sugar industry in acting as a control over the price demanded for imported sugar will not only make the saving mentioned above between now and the end of the year, but will contribute largely to establish a lower price for imported sugar throughout next year.

If this "patriotic action" saved the American sugar consumer \$30,000,000 in a few months of 1917, to what huge proportions must that saving have gone in 1918 and 1919, during which years the beet-sugar supply aided in keeping down the price of all sugar consumed in the United States, and in 1920 when what Mr. Lowry has well called "the sugar debauch," which was brought on by the folly of American capital invested in Cuba, drove the price of refined sugar to the consumer to over 30 cents a pound? The members of this committee will think long and carefully before they permit the conspiracy to destroy the beet-sugar industry of the United States to reach its goal, when they contemplate the fact that in a short space of three and a half years the beet-sugar industry probably saved the people of the United States over \$250,000,000.

Senator SMOOR. Mr. Carey, as you are familiar with the conditions in Colorado, will you tell the committee what you know about the employment of children in the beet fields?

Mr. CAREY. Senator, the introduction of this subject has taken me by surprise and I am not prepared to give actual statistics, but I am intimately familiar with the subject in connection with the operations of our own plant and I have a sufficient familiarity with it throughout Colorado, so I can speak with confidence. In the first place I do not believe for a moment that the industry resents in any way the cooperation of anybody, official or otherwise, in helping it to solve the human problems which are necessarily involved in operations so intimately connected with community life. I might feel at liberty to suggest that philanthropists and uplifters, for whom I have the highest respect, sometimes make the mistake, from a natural human desire to pursue their work in a dramatic way, of conducting their investigations outside of instead of in cooperation with the welfare department of the manufacturing industry which is doing its best to promote humane conditions. But this is the first instance in my knowledge of a Government department permitting the attorney of a selfish interest to drag from its pigeonhole a report which had been long forgotten and give its photographs to this attorney to be used in wicked and malicious propaganda which is against the interest of the child itself.

Now, what are the facts in regard to the employment of children in the beet field? But few companies raise any beets themselves. They get them through contracts with individual farmers. For example, out of a beet acreage of over 6,000 acres, our company planted itself only 43 acres; and those only for experimental purposes to test beet seed, fertilization, and methods of irrigation. It follows, therefore, that the sugar company has practically no control over the kind or character of labor which the farmer employs to bunch and thin his beets in the spring and to top them in the fall, these being the only two operations in which children are to any extent employed.

It is true that the company can exercise some moral influence over the farmer and the farmer's wife in encouraging them to protect the younger children and in insuring them their education; and the compulsory school attendance law of Colorado is an aid to the sugar company in exercising this moral influence, because it is true of Colorado as well as of all other enlightened communities that family standards can best be raised through the child itself at the public school. The standard set for the child by its

school-teachers finds its reflex in the growing pride of parents in the child. A consolidated public school, like the primary and high schools of Sugar City, is the community center around which all kinds and classes of the community revolve; because it knows no race, no politics, and no special religious belief. The fact is, of course, that it is the natural temptation of all beet growers, who have not become too much Americanized, to put "the whole family" in the field during the bunching and thinning period of about three weeks in the late spring, and during the topping period of about three weeks in the early fall. Both of these operations, while highly profitable, involve but little physical effort. In my county they are conducted in the green fields under the amethyst blue skies and in the cool white sunshine of a wonderful climate. If the distinguished attorney who said he spoke for the New York and Canadian bankers, who are now threatening to liquify their frozen credits by throwing their collateral sugar on the American market at a cent a pound, had felt disposed to shed his crocodile tears over the children of the east side of New York, whose sweat-shop parents are destroying their progeny in the stifling rooms of sordid New York tenement houses, he would at least have had some foundation for his simulated grief. But I am glad he brought the subject up because he has very unwisely attacked the beet-sugar industry in its strongest intrenchment.

No fair man will deny that it is the great glory of the beet-sugar business that it is a notable builder of civilization, and that everywhere it plants its feet flowers of community advancement bloom. The beet-sugar business touches nothing which it does not improve. It improves the soil; it increases the output of other crops; it raises the wages of labor; it raises the standards of home life; it increases the self respect of every member of the family, and it is by the raising of the family standards that the problem of child welfare is soonest solved. Every builder of civilization has to deal with family conditions which are difficult because from previous want of education, or from previous want of association with American standards of life, the family unit—Russian, Mexican, Slav, and the like—makes resistance to the most enlightened work of the most enlightened industrial movement; and it takes patience and tact to advance even slowly. I can say on my own authority and from my own observation that no child of any age comes into Crowley County without being benefited. They often come undernourished, anemic, with crooked spines and with all the other evidences of parental neglect, due to poor home surroundings. First of all the school takes hold of them. The parents see the standards which the residents of the county maintain. The children themselves develop a self-consciousness, and the mother love will do the rest. As for the published report itself, with its so-called startling statistics, no one who is interested in the education of the child, and who has taken any part in the new movements for his vocational training, will be misled by these so-called startling statistics. Surveys of the public schools of our largest and most prosperous cities give like "startling statistics." I have recently read such a survey which indicates that the teeth of nearly 70 per cent of the public school children of a large city had been hopelessly neglected. I have read another survey of the same character which would seem to prove that almost the same

proportion of public school children have crooked limbs or spines. And the last survey I read indicates that almost an equal proportion are undernourished, largely because of the absence of milk for their food. All of these reports have their value, even if they do sometimes prove too much; because they serve to call attention to abuses and suggest methods for their remedy.

Senator McCUMBER. Don't you think the child growing up will become a better citizen if he is compelled to work part of the time? I think we are spoiling the children of the present generation. Soon we will be producing children that can not walk. We send for them and take them to school in automobiles and take them back from school to their homes. Work is what they need to make them good citizens. Don't you think that is true?

Mr. CAREY. I suppose it is, Senator; but I would qualify your statement by saying that, in my opinion, every child is entitled by right in America to a public-school education up at least to the seventh grade; and if the parent tries to capitalize the child in such a way as to deprive him of this modicum of education I think the State ought to step in and force his hands. The superintendent of public instruction at Sugar City understands perfectly, and acts upon the understanding, what my views are as president of my company; that where the interest of the sugar company and the interest of the child conflict the child is to have the right of way.

Senator McCUMBER. There is growing up a sort of idea that the child should not work until he is 16 years of age. If he has not learned to work by that time, I am afraid he will never learn.

Mr. CAREY. Of course, that is true to a great extent. You will never persuade the farmer that his 12-year-old child should not milk the cow and do housework, and I don't suppose it is desirable that he should be so persuaded. The question of the use of children in the beet field resolves itself into the question as to how they should be employed and how long they should be employed each day. It is an easy job, a very profitable one and is almost always done under the direct supervision of the parents of the child.

More competent speakers than I will follow me who will tell in detail the history of the relations of Cuba to the United States so far as these relations bear upon the beet-sugar industry and will also advise you of the exact present conditions of these relations. But in closing my argument perhaps you will permit me to refer briefly to the claim which Mr. Atkins and other representatives of American capital invested in Cuba have advanced that this American capital was equally entitled to protection as the capital invested in the American industry. As Mr. Atkins is a Bostonian he will not charge me with the use of "high-brow language" when I suggest to him that his claim involves the fallacy of the undistributed middle. Of course, the American capitalist is entitled to the protection of its Government in foreign countries; but this right is surely subject to this limitation: When American capital is employed in a foreign country in such a way as to prejudice the best interests of the people of the United States, it can not to that extent expect protection. To show the fallacy of the argument, let it be assumed that there was an island, which we will call Island A, which permitted human slavery—not near human slavery but actual slave ownership. It goes without saying that American capital could make sugar in

Island A and ship it to the United States at a price which it would be impossible for American labor, controlled by American standards of life, to compete with. If permitted by law, this process would put the American sugar industry to sleep, and put the American sugar consumer in such a position that Island A could dictate to the 100,000,000 people of the United States exactly what price they paid for sugar.

Now, no one will deny that the relations between Cuba and the United States present this condition only in a slightly modified form. The fact that a great agricultural country like Cuba has to import from the United States its milk and eggs is a fairly good indication that the "home," as we Americans understand it, hardly exists in Cuba. The American home is an expensive proposition. It means a little automobile for the farmer; it means running water in the house and a victrola for the wife; it means decent clothes for the whole family; it means taxes for education; it means contributions to churches, and amusements; it means a bit of travel now and then; and it means the ambition of the parents for the children that they shall have their education and equal opportunity to advance in the world as far as any other citizen of the United States. One does not find it necessary to exaggerate labor conditions in Cuba to show the contrast. It seems to be conceded, for instance, that labor in Cuba is now receiving about 60 cents a day, paid in store supplies at retail prices. Can you imagine an American farmer submitting himself to that humiliation? Mr. Atkins has forgotten, moreover, that American capital invested in Cuba is responsible for the debauch which has brought Cuba to its present pass. No one can claim that the beet-sugar industry has the slightest responsibility for the present oversupply in Cuba, and it would be utterly unfair to make the beet-sugar industry pay for the blunder. While Cuba has been increasing her output about 60 per cent, the beet-sugar industry in the same period has only increased its output by about 8 per cent.

I believe I have made it reasonably clear to your committee that the beet-sugar industry, through no fault of its own, is seriously threatened with conditions which no financial prudence and no extent of credit can meet without the assistance of the Congress of the United States. The Congress controls the first line of defense, against which the banker, with his frozen credits; the American capitalist in Cuba, who is the victim of his own folly; and the refining interests of the United States, which view with alarm the rising dignity of the beet-sugar business, are marshaling all their forces, with a combined purpose of putting the beet-sugar industry out of business.

I respectfully ask your committee, so far as it lies within your power, to say to this army of destruction, as the brave French Army, with its back against the wall, at Verdun said to the onrushing German legions: "Ils ne passeront pas!"—"They shall not pass!"

STATEMENT OF W. D. LIPPITT, DENVER, COLO., GENERAL MANAGER OF THE GREAT WESTERN SUGAR CO.

Mr. LIPPITT. On behalf of the domestic beet-sugar industry, I should like to submit to your committee a brief memorandum relating particularly to certain agricultural features of the industry.

At the present time sugar beets are being grown in 17 States in this country, ranging from California on the west to Ohio on the east. The sugar-beet territory may be roughly divided into three major groups, i. e., the Pacific coast area, comprising California, Washington, and Nevada, served by 18 sugar factories; the Rocky Mountain area, comprising Utah, Idaho, Montana, Colorado, Wyoming, Kansas, and Nebraska, served by 55 factories; and the eastern area, comprising Minnesota, Iowa, Wisconsin, Michigan, Illinois, Indiana, and Ohio, served by 33 factories.

During the season of 1921 approximately 800,000 acres of sugar beets were grown in the United States, from which were harvested 7,500,000 tons of beets, an average yield of about 9½ tons per acre. The current season's yield per acre was slightly below the normal average for the country of above 10 tons of beets per acre. Engaged directly in the growing and handling of the crop were 100,000 farmers, 85,000 field workers, and 35,000 mill operatives. The crop was produced almost entirely by growers independent of the factories, and under contracts entered into with the manufacturing companies in the winter of 1920-21. These companies paid the growers for beets during the past season about \$50,000,000, and in addition to the expenditure for beets, approximately an equivalent amount was paid for operating supplies, labor, and railroad freights, the bulk of this money being distributed in the various territories in which mills were operated. From the fact that during the past year over one-half of the cost of producing beet sugar, and under normal conditions about 60 per cent of the cost, covers payment to farmers for sugar beets, it will be apparent that the industry is essentially and fundamentally an agricultural one. The transformation of the beet crop into edible sugar after it has been delivered at the factories by farmers is a function comparable to the handling of wheat by thrasher men and miller—necessary, to be sure, but by no means so important a factor in production as the agricultural end.

The status of beet-sugar production in our American industrial economy is frequently misunderstood because of a failure to recognize its essentially agricultural character. In the territories in which sugar-beet growing has been established the sugar factory is just as much an adjunct of the farming system to-day as the thrashing outfit, the grain elevator, the stockyard, the creamery, or other necessary marketing facilities.

In all of these districts, and more particularly in the newly developed areas in the West, the sugar factory constitutes a sort of focus or headquarters for varied agricultural activities throughout the surrounding country side. Each factory employs a staff of experienced and trained agriculturists, familiar with local farm problems, who, in a sort of advisory capacity, supervise the growing of the beet crop. Their activities correspond very nearly to those of the local country agricultural agents, with whom they work closely for the promotion of general agricultural progress.

The agricultural assistance furnished by beet-sugar companies in the districts in which they operate is a feature rather unique in American agriculture. The field specialists of the companies, while primarily interested in promoting the successful culture of sugar beets,

perform a very valuable service to all related farm activities in their districts. They are, for instance, constantly on the watch for outbreaks of plant diseases and insect pests. In the Colorado and Nebraska territories during the past season we secured by express shipment from the East and distributed among farmers over 600,000 pounds of Paris green for the purpose of combating a rather general outbreak of worms and grasshoppers threatening the destruction of alfalfa, grain, and sugar-beet crops. Prompt action, which was possible through the centralized handling of the situation, avoided in this instance a tremendous crop loss.

The field departments of the various sugar companies attend to the procuring and distribution each year of from 50,000 to 75,000 field workers. The field labor requirements of the sugar-beet crop occur at definite periods in the spring and autumn, and because of this the labor brought in for working the beets is available for field work on other crops during the balance of the growing season. This economical and complete utilization of labor makes any serious farm labor shortage virtually unknown in sugar-beet districts, a fact particularly manifested during the war period.

For many years the business of producing beet sugar was considered to be a strictly manufacturing enterprise. Beets were contracted and paid for at fixed prices which showed little variation from year to year. The fluctuations of the sugar market were largely absorbed by the manufacturing companies, and the farmers had only a mild and perfunctory interest in the marketing or market prices of refined sugar. That view of the business has undergone a distinct change in recent years, and methods and policies have been altered correspondingly. Almost without exception sugar beets are to-day purchased from farmers under contracts the prices of which fluctuate in a definite relationship with changes in the prices of sugar in the American market, and which usually provide in addition a guaranteed minimum payment not dependent upon changes in the price of sugar. The guaranteed minimum price is necessary to assure the grower a return to cover approximately his cost of production, which in turn provides sufficient stability to the business to insure a fairly constant volume of beets from year to year. This close relationship between the grower of sugar beets and the sugar manufacturer makes the prosperity of each directly dependent upon the market price of sugar.

The American farmer is to-day the American sugar producer, and as such has a most vital interest in the American sugar market and sugar prices.

The sugar beet is a crop which fits so admirably into the agricultural system of large areas of the United States, and which in many Western States at least is almost an essential part of the farm economy that in the words of a western farmer, "If the crop did not exist to-day it would have to be invented."

The experience of all countries on the face of the earth has been that a successful agricultural system demands the inclusion of a crop which is cultivated periodically during the growing season. The continuous planting of land to grain, hay, and other similar crops, which are not, under ordinary circumstances, given any cultivation after planting, brings about more or less gradually a condition under which lands become infested with weeds and other foreign growth and subject to an accumulation of plant diseases and insect pests. On the

other hand, the successful handling of a cultivated crop requires, at intervals during the growing season, a physical cultivation or loosening of the soil between the growing plants. This cultivation modifies and improves the soil structure and condition and destroys weeds and other undesirable growth, preventing their reseeding and dispersion.

In continental Europe and in Great Britain, where agriculture has probably reached its most intensive development, root crops, such as sugar beets, potatoes, and turnips, have been selected by experience as the cultivated crops best adapted to the various cropping plans. Our American agriculture possesses two other important cultivated crops in corn and cotton which, within areas fairly definitely limited by climate, satisfactorily fill the requirements of a cultivated crop. It is a well-known fact, however, that there are large areas in this country in which neither corn nor cotton can be successfully grown. Potato growing is similarly confined because of special soil requirements to fairly limited areas. Curiously enough it is in those territories where the growing of other cultivated crops is not highly successful that sugar-beet culture has reached its best development. Sugar beets have been successfully grown throughout the northern latitudes of the United States upon a wide variety of soils and at elevations varying from sea level to 6,000 feet above sea level. Many areas incapable of growing other crops successfully have found their salvation in the introduction of sugar-beet culture. The crop, for instance, exhibits a unique resistance to the effects of alkali which contaminates large areas of land, especially in the western States. The subduing and reclamation of such lands over wide areas has been made possible in a number of well-authenticated instances by the introduction of sugar-beet culture.

The value and benefits of sugar-beet growing are rapidly being recognized by farmers in the Central and Western States. Many, many communities where lands have become impoverished and infested with foul growth due to continuous cropping to grain are to-day exerting every effort to induce the construction of sugar factories in their districts. They have before them in the established sugar-beet districts a demonstration of what the crop has accomplished. I think I am safe in saying that during the past two years of agricultural depression the districts in which sugar beets are grown have without question been disturbed less than any farm districts in the country. My own State of Colorado suffered severely in its great basic industries, and particularly in stock raising and feeding, mining, and the manufacture of steel, in the depression which followed the war. It is my sincere conviction that the whole industrial and banking situation of that State was saved by the \$60,000,000 paid the beet-growing farmers in the 14 months covering the delivery of the crops of 1920 and 1921. I have no doubt that a similar story could be told of many other beet-growing States.

The industrial life of America is so organized that our population is heavily concentrated in the eastern area of the country. The bulk of the food supplies for these people must be produced in the more sparsely settled districts of the Central and Western States and transported to the East. Obviously, under such an arrangement, it is of much importance, in order to avoid a waste of national energy, that the food so transported should be in concentrated form. Huge quantities of western farm products can be economically mar-

keted in the food-consuming centers of the East only by being transformed into live-stock products.

While this method of marketing crops, such as hay, corn, barley, etc., is doubtless the most feasible and profitable under existing conditions, it necessarily and unavoidably entails much waste. A large part of the food consumed by an animal is utilized to maintain the animal during the fattening period. We feed 500 to 1,000 pounds of hay and grain to produce a gain of 100 pounds of live stock.

Compare with this the economy of beet-sugar production. An average acre of sugar beets produces 2,500 pounds of pure, white granulated sugar, constituting a human food, 100 per cent of which is digestible. In addition to the major product, sugar, there are various by-products of great value. Utilizable on the farm and constituting excellent food for live stock are the plant tops which are removed before the crop is delivered at the factory, the residual pulp and the molasses from the manufacturing process. Properly fed to live stock in a balanced ration, the mere by-products from an average acre of sugar beets will produce approximately 300 pounds of meat in addition to the production of a ton and a quarter of sugar from the same acre. The by-products alone of an acre of sugar beets will produce as much human food in the form of meat as will the entire product of an acre of corn. I regard as quite conservative the estimate that the by-products of an acre of sugar beets will, properly handled, produce 300 pounds of beef or mutton. Using this as a basis, it will be apparent that in addition to the output of 1,000,000 tons of sugar each year the industry should be credited with an annual contribution to the national food supply of 240,000,000 pounds of meat products.

Many exhaustive and careful investigations have shown convincingly that there is no other crop grown on a commercial scale in the United States that produces the surplus food per acre that the sugar beet does, taking into account both the sugar and the various by-products properly utilized. In fact, I believe this comparison will apply in like manner to any crop grown commercially in the Temperate Zone.

This is a startling and comprehensive statement, but the fact has long been, and is to-day, recognized and taken advantage of by Germany and other countries of continental Europe. The English people, whose policy for so many years was to buy sugar in the cheapest markets of the world, are to-day taking steps to establish an English beet-sugar industry, and, moreover, are doing it partly by the investment of governmental capital.

The question might be asked, "Why, if the beet-sugar industry contributes so many agricultural advantages, does it need tariff protection?" Such a query can be easily and, in my opinion, effectively answered by the statement that cane sugar can be produced in the Tropics at a cost with which the sugar-beet farmer and the domestic manufacturer can not compete, but under conditions and at a standard of living which we most surely do not want to see duplicated in America.

The value and adaptability of the sugar-beet crop to American agriculture must be obvious to anyone. It is almost inconceivable that the American Government will fail to shape its tariff policy to protect the industry in the present crisis.

STATEMENT OF C. H. ALLEN, DEFIANCE, OHIO, REPRESENTING UNITED STATES SUGAR MANUFACTURERS' ASSOCIATION.

Mr. ALLEN. Mr. Chairman and gentlemen of the committee, I have been interested in the sugar business on the agricultural side for something like 15 years. About a year and a half ago, in connection with some farmer friends, we organized a sugar company with the expectation of building a sugar factory and supplying that factory with beets from our own farms. I am president of that company at the present time. In fact, I am president of a sugar company without a factory. I am representing those men at the present time. There are now about 1,200 of us in that company.

As a representative of the farmers of northwestern Ohio, who are greatly interested in the production of sugar, we wish to present our views before this committee showing what relationship this question of tariff has to our business and why we consider the question of an increased production of sugar through the growing of sugar beets on our own soil of equal interest to the consumer of food products as to the producers of the same.

It has been unfortunate that the so-called sugar companies are the only ones who have been interested enough in the sugar question to go before Congress and try to place before them the conditions governing the industry. Naturally we begin to suspect there is some ulterior motive behind their advocacy of such a measure. Because of the large amount of money invested in the plants necessary for the extraction of sugar, they have been compelled to study the question of the production of sugar from a manufacturing standpoint and they are well aware of the impossibility of continuing and increasing the business unless there is adequate protection against the climatic conditions of the Tropics.

It is time, however, the general public should know the factory end of the business is the small end of it, in spite of the large amount of money invested in factories. The sugar business is not a manufacturing business but an agricultural one.

No combination of iron, steel, glass, or cement ever made an ounce of sugar; it is not made inside of four walls nor made by operating any machines, however complicated and ingenious.

Sugar is grown, not made.

It is the product of the soil, the air and the water, just as much so as the wheat and corn and oats and cotton the farmer raises.

It requires the same careful attention from the time the seed is placed in the ground until the crop is harvested and hauled to market; it is subject to the same vicissitudes of season and climate that other crops are, whether it is grown in cane or beets.

The so-called sugar factories are nothing more than huge extractors or threshing machines that thrash the sugar from the cane or beets placed there by sunlight and rain with the assistance of the farmer.

We do not consider the owners of thrashing machines the producers of wheat and oats nor the owners of cotton gins the producers of cotton, and we should not consider the owners of sugar factories the producers of sugar.

Members of Congress and the general public should ever keep this in mind, and although the sugar business takes in the thrashing

machines, the big issue, the thing to consider above everything else, is how any action Congress may take will affect the growers of sugar (the farmer), the conservation of the soil he uses, which is the basis of the continued prosperity of our country, and the economic results that may accrue in the future to our country as a whole; necessarily this takes in the consumer of food products as well as the producer.

We must have sugar. There was a time in the history of the world when mankind could get along without it, but that time has passed. The more civilized we become, the greater the amount of sugar we use.

We can obtain it from but two sources, cane or beets.

If we get it from cane grown in the tropics the great bulk of it must come from foreign shores, if we get it from beets it can all be grown on our own soils.

What is the best policy for this Nation to pursue, grow it or buy it?

If we consider only the cost of sugar to the consumer there is nothing more to be said. Sugar can be grown in the tropics, shipped to America, run through the laundries (the refineries) and retailed throughout the country cheaper than the American farmer can raise it in this country from beets. The reason for this is climate and can not be overcome.

If we decide the best policy for this Nation is to buy it, the cheaper the better, the American farmer may just as well give up his dream of sugar production, scrap his special tools, give up the benefits he has learned the beets produce on the soil, and follow the farming methods of his forefathers.

Senator McCUMBER. And after he has given it up, what about the price, then?

Mr. ALLEN. That I can not say.

Senator SMOOT. You can guess at it?

Mr. ALLEN. Yes; we can guess at it.

If we decide to grow it we must make up our minds that it can not be done without protection from the cheaper sugar of the Tropics.

The whole of Europe could not do it, although the labor on her fields cost from a half to a third less than with us. Then how can we hope to succeed?

Why should we try to produce sugar when we can buy it cheaper?

Why did Germany, in order to develop her sugar business, pass such laws that allowed her sugar to be sold in England at less than the cost of production?

Why at the present time has France such a very high tariff rate on sugar?

Both of those countries could buy their sugar from tropical countries much cheaper than they can produce it, but instead they prefer to tax themselves, at least temporarily, for some great benefit.

What is this benefit and can we obtain it by following the same policy?

We, the farmers of northwestern Ohio, who have been growing sugar for the short space of 10 years, have begun to realize what these benefits are and see no reason why we should not take advantage of the experience of these European countries.

The production of sugar has increased the production of all crops grown after beets.

Outside of the great benefit of being independent of any foreign country in the supply of one of our most important food crops we increase all other food crops by the use of this one.

The policy governing the agricultural practices of all countries who produce large crops per acre is directly opposite to the practices we follow in this country.

We have begun to understand now why we, with practically virgin soil, have not been able to equal the yields of European countries.

For the past 20 years the great paramount issue before the American people—outside that of war—has been the "high cost of living," and the same issue is sure to come before the people when we have reached normalcy.

We farmers have been asked time and time again why food products should keep climbing higher and higher in price, and when we answer that land is increasing higher and higher in price and in order to make interest on the investment we must obtain more for the products of the farm, the question has come, why higher land prices?

The answer is because of the scarcity of good lands.

The time of cheap fertile land has long since passed. Up to 20 or 25 years ago we depended for an increased food production upon increasing the amount of land under crops; the more land under cultivation the more crops. About that time we woke up to find there was no more good land immediately available for the production of crops.

Then the pinch began, and as we are not increasing our farming land area in proportion to the increase in population, the price of land and with it the price of food products naturally increased.

Senator McCUMBER. They have not increased much lately.

Mr. ALLEN. No, sir; they have not. But think of what they were 25 years ago.

Senator McCUMBER. I am speaking of food products.

Mr. ALLEN. There has been a tremendous increase. There is talk in the cities and everywhere about the high cost of food.

Senator SMOOT. It is not too high in proportion to what it costs.

Senator McCUMBER. The wheat that goes into your flour is as cheap to-day as it has been for 20 years.

Mr. ALLEN. I shall come to that.

The American farmer is the most efficient in the world when we consider the production of food per person, but this does not increase the total amount of food, and it is this we need to feed the ever-increasing population.

Any method, therefore, that will increase this food production per acre will be of benefit to all of us whether a resident of the country or city.

We farmers of northwestern Ohio know that every farm growing beets is a better farm for other crops and shows a splendid increase in production per acre.

Is this not worth while?

The tariff on sugar at the present time is \$1.60 a hundred pounds; the average amount of sugar used per inhabitant is not over 90 pounds a year, so this tariff costs us the large sum of \$1.44 a year.

Is this not a very small amount to pay for such great benefits?

Would even \$5 a year be too much to pay? France thought not and she taxes herself heavily for the avowed purpose of increasing her sugar production until she can produce all she uses.

Why not, when we only produce 25 per cent of what we use from beets? Our entire domestic production including insular possessions is only 50 per cent.

We agree with anyone who says, "It would be unwise to do anything that would lead to an increased price of food products and are merely suggesting a method we know will produce results."

There is one other aspect of this question we desire to call to your attention.

What relationships has the growing of beets to the great general economic future of this country?

Several years ago, during Roosevelt's administration, a great effort was made to call attention of the people to the necessity of conserving our natural resources, our birthright, our mines, our lumber, the fertility of our soils, the things we should hand down to our children; the raw material out of which the products of civilization are fashioned.

Of all these raw materials mentioned it was the consensus of opinion that the conservation of the fertility of the soil was the most important. If necessary, we could ship into the country the raw material found in our forests and mines, but the protection of the fertility of the soil was another thing, and fundamental as the real source of life and prosperity.

So important is this that our National and State Governments have for years appropriated large sums of money to further these interests, and it is only necessary to call attention to the splendid work of the agricultural experiment station of my own State as a sample of what is being done over this country to bring this fact to your mind.

For 30 years this institution has been trying to educate our people, city as well as rural, to the great necessity of preserving and conserving the mineral matter of the soil and at the same time teaching those who hold the land how to replace the mineral matter our fathers had removed and sold. These mineral matters are raw material, just as much so as copper and iron, and their removal and sale in the shape of wheat and meat and cottonseed meal in time brings the same results as the sale of timber from the lands of Michigan and Mississippi.

After the raw material is gone we have nothing left.

Yet the other day I read an interview with a prominent banker in New York, who had just returned from Europe. He was bewailing the fact that conditions were such in Europe that we could not ship raw materials to Europe.

The history of agriculture in America from the time of the Virginia plantations until the present time has been one of soil depletion, the disposal of the raw material out of which crops are grown.

Jefferson and his contemporaries had great estates full of all the elements that go to make crops, but to-day the same land will not produce without replacing the raw material they extracted.

Many of these men became bankrupt because their soil failed, and their children or children's children had to migrate to other sections

of the country to make a living or else eke out a precarious existence on the worn-out soils their fathers had destroyed.

In New York State many of the valleys were the wonder of Europe for their fertility. To-day you can buy those formerly wonderful farms for less than the cost of the buildings upon them.

In my own State of Ohio 75, yes, 50 and even less than 40 years ago, no farmer thought it necessary to replace any portion of the mineral matters of the soil; to-day in many portions they can not produce a crop without the addition of some of these necessary elements.

Even in that wonderful fertile State of Iowa to obtain maximum crops we have found it is necessary to-day to replace some of the minerals sold off those lands. What will it be to-morrow?

I have stood on farms in North Dakota that to-day would not pay to farm, that as a boy and a young man I had read of as producing wonderful crops of wheat.

In the "Big Bend country" of the State of Washington, where they formerly grew 60 bushels of wheat to the acre, when I was there a few years ago they were moving away because they could not make a living.

In the South, anywhere in the piney woods, you can see, as I have done, among the second growth of pine and oak, the rows showing where profitable crops of cotton were raised, to-day abandoned because the mineral matter had been removed.

Everywhere you go it is the same story and the sadness of it all is that we, as farmers, and you as citizens of this country, never received but a mere pittance for this raw material. That is what Henry Wallace, familiarly and lovingly known throughout the entire Middle West as "Uncle Henry," the father of our present Secretary of Agriculture, meant when he said "The farmers of America have been for 300 years feeding the world at less than the cost of production."

That wizard of electricity—Edison—upon his return from Muscle Shoals a short time ago, made the remark that the main thing in regard to that magnificent project was to make cheaper fertilizer for the farmer, for he had to have it.

It is impossible at the present time for any farmer in this country to produce a bushel of wheat at a profit, or even come out even if he takes into account the price of the raw material in the wheat.

When the coal is gone from the mine, the prosperity of that section is ended. When the mineral matter is taken out of the soil not only is the prosperity of that section ended but life itself is endangered.

Would it not be wise, therefore, if the policy of our Government could be so shaped that instead of shipping our raw material we would ship out only those things that are inexhaustible?

Would it not be conserving the fertility of the soil?

Is it wise to ship our wheat, which contains from 30 to 60 cents worth of raw material, and buy with it sugar which is only sunshine and rain and takes not an ounce of fertilizing matter from the soil?

Would not raising our own sugar, keeping our fertility at home, be a wise procedure?

Why buy sunshine and rain at all; we do not need it; have we not plenty of it?

Would it not be better for us, and our children and our children's children, if we would ship butter (there is not 70 cents worth of raw material in a ton of butter) rather than cottonseed meal and meat and wheat, which contains so much of it?

Why spend so much money in our experiment stations and agricultural colleges teaching people how to replace the fertilizing elements their ancestors took from the soil instead of teaching them how to retain what they have? It took Joseph E. Wing, the apostle of alfalfa, 25 years to redeem his father's farm and put back in it the fertility his forefathers sold off it.

There are certain fundamental things we should not forget in the discussion of this problem.

Permanent prosperity comes from the sale of inexhaustible material, not from the sale of raw material.

We can not obtain prosperity by buying something, either as an individual or as a State. If we do buy something is it not better to buy something containing raw material that will be of future benefit to us rather than such things as butter and sugar which come from the air and water?

The sale in this country of Danish butter, Chinese eggs, Australian wool, Argentina beef and Cuban sugar never has, never can and never will bring prosperity to any part of this country.

This applies equally to the cities as well as the country; the East as well as the West; the South as well as the North.

New York and Chicago depend for their welfare upon the welfare of the great farming communities throughout this broad land and not upon the prosperity of foreign countries.

We have tried to call your attention to the benefits an increased tariff on sugar will bring to the farmers of northwestern Ohio, not as sugar growers, not even as citizens of Ohio, but as citizens of the United States in common with the citizens of the cities and towns believing that Members of Congress should consider these questions as they affect the entire country and not special parts of it.

We are not asking special favors but only an opportunity to develop the farms intrusted to our care so they will be of greater benefit to the entire country and so we can leave them to our children and our children's children unimpaired, able to feed the generations that will come after us.

STATEMENT OF RAYMOND PITCAIRN, PHILADELPHIA, PA., REPRESENTING THE OWOSSO SUGAR CO., OWOSSO, MICH.

The beet-sugar industry in the Middle West in the past has been a moderately profitable industry. Under a reasonable tariff it can again become such. If an adequate tariff is not provided, the plants of this domestic-sugar industry can not continue to operate; and the farms will be deprived of one of their most profitable crops.

Many of the beet-sugar plants are practically in the hands of their bankers and creditors; and the others are weakened and impoverished by heavy burdens of indebtedness piled up during the last two years following the war.

In February next the Owosso Sugar Co. must decide whether to let contracts for beets and prepare for next year's run or close down. The other plants are in a similar position. If they are shut down, the factory organizations will be disbanded, the plants will suffer deterioration, the farms will lose their beet crops, and all those agencies involved directly and indirectly in the annual production and distribution of hundreds of millions of pounds of sugar will suffer irreparable loss.

A halfway measure of relief in the nature of an experiment which will leave to a future Congress the making of an adequate tariff will certainly be fatal to a large part of the

industry. To shut down for a single year will so badly affect the organizations and plants that disaster would follow, even though a future Congress should recognize and endeavor to rectify such a mistake. For not only would it be difficult and costly to revive the industry, but meanwhile many of the plants which are now in the most critical financial condition would fall under the sheriff's hammer, and faced with the condition of the plants and the fate which had befallen them it would be difficult if not impossible to refinance them.

The broad issue to be faced by our legislators is, Will tariff protection such as provided for other industries be accorded to home-grown sugar? With many of the industries which appear before you, the effect of a lower or higher tariff is problematical. In the case of beet sugar the effect of a reduction of the present emergency tariff is certain. For the next two years we need more protection than that tariff provides. Anything short of the present emergency tariff as a fixed and continuing measure will leave the business open to constantly recurring periods of jeopardy.

What we would impress upon you with all the earnestness at our command in this appeal is that our hour is come, it is for you and your colleagues to say whether the beet-sugar industry shall continue or close down. It is for Congress also to decide what effect the extermination of the domestic-sugar industry will have on the price of sugar in this country. The advantage taken by the Cubans of the sugar market during the war should give the answer to this question. It is a momentous decision. We hope for the protection which we must have, but it would be better for us to know the worst and close down at the end of our present campaign rather than to take the certain risks of the business under an inadequate tariff. This would prolong our span of life, but result in further losses of money which, even if our best tariff hopes are realized, will be most difficult to obtain to meet the cost of planting, cultivating, and harvesting a new crop of beets and to purchase the coal, limestone, and supplies and to meet the factory pay rolls and overhead, which are essential to another year's business.

The industry has had a history of struggle and slow growth. But we believe that its record from the beginning up to the outbreak of the war has justified the labor and means bestowed upon it and the protection which it has received. Certainly the beet-sugar industry was justified by the service rendered to the public during the war. The sugar plants in the State of Michigan alone supplied over 250,000,000 pounds of sugar per annum which, through the agency of the Government, whose rulings we accepted, were sold by the producers at prices not exceeding 12 cents per pound, as fixed by the Food Administration during a period when sugar was sold by the cane refiners, by sugar brokers, and Cubans at 25 cents and 30 cents per pound.

We were at war, the beet sugar producers accepted with resignation the prices fixed by the Government, despite the best legal advice that the practice employed was unconstitutional. But the vital fact is that Government price fixing which discriminated too heavily against the domestic industry, was instrumental, under the present sugar crisis, in bringing the beet sugar industry to the verge of ruin. Had the price fixed by the Government been sufficient to allow a reasonable profit, reserves could have been provided which would have enabled us to meet the world crisis in sugar which now faces us.

The value to the country of this domestic sugar during the war was recognized by all who had a knowledge of the situation; this was recognized quite generally. On the other hand the war prices charged for Cuban sugar gave ample proof of what market conditions at home would be without the domestic supply and domestic competition.

The desperate situation of the beet sugar industry in the face of the world-wide sugar crisis, for the reason stated, is due in no inconsiderable extent, to Government control. But there are definite market conditions which have been instrumental to bringing about the crisis which the beet sugar industry must meet in the weakened condition brought about by price regulation. The present low market in sugar which threatens bankruptcy to many producers of cane sugar, as well as to the domestic beet sugar industry, has resulted from a great over-production of sugar in Cuba which followed a period of enormous speculation growing out of the excessive profits derived from the high war prices charged by the Cuban producers and cane refiners. Speculative purchases by Americans of Cuban sugar properties at inflated prices, and the flotation of companies which promised large profits, which paid their promoters handsomely was coupled with an increase in the Cuban production from 2,300,000 to 4,000,000 tons. Prominent New York banking interests loaned freely on these securities of mushroom growth. Now that the inevitable has happened, the banks and other holders of these securities are not unwilling that the beet sugar industry at home should be ruined if, in the process, they may recoup themselves. As heretofore, the large eastern refiners are making active efforts to discredit and ruin the domestic sugar producers, and it is they who are responsible for the opposition to the proposed tariff.

While the Cuban production was nearly doubled, the beet sugar production has been very little increased. Will Congress fail to recognize the equity of the country's home industry and grant a permanent tariff yielding 2 cents per pound on foreign sugar, which is the existing emergency tariff, as a permanent protection to the producers and farmers in order that the industry may make a fair living, and the public have the advantage of home competition?

It would be difficult to select any article more justly entitled to the benefits of a protective tariff than beet sugar. Even if the history of the industry should be ignored, last year the Owosso Sugar Co. alone paid to the farmers in Michigan over \$2,000,000 for its beets. There is perhaps no tariff on the list of manufactured articles which proves so direct a benefit to the farmers as that on beet sugar. Over 60 per cent of the cost of our sugar is paid direct to the producing farmers. In addition to this, the industry employs thousands of men, provides work for thousands more in the production of great tonnages of coal and limestone, pays large sums for freight to the railroads, supplies to the farmers in the form of dried beet pulp a considerable part of their cattle food requirements, and produces large quantities of molasses, the base for the production of denatured alcohol. And, to a lesser extent, winter food for grazing stock is provided by the beet tops, and by-products furnish valuable fertilizers. The present duty on sugar still gives to the Cuban producers a preferential rate of duty into the United States, which assures them a market here for such large amounts of additional sugar as we require, at prices materially higher than they can get in the open markets of the world. The duty to these other foreign markets should, we believe, be fixed at 2 cents.

The Republican Party has repeatedly promised fair protection to American industries, and there are facts and statistics on record in Washington filling many volumes showing that the beet sugar industry must have the amount of protection asked for if it is to continue to exist.

The beet sugar industry in Michigan and the Middle West was established through the efforts of the United States Government. Its development followed the call of James A. Wilson, former Secretary of Agriculture, whose zeal for this project of the department led to personal appeals made by the Secretary to investing citizens and farmers of the country. In response to this earnest solicitation on behalf of the Government, and because of promised aid in the form of a tariff, money was subscribed, the plants were built, and extensive sugar beet farming in the Middle West cultivated. The part played by the Government in furthering sugar beet culture, and its recognition of the public advantage involved, is a matter of record in the files of the Department of Agriculture. Will the Government desert the industry which it has been instrumental in building up? If so, the end is at hand.

**STATEMENT OF GEORGE W. McCORMICK, GENERAL MANAGER,
MENOMINEE RIVER SUGAR CO., MENOMINEE, MICH.**

The CHAIRMAN. Will you state your name to the committee?

Mr. McCORMICK. My name is George W. McCormick.

The CHAIRMAN. Mr. McCormick, will you state your business?

Mr. McCORMICK. Manufacturer of beet sugar, Menominee, Mich.

The CHAIRMAN. Your concern is located there, is it?

Mr. McCORMICK. Yes, sir.

The CHAIRMAN. Are you in operation now?

Mr. McCORMICK. We are.

The CHAIRMAN. On full capacity?

Mr. McCORMICK. When we are operating the factory we run full capacity.

The CHAIRMAN. Now?

Mr. McCORMICK. We have just finished the cutting of beets for the season.

The CHAIRMAN. All right. You may proceed, Mr. McCormick.

Mr. McCORMICK. Mr. Chairman and gentlemen of the committee, I don't want to give you any long history. I want to cover this subject, the pith of it, in as few words as I can.

In the first place, I want to state the condition of the beet-sugar industry to-day. There are about 43 companies operating. The

condition of 60 per cent of those companies is that if they were called upon to settle to-morrow or to-day they could not do it.

The CHAIRMAN. Is that not true of almost every concern in the United States?

Mr. McCORMICK. It is probably true of some of them, Mr. Chairman.

Senator SMOOT. If there was a settlement they would not have anything left.

Mr. McCORMICK. I mean by that statement that it would not only wipe out all of their quick assets, but if there was a mortgage on their plants, if their plants were sold out, it would not cover the indebtedness.

That condition of the beet-sugar industry is not exactly the result of what is commonly spoken of as the decline during the reconstruction after the war. The beet-sugar industry of the United States finds itself to-day in the most critical condition in its history. It stands on the verge of disaster. There is not a beet-sugar factory in any one of the 17 States in which this industry is established that did not take a staggering loss on the crop of sugar produced in 1920. They had contracted with the farmers for their beets at the highest prices ever paid, induced by the prevailing high price of sugar at the time these contracts were made with the farmers. Throughout the year 1920 every supply for the operation of their plants cost them peak prices, and the labor employed was paid correspondingly high wages, the highest ever paid in the history of the country.

The CHAIRMAN. What do you mean by "the highest ever paid in the history of the country"?

Mr. McCORMICK. The wages paid in the year 1920, Mr. Chairman.

The CHAIRMAN. Do you mean to say they paid higher wages than any other form of industry?

Mr. McCORMICK. No. I mean that the scale of wages paid that year in the sugar-beet industry was higher than the scale of wages ever paid before. I am speaking of the sugar industry as a whole in that respect.

The CHAIRMAN. Higher than previous years in that particular industry?

Mr. McCORMICK. Yes; higher than previous years in that particular industry, due to the fact that there were higher wages prevailing in all industries than had prevailed heretofore.

Now, by the time the sugar from that crop was made we found ourselves in a peculiar position. The prices had slumped to a mere fraction of what they had been, and the market was demoralized and glutted with foreign sugars from every part of the world. We had predicated the cost of our beets, the price of our beets to the farmers, on prevailing prices of sugar at the time the contracts were made. When the sugar was made from that crop we found ourselves in that situation, as I say, that the price had slumped to a mere fraction of what it had been, and the market was demoralized and glutted with foreign sugars from every part of the world. I want to emphasize that point, that the market was demoralized and glutted with foreign sugars from every part of the world. The result was that beet sugar had to be sold at from \$2 to \$4 per hundred pounds below the actual cost of production. In fact, within 12

months from the time the 1920 crop came onto the market there had been wiped out and lost to the industry, as nearly as we can compute it from the facts at hand, \$60,000,000, or one-third of the entire investment in the beet-sugar industry in the United States.

Referring particularly to the individual companies, I want to say that before the year 1920 the beet-sugar factories of the United States were universally in sound financial condition and had sufficient working capital, but in the operation of the business that year in a number of cases their surplus and working capital was wiped out, in some cases their capital was impaired, and a few were so disabled by their loss that they were compelled to close their factories and cease to operate in the year 1921.

Then we come to the crop of 1921, the one just being made. While the companies were in the condition before stated, they had hopes that a better result would be obtained this year and that they might possibly recoup their losses, but instead costs of production were not reduced as much as we had hoped, and the price of sugar dropped still lower until to-day over 50 per cent of the beet-sugar companies of this country are in very serious financial straits. In order to meet the beet pay roll—that is, in order to pay the farmers for the beets they raised, and God knows the farmers need what money they can get this year—these sugar companies were obliged to exhaust every means at their command to borrow sufficient funds to pay for these beets and for the operating expenses of their factories. They exhausted their credit at the banks, they borrowed money on their sugar against warehouse receipts, they have mortgaged their plants, and in some instances were finally obliged to apply to the War Finance Corporation for a loan in order to meet their farmers' pay rolls. The fact of the matter is, gentlemen, there are certain beet-sugar companies that have not yet been able to raise sufficient funds to pay the farmers for their beets for the pay rolls that were due on the 15th of November.

Senator CALDER. Will the witness permit a question? Has he requested to be permitted to proceed without interruption?

The CHAIRMAN. I have not heard any such request.

Senator CALDER. You are harvesting and marketing your crop under the emergency tariff law now in effect, are you not? Do you understand my question?

Mr. McCORMICK. Yes, sir; I do. I do not know who you are.

Senator CALDER. I am Senator Calder, of New York.

Mr. McCORMICK. I beg your pardon, Senator. I am glad to know you. I will be very glad to answer your question.

Senator CALDER. You are marketing your crop this year under the emergency tariff law?

Mr. McCORMICK. Yes, sir.

Senator CALDER. That gives you the same rate as the Fordney measure now pending before this committee?

Mr. McCORMICK. It is the same.

Senator CALDER. And you have difficulty living under that law?

Mr. McCORMICK. Yes, sir.

Senator CALDER. Then how do you expect to continue without a greater tariff than that bill provides?

Mr. McCORMICK. That is what we are going to ask you for.

Senator CALDER. You are going to ask for even more than that?

Mr. McCORMICK. Most assuredly; yes, sir.

Senator CALDER. Your statement indicated that you would want a great deal more than that.

Mr. McCORMICK. We certainly are entitled to more than that.

Senator CALDER. I would like you to develop that as you go along.

Mr. McCORMICK. That is what I am trying to do.

Senator CALDER. I would like you to develop how you hope to exist under the tariff the House gives you if the conditions are as bad as you have indicated in your statement.

Mr. McCORMICK. I will be glad to develop that.

The CHAIRMAN. Do you want a complete embargo on the importation of sugar?

Mr. McCORMICK. We are not asking that, Mr. Chairman.

For your information particularly, Senator, I want to call your attention to the matter of costs this year. We have a quoted price of \$4.80 per hundred pounds for granulated beet sugar to-day. This is the condition we are facing. Cuba is holding about a million and a quarter tons of sugar over from last year's crop and, it is commonly reported, is threatening to have that sugar thrown on the market at a cent a pound. The quoted price to-day on that raw sugar, freight paid, delivered at New York, and sold in the months of January and March, is 2 cents a pound. If that sugar comes on the market at that price it will mean a dollar decline in the price of refined sugar from the present quotation, which would mean that beet sugar would be sold at \$3.80. That is the condition we are facing, Senator, and for which we are hoping some remedy.

Senator SMOOT. The Government has advanced 4 cents a pound on it to pay the farmers for their beets. There is not a sugar factory in the United States that could have paid the farmers without that advance.

Senator CALDER. Who has advanced that?

Senator SMOOT. The War Finance Corporation.

Mr. McCORMICK. The price has already declined to \$4.80, and there is not over 25 per cent of the beet-sugar production of last year's crop marketed up to this time. Therefore, we are left with three-fourths of our crop on hand, threatened with a \$3.80 price, which is below the price that our own Government, the War Finance Corporation at least, has deemed a safe price to advance money on.

Now, about the matter of costs of this particular crop, which we took care to ascertain from a number of the companies—in fact, 16 of them. The average cost of producing beet sugar from this crop, as estimated by 16 of the largest and most efficient factories, is \$5.09 per hundred pounds, while in the territory east of the Missouri River, where most unfavorable weather conditions prevailed this year, the average cost is over \$6 per hundred pounds.

We are not going to ask you gentlemen to give us a tariff to cover weather conditions. That unfavorable weather condition prevailed in the eastern territory, and is not an average condition. We are willing to stand on the average.

Now, if the 16 most efficient factories have a cost of \$5.09 per hundred pounds for this year's crop, and the price to-day is \$4.80, and we have three-fourths of our crop on hand, it is not going to take

a very capable statistician to figure out the answer from the standpoint of profit and loss on this crop.

Now, if the beet-sugar companies are to operate in the year 1922 they must be ready to go before the farmers with their contracts for beets for next year in the month of January. They must solicit the acreage from the farmers. At that time they must fix the price which they are to pay the farmers for next year's crop. I want to ask you, under present conditions and with the prospect as it stands, how can these beet-sugar companies proceed and make the price to the farmers finance another year's operations? A few of the larger and stronger companies may be able to do it, but it is no exaggeration to say that 50 per cent of the companies can not and will not proceed, but will remain idle.

I do not want to give this committee the impression that we do not expect to make sugar for less money than \$5.09 per 100 pounds in the coming year. We do expect to. We are coming down a little off of the hill in the cost of production. While we do not expect labor in this country to get down to the prewar level, we do know that it has been very considerably reduced. We know that the railroad freight rates of to-day in our area are from 70 per cent to 80 per cent higher than they were in prewar times. As the raw material is bulky, our freight charges are very heavy. We do anticipate a lower freight rate for next year.

We have one factor that we do not hope to reduce in our cost sheet, and that is our taxes. There is not a municipality, county, State, or even the Federal Government tax that is not to-day double and in some cases treble what they were before. That is one item that we can not reduce, and that was due to the fact that the United States was in a war which our competitor, Cuba, was not in, and we have a tremendous war debt—State, county, and National—that has to be paid. Every industry in the United States has to pay its share of that debt, and the beet-sugar industry if it continues has got to pay its part of it. That is an irreducible item in our expense sheet.

Another item that we can not reduce is this: The interest on bonds that we have already been forced to issue. With the wiping out of our working capital and surplus, every beet-sugar company has had to borrow more heavily than it did before. The interest charge is going to be an increasing item on our expense sheet. However, we do expect to produce sugar at a lower cost the coming year than we have this past year, if we operate.

Senator, this condition of the domestic beet-sugar industry has been brought about by the importation of sugar from foreign countries, a matter over which we have no control. We must, therefore, ask relief from the only source possible, and that is the Congress of the United States. The relief, if it is to be given, must be given soon or a large number of the factories can not operate another year.

Now, we listened yesterday to the plea before this committee of a foreign nation for relief for her sugar industry. The relief asked for is a reduction in our present tariff on sugar, which if granted practically spells annihilation of the beet-sugar industry of the United States. Therefore, with these two interests coming before you, it resolves itself into a question of whether your action, after you have given consideration to the subject, is going to be to grant the relief to a foreign industry or whether you are going to grant relief to the

domestic industry that will permit it to live—one or the other. There is no reason in our judgment why both industries should not live. Whose plea will Congress heed, that of Cuba, a foreign nation, or that of the domestic beet-sugar industry? Right here I can make no statement that is more pertinent to the question than to quote the words of President Harding, in his annual message to Congress on December 7 last, when he says:

Sensible of every obligation of humanity, commerce and finance, linked as they are in the present world condition, it is not to be argued that we need destroy ourselves to be helpful to others.

A few sentences further he makes this statement:

It is not an unworthy selfishness to seek to save ourselves where the processes of that salvation are not only not denied to others but commended to them. We seek to undermine for others no industry by which they subsist; we are obligated to permit the undermining of none of our own which make for employment and maintained activities.

If that is the policy to be pursued by the American Congress the beet-sugar industry needs no advocate of its cause in Washington, except to state the conditions as they are.

Through a well-organized propaganda there has been created a considerable sentiment in this country that something should be done to help Cuba in her present plight. Those interested in this propaganda are advancing the claim that Cuba responded so nobly during the war in increasing her production of sugar and selling it at a reasonable price agreed upon between herself and the allied governments.

Another reason which they advance is that there are many millions of dollars of American capital invested in the sugar industry of Cuba. But in the arguments sent out to Members of Congress, to the press, to manufacturers, to merchants, and to the libraries of this country they do not rest their case on what they did, but they make an insidious attack on the beet-sugar industry of this country, with the hope that they may create sufficient sentiment to lead Congress to enact legislation which will, within a few years, utterly destroy this great domestic agricultural industry. They go on to show the deplorable condition which Cuba is in to-day, and while they do not print it they make thinly veiled threats that unless they get what they are asking for a revolution will result in Cuba, the United States will be obliged to intervene, annexation will be the inevitable result, and America will have another little brown brother on her hands.

Let us look the facts in the face. Let us briefly review the records and the justice of the claims before the American people of the Cuban interests on the one hand and the domestic sugar industry on the other.

Let us first take the record of the domestic sugar industry. In 1897 our Government, after a careful investigation of the beet-sugar industry in foreign countries and its beneficial effect on agriculture, determined to have that industry established in the United States. A campaign of education among the farmers and business men of the country was made. There was included in the Dingley tariff a duty of \$1.68½ a hundred on foreign sugar entering this country. Through the efforts of Secretary Wilson in his educational campaign

among farmers and business men beet-sugar factories were built and farmers began to grow sugar beets.

The domestic beet-sugar industry, which at that time was practically nothing, has grown until to-day American capital has invested in round numbers \$190,000,000 in beet-sugar factories and equipment; last year 880,000 acres of American farms were planted to sugar beets, 100,000 American farmers were engaged in sugar-beet culture, approximately 85,000 laborers were engaged in the beet fields, and 35,000 laborers were engaged in the operation of the factories. There was produced from these American farms and manufactured in these American factories approximately 1,000,000 tons of standard granulated beet sugar, or 25 per cent of the total sugar consumption of the United States. The number of factories has increased from 6 in 1897 to 106 in 1921, and these factories are not located in the large cities and congested centers of population but are located in the agricultural areas of 17 States of the Union, and they are attracting laborers and others farmward, one of the very things our President in his message is asking that some action be taken toward accomplishing.

The number of factories has increased, as I stated, to 106, and during that period since 1897 the American people have been provided with a supply of sugar at reasonable prices, with the exception of the year 1920.

These facts alone argue the wisdom of the steps taken by our Government to establish this industry. Let us follow this a little.

The World War came in 1914, and immediately over one-third of the world's production of sugar was hemmed in from export by the allied armies. The great sugar-importing nations of Europe turned to the Western Hemisphere, the nearest point of supply, to secure their sugar, creating an unprecedented demand and higher prices for this commodity.

When the United States entered the war in 1917 Mr. Hoover was appointed Food Administrator, and one of his first acts was to mobilize the food resources of the United States. Several conferences were held in Washington between Mr. Hoover and the representatives of different food-producing industries, but the beet-sugar manufacturers were the first to voluntarily place in his hands the entire product of their factories at an agreed price of 7.25 cents per pound, when the New York wholesale price of imported cane granulated sugar was 9 cents per pound. The control of the price and distribution of this large amount of domestic sugar served him well as a leverage by which he was able to induce Cuba to accept a reasonable price for that quantity of their sugar imported into this country.

The food administration fixed the price of beet sugar throughout the war, and for a year and a half after the close of the war price restrictions were placed upon the domestic beet-sugar product by the Attorney General, acting as food administrator. By reason of the action of the domestic beet-sugar industry the people of America during the war obtained their supply of sugar at a lower price than any other country in the world, and at no time did the beet-sugar industry obtain more than a modest profit on its commodity.

This is the record of an American industry, within the confines of our own country, at all times subject to the laws and regulations and needs of our people.

Let us look at Cuba's record, putting forth the claim she has, and see what she has done and what we have done for her.

In 1898 she was producing 350,000 tons of sugar. Her people were starving, ragged, fighting for liberty against an oppressor. America sent her Army and Navy, drove out the oppressor, and set her free. We established her Government, established her schools, cleaned up her cities, organized her militia, furnished capital to a considerable degree to start her industries, and we stood by and staided her on her feet until she was able to take care of herself.

In 1903 we entered into a commercial treaty with Cuba whereby we agreed to give her a discount of 20 per cent off our regular tariff duties on all her exports to the United States. We have 110,000,000 people to furnish a market for her, and she has less than 3,000,000 to supply a market for us—a pretty good bargain.

Senator CALDER. Will you tell the committee what amount was imported from our country into Cuba? Have you that figure?

Mr. McCORMICK. Yes. May I take that when I come to it?

Senator CALDER. Yes.

Senator McCUMBER. That was given yesterday and is in the record.

Senator SMOOT. Yes; the highest in her history.

Senator McCUMBER. It was gone into in detail.

Senator SMOOT. It is all in the record.

Senator CALDER. You will come to it later?

Mr. McCORMICK. Yes; I will come to it later.

By this action we gave her practically a monopoly of the American market against all other foreign sugars, and by this preferential treatment she has prospered as few other nations have, and the phenomenal growth of her sugar industry is a matter of history.

Throughout the war Cuba sent none of her sons to foreign shores to fight, and with no war industries to absorb her labor the planting of additional thousands of acres in cane and the building of new sugar factories assumed a mad race, and many American capitalists, lured by the vast war-time profits, rushed in and invested tens of millions of dollars in her sugar factories new and old. It is claimed that Cuba is entitled to special recognition because of the fact that she increased her sugar production in order to supply the Allies with this necessary commodity, but it can not be doubted that the spirit of pecuniary profit entered into the equation at the same time.

Cuba boasts loudly that on July 31, 1919, she so generously offered the then forthcoming crop of sugar to the United States Sugar Equalization Board at 6½ cents a pound. That came out yesterday. Let me call your attention to the fact that the prevailing price of raw sugar on the very day that she made that magnanimous offer was 5½ cents per pound f. o. b. Cuba, which is a mere matter of \$1 a hundred pounds, and she produced that year 3,730,000 tons of sugar. Multiply that at your leisure and see what it amounts to. It was a very modest demand.

But as a strong argument she claims she came up here and offered that. Our Government somehow did not see fit to accept that offer, and in September, when all restrictions were removed on sugar so far as Cuba was concerned, the offer was withdrawn. From that day on we see the price of sugar going up.

In September, 1919, all war control and restrictions were removed from Cuban sugar. The trade routes and markets of the world

were opened for her to sell her crop to the highest bidder, and the Cubans were quick to take advantage of the opportunity. At that time the f. o. b. New York price of Cuban raw sugar was 5.88 cents per pound. But from that time on the prices began to rise rapidly, until by the middle of December they were selling their raw sugar at 12½ cents per pound f. o. b. New York. In April following, when the supply of domestic beet sugar was practically exhausted and they saw no other competition, the price of Cuban raws rose by leaps and bounds, and in May, 1920, they put their price up to the unprecedented figure of 22½ cents per pound f. o. b. New York. Keep in mind, gentlemen, this was the same sugar which they had so magnanimously offered to the United States Sugar Equalization Board in July, 1919, at 6½ cents per pound. The wholesale price of this sugar in refined form f. o. b. New York reached 26½ cents per pound, and the American housewife was forced to pay from 30 to 35 cents per pound, and was unable to secure even at this price an adequate supply.

Senator CALDER. Did the beet-sugar price follow the Cuban price up at that same time?

Mr. McCORMICK. I am glad you asked that question. It is a pleasure to answer you.

The beet-sugar price was restricted by the Attorney General of the United States in the early part of November, 1919, and that restriction stayed on until that crop was sold—that is, the beet-sugar crop—but there was no restriction put upon the price of imported sugar into the United States. As an illustration, Senator, in November of 1919 I was selling sugar at 11½ cents a pound, standard granulated beet sugar, when Brazilian raw sugar darker than your hat, as the saying goes, was offered for sale in New York at from 14 to 16 cents a pound. Does that answer your question?

Senator CALDER. Do I understand your price was restricted by arrangement with the Equalization Board at that time?

Mr. McCORMICK. No. Let me make this clear. The Attorney General of the United States was appointed food administrator, and under him the price of domestic sugar was restricted first to 10½ cents, later I think it was 11, and finally the highest price at which he permitted the beet-sugar industry to sell its sugar was 12 cents. That is a matter of record.

Senator CALDER. At the same time, do I understand Louisiana sugar was being sold at from 17 to 18 cents?

Mr. McCORMICK. Yes, sir; that is true.

Senator CALDER. And you were required to sell your sugar for 12 cents while they were getting 17?

Mr. McCORMICK. That is true.

Senator CALDER. The same sugar?

Mr. McCORMICK. No; one is cane sugar and the other is beet sugar.

Senator CALDER. As far as the public was concerned was it the same?

Mr. McCORMICK. As far as the public was concerned I would say that one was absolutely the same as the other.

Senator CALDER. The beet-sugar men were very magnanimous?

Mr. McCORMICK. We were not magnanimous. We were compelled by the Attorney General of the United States in that particular in-

stance, through that restriction, to the 10½-cent price which he first fixed.

Senator McCUMBER. The Attorney General had power to fix the price?

Mr. McCORMICK. Yes.

Senator McCUMBER. Was he not equal power to fix the price on the imported sugar?

Mr. McCORMICK. One was a matter of local regulation within the confines of the United States and the other seemed to be a matter pertaining to importation, which, I believe, is usually governed by the tariff.

Senator McCUMBER. It is with respect to importations, but you were not governed by a tariff. You were governed by a rule concerning the sale within the United States. If the Attorney General had authority to fix the price of sale of domestic sugar in the United States, did he not have the same authority to fix the price for any imported sugar which should be sold in the United States?

Senator SMOOT. Mr. McCormick, may I suggest that the Attorney General was acting under an act of Congress to prevent profiteering. The practice was for the beet-sugar manufacturer to sell his sugar, and that was restricted, as you have said, first to 10½ cents, then 11 cents, and then to the highest price of 12 cents, acting under that law; but when Cuba sold her sugar to American refiners at 22 cents a pound there was no profiteering in it, and the law did not affect them at all. I know of cases where beet sugar was bought at 10½ cents and sold nearly twenty times without even handling the sugar or removing it from the car, and it was not profiteering in each of the transactions because it was within a reasonable amount of profit. Of course, finally, the price reached almost what the Cuban sugar price reached.

Senator McCUMBER. In other words the construction the Senator would give of that law was that it provided or permitted the Attorney General to prevent profiteering by people in the United States, but it did not prevent profiteering of citizens of the United States who had their holdings in a foreign country and brought their product into this country. I could hardly give it that construction.

Senator SMOOT. It was declared unconstitutional by the Supreme Court of the United States.

Senator CALDER. Senator Smoot's statement seems to indicate that the beet-sugar product sold at a higher price than the Cuban.

Senator SMOOT. The candy manufacturers of the United States made all kinds of offers to get it. They thought there was a shortage of sugar, as so many people testified there was a shortage of sugar in the world. I know candy manufacturers who offered our people out West prices of 8 and 9 and 10 cents higher than the Attorney General would allow it to be sold, but they could not sell it. They abided by the law.

Senator McLEAN. Did I understand Mr. McCormick to say Louisiana sugar sold at 17 cents, and at the same time beet sugar was selling at 12 cents that was produced in the United States?

Senator SMOOT. I will tell you why that was. I know what was stated on the floor of the Senate. When the Attorney General authorized the sale of the sugar made from cane in the South an

investigation showed they were not profiteering when they were selling their sugar at 17 and 18 cents. The Senator from Louisiana is here and can explain it in detail.

Senator CALDER. I do not understand why the beet-sugar people permitted that to continue, when they were kept down to 11½ and 12 cents and the cane-sugar people were selling at 17 and 18 practically the same product.

Senator SMOOT. Senator Calder, if you remember, I do not think there was a week passed during that time but what that very question was called to the attention of the Senate and of the country, but it was not profiteering under the law if you made no more than a certain percentage upon a transaction.

Senator McLEAN. Under the law as interpreted by a Democratic Attorney General.

Senator SMOOT. It happened to be a Democratic Attorney General at the time.

Senator McLEAN. You say the Supreme Court declared it unconstitutional?

Senator SMOOT. Yes; it was declared unconstitutional by the Supreme Court of the United States.

Senator CALDER. What I am trying to ascertain is this: Men in business make as large a profit as they can, in every line of business. A man gets all he can for the thing he produces. Is it a fact that the people interested in your product were making and selling their product for 12 cents a pound? It seems to me that would leave them with a considerable profit from the sale of sugar. Is it fair to assume that every other man interested in importing sugar was violating every decent rule in asking enormous prices?

Mr. McCORMICK. Senator, it seems to me the question has already been answered. However, we were within the United States, and even if we had the greedy appetite to do it we could not have violated the rules and restrictions of the Department of Justice. The Cuban sugar which came in here was not under those rules and restrictions, but was sold to American refineries at the top high price. We could not have helped ourselves if we had wanted to. We did present our case, and they did advance the price from 10½ to 11 and then 12.

Senator SMOOT. Senator Calder, I want to call your attention to the fact that there was an agreement between the beet growers and the Food Administration as to what the manufacturers should pay for the beets.

Senator CALDER. It seems from the statements that have been made that there were different prices for beet sugar, Louisiana sugar, and Cuban sugar. I do not understand how that could be, because we paid the same price for all three.

Mr. McCORMICK. Pardon me, Senator, you come from New York?

Senator CALDER. Yes.

Mr. McCORMICK. The only beet sugar that went to New York was what Mr. Hoover asked us under great stress, under a condition of famine, to send down to help out your poor fellows in New York and give you a little sugar for your coffee, when the great Cuban trade did not give you enough.

Senator CALDER. But we had to pay the same price for it when we got it.

Senator SMOOT. No.

Senator CALDER. The housewives tell me so. They protested against it as robbing the people who had to use it every day.

Mr. McCORMICK. Pardon me. Your memory and the facts do not seem to agree. The price was made by the Food Administration.

Senator McCUMBER. While we were paying 30 and 35 cents a pound for imported sugar at retail, do you mean to tell me the home product was sold for a much less price at retail?

Mr. McCORMICK. That is not exactly the case, Senator.

Senator McCUMBER. That is the point I am getting at. While the Food Administration cut down the price of the producer, it did not help the consumer any, because the consumer was still paying the price fixed by the high price of the imported sugar. Is that right?

Mr. McCORMICK. Let me just explain. I am talking now about the period of these high prices in the year 1920.

Senator McCUMBER. Yes.

Mr. McCORMICK. Up until April of 1920 beet sugar was on the market in the Middle West, not in the Atlantic Seaboard States, and our beet sugar was sold at not to exceed 12 cents a pound to the wholesale grocers. As soon as that beet sugar was practically exhausted, which was along in April, the record shows that the Cuban raws shot up from about 12½ cents—I haven't the exact figures before me—to 22½ cents, after competition was removed. We could not sell beet sugar for any more than 12 cents a pound.

Senator McCUMBER. When you were selling beet sugar at 12 cents a pound—that means, of course, the granulated sugar?

Mr. McCORMICK. Yes, sir.

Senator McCUMBER. What was raw sugar bringing—imported sugar?

Mr. McCORMICK. In December, 1919, raw sugar was quoted, delivered in New York, at 12½ cents. The fact is that Brazilian sugar was sold in New York at 14 to 16 cents; but we were not allowed to sell our standard granulated sugar for domestic use at over 12.

Senator McCUMBER. After that imported sugar was refined and put on the market, what did it sell for?

Mr. McCORMICK. That 12½-cent sugar?

Senator McCUMBER. Yes.

Mr. McCORMICK. I can easily give you those figures in a short time.

Senator McCUMBER. Do you not know about what it was sold for? I am not particular within a cent or a half cent.

Mr. McCORMICK. Do you recall, Mr. Hathaway?

Mr. F. R. HATHAWAY. The Equalization Board drew a line of demarcation across the country. West of that line cane sugar was not permitted; east of it the market was supplied by cane sugar. That sugar went up to the price Mr. McCormick has suggested. The regulations of the Government provided the charge which the wholesaler and retailer might make.

Senator McCUMBER. Then he fixed a different price for beet sugar in the beet-sugar section and cane sugar in the eastern section.

Mr. HATHAWAY. Yes. During the time Mr. McCormick has stated the retailer was selling beet sugar throughout that district at about 14 or 15 cents a pound. At that time the Equalization Board called on the beet-sugar people to supply a certain amount of sugar for the territory east of Buffalo and Pittsburgh. You had run out of sugar down there. You were using foreign sugar. That raw-sugar price

could not be regulated under the United States statute. After it was brought in here the price the refiner might charge, the additional price which the refiner, wholesaler, and retailer might charge, could be regulated, but the price of the raw sugar could not be regulated. While the people in our good section of the country bought beet sugar at a retail price of 15 cents, you were paying 25 and 30 cents, because you were dealing with the foreigners.

You ran out of sugar. The Equalization Board called on us to supply you with sugar. I shipped most of that sugar myself. I furnished that sugar at 10½ cents. The Equalization Board took that sugar and made 1 cent a pound profit. They permitted me, when I sold it at 10½ cents, to make one-half cent a pound profit. They sold it at 1 cent a pound profit. It went to the wholesale grocer in your section of the country at 11½ cents. The wholesaler was charged with the distribution of that particular amount of sugar, and that sugar went at a correspondingly low price to the ultimate consumer; but the amount that could be spared to liquidate your condition in the east was very small.

I wish to assure you, sir, that after the beet sugar went off the market—and all of our sugar went into consumption by April—by that time the imported raw foreign sugar supplied the entire country, and the price of the imported sugar was about 23 cents. Then your price of refined sugar throughout the entire country was based on that 23 cents, or 23½ cents for the raw sugar.

Speaking of my own company, the largest manufacturer of sugar east of the Mississippi River, we sold no sugar at any time during Government control above the exact price they fixed. Our average price for the entire crop, during the period when the Cubans were getting 23½ cents and when American refiners were paying that price for the raw sugar, our average price was \$11.89 a hundred.

Senator McCUMBER. That covers my question quite thoroughly.

Senator CALDER. It is a fact that in the part of the country where I reside we did not get your sugar any cheaper than the Cuban sugar.

Mr. HATHAWAY. The sugar that was shipped into this section of the country went principally to Pittsburgh, the line of demarcation was a boundary line between Ohio and Pennsylvania, drawn by the Equalization Board. The sugar that was shipped by us went to two markets. One of them was Pittsburgh. In other words, the Equalization Board was relieving that portion of the territory nearest the boundary line with beet sugar. The second shipment went to Baltimore. That was reaching down to the South. The third shipment went into New England. We did not ship any direct to New York City.

Senator CALDER. I was quite sure we did not get any of it.

Mr. HATHAWAY. We did ship two or three carloads to Philadelphia.

Mr. FRANK C. LOWRY. I was a member of the Equalization Board. May I make a short statement?

Senator McCUMBER. If you desire.

Mr. LOWRY. The Equalization Board was going out of business on the 1st of January, and that crop of Cuban sugar did not come in until after that time. There was a shortage of sugar in the East, the Cuban crop having been used up. We called upon the beet-sugar people to try to let us have 100,000 tons that we could ship east of Pittsburgh and Buffalo. Up to that time the line had been drawn at

Pittsburgh and Buffalo. We wanted 100,000 tons to come east of there.

I think one point has been confused in your minds. Until January 1 the Equalization Board was handling all of the cane sugar used in the East and was selling it not at 22 cents but at 9 cents, the price fixed by the Government. This beet sugar brought into the eastern territory was brought in and sold at 10½ cents, higher than the price at which cane sugar was then selling, because the cane-sugar price of 9 cents was based on the cost of production and the price arranged for the Government for the whole crop.

The price of the beets was arrived at for the new crop, and it was a high cost, and I will tell you why it was high. After the 1st of January, when the Equalization Board did not control any longer, was when we had that debauch, and it was a debauch.

Senator SMOOR. They had control after the 1st of January. As far as our sugar was concerned they controlled it.

Mr. LOWRY. The fact was they tried to turn the Attorney General into a sugar man over night, and they could not do it. In the early part it was controlled, but not complete.

Senator SMOOR. It was complete as far as we were concerned. About the 1st of January the beet-sugar producers in the West had shipped out all of their sugar with the exception of enough to take care of their local trade. They had to keep that for the local trade.

Mr. LOWRY. Exactly.

Senator SMOOR. And that is what they did do, no matter what they got for it and no matter what conditions may thereafter exist; and the food control took the same position, that they were in duty bound to keep sugar, and did keep it, there in order to supply the local trade.

Mr. LOWRY. Exactly. It was after that that the price of Cuban sugar went up, and the Porto Rican and Hawaiian sugar went up in the same way, when the whole business went up from \$11.33 to \$22. That is another story.

Senator McCUMBER. Mr. Lowry's name is down as a witness, and we would like to complete the testimony of Mr. McCormick.

Mr. McCORMICK. I stated that in May, 1920, they put their price of raw sugar up to the unprecedented figure of 22½ cents per pound, f. o. b. New York. The wholesale price of that sugar, in refined form, f. o. b. New York, went to 26½ cents to the wholesale grocer, and by the time it got to the American housewife she was paying from 30 to 35 cents. As I stated, she was unable to secure an adequate supply even at that price.

Thus, the Cuban sugar manufacturer and the American investor in the Cuban sugar industry who sold their sugars at these extortionate prices reaped a golden harvest of profits beyond their wildest dreams. By their forcing sugar to these high prices they mulcted the American people out of \$588,000,000, a greater amount than the duty on all imported sugar coming into the United States at 2 cents per pound duty would amount to for the next seven years. Cuban raw sugar fixes the price of all sugars in the United States. It is not a question of comparing how much more they got out of their sugar in the United States than they would have gotten if they had sold at 6½ cents, but it is a question of comparing how much it cost the United States on account of their pushing up our prices on all the

raw sugars that were imported into the United States. We find that by forcing these prices higher, which they did, instead of our getting our supply from that country at 6½ cents a pound, it cost us something like, I think Mr. Lowry just stated, 11 cents.

Mr. LOWRY. Raw?

Mr. McCORMICK. Yes.

Mr. LOWRY. I said Cuban sugar sold at an average price of \$11.33.

Mr. McCORMICK. That has been figured up and that amounts to a matter of \$588,000,000 that the American people have been mulcted on account of boosting prices beyond all reason. It is a great amount. As I say, this \$588,000,000 is a greater amount than the duty on all imported sugar coming into the United States for seven years at 2 cents a pound. That was the cost in 1920 of this wild debauch—I am glad you gave me the word—of our friends from this great island who were here yesterday asking for assistance.

Supinely indifferent to the needs and welfare of the great American public, and feeling secure that they possessed all of the sugar available for our market, they held back in Cuba a large quantity of sugar for even higher prices. Under these conditions, and attracted by the mountain-high prices, sugars from every part of the world—Egypt, India, Germany, Czechoslovakia, China, Japan, in fact from 41 different countries—were rushed to the United States.

Senator SMOOT. Assisted in every way by the officials of the United States Government, in order to get it here and break those prices.

Mr. McCORMICK. Yes; to help save the people of the United States.

Here is an important point. While but 50,000 tons of such sugars, unnatural to our market, came here in 1919, 880,000 tons of this full-duty-paying sugar were brought into the United States in 1920. Here is a chart prepared by the American Sugar Refining Co., which shows where it came from and the amount. I will be pleased to leave that here.

While the owners of Cuban sugar thought they controlled the whole supply of sugar for this country, they had gone to sleep in their drunken debauch, if you please, to use Mr. Lowry's word. In the late summer they woke up and found that their market was being taken by sugars from other countries. They woke up, too, with a prod from their bankers, who told them to pay their loans, and they began to sell sugar. When they started to unload they found other sugars were flooding the market, and we find, for instance, a decline in these raw sugars from the high price of 22½ or 23½ cents in May to 4½ cents in December of the same year. That was the period when the beet-sugar manufacturers had to come in and market their sugar made in the fall of that year, and we had to market that sugar made from beets contracted for at a price based on the high price of sugar in January and February and March of the spring before.

If this 880,000 tons of raw sugars not natural to our market had not come into this country in 1920, and had Cuba taken advantage of her normal markets and offered her sugar at reasonable prices she would have no abnormal carry-over of sugar on her hands today; she would not now be in financial straits, but would be in a position to demand a fair price for her product.

Mark you, gentlemen, this was not a surplus of sugars of these other countries that came in here. I was in Germany not long ago,

and I could not get sugar on the table of the hotels at any of the smaller towns that I was in. They did not have it. They have no surplus of sugar in Germany, and yet Germany sent over here in that same year 14,000 tons of sugar. Why? They needed American gold worse than they needed German sugar. That is true of a lot of these other countries. There was no world's surplus dumped on us from the outside, as we well know.

I say, had Cuba been less greedy she would be in a position to demand a fair price for her product to-day. In her inordinate greed she pulled her house down on her own head and now comes screaming to the American Congress to extricate her from the débris.

This is the record of the sugar industry of a foreign nation from which we receive a large part of our sugar supply but which is beyond reach of the laws and regulations of our Government and indifferent to the necessities of our people.

Right here, gentlemen of the committee, I want to impress upon you that there is a clear distinction between Cuba as a country and the owners of the Cuban sugar industry. It is a well-known fact that the major part of the sugar industry of that island is owned and controlled by Americans, and the men who are now crying out for sympathy and assistance from the United States Congress are the very men who would not put a dollar into the development of the beet-sugar industry of the United States, which they argue is so profitable, but went over and invested their money in Cuba, where they could exploit the poor dark-skinned native laborer and make sugar for a trifle.

These are the same men who in 1920, when the domestic beet sugar was all sold out by the early months of the year, took advantage of the situation and advanced their prices outrageously to a point where sugar cost the consumer up to 30 cents a pound, thus profiteering on the people of the United States to the extent of hundreds of millions of dollars. Now, because we have in control at Washington the party that believes in protection to American industry and is assessing against foreign sugar a duty which is aimed to equalize the difference in the cost at home and abroad, we find these sucrose-Americans whose investments are in a foreign country, calling upon our Government for assistance for a foreign industry which, if granted, would exactly spell ruin to the domestic sugar industry.

To the judgment of this committee I submit, on the face of the experience of 1920, does America wish to maintain a sugar industry within the confines of our own territory and maintain competition or does she wish to be utterly dependent upon merciless foreigners for the supply of one of her greatest necessities of life.

America wishes to do no injustice to Cuba, and neither does she wish to destroy a great domestic agricultural industry. We believe that a safe solution of this problem rests with Congress.

The people of the United States consume approximately 4,000,000 tons of sugar annually. The domestic beet-sugar industry produces approximately 1,000,000 tons and the domestic cane and insular possessions produce another million tons. By reason of the high standard of living in this country and the consequent higher wages paid, the cost of such sugars preclude them from being marketed abroad in competition with tropical cane sugars. Since Cuba has a 20 per cent preferential in duty on sugars coming into the United

States, she naturally supplies the remaining 2,000,000 tons necessary to make up the total consumption of our people.

For all practical purposes, the foreign sugar costs that are necessary to consider are those in Cuba. The practical question is, therefore, to ascertain the cost of producing sugar in Cuba and the cost in the United States and to determine therefrom the necessary rate of duty to protect the domestic product. As the permanent tariff bill will not become effective for several months, the real question relates to the costs of production for the beet and cane seasons in the fall of 1921.

The United States Tariff Commission in their report, series No. 9, published in 1919, show on page 14 that in the year 1914 the average net cost of producing sugar for 45 Cuban factories was \$1.43½ per 100 pounds, and that the marketing cost, including freight, was 26½ cents per 100 pounds, making the factory cost of the sugar laid down in New York to be \$1.70 per 100 pounds.

I want to say that I have visited in Cuba some of the largest factories down there in 1916, and the manager of one of the large plants told me at his own dinner table that he could produce and sell at a good fair profit his raw sugar, f. o. b. vessel Cuba, at 2 cents a pound. I talked some 90 days ago to a gentleman in New York largely interested in the production of raw sugar. He said, "We will produce our sugar this year at 1½ cents." I want to call your attention to the fact that the reference in this table of the Tariff Commission goes back to 1913 and 1914. Since that time many mills, well equipped and modern, have been built in Cuba and are in operation, and to-day they are in a position to produce sugar much more economically than ever before and at a lower cost.

The price paid the colonos for cane depends upon the price of raw sugar. The lower the price for such sugar, the less the price paid for cane. Aside from the cost of cane, the principal cost of making sugar in Cuba is labor. The price paid for labor in Cuba to-day is less than in 1914, the date covered by the above-mentioned Government report. At present Cuban sugar manufacturers are paying from 40 cents to 60 cents per day for labor. On the best information we have, we are led to believe that Cuba will produce this year and sell at a profit at least 2,000,000 tons of sugar at \$2 per 100 pounds.

The cost of producing beet sugar in the United States is not difficult to determine. You have got it here in the Tariff Commission's Report during that period, before we had these high taxes, before we had these high railroad rates, before we had these high coal prices. Those things naturally can not be taken as a measure of our cost to-day. I have stated before the committee that the average cost to-day is \$5.05 per hundred, from 16 of the largest producing companies in the United States, and \$6 per 100 in the East. I want to admit that we believe we can produce sugar cheaper than that next year, but since this industry is substantially and primarily an agricultural industry the first item of cost which we must take into consideration in the manufacture of beet sugar is the price which we must pay our farmers for their beets. You can take the record of this commission and see for several years that one thing stands out just like a guidepost; that is, that the amount of money which we pay the farmers for sugar beets constitutes 55 per cent of the

average of our cost of producing sugar. The farmer gets 55 cents out of every dollar it costs us to make sugar. We know, and I don't believe any man will deny it, that if we are to obtain a sufficient supply of sugar beets to operate these factories we must pay the farmers of the United States at least \$6 per ton for the beets. No man will argue to the contrary. You can ask farm organizations or anybody else you care to ask, and you will undoubtedly get the same answer.

Taking as our basis \$6 per ton to the farmer, that represents 55 per cent of our cost. We follow that through and find that if \$6 is 55 per cent of the cost of the 233 pounds of extractable sugar we obtain per ton of beets paid for the sugar will cost us \$4.68 per 100 pounds. In order for the sugar companies to pay the \$6 it is absolutely necessary that we should get 5 cents a pound net for our sugar, and God knows the difference between \$4.68 and \$5 is not an exorbitant profit.

I am giving you these figures for the purpose of making you realize how we are to determine the amount of tariff which should be assessed against Cuban sugar coming into the United States.

Senator DILLINGHAM. Will you repeat the statement made about the amount of sugar consumed in the United States annually?

Mr. McCORMICK. About four million tons.

Senator DILLINGHAM. And Cuba is capable of furnishing one-half of that?

Mr. McCORMICK. Cuba, for the last two years, has been producing about four million tons, or enough to supply our total consumption and drive the domestic sugar industry out of business.

Senator CALDER. Where has Cuba been sending her sugar other than what has been brought here?

Mr. McCORMICK. It has been going to European countries. I haven't a list of the countries. The world's markets are open to her, Senator.

I have stated that it is necessary that the beet-sugar companies receive 5 cents a pound in order to pay the farmers \$6 a ton for their beets. That would mean that cane sugar would be quoted at \$5.20. Take granulated sugar at \$5.20, f. o. b. New York. There is a differential of 20 cents a hundred at which beet sugar is sold below the cane granulated.

Now, in order to reach the \$5.20 net price for granulated sugar f. o. b. New York, I am going to start with the present quotation on Cuban raw sugar, namely, \$2 per 100 pounds, January-March shipment, which is the same as \$2.20 in bond price, c. i. f. New York. Add \$1 as the refiners' margin between raws and refined and we have \$3.20 as the duty-free New York price for granulated sugar. Subtract this \$3.20 from the \$5.20 New York cane price which must be maintained to enable the beet-sugar producer to secure \$5 per 100 pounds for his product, and we have \$2 as the required duty per 100 pounds to be levied against Cuban sugar.

It is interesting to observe that this same conclusion is reached if, starting with a \$6 per ton price for beets, we determine the cost of production of beet sugar in this country and allow the manufacturer a fair return on his investment. We find that we must sell his product at \$5 per 100 pounds net cash, and to enable him to do this it is necessary to maintain a \$2 duty against Cuba.

We base our determination as to the cost of producing beet sugar on the well-established fact that the price paid the farmers for beets constitutes 55 per cent of the cost of the sugar.

Using this as a basis, the formula works out as follows: \$6 per ton of beets equals 55 per cent of the cost of producing the 233 pounds of extractable sugar from each ton of beets paid for. Therefore, 100 per cent of such cost is \$6 divided by 55 per cent, or \$10.90. Divide \$10.90 by 233 and we have \$4.68 as the cost of producing 100 pounds of beet sugar when paying \$6 per ton for beets. If this is sold at \$5 per 100 pounds, it leaves a profit of 32 cents per 100 pounds, certainly a modest margin.

On the basis of 2,000,000 tons Cuban crop, the net cost of Cuban raws, including a fair profit, is \$2 per 100 pounds, f. o. b. Cuba. Add 20 cents for transportation and insurance to New York and \$1 per 100 as the refiners' margin and \$2 for duty, we have \$5.20 per 100 pounds net cash, which will leave the Cuban planter 25 cents per 100 pounds profit.

This makes the Cuban's profit 25 cents per 100 pounds on an output of 2,000,000 tons against a domestic beet-sugar manufacturer's profit of 32 cents per 100 pounds, with sugar selling on a New York cane net quotation basis of \$5.20 per 100, which is equivalent to a \$5 net beet quotation.

I want to say in closing, Mr. Chairman, as a representative of, not the biggest producers of beet sugar in this country, but as a representative, if you please, of what we might call the modest average-size company, that \$2 per 100 pounds under the conditions that Cuba can make sugar, and under the conditions under which we must make sugar, is the irreducible minimum necessary to enable us to continue in business?

STATEMENT OF F. R. HATHAWAY, DETROIT, MICH., SECRETARY-TREASURER OF THE MICHIGAN SUGAR CO.

The CHAIRMAN. State your full name for the information of the committee.

Mr. HATHAWAY. F. R. Hathaway.

The CHAIRMAN. And your residence?

Mr. HATHAWAY. Detroit, Mich.

The CHAIRMAN. And your occupation, Mr. Hathaway?

Mr. HATHAWAY. Manufacturer of beet sugar; secretary-treasurer of the Michigan Sugar Co.

The CHAIRMAN. Will you proceed in your own way to state your views to the committee?

Mr. HATHAWAY. The beet-sugar question, as it relates to the sugar schedule in the present tariff bill, is entirely different from the question as it has related in times past to the sugar schedule in any tariff bill that has ever been discussed in Congress.

Starting with 1890, when we had a production of simply twenty to thirty thousand tons of domestic sugar, which production was not considered sufficient to justify a protective tariff, the father of the bill of 1890 substituted a bounty in place of a protective tariff. From that time on all of the tariff bills have contained a protective feature with reference to sugar. One of them has contained an ad valorem tariff; the others have all contained specific tariffs, the

avowed purposes of all of which, except one—that of 1894—being, in a measure, protection to the domestic industry.

In the consideration of all these tariffs prior to this time we have always been confronted with a condition in which the output of duty-free sugar, plus Cuban sugar, was not sufficient to meet the needs of the United States. Now, for the first time in the history of the United States, we are confronted with an entirely different proposition. Cuba is producing approximately 4,000,000 tons of sugar. The duty-free sugar of continental United States and its insular possessions amounts to 2,000,000 tons, so that the combined output is, therefore, about 6,000,000 tons, of which amount only 4,000,000 tons can be consumed in the United States. This, I say, is an entirely different situation from any that has arisen before in the consideration of the sugar schedule of the tariff bill.

Senator DILLINGHAM. In the 2,000,000 you include beet sugar?

Mr. HATHAWAY. Yes, sir.

The present situation in the sugar industry has been developing since September 23, 1919, when the United States Government relinquished its control of all foreign sugar by advising the American refiners on that date that they were free to buy their raw sugar in the markets of the world. (It subsequently relinquished the control of domestic sugar on August 26, 1920, thus exercising direct control over domestic sugar for 11 months after it ceased control of foreign sugar. It was during that period of 11 months that the extreme high prices prevailed, which high prices applied exclusively to foreign sugar.)

During the period of 15 months which has elapsed since the Government relinquished the control of foreign sugar there has been accumulated a surplus of 1,200,000 tons of Cuban sugar, and nearly as great an amount of domestic sugar. It is this surplus which has utterly demoralized the sugar markets of the world. It must be remembered that the total consumption of sugar in the United States for several years to come can not be more than 4,500,000 tons. If Cuba continues to produce 4,000,000 tons of sugar and the United States to produce 2,000,000 annually, all of which finds a preferential market in the United States, there is bound to be a surplus. You can not put 6,000,000 tons of sugar into a 4,000,000-ton market without utter demoralization. In the midst of that demoralization the cheapest sugar will inevitably supplant the most expensive. In this warfare the sugar of continental United States will be the first to be supplanted. Then the sugar of Porto Rico, Hawaii, and the Philippines will be supplanted. Cuban sugar, because it is the cheapest sugar in the world, will survive. The domestic sugar industry of the continental United States and its insular possessions will be destroyed. The only remedy is a protective tariff which will equalize the cost of production between Cuban sugar and the sugar of continental United States. Keep constantly before you the fact that heretofore, in framing any sugar schedule, it has been possible for the United States to absorb the entire Cuban and domestic crop. This can no longer be done.

We have had 15 months of active competition with the following results: We now have a carry over of 1,200,000 tons of Cuban sugar and a large carry over of domestic sugar; one-third of the entire

capital of the domestic beet-sugar industry has been wiped out; practically one-half of the Louisiana cane industry is on the verge of bankruptcy, and there is complete demoralization of the Cuban sugar industry, with threatened revolution and intervention. Congress must realize this situation and must make such provision in the permanent tariff bill that will prevent our markets from being glutted with the Cuban and domestic product. Congress must decide upon one of two things—viz, whether this domestic market shall be given over to Cuba or whether the United States shall continue to consume the sugar produced in continental United States and its insular possessions and purchase the remainder of its needs from Cuba. Personally I do not believe that Congress will ever permit the passage of legislation which will make it impossible to produce in continental United States at least a war ration of sugar. The experience of this country, and of the world at large, during the last war fully justifies the enactment of fiscal legislation which will guarantee the production within continental United States of at least a full war ration of sugar.

Permit me to call your attention to the fact that a high protective tariff can not work to the disadvantage of Cuba except in one particular. As long as Cuba holds the advantages of a reciprocity treaty with the United States, the 20 per cent concession gives her better protection in the United States market under a high tariff than under a low tariff. Twenty per cent of a \$2.50 tariff gives her 50 cents protection against full duty paying sugars, whereas 20 per cent of \$1.25 tariff gives her only 25 cents protection against such sugars. The only sugar against which she is not better protected under a high tariff than a low tariff is our domestic product. Any attempt on Cuba's part to lower our sugar tariff is a direct blow aimed at our domestic product.

I have but one other point to bring to your attention, and I hope I may impress you with its importance.

The minimum price at which we can buy beets is \$6 per ton. That was the price in the United States in 1916 and in 1917. Back as far as 1912 we paid \$5.65 a ton for beets. In view of the increased cost of agricultural production, it is not reasonable to ask the American farmer to raise beets for less than \$6 per ton. Whether it is reasonable or not, he will not do it in sufficient quantities to keep our beet-sugar factories in operation. To put these factories in such a position that they can not pay \$6 per ton for beets is a direct blow at the American farmer.

The Government figures show that the maximum extraction of sugar in the United States is 240 pounds per ton of beets. A more correct interpretation was given by the gentleman who spoke this forenoon, who set the figure at 233 pounds. But use the Government figure of 240 pounds, and we find that on this basis the factories are paying the farmer \$2.50 per 100 pounds for the extractable sugar in the beets. Remember that this \$2.50 per 100 pounds represents the price paid by the beet-sugar factories in the United States to the farmer for the extractable sugar and does not include the cost of securing the acreage, the transportation expenses, the cost of manufacture, taxes, insurance, or any of the other expenses in connection with the manufacture of beet sugar in this country. It is simply

the amount the factory pays the farmer for his beets delivered at the railroad station.

There is a world of evidence to show that the Cubans can lay raw sugar down in New York with a fair profit at \$2 per 100 pounds. This has been the ruling price for some time. We pay the American farmer \$2.50 per 100 pounds before beginning the cost of manufacture. That in itself carries all the evidence necessary to demonstrate the necessity for a protective tariff. If we do not have it, these 4,000,000 tons made in Cuba will be sold in the United States, and they will be sold here to the exclusion of sugar made in the continental United States and its insular possessions. That is the whole question in a nutshell.

It is for you to decide the one question whether these 4,000,000 tons which we annually consume in the United States shall be made up of 2,000,000 tons which we are raising in the United States and 2,000,000 tons imported from Cuba, or whether it is going to be made up of 4,000,000 tons made in Cuba and none manufactured in the United States.

Senator DILLINGHAM. Are you acquainted with the facts relative to the cost of production in Cuba and in the Hawaiian Islands?

Mr. HATHAWAY. No; I can not answer that question. There are gentlemen here from Hawaii who can answer that question much better than I can.

I think that is about all I have to say on this question.

Senator DILLINGHAM. We thank you.

STATEMENT OF O. C. HAMLIN, REPRESENTING THE UNITED STATES SUGAR MANUFACTURERS' ASSOCIATION.

Senator McCUMBER. Will you state to the committee your views on the tariff duties involved?

Mr. HAMLIN. Mr. Chairman and gentlemen of the committee, I shall occupy but a very few minutes of your time. Indeed, I feel almost like apologizing for occupying any of it.

This question seems to have been very thoroughly covered by the gentlemen who have preceded me, and in view of what has already been said about the beet-sugar industry I shall trespass as little as possible on your valuable time.

There are one or two matters which have been brought out in the discussion of this question, particularly on yesterday, that I would like to call to your attention.

In the first place, I want to say that I can hardly believe that the propaganda—I do not use the term in an offensive sense—which has been going on for a 1-cent duty on Cuban sugar is fair. I do not object to propaganda so long as it is confined to the truth. I do object to the character of propaganda that was put out here yesterday with reference to labor in the beet fields of our State. It is the same in beet fields and on any farm. I agree very thoroughly with what Senator McCumber said yesterday, that perhaps our young men are better off if they have some employment. I might add that the Government of the United States, in connection with the beet-sugar industry, has recognized this fact to the extent that boys are sent from the Indian schools to the beet fields, under proper

supervision, to help in that work. It is always careful to see that they are back in school at the proper time.

This propaganda is not new. It started some 12 years ago. At that time it was not propaganda for a 1-cent duty; it was propaganda for free sugar. At that time it was not conducted by the Committee on Cuban Emergency; it was conducted as a mythical committee of wholesale grocers pretending to be interested in the American consumer. But it has had but one purpose, and that purpose you will be able to judge of for yourselves if you will take the trouble to read the hearings before the Hardwick committee. You will find that the committee was organized and financed, as I believe this one is, by two or three men. They are the same men who not only put out the propaganda of 1911 but who made good on it by having free sugar written into the Underwood bill.

Most of the questions that have been asked here have been answered, I find by the notations which I have made, so that I shall not repeat them.

In considering the sugar situation in Cuba, I am reminded of the epigram of William Allen White, which appeared many years ago in an editorial that has become famous. The editorial was headed "What is the matter with Kansas?" and in it said that Kansas had started out to raise hell and was suffering from overproduction.

That is the whole question involved in this proposition to-day. We are confronted with tremendous overproduction in Cuba, which has, which will, and which must supply half of our sugar. It is now producing a quantity sufficient to supply all of our requirements. There must be a contraction of the production of sugar so that supply and demand will be, to some degree, balanced; and until that condition comes about there can be no stability in the industry. So the main question which will confront this committee is as to whether that contraction is to come by the elimination of the beet-sugar business in the West and the cane-sugar business of Texas, Louisiana, and Florida, and by the elimination, perhaps—I can not tell because I do not know their costs of production—of the industry in the Philippine and Hawaiian Islands, or whether Cuba shall go back to the prewar basis under which she has prospered and will prosper in the future. I do not think any of us want to injure Cuba; on the other hand, we do not want them to eliminate us.

Senator DILLINGHAM. If we were to eliminate the production of beet sugar here and destroy the industry, what will be the effect with respect to Cuba?

Mr. HAMLIN. I was coming to that. I had that in mind. I wanted to put the question of what the result would be.

Since the beet-sugar business has developed, the United States has enjoyed the cheapest sugar in the world. I think that is practically and literally true, and I do not believe that even Germany would be an exception. There would be an exception in the case of prewar Germany, when she produced a large surplus supply of sugar for exportation. I believe that this supply that we produce here has been the greatest stabilizer of prices of sugar in the United States; and I believe that the greatest calamity that could befall the American consumer would be to have this industry destroyed.

We have heard gentlemen here several times mention the fact that there were certain people who sharpened their pencils on both ends.

When the time comes, as I do not believe it will, that a few gentlemen seated around a table in Cuba can sharpen their pencils at both ends and make the price of sugar because they have a monopoly of it, I believe the American consumer will be the chief sufferer. I think that is amply shown by the fact that that condition arose in 1911 and again in 1920, when sugar, after the beet supply was largely out, rose to the stupendous price of 35 cents a pound.

I should not mention this fact had it not been brought out yesterday. It has a direct bearing on the question you asked as to making a price on sugar in 1920, when the Louisiana price was fixed at 17 cents and the price of beet sugar fixed, first, at 10.5, then 11 cents, and, finally, 12 cents. I do not believe that Louisiana that year got too much for her sugar, and the fact is that if Cuba had been content to market her sugar at that time and at that price she could have marketed every pound of sugar which she had, and those 800,000 tons of full duty paid sugar which came from 44 countries, some of which rationed their own people on sugar in order that they might exchange their surplus for American dollars, would have been kept out. Cuba, however, was holding back her sugar and has banked up the supply which is hanging over the market to-day and threatens to ruin the industry.

The Cuban people and the Cuban Government are in a deplorable condition. If Cuba had marketed her sugar at the price which she could have received—17 cents per pound—she would have received for her crop the sum of \$238,000,000, which would have saved the entire industrial and, I might say, the governmental situation.

If the time comes, as I said before, when this domestic industry is eliminated and a few men in Cuba, unrestrained by our antitrust laws, unrestrained by our Federal Trade Commission, unrestrained by our laws and statutes, can sit down and name an arbitrary price that the American public shall pay for its sugar, then indeed a calamity to the consumer will follow.

Gentlemen, these very questions have been pretty thoroughly covered. However, a novel argument was advanced to the effect that American capital having gone into Cuba it should be protected. The theory of protection of American capital in a foreign country which was advanced was novel to me. I believe that American capital in a foreign country should be protected. My idea of protection to such capital is to see that it shall not be destroyed, that it shall not be discriminated against; but to say that domestic capital invested in a foreign country shall be protected to the extent of throwing our markets open to that which it produces is at least contrary to the Republican idea of protection of American industries.

Gentlemen, I believe there is only one other matter to which I wish to refer. Senator Dillingham asked a question, a very pertinent question, this morning. I do not think that it was fairly answered. It appeared from the testimony that was offered here that Cuba was producing 4,000,000 tons of sugar, or enough to meet all the demands of the United States. For some reason or other, whenever that statement was mentioned on yesterday by what I will call our opponents they put the figure at four and a half million tons. As a matter of fact, during but one year has our consumption reached 4,000,000 tons.

You asked, too, as to where this surplus would go. That is the crux of the whole question. So far as this committee is concerned,

it has not gone. A million and a quarter of it is in the storehouse in Cuba to-day, in hock to the New York brokers. That is the sugar that threatens our market, not controlled by the cost of production, and not controlled by anything. It is the property of an insolvent debtor in the hands of the creditor, and if he sees fit to liquidate his debt it can spell nothing to us but ruin.

Finally, I wish to call your attention to this matter. I must say that I feel like apologizing for calling your attention to it, because I know it is a matter with which you are dealing at all times and with which you are much more familiar than I am. That matter is the value of our trade with Cuba. I do not underestimate it. Our foreign trade with Cuba is valuable. We want to stimulate it; we want to encourage it. But the figures that have been presented to you here are completely and entirely misleading.

Speaking of propaganda, I had before me, as it came across the editorial desk of a little newspaper that I publish in the West, the brief that Mr. Atkins read to this committee on yesterday, in which he gave our exports to Cuba for the calendar year 1920.

Senator WALSH. I think he submitted a table.

Mr. HAMLIN. Yes; the table is here and is undoubtedly correct. It showed that our export trade during that year to Cuba was somewhat over \$500,000,000. During the course of the presentation, Senator McCumber, I believe, asked if that had not fallen off considerably since the unfortunate depression in Cuba. The answer to that is that for the calendar year ending June 30, 1921—

Senator WALSH. You mean the fiscal year, do you not?

Mr. HAMLIN. Yes; the fiscal year. I thank you, sir. It was a little over \$400,000,000. That also is a stupendous figure; but, gentlemen, there are a few things that we must bear in mind in connection with that. In the first place, those exportations were at a time when the cost of everything was at the peak. In the second place, the greater portion of those exportations was at a time when Cuba at least thought that she had reached the extreme pinnacle of prosperity and was buying almost indiscriminately. I am not saying this in a critical sense, because our people did very much the same thing. So, taking those factors into account, it would materially reduce these figures under normal conditions.

I will say, further, that for the year 1915—and I am not sure whether this was the fiscal year or the calendar year, but it was the first normal year that I have been able to get figures on—our exports were \$75,000,000. It is a large figure. It is a fine trade. It is a trade that should be encouraged and stimulated, so far as we can encourage and stimulate it without the destruction of a great domestic industry. I venture to say that it will not be disputed that that figure is much more near normal than the figure of \$500,000,000 which has been presented to this committee. Indeed, I can say that I think from some little investigation of the subject that it is a fair estimate of our export trade to Cuba in normal times.

Bear this point also in mind. If Cuba's whole 4,000,000 tons of sugar were sold at 2 cents a pound—let us say 3 cents a pound, which would give a tremendous profit, since 3 cents a pound would amount to \$60 a ton—taking the abnormal production of 4,000,000 tons, it would amount to \$240,000,000. That is not their net profit; that is the gross price. To say that a nation whose one product—90 per

cent—represents but \$240,000,000 on double the amount they ought to produce, at a price which would give an abnormal profit, has a buying capacity of \$500,000,000 is absolutely absurd.

Valuable as the trade of Cuba is, our trade is certainly valuable to her.

In closing I wish to call your attention to the fact that 17 years prior to the reciprocity treaty with Cuba the balance of trade with that island against us was \$538,000,000 plus. For the 17 years following the reciprocity treaty the balance of trade against us was \$1,298,000,000 plus. So, while \$75,000,000 represents a valuable trade and makes Cuba a valuable customer, I should say that the United States, with its 100,000,000 people, is a valuable customer of Cuba's. This is especially true when it is considered that there is a 20 per cent reduction for her benefit in our tariff, which gives her a complete monopoly as against the world on every pound of duty-paid sugar which we consume. Brought down to its essence, Cuba and the United States can both prosper under laws that will permit us to produce half of our sugar and Cuba the other half; but, candidly, in my opinion, there is only one answer, one solution, to this problem, and that is such legislation by the Congress of the United States as will cause Cuba to regulate her production of sugar to the 50 per cent that we can consume plus that for which she can find a foreign market.

I thank you very much.

Senator WALSH. Senator Dillingham, it may be in the record already, but I would like to know how much of the sugar that we consume comes from the Philippine Islands; how much comes from the Hawaiian Islands; how much comes from Louisiana; how much beet sugar comes from this country; how much beet sugar comes from Canada; and then how much is exported from other places.

Mr. HAMLIN. I think I can give you the figures very closely. These are rough figures. The quantitative sugar situation is easily analyzed.

We produce in the continental United States and our insular possessions 50 per cent of our supply.

Senator WALSH. That is, of both beet and cane?

Mr. HAMLIN. I will put it in a little different way. We produce from the beets 25 per cent of our domestic consumption.

Senator WALSH. In the continental United States?

Mr. HAMLIN. In the continental United States. We produce from the cane in the continental United States and our insular possessions another 25 per cent. That leaves—if I am mistaken in my figures some of the gentlemen in the audience can correct me—50 per cent of duty-paid sugar which we must have.

Senator WALSH. Does some come from Canada?

Mr. HAMLIN. If so, it is a small quantity.

Senator WALSH. The rest comes from Cuba, does it?

Mr. HAMLIN. Yes. As to cane production, Louisiana has varied very much. It was reduced when we were confronted with free sugar, as we were. You will understand that in 1915 and, indeed, in 1914, because we were looking forward to the 1915 crop, we approached free sugar with a great deal of apprehension, and Louisiana cut its production considerably. But I should say it would amount to about 200,000 tons.

Senator WALSH. What is the percentage?

Mr. HAMLIN. That is 200,000 tons out of 4,000,000—25 per cent would be a million tons.

Senator WALSH. Of the cane?

Mr. HAMLIN. Of the cane.

Senator WALSH. How much comes from the Hawaiian Islands?

Mr. HAMLIN. About 600,000 tons.

Senator WALSH. That is 15 per cent?

Mr. HAMLIN. Yes.

Senator WALSH. How much from the Philippines?

Mr. HAMLIN. I should say something under 100,000 tons.

Senator WALSH. Five per cent.

Mr. HAMLIN. Two and one-half per cent. In Florida the cane business is in its infancy. It is not large, although a sugar mill is being built there. The production in Texas is not large.

Senator WALSH. I thank you very much.

Senator GOODING. What chance is there for the beet growers and the cane growers to increase the production of sugar under the conditions existing at the present time?

Mr. HAMLIN. Senator, I shall be very glad to answer that question if I can. What I am about to say may not conform wholly with what my friends in the beet-sugar industry may believe. My opinion is that we can increase it so that we can supply the entire demand, but it is my candid opinion, Senator, that to do that we would have to hothouse the industry to a great extent in the less favorable localities and it would require a higher rate of duty than the American people would stand for or than they ought to pay. My opinion is that while the beet-sugar industry, for instance, in your State and in other States will increase, the ratio, due to increased consumption which we will have, will probably maintain about the proportion that I have suggested. That is my individual opinion.

Senator GOODING. We have to realize, of course, that some of the States in this country have not even commenced to develop that.

Mr. HAMLIN. My idea of that is that the arid States, as you well know, being from Idaho, will be able to develop the industry. In those places where you are bringing in new irrigation projects the beet-sugar business is going to thrive. My expectation is that if we get an adequate tariff they will manufacture at a reasonable cost, and that will help settle this market and insure sugar to the consumer at a reasonable price. My hope is that we may have a logical and reasonable development of the beet-sugar industry and that our increased consumption will take care of that increased supply. I do think that the beet-sugar industry is destined to increase.

STATEMENT OF HENRY T. OXNARD, REPRESENTING THE UNITED STATES SUGAR MANUFACTURERS' ASSOCIATION.

Mr. OXNARD. Mr. Chairman and gentlemen of the committee, I do not propose to take up the time of the committee going over ground which has been so thoroughly covered on this subject, but I shall merely insert a short brief, which I ask be made a part of the record. This is done at the request of the president of the United States Sugar Manufacturers' Association.

Senator McCUMBER. That will be done.

(The brief is as follows:)

In reference to paragraph 502 of the proposed tariff schedule, which provides for the importation of double the amount of sugar domestically manufactured at three-fourths the regular rate of duty imposed on other sugars.

I believe that such a provision would be class legislation and also would be abortive so far as any permanent good to any portion of the domestic sugar industry is concerned.

It would be class legislation for the reason that because of geographical location and prohibitive freight rates there would be no possibility of the great bulk of the domestic producers, especially of beet sugar, availing themselves of any of the benefits of this provision. Most of the beet-sugar factories are in the far West. With the exception of a few factories in Michigan, none of the American beet-sugar factories are near enough to the coast or to the Great Lakes to be able to import and refine foreign sugar.

More than 75 per cent of the beet sugar in the United States is produced in territory west of the Mississippi Valley where the population is restricted. The population in that territory can not consume the sugar produced there to-day, and over one-third of this sugar has to find a market east at a freight rate averaging about one-half cent a pound in order to reach the markets of great consumption. It is evident that no foreign raw sugar can be transported there to be refined and pay freight each way. If this paragraph were in force it would allow those few who could avail themselves of it the opportunity of lowering the market of the western beet-sugar surplus to the extent of the proposed rebate of 25 per cent or force them to restrict their present production. The practical result would be a lowering of the entire benefit of the tariff by 25 per cent of the proposed rate to the western beet-sugar surplus. As a matter of fact, the only real beneficiary of this paragraph would be the American Sugar Refining Co., who operate a very large refinery in Louisiana.

As regards the Louisiana cane-sugar industry, while a slight temporary gain might be made in the price of raw sugar sold by producers to local refineries, because the purchase of such sugars would enable the refineries to import double the amount of foreign sugar at the reduced rate of duty, any slight immediate benefit would be more than offset by the harm which would come in the end.

The influence of such a measure on the beet-sugar industry could not help be positively detrimental, for the reason that if a quantity of foreign sugar be admitted at a lower rate of duty the refiners of that sugar, be they simply refiners or be they producers as well, will be enabled to make a lower price to Mississippi and Missouri River points, which are the main markets for western beet sugar, and even though the quantity be small it would carry down the price of all other sugars reaching these markets. If 50,000 tons of such duty preferred sugars were being marketed at lower prices at these points during the time that a half a million tons of beet sugar were being marketed, the whole 500,000 tons would have to be sold at the lower price made possible by the reduced rate of duty on the 50,000 tons of foreign sugar, and the direct loss on the 500,000 tons would run into many millions of dollars. The tendency of the Michigan output of such sugars also would be to depress the price of all sugars marketed in the same territory.

The present and proposed rate of duty on Cuban sugars is \$1.60 per 100 pounds. This article provides for a reduction of one-fourth that rate, or 40 cents per 100 pounds. If the refiners of sugars, without loss to themselves, elected to pass this 40 cents on to the jobbers, to effect the sale of any other sugars this price would have to be met, and this would mean an annual loss of \$4,000,000 on 500,000 tons. By skillfully manipulating the distribution of this 50,000 tons of reduced-duty sugars, it might be made to affect the price of even a greater amount than 500,000 tons of domestic beet sugar.

From every viewpoint the effect of the adoption of paragraph 502 would be detrimental to both the domestic beet and the domestic cane-sugar industries, and hence, speaking for a majority of the beet-sugar producers who have requested me to appear in their behalf in opposition to the adoption of this paragraph, I say that the domestic beet-sugar industry is practically opposed to the incorporation of paragraph 502 in the proposed tariff bill.

**STATEMENT OF A. E. CARLTON, COLORADO SPRINGS, COLO.,
PRESIDENT OF THE HOLLY SUGAR CORPORATION.**

Senator McCUMBER. What is your residence, Mr. Carlton?

Mr. CARLTON. Colorado Springs, Colo. I am president of the Holly Sugar Co. The Holly Sugar Co. stands sixth in production in the domestic beet industry, producing 1,000,000 bags, or one-twentieth of the beet sugar produced.

Senator McCUMBER. Where are you located?

Mr. CARLTON. We have one factory in Wyoming, two in Colorado, and three in California. We represent about the average-cost producer in the industry. We are neither the high-cost nor the low-cost producer. We represent about the average condition.

There are two things essential in the beet-sugar industry: One is beets and the other is the money to run your plant. Under the sliding-scale contract which we have, a copy of which I should like to put in the record, we have paid this year to the farmer so little that he is bankrupt.

Senator WALSH. May I ask if there is any one here representing the farmers?

Senator McCUMBER. Only the manufacturers.

Senator WALSH. There are no agriculturists?

Senator McCUMBER. No.

Mr. CARLTON. The beets produced under that contract averaged 14 per cent in sugar. You will notice by following that column down at 5 cents per pound, the minimum price, which is above the price netted this year by our company, we pay the farmer \$5.13 per ton. The result has been that the farmers this year have suffered the same experience as the factories. They have had tremendous losses in money. They have not been able to obtain for their beets the amount of cash paid out for labor.

Senator WALSH. How many tons are there to the acre?

Mr. CARLTON. About eight tons in this locality. I think that is a fair average for the United States. I should say eight or nine tons to the acre.

The farmer is the most important part of this thing, and this is the one product of all that the farmer produces that can be protected by the tariff. We produce less sugar than we consume, and you can provide a tariff that will give the farmer a decent price for his beets.

Senator McCUMBER. These are all raised on irrigated lands, are they not?

Mr. CARLTON. Yes; in this particular country. In Oregon, of course, it is different, and also in Ohio.

The question of finance is a very important one from the factory standpoint. Last year the beet-sugar business of the United States lost in the neighborhood of \$60,000,000. Our company's losses were very heavy. This year our losses, based on to-day's market for sugar, will be approximately \$1,000,000. It resolves itself into a question as to how long the beet business may be willing to go along under these conditions. As a matter of fact, the Holly Sugar Corporation will not be able to contract with the farmers for beets this coming year unless the situation is changed very soon. I am speaking now of the 2-cent raw sugars which fix the price for refined sugar. My own opinion is that, due to forced sale of bank collateral, the raw sugar will sell in the next 30 days for 1 cent a pound, and that for six months it will sell below the cost of the lowest producer.

There is another thought that I should like to present, and that is this, that if the beet-sugar industry is to survive the decrease in Cuba will require a period of four or five years, at least. It is always so after a war. Prices drag along on the bottom from five to seven years.

If it is the purpose of Congress to continue this domestic industry, we should provide, not a temporary tariff, but a permanent tariff, that will cover this readjustment period in Cuba, and that will not be quickly done. It will require, as I have said, from five to seven years.

As to the amount of duty, representing as I do the average-cost producer, I can only say what I said at the hearings before the Ways and Means Committee in January, and that is that we require a duty against Cuba of 2.4 cents. That would result, with a cost of 2 cents raw, and a refining charge of 1 cent, in a price of 5.45 for refined sugar in New York. From this price must be deducted the freight disability of 50 cents a bag to all companies located west of the Missouri River. Our big market is Chicago, and we are under a handicap on an average of 50 cents per bag to the companies located in Colorado, Idaho, Utah, and California. Even with a duty of \$2.40 on Cuba, the net to our beet factories would be \$4.90. Under this the price to the farmer would be very low and the profit to the factory would be practically nothing.

We do not expect, and are not asking, a profit for the beet-sugar factories during this period. We will be glad to live. As it is to-day, we are broke. Our working capital has been exhausted and the beet-sugar factories that the Holly company owns will be piles of junk next year. We do not care to undertake to make a contract.

Senator WALSH. Did the emergency tariff give you relief?

Mr. CARLTON. Yes; it lessened the loss 60 cents per bag.

Senator WALSH. It succeeded in keeping out some Cuban sugar, did it not?

Mr. CARLTON. No. The Cuban sugar has been choking us.

Senator WALSH. It did not keep out competition altogether, but it kept your losses down?

Mr. CARLTON. Yes. If we had had 80 cents this year, our losses would have been practically nothing.

Senator McCUMBER. You would have broken even, would you?

Mr. CARLTON. The Holly company would have lost approximately 20 cents a bag.

Senator GOODING. I would like to ask if you are getting any relief from the War Finance Corporation.

Mr. CARLTON. I am glad you mentioned that. The beet-sugar factories, such as the one I represent, would have been unable to function and treat the beets that they contracted for had it not been for Congress providing for the War Finance Corporation. The banks, of course, would not finance us. They know the industry is losing money and they are already stuck.

Senator McCUMBER. Were you financed directly by the War Finance Corporation, or through the banks?

Mr. CARLTON. They financed us under section 24 of the bill. They financed the Holly Sugar Corporation because we advanced money directly to the farmers. The other companies formed an intermediary finance corporation and borrowed their money from the finance corporation, which in turn rediscounted the paper with the War Finance Corporation.

Senator GOODING. I might say that is the condition of our beet-sugar factories in Idaho. Without the War Finance Corporation I doubt if any of our factories would have harvested their crop at all.

The industry would have been at a standstill. That is the condition with us.

Mr. CARLTON. The unfortunate thing is that the contracting season is at hand. We have to begin to contract in March. It seems a pity that we can not take that product from the farmer. That is about the only product we can. If there were one cash crop we could make available to him, it would be very helpful.

HAWAIIAN SUGAR.

[Paragraph 501.]

STATEMENT OF ROYAL D. MEAD, HONOLULU, REPRESENTING HAWAIIAN SUGAR PLANTERS' ASSOCIATION.

Mr. MEAD. Mr. Chairman, my name is Royal D. Mead. My home is at Honolulu, Hawaii.

I would like to offer a brief on behalf of the Hawaiian Sugar Planters, asking for such a tariff on sugar as will equalize the cost of production between the domestic industry and Cuba.

Senator McCUMBER. Very well. You may file the brief.

Mr. MEAD. There is one statement that I should like to call attention to. It is a statement made by the principal speaker for the Cuban interests. He said that the Hawaiian planters are petitioning Congress for permission to import a large number of Chinese laborers to cheapen their production. The gentleman was mistaken. We have in Hawaii a very acute situation, not only from an industrial but from a political standpoint. From 40 to 50 per cent of our population is Japanese. They have control of the labor situation and they will soon have it in their power to control the political situation also.

The Hawaiian Legislature has petitioned Congress for relief. How that relief is to be granted, whether by allowing Chinese to go to Hawaii or other nationalities, is a matter for Congress itself to decide.

The Hawaiian planters have not asked for Chinese for the purpose of cheapening labor or costs of production.

The gentleman was also mistaken when he said that the Cubans were not bringing in Chinese. Large numbers of Chinese have gone to Cuba in recent years and within the month I read in a Honolulu newspaper of a steamer load of Chinese passing through that port en route to Cuba.

(The brief is as follows:)

The Hawaiian Sugar Planters' Association, representing all the producers of sugar in the Territory of Hawaii, respectfully submits:

As producers of domestic sugar we request the maintenance of such tariff on raw sugar as will equalize the marginal cost of production between the domestic industry as a whole and our principal foreign competitor, Cuba.

We call attention to the fact that in the United States Tariff Commission we have adequate machinery for the accurate determination of relative costs, provided Cuban producers now protesting the existing rate will submit their cost figures for the confidential scrutiny of the commission in the same way as is done by the domestic producers.

We respectfully urge that no change be made in the existing rate, which we believe to be amply justified by present conditions, until the Cuban producers are willing to fill out their cost schedules as requested by the Tariff Commission and the commission has made a comparative analysis of domestic and Cuban costs.

We do not at this time submit any generalized or average figures for consideration of the committee because we have furnished all the information required by the schedules of the Tariff Commission and we believe that generalizations are valueless for comparison within the degree of accuracy required unless made on a uniform basis by a scientific and impartial tribunal.

We are not unmindful of the distresses now existing in Cuba on account of the present overproduction of sugar in that island and the impossibility of getting a remunerative return therefor. We allege that in common with other domestic producers the distress in the Hawaiian Islands is just as real as in Cuba, and contend that the suggestion that marginal costs be equalized by the tariff so that the higher cost producers both at home and abroad must limit their production, is more than fair as applied between America and a foreign country, no matter how close our relations with that country.

We submit that the present overproduction in Cuba is in violation of the spirit of the reciprocity agreement, which as shown by the evidence at the hearings in 1902, was designed to give Cuba only a substantial preference over other foreign nations to the end that she might supply all our import requirements.

With the increase in production due to this preferential, Cuba attained in 1913 a substantial monopoly of our import market. We submit that in so far as further production necessitates encroachment upon the domestic market and displacement of domestic sugars it is not warranted by any moral obligation toward Cuba.

As Cuba has officially claimed to be the cheapest sugar producing country in the world, the markets of the world are open to her, and we respectfully submit that no further concessions in the domestic market should be made in the absence of adequate explanations as to why Cuba does not seek the world's markets for her surplus production instead of dumping it on the American market at a loss, forcing a consequent loss on the domestic sugar producers.

LOUISIANA SUGAR.

[Paragraph 501.]

STATEMENT OF JOE B. CHAFFE, REPRESENTING THE AMERICAN CANE GROWERS' ASSOCIATION.

Senator McCUMBER. Do you represent the growers?

Mr. CHAFFE. I speak for the smallest unit of sugar producers in domestic production—the Louisiana cane-sugar industry.

Senator WALSH. Have they an organization?

Mr. CHAFFE. Yes.

Senator WALSH. What is it called?

Mr. CHAFFE. The American Cane Growers' Association.

Senator WALSH. How many members are there?

Mr. CHAFFE. About 400 on the rolls, sir. We are the smallest unit, but we are the oldest sugar producers in America. We have been producers for more than 100 years down there in Louisiana. We have had the usual ups and downs of a man in the sugar business, regardless of whether he be in the continental United States or in the Tropics. Our difficulties have been such as those recited by the witnesses who have preceded. During the year 1920 our losses were, in proportion to our investment, stupendous.

Our friends, the gentlemen from Cuba, say that our investment is negligible, being only \$35,000,000. With your permission, and by way of parenthesis, I may say that we are not only manufacturers but we are farmers. We grow 45 per cent of all the cane that we crush, and only 55 per cent is grown by independent farmers on their own lands.

Senator WALSH. And it is from them that you buy the cane, is it?

Mr. CHAFFE. It is from them we buy the cane. Sugar cane is absolutely unmarketable until it has gone through our plant. Our plant stands in exactly the same position to the sugar-cane grower

that the thrashing machine does to the grain grower of the West. We convert part of the sugar into consumption sugar, as we call it. That is our plantation granulated and our high-grade clarified sugar. A part also goes into raws. During the past three or four years the bulk of our crop has been made into sugar fit for immediate consumption; that is to say, it is high-grade clarified sugar. Our investment figures show that we have 600,000 acres under the plow. At a cost of \$125 an acre, that would amount to \$75,000,000. We have 189 sugar factories, according to the census reports for 1914, and they were appraised at \$33,000,000. Our railroad equipment is estimated at \$3,500,000. We have 48,000 mules. At an average price of \$150—I have not bought any that cost less than \$275 in the last four years—their value would be \$7,200,000. The implements, wagons, and harness for those mules would, estimating the cost conservatively, be worth \$125 per mule, which would amount to \$1,300,000. That makes \$120,000,000. Our \$120,000,000 means just as much to us as the \$1,000,000,000 to the men who have invested their money in Cuba.

Again, I represent the only 100 per cent American producing element; not that my friends the beet people haven't laborers in their fields who, as rapidly as they can be amalgamated, will be 100 per cent American, but because we have no influx of foreign immigrants into Louisiana. So I can say that we represent a 100 per cent American industry.

Senator WALSH. How many persons are employed in the industry in Louisiana?

Mr. CHAFFE. Approximately 350,000, sir. That, however, is only a rough estimate as to it.

Senator McCUMBER. And they are mostly of the brunette type, are they not?

Mr. CHAFFE. We have a great many Creoles—that means white people descended from European parents. The greater number are descended from French and Spanish. Then there are the "Cajuns," white people, the descendants of the Acadians who were driven out of Nova Scotia because of their religious convictions and came to Louisiana. I know of no more honorable representative of that portion of our people than Senator Broussard, of Louisiana.

Senator McCUMBER. We will readily agree to that.

Mr. CHAFFE. And he is quite as proud of the name as anyone is of his particular nationality.

Senator McCUMBER. I was really jesting; but I did want to direct attention to the question as to whether or not a large portion of the labor is colored. In other words, there is little white labor, is there?

Mr. CHAFFE. Twenty-three whites to fourteen colored is about the proportion. That is the proportion of the farm operatives in the 23 parishes that cultivate sugar.

I should only be repeating what some of those who have testified ahead of me have said if I were to tell you that there is a club hanging over us in the shape of about a million and a half pounds of sugar that is in Cuba. While we in Louisiana were allowed 17 cents for our lower grades of sugar and 18 cents for our plantation granulated sugar, there was hardly anyone, even a profiteer, who could be found with it, and the Cuban sugar in November of that year was selling, raw, at 9½ cents per pound. I know, because I happened to be

associated with a purchase of Cuban sugar that was made by a Chicago grocery concern.

Senator McCUMBER. You refine this sugar, do you?

Mr. CHAFFE. Yes; we make it directly from the cane.

Senator McCUMBER. You do not dispose of any of the product except in the refined state?

Mr. CHAFFE. Oh, yes.

Senator McCUMBER. Will you explain about that and the proportions?

Mr. CHAFFE. Recently when we have had opportunity to sell it in the shape of raw and there was no market for plantation granulated and we had to have money to pay the cane growers for their cane, we sold it raw. When we make high-grade sugars, we sell that to bakers and candy makers for general consumption.

Senator McCUMBER. Taking it under normal conditions, what portion of your product do you refine yourself? I am referring now to the entire cane product.

Mr. CHAFFE. I would have to answer that by saying that up to four years ago the margin of difference between the price we could get for raw sugar and the price we could get for plantation granulated made us feel it was to our advantage to get the raw sugar and sell to the refiner, but within the past four years we have changed that condition. Because of the difference in margin, last year we made approximately 86 per cent of our entire crop into direct-consumption sugar, and during this year I anticipate that 60 to 70 per cent of the crop will be made into direct-consumption sugar. Whether that is done directly in our own sugar house or whether, because of the demand of the market to-day for sugars that can not be found fault with at all, the raws are made and then turned into the bone-black plant so that it will give us something that the people will take, it none the less remains the property of the producer until it is turned out of the bone-black refinery.

Senator WALSH. Do you claim that the cost of producing cane sugar is more or less than that of producing beet sugar?

Mr. CHAFFE. More.

Senator WALSH. Does it sell for more in the market?

Mr. CHAFFE. No, sir; sugar is sugar. It does not make any difference whether it is made from beets or cane.

Senator WALSH. It is impossible to tell, is it?

Mr. CHAFFE. I know of no way that it can be told.

Senator WALSH. As a matter of fact, it costs you, in Louisiana, more to put the sugar on the market than it does those who raise the refined beet sugar?

Mr. CHAFFE. We believe from such information as we have been able to gather that that is the case. We do not get so much sugar from a ton of cane as they do in the Tropics.

Senator WALSH. I did not mean the Tropics. I was referring to beet sugar.

Mr. CHAFFE. But we do get more tons from an acre of land than—

Senator McCUMBER (interposing). I had supposed that the price of sugar of a certain degree of refinement would be the same whether it was beet or cane, but I noticed that when one of the witnesses testified for the beet industry he spoke of a differential of 20 cents per

hundred pounds, which I understood him to say was the difference as between the beet and the cane sugar. I may have been mistaken.

Mr. CHAFFE. No; I think you were right. I think you understood him correctly, but I think that is purely a matter of prejudice against the beet sugar rather than a matter that can be established as to availability for the same purpose. I have heard all my life about the difference in the quality as between beet sugar and cane sugar, but I have never been able to find anyone who could tell me of any real difference that existed between the two. One is sucrose and the other is sucrose, and the only thing we have to measure it is the polariscope, which does not show any difference, whether it is made from beets or whether it is made from cane.

Senator WALSH. They are not mixed for the same purpose, are they?

Mr. CHAFFE. Not that I am aware of.

Senator WALSH. Why?

Mr. CHAFFE. I do not see that there would be any advantage in doing that.

Senator McCUMBER. There would be no occasion for it, would there?

Mr. CHAFFE. I can not see that there would be any advantage gained at all by doing such a thing.

Senator McCUMBER. As a matter of fact, does the cane sugar sell in market generally for 20 cents per hundred pounds above the beet sugar?

Mr. CHAFFE. Bone-black granulated; yes, sir. Sometimes, because our quality is not as good as theirs, it sells at 10 cents under beet. I am aware of the fact that this year some sales have been made where the difference has been wider than 10 points under beet. But I should say that is the usual rate of difference. I have heard of other cases where sales were made at a wider differential, but that is largely because they wanted the money. In one instance that I remember I had assurance from an individual that he had conceded 15 cents because he wanted ready cash.

Senator McCUMBER. Does the bone-black refined sugar bring a higher price than the other?

Mr. CHAFFE. Yes. That is the only difference that I know of that you have as between beet granulated sugar and cane granulated. The beet factories do not usually work with bone-black equipment, so far as my information goes. Our plantation granulated is made with bone-black equipment. Then there is the lime and sulphur process. Sulphur dioxide is used for bleaching the juices.

In 1920 our losses were rather heavy on cane because our crops, like those of the beet people, were made on high prices for everything.

As to the details, each item of expense entering into the cost is shown here. We have here the figures showing the losses per ton on the crop of 1920. There are four plantations shown. In the year 1920 they lost all the way from \$5.23 to \$13 per ton on cane in the agricultural end. You must understand that that is the agricultural operation.

I have here some letters. They happen all to come from the same man, but he happens to be the president of more than one sugar-plant company. These letters show the results of operations in 1921.

Quite a number of our plants are still in operation. It is only from these few that have finished that I could get the figures.

The president of the Evan-Belle plantation states that the cost of production has been \$73,000, which equals, for planting, cultivating, and other expenses to the beginning of grinding, \$5.33 per ton. The harvesting expenses, including cutting, hauling, and delivery to railroad, amounted to \$1 per ton, and the overhead expenses amounted to \$1 per ton, making a total cost of production of \$7.33 per ton. He says that against this they will receive on an average from the factory \$3.85 per ton, showing a loss of \$3.48 per ton.

He says that the cost of production on the Evan-Hall property has been \$42,329, which includes planting, cultivating, and other expenses to the beginning of grinding, or \$3.84 per ton; that harvesting expenses, including cutting, hauling, and delivery to railroad, amounted to \$1 per ton, with the same figure for overhead expenses. This makes a total cost to produce of \$5.84. Against this there will be receipts of \$3.85 per ton, showing a loss of \$1.99 per ton.

The Choctaw plantation shows a cost—this place has no factory, nor does it own any interest in any factory—of \$4.50 per ton, against receipts of \$3.85 per ton, making a loss of 65 cents per ton. This is accounted for by the difference in the overhead.

The Cedar Grove Sugar Co. shows a cost of \$4.67 per ton as against receipts of \$3.85, or a loss of 82 cents per ton.

These are all strictly agricultural operations.

I have here a telegram saying that the cost for producing cane this year was \$5.60 a ton; the cost of manufacturing, \$2.41 per ton; overhead expenses, \$1.10 per ton; yields were equivalent to 170 pounds of granulated sugar; the selling price was equivalent to \$7.82 per ton; and the net loss, \$0.89 for growing and manufacturing. This telegram is from the Sterling Sugar Co. (Inc.). It operated a large factory to cultivate their own cane, which amounted to approximately 14,000 acres.

Senator McLEAN. Do you know what percentage of the cost would be labor?

Mr. CHAFFE. About 52 per cent.

Senator McLEAN. What do you pay your farm hands?

Mr. CHAFFE. \$1.25 per day.

Senator McLEAN. Do you know what they pay in Cuba for the same class of labor?

Mr. CHAFFE. I do not know. The only information I have is what I have gathered here.

Senator McCUMBER. Is that \$1.25 without board?

Mr. CHAFFE. Without board. If it is labor from some distance—and we frequently have to send to our neighbors for assistance—we usually pay a dollar a day and board. This year it is 90 cents a day and board. We can not board them for 35 cents a day, but we have to have the help.

The sugar in Louisiana can not be left in the fields. This year we are fortunate in not having any ice to kill the crops. As a result of that cane tonnages are running higher than we anticipated and the sugar content is very much better than the average. We usually get about 138 pounds per ton of cane, but this year we are getting 170, as that telegram states. That is the antithesis of what we had in 1919. In 1919 it began to rain in July; that is to say, it began

to rain in July, 1918, and it rained 120 inches by July, 1919. The result was that that crop was only one-third of a crop. That is why the Attorney General granted the price of 17 cents and 18 cents for our low-grade and high-grade sugars. In many instances that did not cover the cost of production.

Senator CALDER. Is the acreage of cane sugar increasing or decreasing?

Mr. CHAFFE. It fluctuates so with the prospect of free sugar or other vicissitudes attached to the sugar question that it is difficult to say. Of course, in 1915 we began to trim our sails for 1916 free sugar. The crop in 1916 dropped down to about 186,000 tons. The crop of 1919 was not reduced because of promediation or anything of that sort, but purely because of weather conditions over which we had no control.

Senator CALDER. What I meant was this: Over a period of years has the increase been about the same?

Mr. CHAFFE. About the same.

Senator CALDER. There has been no increase in other parts of the country?

Mr. CHAFFE. There is very little increase in Florida, but I am told they are hesitating about going ahead until they see something that looks like stabilization of the industry. Sugar cane is not like beets. You can not buy a carload of sugar-cane seed and plant it. You have to make up your mind before the first of the year that you are going to plant cane and then cut the stalk. It takes from 8 to 9 per cent or, I should say, from one-eighth or one-ninth of the entire total of cane grown in Louisiana to seed the next crop. We may grow two crops. The land has to be renewed. It is not profitable usually for more than one year.

Senator McLEAN. It is entirely an annual affair? You cut the stalk?

Mr. CHAFFE. Yes.

Senator McLEAN. And set them to get the crop that season?

Mr. CHAFFE. No, sir. We begin the preparation of our land in September. We go over the land and thoroughly plow it with a four-mule team or a tractor. We break them deep and pulverize and lay them off and plant the cane, beginning to plant, usually, in the first week of October, but not later than the 10th of November. We put about 5 inches of soil on that land and leave that there. By the 10th of May you can not tell whether the cane was planted in the fall or in the spring.

In the spring, when the time comes to cultivate that crop, the first operation is that of throwing the dirt away from the center. They take the surplus earth off the side so as to have the early sun warm it up and make it sprout. Then you cultivate it in that way until your cane comes up to what we call "coming to a stand." Then you apply your fertilizer to it and bring the earth back to the crop. It is one continuous round of cultivation until the month of May. By the 4th of July we try to get it laid by. Between the 10th of May and the 4th of July it usually gets from three to four cultivations. The average cane crop gets seven cultivations after it has been planted. It is about as intensive cultivation as can be imagined.

Senator McCUMBER. I take it that weeds flourish.

Mr. CHAFFE. They do, sir. We must keep those weeds down by constant cultivation. We do that. That reduces the amount of

manual labor that has to be done in hoeing the field and cleaning in that way.

In conclusion, we think that if the Government thought that from 1864 to 1890 that 3½ cents per pound was little enough to impose to provide the protection for that industry in the United States that nothing less than that should be the measure of protection given to us now.

Senator McCUMBER. Are you satisfied with the protection that is given in the House bill?

Mr. CHAFFE. Of \$1.60?

Senator McCUMBER. Yes, sir.

Mr. CHAFFE. No, sir.

Senator McCUMBER. What is it that you wish?

Mr. CHAFFE. I think we should have 2½ cents a pound.

Senator McCUMBER. Against Cuba, 2½ cents?

Mr. CHAFFE. Yes, sir. If you are going to consider what our necessities are, Senator McCumber, I do not see how you can give us less than 2 cents a pound. I can not see how we are going to get on—that is, against Cuba. Whatever rate you name against anybody else does not mean anything except under such extraordinary conditions as existed in 1920. People are not going to send sugars here when they must sell them at a disadvantage of 20 per cent which the Cuban production enjoys. The only conditions that would bring that about would be that they might find a ship for America when it was impossible for it to go anywhere else.

Senator McCUMBER. Is there anything further?

Mr. CHAFFE. No, sir.

Senator McCUMBER. The committee is very much obliged to you. (The documents referred to are as follows:)

St. CLAIRE, LA., December 15, 1921.

Mr. JOE B. CHAFFE,

Care of American Cane Growers' Association,
Union Trust Building, Washington, D. C.

DEAR MR. CHAFFE: Knowing that you left for Washington rather hurriedly to appear before the Tariff Committee, and that possibly you were unable to secure all the data on cane cost that you desired to take with you, I take pleasure in giving you the following, as I know you will be glad to receive same:

The costs on our Choctaw property for this year are as follows:

	Per ton.
Planting, cultivating, and other expenses to the beginning of grinding.....	\$3.00
Harvesting expenses, including cutting, hauling, and delivery to railroad...	.75
Overhead expenses.....	.75
Total cost to produce.....	4.50

Against this we will receive on an average, selling to factory, \$3.85 per ton. You will note this will show a loss of 65 cents per ton.

The cost on our Evan Hall property for this year are as follows, based on a production of 11,000 tons:

	Per ton.
Our cost has been \$42,329, which equals for planting, cultivating, and other expenses to the beginning of grinding.....	\$3.84
Harvesting expenses, including cutting, hauling, and delivery to railroad...	1.00
Overhead expenses.....	1.00
Total cost to produce.....	5.84

Against this we will receive on an average, selling to factory, \$3.85 per ton. You will note this will show a loss of \$1.99 per ton.

The costs on our Belle Alliance property for this year are as follows, based on a production of 13,700 tons:

	Per ton.
Our cost has been \$73,000, which equals for planting, cultivating, and other expenses to the beginning of grinding.....	\$5.33
Harvesting expenses, including cutting, hauling, and delivery to railroad...	1.00
Overhead expenses.....	1.00

Total cost to produce..... 7.33

Against this we will receive on an average, selling to factory, \$3.85 per ton. You will note this will show a loss of \$3.48 per ton.

The costs on our Cedar Grove property for this year are as follows, based on a production of 12,000 tons:

	Per ton.
Our cost has been \$30,232, which equals for planting, cultivating, and other expenses to the beginning of grinding.....	\$2.42
Harvesting expenses, including cutting, hauling, and delivery to railroad..	1.00
Overhead expenses.....	1.25

Total cost to produce..... 4.67

Against this we will receive on an average, selling to factory, \$3.85 per ton. You will note this will show a loss of \$0.82 per ton.

We trust that these figures will prove of value to you and show the facts of actual conditions in the sugar industry.

Yours, very truly,

CEDAR GROVE SUGAR CO.,
By CHAS. E. THIBODAUX,
Secretary Treasurer.

FRANKLIN, LA., December 19, 1921.

JOHN M. ROGERS,
*Care American Cane Growers' Association,
810 Union Trust Building, Washington, D. C.*

Answering Le Bourgeois wire, our cost sterling organization based on completed figures growing and delivering to factory present cane crop \$5.60 per ton of cane. Cost of manufacturing and average freight and loading charges, not including overhead, \$2.41 per ton. Overhead expenses, \$1.10. Yields equivalent 170 pounds granulated. Selling now \$4.60 net plantation, equivalent to \$7.82 per ton. Estimated by-products, 40 cents. Net loss 89 cents per ton. Mailed special-delivery statement to-day.

STERLING SUGARS (INC.),
By C. D. KEW, *General Manager.*

Comparative statement of agricultural operations for the year 1920 showing operating cost of producing and harvesting a ton of cane exclusive of overhead expenses.

	Plantation No.—			
	1	2	3	4
Cane sent to factory (tons).....	1,837	3,982	6,407	2,633
EARNINGS.				
Cane sent to factory.....	\$6.00	\$6.00	\$6.00	\$6.00
Corn and hay crops.....	.45	.42	.67	.68
Total earnings.....	6.45	6.42	6.67	6.68
EXPENSES.				
Maintenance and repairs:				
Roads and bridges.....	.07	.08	.08	.14
Ditches and ditch banks.....	.81	.66	.66	1.41
Repairs of buildings.....	.32	.84	.34	.26
Implements and gear.....	.35	.76	.46	.58
Total.....	1.56	2.34	1.54	2.39

Comparative statement of agricultural operations for the year 1920 showing operating cost of producing and harvesting a ton of cane exclusive of overhead expenses—Con.

	Plantation No.—			
	1	2	3	4
EXPENSES—continued.				
Planting and cultivating cane crops:				
Fall planting.....	\$0.71	\$0.73	\$0.74	\$1.26
Spring planting.....				.04
Plows and cultivators (plant cane).....	.22	.37	.23	.29
Hoes and shovels (plant cane).....	.57	.82	.41	.96
Plows and cultivators (stubble).....	.16	.16	.14	.27
Hoes and shovels (stubble).....	.28	.19	.11	.31
Fertilizer.....	1.52	1.34	1.73	2.95
Tractor (operation, repairs, and one-third cost).....	.20	.75	.19	.77
Drainage machine.....			.72	.14
Total.....	3.72	4.38	4.27	6.89
Harvesting cane crop:				
Cane cutting.....	1.69	1.52	1.69	2.07
Cane loading.....	.01	.17	.04	.07
Cane hauling.....	.26	.01	.37	.25
Cane transfer.....	.09	.22	.10	.30
Total.....	2.05	1.92	2.30	2.69
Corn and hay crops:				
Planting and cultivating.....	.53	.51	.51	1.11
Fertilizer.....	.90	1.08	1.15	2.05
Harvesting.....	.22	.26	.22	.38
Total.....	1.65	1.85	1.88	3.54
General expenses:				
Feed.....	1.63	1.07	1.90	3.29
Stable expenses.....	.33	.38	.26	.43
Overseer's salary.....	.45	.33	.33	.46
Odds and yards.....	.29	.20	.27	.32
Total.....	2.70	1.98	2.76	4.50
Total expenses ¹	11.63	12.45	12.65	20.01
Loss per ton.....	5.23	6.03	5.98	13.33
Acres under cultivation.....	935	703	1,035	833
Average earnings per acre.....	\$44.60	\$36.40	\$41.29	\$21.28
Average expense per acre.....	81.00	73.42	78.32	63.73
Average loss per acre.....	36.31	37.02	37.03	42.46

¹ Average for group, \$14.28.

STATEMENT OF JOHN M. ROGERS, REPRESENTING THE LOUISIANA CANE GROWERS' ASSOCIATION.

Mr. ROGERS. Mr. Chairman and gentlemen, before going into the details that I want to put before you I want to controvert a statement or two made by some gentlemen who appeared here on yesterday.

During the war period my friend John M. Parker, now governor of the State of Louisiana, who was food administrator, called me from my home in the country to New Orleans to assist him in that work. He placed in my hands the distribution of the Louisiana sugar to the citizens of Louisiana and the merchants, under the rule of the Food Administration.

There happened to come to my desk one day a gentleman with a request for a certificate for 100 pounds of sugar. I said to him, "Are you a citizen of Louisiana?" He said, "No." I said, "Are you in

business in Louisiana?" He said, "No." I said, "What do you want with that sugar?" He said, "I have a trainload of Chinamen in bond bound for Cuba. They are squealing like pigs for something to eat, and I thought some sugar might quiet them." I said, "We have just made a request of the War Department to permit us to have soldiers from Camp Beauregard who are willing to volunteer to go into our cane fields and there be paid the high wage now prevailing and be under the command of their officers, in the hope that we can save our crop. The laborers from our fields are in the camp or are at the front defending America in this war. I want to say to you, sir, that if your Chinamen continue to squeal like pigs, or if they starve, they will not get any sugar." That is to controvert the statement made by the gentleman who said that the immigration laws of Cuba must conform to those of the United States.

I talked in 1919, when we were in serious straits for labor, with a then member who was well up in authority in the Department of Labor in Washington. That gentleman told me that he was convinced from the data that he had, or information that he had, that there were about 40,000 Chinese in Cuba; that they were coming into Cuba at the rate of 8,000 annually; that those Chinamen were practically brought there under contract. We know that there are trainloads of Chinamen passing every year, even this year, through our cane fields in Louisiana on the Southern Pacific Railway on their way from San Francisco for embarkation to Cuba.

Not long since a newspaper carried reports that a ship was wrecked on the coast of Florida, and following that they found 16 Chinamen in the woods. They came over on their own initiative to get into the United States.

Senator CALDER. They might have been in the crew.

Mr. ROGERS. They were not in the crew, so the paper stated. It was not a Chinese vessel.

This Department of Labor man said that the Chinaman was willing to go through the necessary two years of Cuban hardship in order that he might become a resident of the United States in that way, in his opinion. So much for the practice. There were 250 or 300 Chinamen in that bunch in New Orleans. I was so much interested that I took occasion to look at them.

Senator McCUMBER. Has there been any scarcity of labor in Cuba?

Mr. ROGERS. I could not tell. I do not think anybody will deny that Cuba brings from Jamaica and various other lands every year laborers for her crops.

A young man in Louisiana, who has charge of one of the Cuban properties, told me that the best laborers they have are Spaniards who are brought over here and returned. They are not citizens of Cuba. He said they are the best laborers they have. A lot of them are stranded in Cuba this year. He said that Cuba has neither the number nor the quality of labor for the harvesting of the crop, and that they do bring them from the islands around about, and a large number from Spain. That was what I was told.

I wish to controvert another statement made here, and that is the statement that the investment of capital in Louisiana production was \$35,000,000 and of the beet industry, I believe, \$150,000,000. The gentleman took the census of manufactures in 1914, which I have before me. It shows for Louisiana \$32,998,000 and for the beet

sugar \$142,000,000. But, gentlemen, that applies to factories only and takes into consideration none of the lands, none of the investments in any other things that go to make up the sugar crop.

As Mr. Chaffe told you, our investments, six hundred thousand and odd acres of land in addition to the factories and all the other items, are equivalent to \$125,000,000; the Hawaiian investment, I am convinced from investigation I have made, is about \$175,000,000; the Porto Rican about \$150,000,000; and when you count eight hundred thousand and odd acres of land in cultivation at its value, which the farmer owns but not the beet companies, that that will run close to \$600,000,000.

So I am convinced myself that the investment of capital employed in the production of sugar in America and its insular possessions is at least \$1,050,000,000.

The Cubans in their original propaganda issued in Washington, I believe it was, started out with only \$600,000,000 investment, and that has grown in this short time to a billion dollars. So, if they continue their investments at that rate it will not be very long until their investments in Cuban sugar production will exceed that of the rest of the world.

I want to bring this to your attention, that if an American citizen anywhere had money to invest, and all other things being equal, it is reasonable to suppose that he would invest it in America. Therefore, the reasonable conclusion is that Americans who invested their billion dollars in Cuba for the production of sugar in Cuba invested that money there because they believed that it would make them more money than if they invested it in sugar production in America. Therefore, there has never been a time when an American who had the thought of sugar production and who had a billion dollars was satisfied that we had a sufficient tariff to protect the American industry against the Cuban industry. Hence, those gentlemen put their money where they thought—and facts prove that they were correct—that with a tariff such as would always hamper American production, or, rather, put it the other way, encourage Cuban production, then they would put it in Cuba, where it would pay them the greatest returns.

For the sake of brevity, and to make things simple, I want just to refer to the Cuban rate, and when I use figures, it will be that—and I do not want and will not use abnormal year costs and figures, for the reason that we have had at no time during the war period or up to the moment a time when normal conditions prevailed. Therefore, of necessity, we must go back to what is called the prewar period, or the normal period. For the comparison of costs, I am only going to use Government sources.

The War Industries Board Bulletin 13, Prices of Sugar and Related Products, on page 5, says prewar cost in cents per pound at factory was for Cuba 1.45, Louisiana 3.98.

In the hearings before the Ways and Means Committee, January 18, 1921, Philip G. Wright, of the United States Tariff Commission, testified that the average prewar costs in cents per pound were: For Cuba, 1.70; for Louisiana, 4.480. He afterwards reduced that, as I will show you, to a raw basis. And by reference to Tariff Information Series 16, page 32, and Miscellaneous Series 53 by the De-

partment of Commerce, it is clear that the figures used by Dr. Wright were for sugar delivered in the United States, exclusive of duty.

Miscellaneous Series No. 53, published by the Department of Commerce, says that the average cost of production in cents per pound, f. o. b. factory, Louisiana, was 3.973, and for Cuba, 1.44½; delivered in the United States, Louisiana, 3.975; Cuba, 1.719, exclusive of duty.

The Times, of Cuba, published there, and which I have been reading, and it has not been disputed, says in the June, 1921, issue that Cuba has made sugar profitably in former years as low as 1½ cents a pound.

Analyzing these several independent sources—three of them official United States Government, the other Cuban and written in Cuba's interest—we find that to equalize costs we must have the following tariff rates as against Cuba:

War Industries Board: Louisiana cost, 3.98; Cuban, 1.45; the difference to equalize cost, which would be the measure of the tariff, 2.53.

The Department of Commerce, Miscellaneous Series 53: Louisiana factory cost, 3.973; Cuban cost, 1.445; the tariff required would be 2.528.

The Tariff Commission, by Dr. Wright: The Louisiana cost of 4.480 and the Cuban cost of 1.70 would be a difference of 2.78, but from that deducts 0.379 cents to bring the Louisiana general line of sugars to a raw basis, and makes the difference 2.401.

The Times, of Cuba: Cuban cost, 1.50, and they say we should have a profit of 1 cent, would be 2½ cents selling.

War Industries Board: Louisiana cost 3.98, a profit of 1 cent would make 4.98, and from that you deduct the Cuban price at which they are willing to sell of 2½, which would leave 2.48 as the tariff required to give Louisiana an equalized tariff. So that on these authorities and from these sources we say to you we should have 2½ cents in Louisiana against Cuba to equalize our costs.

We say, shall it be Cuba and America, or shall it be Cuba alone?

The tariff on sugar as finally fixed in the bill now before you will determine whether it shall be Cuba and America or Cuba alone. A tariff equalizing the cost of production in America and Cuba means a continuation of sugar production in continental America at least at the present annual rate of a million tons or more, about one-fourth the amount necessary to supply the American market; it means another million tons produced under the American flag in Porto Rico and Hawaii, the total production on American soil in round figures, of 2,000,000 tons, enough to supply half the demand.

It means domestic competition with the foreign production and the refiner of that foreign production. It means cheap sugar to the American consumer because of that competition.

It means, gentlemen, the control and the distribution of sugar will be in many competing hands instead of a practical monopoly controlled by a small number of closely organized seaboard refiners.

The census of manufactures for 1914 shows there were then in operation 241 establishments engaged in the production of Louisiana cane and American beet sugar. There were 18 refiners engaged in refining exclusively. The establishments in the United States now engaged in cane and beet sugar production are distributed in Loui-

siana, through the Middle Western and Far Western States, all in active competition with each other. Of the now 20 refiners of raw sugar, according to the 1919 census of raw sugar—that is, imported sugar—the two in California refined Hawaiian sugar, and, of course, can be eliminated.

Senator McLEAN. How does your cost compare with the cost in the Hawaiian Islands?

Mr. ROGERS. Our cost compares with the cost in the Hawaiian Islands?

Senator McLEAN. If you are coming to that later, I will not interrupt you.

Mr. ROGERS. I was not going to deal with the cost of anything but Louisiana, since the Hawaiian representatives are here.

Senator McLEAN. No; but your sugar is in competition with them, and I was wondering—

Mr. ROGERS (interposing). Ours does not come in competition with Hawaiian other than on the Pacific coast.

Senator McLEAN. Yes; but if they did not produce sugar in the Hawaiian Islands you would furnish the Pacific coast.

Mr. ROGERS. I think the beet would; yes.

Senator McLEAN. Or beets?

Mr. ROGERS. Of course, the Hawaiian cost is less than ours.

Senator McLEAN. If you stopped producing it, we might have to go to the Pacific coast to get some of our sugar. I was wondering what the difference in cost of production was, in a general way.

Mr. ROGERS. I have not that in my brief, and I would have to refer you to the Hawaiians for that.

The establishments in the United States who are now engaged in cane and beet production are distributed as I said.

Of the now 20 refineries of raw sugar, 2 in California are refiners of Hawaiian sugar, the other 18 are on the Gulf and Atlantic seaboard, and chiefly engaged in refining Cuban raw sugars. They do refine Porto Rican sugars also, of course.

A schedule of refining capacity prepared by the refiners' committee for the Federal Food Administration in 1918 shows for the two refiners of Hawaiian sugar on the Pacific coast a capacity of 10.494 per cent, leaving 89.506 per cent of the capacity engaged in refining imported raw sugars, mainly Cuban sugars, on the Atlantic seaboard, and confined to 18 refiners.

The combined refined capacity of these 20 refineries is generally conceded to be 50 per cent in excess of the American requirements. The American Sugar Refining Co., in both its 1919 and 1920 annual reports, says: "For many years there has been an excess refining capacity in the United States sufficient easily to meet all domestic requirements, and to refine at least a million tons for export."

Of the 100 per cent refining capacity, as shown in an exhibit I have here, No. 4, seven of the eastern seaboard refiners, with a combined refining capacity of 68.324 per cent of the whole, through ownership or by control, control either directly or through their directors or officers a very large Cuban production.

Eliminating the two Pacific coast refiners, they being refiners chiefly of duty-free sugar from insular possessions, of the remaining 18 refineries having 89.506 per cent of the total refining capacity, seven of these refiners controlling Cuban production represent 76.33

per cent of those engaged in refining Cuban sugars. In the production of the 1921 Cuban crop there were in operation 192 centrals having a combined production of 27,442,218 bags. The ownership of centrals and production in bags of the national ownership was: American-owned centrals, 69; production, 2,055,590 tons. That is more than the normal prewar production of Cuban sugar and enough Cuban sugar to supply the deficiency between the domestic production and the Cuban; that is to say, that if the properties affiliated with the refineries on the seaboard were the only ones producing sugar in Cuba, then, in that event, they would produce enough to supply our Cuban demand. Now, the Cuban so-called, produced 1,177,138 against their more than 2,000,000.

The Spanish ownership was 440,837 tons; the British was 80,720; the Cuban-American was 82,897 tons—that is to say, the Cuban-American such as are called Cuban-American; the French was 29,802 tons; the Cuban-Spanish was 24,351; and the small amounts for the British-American and Cuban-Italian.

The nationality ownership, measured by that production, showed 52.62 per cent American.

The figures are taken, gentlemen, by going to Poor & Moody's Manual of Industries and finding the American refiners and their stockholders and directors, then taking each of these individual Cuban companies and finding the same, or some of the same, directors and stockholders; the directors, officers, and stockholders of those Cuban companies; and I am limited to that.

Therefore, my statement that only 52 per cent is Cuban as against the statement of the gentlemen who represented those interests here of 60 per cent. I can easily accept theirs, because I was limited to actual facts that any one of you can get for himself.

The Cuban production, so-called, was only 30.152 per cent, etc.

Furthermore, the best equipped and the highest producing factories in Cuba are the American-owned factories. The American factories average 208,538 bags per factory; the Cuban factories only half that, or 104,355 bags; the Spanish, 114,291; and all others an average of 90,610 bags.

Senator McLEAN. Has the price of land suitable for growing cane in Cuba increased in the last 5 or 10 years?

Mr. ROGERS. I could not answer that for Cuba. I can say this, however, that each one of these American companies that is listed in Poor & Moody's Manual, almost without an exception, recites the fact that they have a great many acres of cane land not yet in cultivation for sugar. Their potential production is fully equal to the total production of Cuba to-day.

Of the 89 American-owned centrals in Cuba, 51 are American refinery products. Either by ownership, lease, or control, these 51 centrals produced 11,716,928 bags, being 81.43 per cent of the total American ownership of Cuban production, or 42.69 per cent of the entire production of Cuba. In addition to this there should be added the ownership by Hires, Hershey, and Loft, American soft-drink and candy manufacturers, and four centrals producing, in 1921, 470,841 bags additional.

This data, as I said, was secured chiefly from Poor & Moody's Manual of Industries, and is restricted to those listed therein. If full facts were available, we believe most, if not all, of the remaining

American-owned centrals could be shown as connected with the seaboard refineries. We think it reasonable to assert the further belief that a large number of the centrals whose ownership is given as Cuban come in the direct sphere of influence of the refiners, either by stock holdings, by being financed, by transportation control through ownership of railroads, docks, etc. A large portion of this centralized control has been perfected within the past six years, much of it within three years, and the process is continuing. Indications are that majority control of Cuban production is now, or soon will be, in the hands of the refiners on the eastern seaboard, who will then name the price of Cuban raw sugar, the price to be paid the native Cuban for his production.

With such a large control of Cuban raw sugar production with equal control of American refining, unless continental production and refining competition is maintained by a tariff that equalizes the American and Cuban production costs, not only will the American producer be forced out of business, but the native Cuban as well. It is a well-known fact that the only competitor of the seaboard refiner or the producer of Cuban sugar is the sugar grown under the American flag. Cuba has no other competitors for the American market. The 20 per cent tariff preferential accorded Cuba is ample in amount to shut out the only other country in the world that can approach Cuba in production cost, that is Java. In addition to the tariff preferential, in the American market Cuba has other certain economic advantages over Java. Java is 75 days away from New York and Cuba is 7 days. Java's freight rate is, of course, very much higher and her production cost, from best available figures, is certainly not lower than Cuba. So she starts out on an equal basis there.

I would say that with no preferential—

Senator McCUMBER (interposing). Mr. Rogers, I will ask you that where you have figures and tables, if you can not present them, because it is difficult for members of the committee to ask any one to condense what they have in mind—I know how difficult it is myself; but I do want you to realize that there are a great many others coming on, and what you can put in without going into detail we wish you would do it so we can get through.

Mr. ROGERS. I will do that. I shall not refer to these tables.

With no preferential tariff whatsoever, Cuba would hold the American market against all foreign countries. Putting sugar on the free list would not make any difference to Cuba so far as competition in the American markets as against foreign countries. The preferential tariff of 20 per cent gave Cuba an added advantage of 25 cents per hundred pounds in the Underwood bill. In the present emergency tariff of 2 cents general tariff, Cuba with a preferential of 20 per cent has an advantage of 40 cents per hundred pounds. This is her profit. In addition her competitors have to add their higher freight differential to this. With a general tariff of 2.50 cents, Cuba would then enjoy, under the 20 per cent differential, 50 cents per hundred pounds. With a tariff of 3½ cents, the Cuban would be 2½, an advantage of 62½ cents. Her preferential freight and tariff profit would enable her to deliver to American refineries at an insurmountable advantage over any foreign sugars. Cuba needs no preferential to give her the American market. Cuba does not want a greater

preferential than the 20 per cent. She plainly states her only desire as being a tariff rate not exceeding 1 cent. For what purpose does she want this?

Cuba's sole competitor in the American market is the producer of sugar under the American flag. The seaboard refiners' sole competition is still more narrowly restricted to the beet production of the Central and Western States and the cane sugar of Louisiana, and she says in her propaganda issued August 15 a tariff such as asked for is to simply tax the American consumer to stimulate the refining industry; in other words, the American public would be paying a higher price for sugar in order to stimulate the beet-sugar industry in this country, which would eventually control sugar prices in the United States. And they do not want any protection or need any protection against anything except that produced on American soil and under the American flag.

This continental production being from field to finished product is within itself widely distributed as to ownership, as shown by Exhibit No. 3, therefore highly competitive, whereas the Cuban production, being more than 60 per cent American-owned, and that ownership restricted to 69 corporations, practically, if not actually, all a part of or closely allied with the refiners on the Atlantic seaboard, places the control of the Cuban production and price in monopolistic hands. The sole and only reason why the Cuban supply from the cane in the field to the refined sugar for American consumption, is not wholly controlled in volume and price by the seaboard refiners is the producer of beet and cane sugar under the flag of the United States of America. These producers do not expect or desire to supplant the normal Cuban raw-sugar production nor its sale to or refining by the seaboard refiners. We expect under any conditions, any tariff named, to continue to have the competition of Cuban sugar and the seaboard refiner. We only desire fair and equitable protection. Let it be Cuba and America.

A low tariff on Cuban sugar would completely destroy the continental producer. A short, sharp campaign of controlled shipments and prices would soon destroy any native Cuban who dared offer to oppose this giant monopoly by the independent production and sale of sugar. There would simply be no one to buy his sugar. His lands and factories would pass into the hands of the same interests that controlled the American sugar supply. The native Cubans' only alternative would be that of nothing more than a wage earner for the American owner. The American consumer would pay for his sugar whatever price the combination of refiners saw fit to fix after destroying all competition. It would make no difference to the refiner whether his profit be named in the price of Cuban raw sugar or that of the refined article. Being all this, he could fix either to suit, the result to him being the same profit in either case. To the American public it would mean a noncompetitive market, and inevitably higher price. A tariff insufficient to continue and encourage American production would cost the American public more money in a short period of time than all the revenue ever collected under a tariff that would equalize costs. A tariff-equalized cost would mean a continuation and extension of American production, and profitable returns to cheap producers. The American producer only asks fair and equitable consideration. Let it be America and Cuba

An insufficient tariff on sugar simply means to turn over to Cuba the entire source of sugar supply for the American market. In doing this there would be the equivalent of confiscation of the large capital invested in the 89 factories producing beet sugar and the 189 factories producing Louisiana cane sugar, and a complete change of crops and business methods now employed in sugar production in America. Sugar producers of Louisiana have been trained for generations in this highly specialized line of agriculture and manufacture. The great majority of them could not readily readjust themselves to other lines. Even were it rearranged only the fields now given to the production of sugar, it would simply mean the bringing into competition with the already overcrowded and over production of rice, corn, wheat, beans, and live stock in the United States. Would this be a good economic practice?

Cuba claims that there is invested in lands, factories, and equipment to produce sugar on the island more than \$1,000,000,000 of American capital. The investment under the American flag—a conservative estimate—shows: For beet sugar, \$600,000,000; for Louisiana cane, \$125,000,000; for Hawaii, \$175,000,000; for Porto Rico, \$150,000,000, or a total of \$1,050,000,000.

Capital that employs American labor at a fair wage, pays its proper share for the support of the American Government and institutions, National, State, and county; invest its money on American production and American soil, ships over American railways, buys American produce and manufactures, invests in American enterprise and deposits in American banks. The seaboard refiner renders a minimum of service, employment of labor, and in distribution of capital.

No one takes seriously Cuba's undignified taunt that she increased her output at the request of the Allies. She used her enormous war profits to increase her output for the sole definite purpose of dominating the American sugar market, destroying by the might of the power of her enormous production at so much lower cost than the American producer could, that she thought she saw certain destruction of the American producer, particularly the beet producer of the West. She showed by her act that she intended to ultimately supply all America's requirements and much of the balance of the world. American production remained normal. Not so Cuba.

I want to call your attention to this fact hurriedly, that Cuba has purposely and definitely—and when I say "Cuba" I refer particularly to American capital invested in Cuba—gone forward in the increase of her production, knowing that normally there could not be more than a consumption of 2,000,000 tons, and to show what they did on that, in spite of the fact that we maintained in America practically without material change our same amount of production, knowing the same thing, and we did not try to supplant Cuban beets, or Louisiana, or anybody else, and yet they have definitely tried to supplant us.

The American crop in 1913, as compared to the Cuban crops, 1917-18, increased 14 per cent; but the Cuban crop in the same period increased 42 per cent. But if you take the crops of 1912-13 and compare—that is, American to that of 1920, our increased production was 4.8 per cent—I mean the total American, both Hawaiian and Porto Rico included. Whereas if you take the Cuban

production of 1912-13 and compare it with 1920, it is 53 per cent. You take the Cuban crop of 1921 and compare it with the period of 1911-12, you will find that they had increased 105 per cent. Where the total American production increased 16 per cent.

So that we, recognizing the fact that we had a market for one half the production endeavored and did produce that half. Cuba produced that half and twice as much more. I will not go over the fact of extravagance and bad judgment in the holding of Cuban sugars by them, because that has been gone into.

I want to call your attention briefly to what the American refiner means to America, leaving out the fact that his money is in Cuba. The 241 establishments taking the census of 1914 listed as raw cane and beet sugar producers, separating Continental sugar production from the raw products, beet and cane; we take cane, 88 per cent, mature and turn out 12 per cent of that of sugar, a product that is finished, and we pay all the expense for doing that. The American refiner turns out to you 4 per cent of service in taking in 96 Cuban sugar and making it into sugar. On every item in 1914 census, they took those represented by the volume of sugar, handled by establishments by producing a sugar direct from cane and beets grown in Continental America exceed like items of the refiners of foreign sugars.

This question was asked awhile ago, that probably will fit into that: Of the 3,560,147 tons of sugar going through refineries—that is, the American cane grower and the seaboard—2,463,303 tons came from Cuba and 936,376 from our insular possessions; 11,732 tons of full duty sugar while handling less than one-third the volume of sugar as is expressed by the refined figures, the American cane and beet sugar factories paid for salaries, wages, and labor \$831,152 more than the refiners; they paid \$27,975 more taxes; they added to the value of the raw product \$1,569,564 more than the refiners. In addition to this, the entire \$57,357,579 paid for raw material was paid out in America to Americans for cane and beets produced on American soil. The total paid out for American production, labor, and taxes, was \$69,605,641. The refiners paid out for American production, labor, and taxes during the same period, \$11,288,935. Our refiners added 50 per cent to the value of raw material, and the refiners less than 10 per cent.

Therefore, I say to you, gentlemen, that this fight I can best liken, for illustration, to this condition: That if the "Big Five" meat packers, so called, owned in the Argentine enough land to supply all the beef needed in America, and in addition to that enough more land to double that, that they were not yet using, and they took that beef and put it into such condition that when they brought it to America they only had to take 4 per cent of waste material from it, knowing as we do that they can produce that beef down there at least \$10 a head cheaper than we could here, then the American farmer and beef grower would be just as the American sugar grower is to-day.

The same thing would hold true if the eastern woolen mills owned Australian lands and sheep—you could carry that on through the Argentine in wheat. That is our condition to-day, and there is not any use in masking this thing, gentlemen. This is strictly and wholly a fight on the part of the American investor in the American refineries and in the Cuban raw product, who believed that he could

invest his money in a foreign country and that a foreign country could get more returns from the capital invested than he could if he invested it in America. There is no thought on the part of the most of the men who are making this fight of any sympathy for or protection to the native Cuban, and there is certainly none to the native American, and we say to you that also interests directly the consumer, because if that were created because of such insufficient tariff levied against Cuba as would put out of business the American consumption, then in that event these American owners owning both the raw sugars in Cuba, which are not amenable to the laws of America, and the refineries on the seaboard, the price to the American consumer would be higher than it will ever be under any tariff that you may fix.

I am confident that a vote for a tariff that will equalize the cost of American production will be not only a protection to the American sugar industry but will be a direct protection to every consumer of sugar in America.

The claim that the passage of the emergency tariff act caused an immediate decline of 60 cents per hundred pounds does not hold with the statement made later in their presentation that the increase in tariff "would have to be paid by the ultimate consumer." The loss set forth in the figures is a purely hypothetical one. If she was selling at a certain price, any price will do, and the market declined 60 cents per hundred pounds, then her loss on a given number of bags amounted to so many dollars. Cuba's loss, if any, is the difference between the cost of production and the price the sugar sells for. Their statement is a hypothetical one and not "actual loss." The market could and did decline only because Cuba in her greed produced sugar far in excess of the normal and then held her overproduction for a fictitious price wholly unwarranted as based on cost to produce, and through her act causing large volumes of full-duty sugars to come into the United States, supplying the demand, creating an added surplus, and by her act causing the American producer, who was content to and did produce a normal crop and sold his crop at a reasonable price based on the cost to produce; Cuba carried down with her the American producer of the next succeeding crop.

Cuba's profits on the sugar actually sold reveals a return to them for the three years that is almost staggering. In addition to the acknowledgment that Cuba can produce sugar cheaper than any other country might have been added the geographical advantage and the existing preferential allowed Cuba for the American market. From separate sources, all practically in agreement, treated from different viewpoints yet all giving practically the same result, we submit that 1 cent tariff is not sufficient to equalize costs for Louisiana. It should be not less than 2.50 cents against Cuba. In the Cuban presentation the careful disregard to prewar costs is truly ingenuous. Normal economic, commercial, and productive periods are the only ones that disclose true facts. Since 1913 no such normal conditions have prevailed; therefore comparison to be just must be placed in the prewar period.

Cuba boasts that "since the conclusion of the reciprocity treaty of December 11, 1902, was signed there has been no change in the Cuban tariff." She tells only half the story. The reciprocity treaty

itself contains the following clause: "Provided, That while said convention is in force no sugar imported from the Republic of Cuba and being the product of the soil or industry of the Republic of Cuba shall be admitted into the United States at a reduction of duty greater than 20 per centum of the rates of duty thereon as provided by the tariff act of the United States, approved July 24, 1897." The act of July 24, 1897, referred to provided a duty of ninety-five one-hundredths of a cent for sugar testing not above 75° by the polariscope, with thirty-five one-hundredths of a cent for each additional degree, which is equivalent to 1.685 cents per pound 96° sugar. A preferential of 20 per cent gives Cuba a tariff on this of 1.34 cents. Cuba accepted this proviso and was signatory thereto. Yet we find this agreement violated by the United States in the passage of the Underwood tariff, reducing the general tariff to 1.25 cents per pound, 95° basis, with the 20 per cent preferential to Cuba, making the tariff rate against Cuba 1 cent per pound. No; Cuba has never favored America with any reduction in her tariff, yet she accepted this gratuity to her chief product, sugar. She boasts of never having reciprocated this. No; Cuba knew when she signed the treaty and knows now that the higher the general tariff, the greater her protection to the American market. Cuba knows she has full possession of the American market for the normal, proper crop of sugar. So far as the citizenship of Cuba is concerned, there need be no fear as to the disposal at a fair price of their sugar production. It is not the volume of the American tariff that has placed Cuba in her present position. It is not the volume of any American tariff that ever will be fixed that endangers the citizenship of Cuba or the production of sugar in Cuba by her citizens. It is the American capital invested in Cuban production, the major portion of that capital and its Cuban investment being owned, controlled or directed by the same men and corporations that own, control and direct the American seaboard refineries. The protest is made in Cuba's name. "The voice is the voice of Jacob, but the hands are the hands of Esau." Another birthright is for sale. The nation's Cuban citizen is to be the Esau. Who is the "Cuban producer"? From sources quoted we find the following statistical data:

Of the 14,389,128 bags produced by American capital, 11,716,928 bags, or 42.69 per cent of the total Cuban crop, was produced by individuals or corporations, owners, directors, and stockholders of American seaboard refineries. This explains with clearness the peculiar arguments advanced and the final admissions in the memorandum submitted by the Cuban commission. The direct charge that the only competitor that Cuba has or fears to have is the producer of sugar in the continental United States and her insular possessions. In her further attack on the producer of sugar under the American flag, she entirely removes the mask and plainly eliminates the cane-sugar production. While making a general inclusion of Louisiana, Porto Rico, and Hawaii, she openly directs her attack on, and cost comparison to, beet sugar. Here again the hand of the seaboard refiner is shown. All the sugar produced in Porto Rico and Hawaii is refined in American refineries. A part of the Louisiana sugar is sold as raw sugar to the refineries. These same refineries that own or control directly practically 50 per cent of the entire Cuban production, it is altogether conceivable that a large portion of that with

which their names are not officially connected is likewise under the domination of the refiners. The beet sugar produced in the United States is refined by the American beet factories. Their production amounts to nearly 1,000,000 tons annually, almost one-fourth of the total American consumption, coming in direct competition with the seaboard refiners. Given the tariff asked for in Cuba memorandum, the combined seaboard refiners of the United States would bring about the following results:

First. They would increase their Cuban holdings; take the birth-right of the native Cuban; eliminate entirely any Cuban sugar producer who dared refuse their terms.

Second. With their present power made complete by the lowered tariff, adding thereto the excess power of ownership or control of all Cuban production, the sugar producer in insular America would be at the absolute mercy of these seaboard refiners. Prices paid the insular producer would be whatever the seaboard refiner named. He would produce or cease production at the will of the seaboard refiner.

Third. The Louisiana producer would be forced to discontinue the production of competing grades of sugar, then summarily crushed out as unworthy to exist; his sugar mills a total loss, just as truly confiscated as by a war of armed conquest.

Fourth. The combined refiners would then turn their attention to the destruction of the beet producer. Refined sugar for a short period of not exceeding two years, would be sold at the lowest price the world has ever known. Beet fields would be turned to the production of beans, wheat, and other cereals, adding to the already disastrous overproduction of these farm crops.

Fifth. This conquest completed, the seaboard refiners, owning or controlling the entire Cuban production, owning outright the exclusive refining power of the United States, the price of refined sugar would begin to rise, and in two or three more years the American sugar consumer would be paying the highest price ever paid for sugar in normal times. The Cuban production would be increased to that amount just at or below the amount the American consumer would absorb and refiners export.

Sixth. There would be no competition from Java or anywhere else in the world. The seaboard refiners having control of the raw Cuban production and the American refining, no other capital would have the temerity to risk their money in investments to compete with such a combination. Owners of the cane fields and the beet fields of America would not dare again planting their acres to sugar-producing crops, however alluring the price being then received for sugar appeared.

Seventh. During this time America would be losing \$50,000,000 to \$125,000,000 according to volume of tariff, per annum revenue at the customhouse, all of which, after the period of destruction which carried down the American production, elapsed, every dollar would go to the refiners, the American public paying more in the advanced price than any tariff conceivable.

Eighth. This process completed, this combination of Cuban-producing, American-refining, both controlled, the next step, and that sure to come, would be the appearing of this interest before Congress asking the entire removal of all duty on Cuban sugar. The interests

owning both the production and refining could easily transfer their profits to the raw sugar in Cuba, always showing narrow margins of refining profits. To avoid American laws, they might even appear in fierce competition, eliminating any showing of profits from refining if need be. Not so the price of raw sugar in Cuba. Our laws could not reach them there. No further hint of revolution in Cuba, no veiled suggestion of annexation, no other move that would make them amenable to the laws of the United States.

This is no idle dream, but a logical conclusion, forecasting exactly what will happen if the plea made in Cuba's name be granted. For the sake of the American consuming public, for the saving from practical bondage of the rank and file of the native Cuban, the low colono or small farmer, the laborer, to save Cuba from herself, for the sake of the producer of American cane and beet sugar, to treat fairly the American producer, this Congress in its wisdom will decline this request of the Cuban commission and instead thereof fix a fair and just tariff on all outside sugar that will equalize the cost of producing American-grown sugar with that of any other country anywhere. Thus will this great industry on American soil continue, competition in the sugar market be assured, fair prices maintained to the consumer, and the most equitable and just revenue paid to the support of the American Government by any commodity imported.

(Exhibits submitted by Mr. Rogers are as follows:)

EXHIBIT No. 2.

Production of sugar in the United States, 1910-11 to 1919-20.

(In tons of 2,000 pounds.)

Campaign year.	Beet sugar (refined).	Louisiana. ¹	Other Southern States. ¹	Campaign year.	Beet sugar (refined).	Louisiana. ¹	Other Southern States. ¹
	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>		<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>
1910-11.....	510, 172	328, 356	12, 320	1915-16.....	874, 220	137, 500	1, 120
1911-12.....	599, 500	352, 874	8, 000	1916-17.....	926, 637	303, 900	7, 000
1912-13.....	692, 556	153, 873	9, 000	1917-18.....	765, 207	243, 600	2, 240
1913-14.....	733, 401	260, 667	7, 800	1918-19.....	760, 850	283, 450	3, 500
1914-15.....	722, 054	242, 700	3, 920	1919-20.....	723, 451	113, 500	1, 125

¹ Louisiana production for 1910-11 from A. Bouchereau's Annual, 1911-1917. Subsequent years from Department of Agriculture Year Book.

² Includes Texas only.

Production of sugar in Porto Rico and Hawaii, 1910-11 to 1919-20.

(In tons of 2,000 pounds.)

Campaign year.	Porto Rico.	Hawaii.	Campaign year.	Porto Rico.	Hawaii.
	<i>Tons.</i>	<i>Tons.</i>		<i>Tons.</i>	<i>Tons.</i>
1910-11.....	342, 340	566, 821	1915-16.....	483, 590	593, 483
1911-12.....	371, 076	595, 258	1916-17.....	503, 081	644, 874
1912-13.....	398, 004	546, 798	1917-18.....	453, 796	576, 842
1913-14.....	351, 666	617, 038	1918-19.....	406, 002	603, 583
1914-15.....	346, 490	646, 445	1919-20.....	483, 071	556, 343

SUMMARY.

	Tons.
Beet sugar.....	7,205,168
Louisiana.....	2,434,240
Other Southern States.....	55,025
Total United States.....	9,695,433
Porto Rico.....	4,141,116
Hawaii.....	5,947,185
Total Porto Rico and Hawaii.....	10,088,301
Grand total.....	19,783,734

EXHIBIT No. 3.

[Census Bureau's summary concerning the industry, 1919.]

MANUFACTURE OF CANE SUGAR.

In 1919, 189 establishments were located in Louisiana, 6 in South Carolina, 3 in Florida, 2 in Georgia, and 1 each in Mississippi and Texas.

Comparative summary of statistics for the cane-sugar industry, 1919 and 1914.

	Number of establishments.		Production.	
	1919	1914	1919	1914
Total for the industry.....	1202	181	\$57,741,320	\$21,635,373
Sugar:				
Pounds.....			450,955,833	529,601,993
Value.....			\$46,659,085	\$18,917,633
Refined—				
Pounds.....			71,627,346	107,187,416
Value.....			\$9,547,378	\$4,228,860
Clarified—				
Pounds.....			258,293,878	182,149,649
Value.....			\$36,663,156	\$6,742,266
Raw—				
Pounds.....			113,154,404	229,646,354
Value.....			\$9,898,958	\$7,615,147
Brown—				
Pounds.....			7,880,210	10,618,574
Value.....			\$649,593	\$361,410
Molasses:				
Gallons.....			20,058,248	20,675,260
Value.....			\$4,868,740	\$2,021,517
Strap:				
Gallons.....			6,739,978	2,420,633
Value.....			\$4,189,199	\$509,698
All other products (value).....			\$2,024,296	\$56,477

¹ Only the 189 establishments in Louisiana actually made sugar.

MANUFACTURE OF BEET SUGAR.

In 1919 there were 16 establishments each in Michigan and Utah, 14 in Colorado, 10 in California, 8 in Idaho, 5 in Ohio, 4 each in Nebraska and Wisconsin, and 1 each in Illinois, Indiana, Iowa, Kansas, Minnesota, Montana, Washington, and Wyoming.

Comparative summary of statistics for the beet-sugar industry, 1919 and 1914.

	1919	1914
Number of establishments.....	85	60
Total value of products.....	\$149,153,892	\$62,605,210
Sugar:		
Pounds.....	1,428,691,315	1,486,047,817
Value.....	\$138,099,693	\$58,590,465
Granulated—		
Pounds.....	1,421,914,425	1,478,466,899
Value.....	\$137,852,387	\$58,331,324
Raw—		
Pounds.....	4,976,890	8,480,918
Value.....	\$247,306	\$239,142
Molasses:		
Gallons.....	18,811,429	26,461,291
Value.....	\$2,364,563	\$1,536,192
Pulp:		
Tons.....	2,082,631	(¹)
Value.....	\$5,798,412	\$2,091,863
Dried—		
Tons.....	978,501	(¹)
Value.....	\$4,829,668	\$1,510,759
Moist—		
Tons.....	1,106,630	(¹)
Value.....	\$688,844	\$581,104
All other products (value).....	\$2,893,224	\$383,689

¹ Department of Agriculture and American Sugar Producers' Association Report 89.

* Not reported in 1914.

MANUFACTURE OF REFINED SUGAR.

In 1919, 5 establishments were located in New York, 4 in Pennsylvania, 3 in Louisiana, 2 each in California, Massachusetts, and New Jersey, and 1 each in Texas and Georgia.

Comparative summary of statistics for the refined-sugar industry, 1919 and 1914.

	Number of establishments.		Production.	
	1919	1914	1919	1914
Total for the industry.....	20	18	\$730,886,706	\$289,393,715
Refined sugar:				
Pounds.....			7,042,905,337	6,665,268,045
Value.....			\$718,567,395	\$285,495,974
Molasses:				
Gallons.....			5,916,668	.....
Value.....			\$678,771	.....
Sirup:				
Gallons.....			88,144,320	125,802,993
Value.....			\$14,637,630	\$3,284,278
All other products (value).....			\$2,102,710	\$618,463

¹ Not reported separately in 1914.

EXHIBIT No. 4.

Basis of proportionate distribution as fixed on Nov. 4, 1918, at a meeting of the American refiners' committee of the United States Food Administration.

	Per cent.
American Sugar Refining Co.....	38,001
Arbuckle Bros.....	6,613
California & Hawaiian Sugar Refining Co.....	0,945
Colonial Sugars Co.....	2,185
Federal Sugar Refining Co.....	8,645
William Henderson.....	1,220
Imperial Sugar Refining Co.....	1,122
The W. J. McCahan Sugar Refining Co.....	2,489
National Sugar Refining Co.....	11,940
Pennsylvania Sugar Co.....	4,537
Revere Sugar Refining Co.....	2,985
Savannah Sugar Refining Corporation.....	2,149
Warner Sugar Refining Co.....	6,187
Western Sugar Refining Co.....	3,549
The Leon Godchaux Co. (Ltd.).....	1,433

EXHIBIT No. 5.

AMERICAN REFINERS' INTERESTS IN CUBA.

The Colonial Sugars Co. and National Sugar Refining Co., through their officers, Messrs. J. H. Post and T. A. Howell, are interested in the following Cuban properties:

Central.	Company.	1921 production, bags.
Niquero.....	New Niquero Sugar Co.....	175,261
Isabel.....	Guantanamo Sugar Co.....	63,644
Los Canos.....	do.....	91,454
Soledad.....	do.....	98,823
Palma.....	Palma Sugar Co. (West India Finance Corporation).	123,077
Copey.....	West India Sugar Finance Corporation.	146,688
Tansamo.....	Atlantic Fruit Co. (West India Finance Corporation).	264,663
Tinguaro.....	Cuban-American Sugar Co.....	250,408
Constancia.....	do.....	156,657
Unidad.....	do.....	88,939
Mercedita.....	do.....	117,526
Delicias.....	do.....	768,373
San Manuel.....	do.....	(1)
Chaparra.....	do.....	420,127
Production, 14 centrals.....		2,765,865

¹ Not given.

² Plus San Manuel.

Edwin Atkins, head of Atkins & Co., formerly an officer and director of the American Sugar Refining Co. According to reports he has sold out his interests in that company, but is still engaged in refining sugar. During the past season this refining has been done at the refinery of the Pennsylvania Sugar Refining Co. in Philadelphia. Owns interests in the following centrals and companies.

Central.	Company.	1921 production, bags.
Caracas.....	Cia Az. Caracas.....	179,919
Soledad.....	Cia Az. Soledad (Atkins).....	114,920
San Agustín.....	Atkins & Co.....	165,760
Florida.....	Punta Alegre Sugar Co.....	260,417
Punta Alegre.....	do.....	329,578
Trinidad.....	do.....	84,948
Production, 6 centrals.....		1,135,538

The McCahan Sugar Refining Co., through its president and vice president, Messrs. M. E. and B. B. Rionda, are interested in the following Cuban properties:

Central.	Company.	1921 production, bags.
Manñiti.....	Manñiti Sugar Co.....	400,400
La Julia.....	Cuba Cane Sugar Corporation..	218,502
Alava.....	do.....	334,913
Conchita.....	do.....	268,560
Feliz.....	do.....	121,115
Mercedes.....	do.....	350,694
Santa Gertrudis.....	do.....	205,885
Socorro.....	do.....	304,197
Soledad.....	do.....	112,586
Leguitto.....	do.....	168,453
María Victoria.....	do.....	108,706
Perseverancia.....	do.....	164,129
Jagucyal.....	do.....	350,087
Lugareno.....	do.....	234,014
Moren.....	do.....	580,979
Stewart.....	do.....	290,763
Violeta.....	do.....	155,645
Tuinicu.....	Tuinicu Sugar Co.....	200,959
Washington.....	Washington Industrial Sugar Co.	171,183
Francisco.....	Francisco Sugar Co.....	340,948
Production, 20 centrals.....		5,152,778

The Warner Sugar Refining Co., through its president, Mr. C. M. Warner, owns interests in the following:

Central.	Company.	1921 production, bags.
Jatibonica.....	Compania Cubana.....	231,854
Jobabo.....	do.....	257,888
Miranda.....	Miranda Sugar Co.....	131,564
Palmarito.....	do.....	14,445
Amistad.....	Cia Az. A. Gomez Mens.....	229,150
Gomez Mens.....	do.....	363,619
Production 6 centrals.....		1,228,504

The Revere Sugar Refining Co., through the United Fruit Co., is interested in the following Cuban properties:

Central.	Company.	1921 production, bags.
Boston.....	United Fruit Co.....	527,486
Preston.....	do.....	543,500
Saetia Sugar Co.....	do.....	(1)
Production, 3 centrals.....		1,070,986

¹ Not given.

The American Sugar Refining Co. owns the following properties in Cuba:

Central.	Company.	1921 production, bags.
Cunagua.....	American Sugar Refining Co..	471,830
Jaronu.....	do.....	(1)

¹ Grinds in 1922.

RECAPITULATION.

Refiners.	Centrals.	1921 production, bags.
Colonial Sugars Co. } Post Howell	14	2,765,086
National Sugar Refining Co. }		
Atkins & Co.	6	1,135,538
McCahan Sugar Refining Co. (Florida)	20	5,152,778
Warner Sugar Refining Co.	6	1,228,504
Revere Sugar Refining Co. (United Fruit)	3	1,070,886
American Sugar Refining Co.	2	471,830
Total	51	11,825,551

EXHIBIT No. 6.

Destination of the cane sugar (all classes) exported from Java, including Madura (general exports).

[From Statistiek van den Handel en de In- en Uitvoerrechten in Nederland-Indie.]

Destination.	1910	1911	1912	1913
British India, including Ceylon, Calcutta, Bombay and	<i>Short tons.</i>	<i>Short tons.</i>	<i>Short tons.</i>	<i>Short tons.</i>
Karachi	590,505	596,090	631,369	781,590
Hongkong	270,771	198,993	208,289	291,365
Port Said	165,687	424,584	151,800	.....
Japan	134,189	71,979	222,105	316,915
Australia and New Zealand	26,117	6,615	99,681	36,299
Singapore	62,019	63,903	111,568	104,465
Netherlands	23,000	13,576	6,395	162
Egypt	14,989	20,732	13,456	.....
America	81,352	88,529	63,370	6,602
China	29,904	18,739	42,033	70,041
All other countries	63,071	80,683	60,140	14,458
Total	1,451,634	1,585,028	1,615,206	1,621,897

EXHIBIT No. 7.

Destination of the sugar exported from Cuba, fiscal years ending June 30.

[From Estadística General, Comercio Exterior.]

Kinds and countries of destination.	1910-11	1911-12	1912-13	1913-14	1914-15
Raw (crude):	<i>Short tons.</i>	<i>Short tons.</i>	<i>Short tons.</i>	<i>Short tons.</i>	<i>Short tons.</i>
United States	1,653,737	1,642,705	2,203,584	2,460,330	2,346,988
Spain	2	2	15	3	.....
United Kingdom	2,040	103,917	202,457	303,480	285,830
All other countries	20	26,672	42,160	72,564	16,773
Total	1,655,819	1,773,296	2,448,216	2,836,377	2,649,591
Refined:					
United States	5,823	10,287	19,496	.....	.....
All other countries .....	.....	.....	.....	.....	.....
Total	5,823	10,287	19,496	.....	.....

EXHIBIT No. 7-A.

RELATIVE PRODUCTION OF AMERICAN-OWNED FACTORIES.

The table that follows gives the number of American and other factories in active operation in 1914, 1915, and 1916, and for each group the tons of sugar produced, the average production per factory, the number of factories producing from 50,000 to 100,000 tons of sugar each year, and the per cent American factories were of the total.

The growth of American ownership of Cuban sugar factories.

[Compiled from Cuban statistics.]

Items.	1914	1915	1916
American factories.....number..	33	59	64
All other factories.....do.....	133	129	124
Total.....do.....	176	188	188
Sugar production:			
American factories.....tons..	1,059,924	1,412,843	1,667,812
All other factories.....do.....	1,848,231	1,478,354	1,714,172
Total.....do.....	2,908,155	2,891,197	3,381,984
Average production per factory:			
American.....tons..	27,893	23,946	26,080
All other.....do.....	13,590	11,460	13,824
Per cent American factories of total factories.....	21.590	31.33	34.04
Per cent American production of total production.....	36.45	48.87	49.31
Factories producing 50,000 to 100,000 tons:			
American factories.....number..	6	8	9
Sugar production.....tons..	458,675	480,863	605,594
Average production per factory.....do.....	76,449	60,108	67,288
Other factories.....number..	2	.....	1
Sugar production.....tons..	104,102	.....	53,800
Average production per factory.....do.....	52,051	.....	53,800
Partly American-owned factories.....number..	5	5	6
American and partly American-owned factories.....	43	64	70
Per cent American and partly American factories of total.....	24.43	34.04	37.23

The table shows that in 1913-14 36.45 per cent of the total tonnage of sugar was produced in American factories; in 1914-15 American production increased to 48.8 per cent and in 1915-16 to 49.31 per cent of the total.

The average tonnage of American factories was 27,893 tons in 1913-14, 23,946 tons in 1914-15, and 20,060 tons in 1915-16, as compared with 13,590 tons in 1913-14, 11,460 tons in 1914-15, and 13,824 tons in 1915-16 in all other factories.

Of the factories producing from 50,000 to 100,000 tons of sugar there were 6 American factories in 1914 producing 458,675 tons, or 76,449 tons per factory; 8 American factories in 1915 producing 480,863 tons, or 60,108 tons per factory; 9 American factories in 1916 producing 605,594 tons, or 67,288 tons per factory, as compared with 2 factories of other ownership in 1914 producing 104,102 tons, or 52,051 tons per factory; and 1 factory of other ownership in 1916 producing 53,800 tons of sugar.

EXHIBIT No. 8.

Number and production of American and other factories and per cent of production by American factories, crop of 1914-15.

[From Cuban statistics.]

Provinces.	Active factories.		Tons of sugar produced.		Per cent of production by American factories.
	American.	All other.	American factories.	All other factories.	
Pinar del Rio.....	2	5	22,221	30,993	41.75
Habana.....	6	13	69,400	241,466	22.33
Matanzas.....	14	27	304,503	370,068	45.14
Santa Clara.....	14	56	282,041	629,617	30.94
Camaguey.....	6	8	233,349	51,935	80.94
Oriente.....	17	20	501,320	151,272	76.82
Total.....	59	129	1,412,843	1,478,354	48.87
Part American.....	5	.....	71,784	.....	.....
Total.....	64	.....	1,484,627	1,478,354	51.35

The table shows that of the total production by seven factories in Pinar del Rio 41.75 per cent was produced by the two American factories there, that 22.33 per cent of the sugar production in Habana, 45.14 per cent in Matanzas, 30.94 per cent in Santa Clara, 80.94 per cent in Camaguey, and 76.82 per cent in Oriente was by American factories. The 59 active American factories were 31.38 per cent of the total factories and they produced 48.87 per cent of all the sugar. If the 5 partly owned American factories are included, American production was 51.35 per cent, or more than half of the sugar production of Cuba.

AMERICAN AND OTHER FACTORIES CLASSIFIED BY CAPACITY.

The table that follows classifies for the crop of 1913-14 American and other factory production in 13 tonnage-production groups, from those with an output of less than 800 tons up to those producing from 82,000 to 100,000 tons of sugar. It gives the number of factories and the total tonnage of each group from the smallest to the largest factories and the average output per factory.

EXHIBIT No. 8-A.

Average and total production of American and other factories, classified by amount of output and per cent of total output produced by each group, crop of 1913-14.

[From Cuban statistics.]

Range of production.	American.		All other.		Average per factory.		Total.	
	Fac-tories.	Sugar produced.	Fac-tories.	Sugar produced.	Ameri-can.	All other.	Fac-tories.	Sugar produced.
Less than 800 tons.....			2	1,402		701	2	1,402
800 to 1,500 tons.....			3	3,570		1,190	3	3,570
1,500 to 3,500 tons.....	1	2,187	8	19,836		2,480	9	22,023
3,500 to 5,000 tons.....	1	3,964	7	27,380		3,964	8	31,344
5,000 to 6,500 tons.....	2	11,305	9	49,211		5,653	11	60,516
6,500 to 10,000 tons.....	4	31,760	37	285,800		7,940	41	317,560
10,000 to 15,000 tons.....	8	99,432	26	309,526		12,429	34	408,958
15,000 to 20,000 tons.....	1	14,502	18	304,677		14,502	19	319,092
20,000 to 30,000 tons.....	9	208,510	13	301,918		23,168	22	510,428
30,000 to 40,000 tons.....	3	91,355	11	349,453		30,452	14	440,809
40,000 to 55,000 tons.....	4	189,284	3	141,477		47,321	7	330,761
55,000 to 82,000 tons.....	3	230,142	1	54,068		76,714	4	284,210
82,000 to 100,000 tons.....	2	177,483				88,742	2	177,483
Total.....	38	1,039,924	138	1,848,231		27,893	176	2,908,155

The table shows that there were no American factories producing less than 1,500 tons of sugar, while there were 5 factories of other ownership producing less than 1,500 tons each; while there were but 17 American factories producing less than 20,000 tons each, there were 110 factories of other ownership producing from 700 to 20,000 tons each. It further shows that 21 American factories produced from 20,000 to 100,000 tons each and an aggregate of 896,774 tons, while 28 factories of other ownership in the groups from 20,000 to 100,000 produced a total of 846,918 tons. In all groups the average for each American factory was 27,893 tons as compared with 13,393 tons for other factories.

For the entire 176 factories a total of 2,908,155 tons of sugar were produced. Forty per cent of this total was produced in 127 factories and 60 per cent in 49 factories. As an indication of the great production of the larger factories, it may be pointed out that while 57.59 per cent was produced in 149 factories, the remaining 42.41 per cent, or 1,233,262 tons, was produced in 27 factories.

EXHIBIT No. 8-B.

Number of persons engaged, capital invested, expenditures, and production in the sugar industry in the United States, as reported by the Census of Manufacturers, 1914.

[Miscellaneous Series 53, "The Cane Sugar Industry."]

Items.	Cane sugar.		Beet sugar.
	Raw.	Refining.	
Number of establishments.....	181	18	60
Persons engaged.....	4,544	12,561	9,634
Proprietors and firm members.....	172	8	1
Salaried employees.....	740	1,300	1,636
Wage earners (average number).....	3,632	11,253	7,997
Primary horsepower.....	113,246	49,666	76,705
Capital.....	\$32,996,524	\$140,499,819	\$142,181,326
Salaries and wages.....	\$2,032,521	\$10,323,597	\$3,884,853
Salaries.....	\$191,145	\$2,502,220	\$2,258,649
Wages.....	\$1,561,376	\$7,823,377	\$6,006,204
Paid for contract work.....	\$11,988	\$20,270	\$247,657
Rent and taxes (including internal revenue).....	\$263,820	\$943,068	\$507,223
Cost of materials.....	\$15,938,218	\$264,085,358	\$41,399,361
Value of products.....	\$21,635,373	\$289,398,715	\$52,205,210
Value added by manufacture (value of products less cost of materials).....	\$5,677,155	\$25,313,357	\$21,205,849
Sugar:			
Tons (2,000 pounds).....	264,801	3,333,134	743,473
Value.....	\$18,917,683	\$285,495,974	\$53,590,496

¹ Of this amount \$247,086,355 was for 3,560,479 tons of raw sugar; all other cost \$16,999,003.

Combined continental sugar manufactured and refined.

	Cane and beet.	Refiners.
Establishments engaged in sugar production.....	241	18
Persons engaged.....	14,178	12,661
Proprietors and firm members.....	173	8
Salaried employees.....	2,376	1,300
Wage earners (average number).....	11,629	11,253
Primary horsepower.....	189,931	49,666
Capital.....	\$175,177,850	\$140,499,819
Salaries and wages.....	\$10,917,374	\$10,323,597
Salaries.....	\$2,749,794	\$2,502,220
Wages.....	\$3,167,580	\$7,823,377
Paid for contract work.....	\$258,645	\$20,270
Rent and taxes (including internal revenue).....	\$1,071,043	\$943,068
Cost of materials.....	\$37,357,579	\$264,085,358
Value of products.....	\$34,240,583	\$289,398,715
Value added by manufacture (value of the products less cost of material).....	\$26,883,004	\$25,313,357
Sugar (tons of 2,000 pounds).....	1,008,274	3,333,134
Value.....	\$77,538,159	\$285,495,974

¹ Same as notation in preceding table.

The 241 establishments listed as raw-cane and beet-sugar producers represent continental American sugar production from the raw products, beet and cane. The 18 refiners represent chiefly the imports of foreign raw sugars.

On every item except those represented by the volume of sugar handled the establishments producing sugar direct from cane and beets grown in continental America exceed the like items of the refiners of foreign sugars. Of the 3,560,147 tons of sugar going through refineries in 1914, 2,463,303 tons was from Cuba, 936,376 tons duty free from insular possessions, 11,732 tons full duty sugars (carry over from prior date probably accounts for small balance). While handling less than one-third the volume of sugar as expressed by the refined figures, the American cane and beet sugar factories paid for salaries, wages, and labor \$831,152 more than the refiners; paid \$27,975 more taxes; added to the value of raw material \$1,569,647 more than the refiners. In addition to this, the entire \$57,357,579 paid for raw material was paid out in America to Americans for cane and beets produced on American soil. Total paid out for American production, labor, and taxes, \$69,605,641. Refiners paid out for American

production, labor, and taxes during the same period \$11,288,935, at the same time paying out for foreign sugar alone \$247,086,355. Even in service performed in factory operation alone the cane and beet producers added \$26,883,004 value, or nearly 50 per cent, to the American raw material; this for only one-fourth the total American consumption of that material. The refiners, with more than three times the volume, only added \$25,315,357, or about 10 per cent, clearly demonstrating the small service performed, the foreign producers receiving the lion's share of money paid out.

If no other reason was advanced for a tariff on sugar equalizing the cost of production in America against these foreign sugars, they should pay revenue sufficient to properly compensate the American Government for the market demand it furnishes. In lieu of the small service performed, the minimum of capital distributed to American labor and in support of the Government, this foreign sugar should pay an entrance fee for the privilege enjoyed to in a degree approach the American who performs the same kind of service and has to compete with the foreign article. An increase in the tariff against Cuban sugar should be levied this amount, regardless of any effect on American sugar production.

EXHIBIT No. 9.

Imports of Cuban sugar to America.

June 30, 1918, to June 30, 1919:	
Pounds.....	5,488,711,032
Value.....	\$290,732,477
The average price per pound.....	\$0.05297
Average cost (Wright).....	\$0.04104
Profit per pound.....	\$0.01193
Crop sold for.....	\$290,732,477
Crop cost.....	\$225,216,700
Profit (over 29 per cent).....	\$65,515,777
June 30, 1919, to June 30, 1920:	
Pounds.....	6,905,709,612
Value.....	\$596,275,578
Average price per pound.....	\$0.08635
Average cost price per pound (Wright).....	\$0.04104
Profit (110.4 per cent).....	\$0.04531
Crop sold for.....	\$596,275,578
Crop cost.....	\$283,410,322
Profit (110.4 per cent).....	\$312,865,256
June 30, 1920, to June 30, 1921:	
Pounds.....	4,925,630,505
Value.....	\$378,209,386
Average price per pound.....	\$0.07678
Average cost per pound (Wright).....	\$0.04104
Profit.....	\$0.03574
Crop sold for.....	\$378,209,386
Crop cost.....	\$202,147,875
Profit (87 per cent).....	\$176,061,511

[Statistical Abstract, 1920, p. 809.]

Cents per pound.

Average value Cuban sugar, 1913.....	2. 19
War Industries Board, cost.....	1. 45
Profit.....	. 74
Average value Cuban sugar, 1912.....	. 0281
Average cost Cuban sugar, 1912.....	. 0145
Profit.....	. 0136
Average value Cuban sugar, 1914.....	. 0201
Average cost Cuban sugar, 1914.....	. 0145
Profit.....	. 0056
Average value Cuban sugar, 1915.....	. 0321
Average cost Cuban sugar 1915 (Wright).....	. 0170
Profit.....	. 0151

Recapitulation fiscal years ending June 30.

Year.	Pounds.	Selling price.	Cost.	Profit.
1919.....	5,488,711,032	\$290,732,477	\$225,216,700	\$65,515,777
1920.....	6,905,709,612	596,275,578	283,410,322	312,865,256
1921.....	4,923,630,505	378,209,388	202,147,875	176,061,511
Total.....	17,320,051,149	1,265,217,441	710,774,897	554,442,544

EXHIBIT No. 10.

Exports of sugar-mill machinery to Cuba.

[Monthly Summary of Foreign Commerce of the United States June, 1920, and June, 1921.]

Article.	12 months ending June—			
	1918	1919	1920	1921
Sugar-mill machinery (value).....	\$11,760,246	\$10,132,593	\$15,471,518	\$29,108,909

Exports of sugar-mill machinery to Cuba for the 6 months ending June, 1921, \$7,269,465. (Department of Commerce figures.)

Domestic merchandise exported, quantities and values, by articles, calendar years 1911 to 1920.

[Statistical Abstract of the United States, 1920.]

Articles.	1911	1912	1913	1914	1915
Sugar-mill machinery.....	\$2,766,156	\$2,375,920	\$2,818,953	\$1,814,137	\$5,362,971
Articles.	1916	1917	1918	1919	1920
Sugar-mill machinery.....	\$9,058,347	\$11,471,779	\$9,463,511	\$13,805,040	\$22,786,977

STATEMENT OF ROBERT E. MILLING, REPRESENTING AMERICAN CANE GROWERS' ASSOCIATION, NEW ORLEANS, LA.

Mr. MILLING. Mr. Chairman and gentlemen of the committee, I will confine myself on this subject to a very few remarks.

It seems to me that the whole question presented to this committee is simply whether or not the American sugar industry shall continue to exist. We have what appears to be a three-cornered fight here—the producer of sugar in the United States as against the American refiner and the Cuban producer, the Cuban producers and the American refiners on the one side and the American producer on the other.

We have been accustomed to these tariff fights since there has been a development of the beet and cane sugar industry in the United States. For many years prior to 1913 there was very little opposition to a sugar tariff by the refiners or importers from any section. In fact, for years the refiners themselves insisted upon a tariff. They not only insisted upon a tariff on raw sugar but they also asked for and secured an additional tariff on refined, and when that additional tariff on refined sugar became unpopular then it was imposed under the guise of imposing full duty on all sugars testing over 16 Dutch standard. The 16 Dutch standard was a considerable bugbear to the Congressmen who were unfamiliar with its purport and especially to the layman. It is simply a color test. In other words, all sugar sufficiently bright in color to go into direct consumption was taxed full duty because it tested in color above 16 Dutch standard. At last there came a man to Washington by the name of Bass, who was very bitterly opposed to the Dutch standard. He appeared before the committees of Congress and perhaps before your committee. You gentlemen may have heard him. He published a magazine called the "Gater," with a picture of an alligator on the cover. The more one read the Gater and Bass's articles on the 16 Dutch standard the more confused he became and the less he knew about it, but he made such a fuss about it until at last Congress repealed it.

Let us consider the 1913 tariff for the purpose of seeing whether or not this tariff as it existed or the permanent tariff as it now exists is a tariff under which the sugar industry can thrive.

One of the gentlemen speaking in the interest of Cuba who preceded me tells you that our industry is prospering with the 1-cent duty, but the fact is, gentlemen, that the Republican Party never gave us the 1-cent duty. We had a 1.685 duty imposed by the Republican Party, and in 1913 the Democratic Party declared that we should have free sugar and gave us the 1-cent duty for three years, in order that we might liquidate and get out of the business. Now, this 1-cent duty was on for three years, and it was well understood that it was only a liquidating duty, that the industry could not thrive with a 1-cent duty. In other words, we were to get out of business, I think, in 1916 in the spring. The war came in 1914, and this Government being in need of the revenues derived from the 1-cent duty then imposed and, the Secretary of the Treasury publishing a statement that he thought it advisable to allow the duty to remain in order that the Treasury could receive that additional revenue is the reason why we have the 1-cent duty to-day. In 1914, when the war broke in Europe, up to 1916 the price of sugar increased on account of the stimulated demand. Especially was this the case when war first broke, in August, 1914. Some of our cane producers

who felt a few months before that they were ready for the bankrupt court had a portion of their sugar on hand, being unable to sell it even at the low price, and in a few weeks the price was up to 7 and 8 cents a pound, when it had been lower than 3 cents under the conditions that existed under the liquidating 1-cent duty imposed by the Democratic Party. These planters thus situated recouped considerable, and the industry in Louisiana began to come back to normal.

In 1917 there was an acute demand for sugar in the United States. The Food Administration was organized, and at that time refined sugar was selling on the Atlantic seaboard at from 8 to 8½ cents per pound. The beet-sugar producers patriotically came forward and offered their sugar at 7½ cents, and the Louisiana producers conformed likewise and sold their direct consumption sugar (yellow clarified) at the same price, while refined sugar on the Atlantic seaboard was selling at 8½ cents a pound.

In 1918 the Food Administration demanded the cost sheets of the sugar producers in the United States, and after determining the cost of production they determined the price at which the crop should be sold. That year they bought the Cuban crop at 4½ cents f. o. b. Cuba. The Food Administration found that the American producers could not produce sugar in the United States at 4½ cents plus the 1-cent duty, and as we were in war they found it absolutely necessary that the industry be not sacrificed. The question arose as to how an additional price could be given the American producers. The question of imposing an additional half cent a pound tariff was discussed, but the administration was opposed to opening up the tariff question, and the whole problem was solved by the United States Sugar Equalization Board adding to the price of the sugar which they bought from Cuba 0.38 cent per pound, which was tantamount to increasing the tariff to that extent, and this spread of 38 cents per hundred between the purchase from the Cuban and sale to the refiner yielded a revenue to the United States of about \$30,000,000.

The control by the Food Administration continued. The sugar producers made a small profit in 1917 and 1918, even with the restricted price placed thereon by the Food Administration, but the industry did not thrive. Why not? Why were not new factories built? Why did not the industry go forward as it had in the 15 years prior to 1913? Simply because there was a lack of confidence in such investments. Why, sirs, the beet industry in the United States from the time it was planted by the Republican Party in 1895 or 1896 increased from 40,000 tons in 15 years to over 700,000 tons—over 1,600 per cent. Why this great development? Simply because it was universally believed that sufficient tariff would continue to be imposed as would take care of the industry. Capital was perfectly justified in this belief, because the Republican Party was always willing to impose a tariff solely for the purpose of protecting the industry, and the Democratic Party had always declared that it would impose such a tariff because sugar was an exceptional revenue producer.

But this belief was dissipated in 1913. The Democratic Party assumed control, and its leaders declared that they were determined to put sugar upon the free list, and the result was that beet-sugar stocks went down to where they were almost worthless, and Louisiana

plantations could hardly be given away. The only owner who seemed to be able to farm his properties was the man who had before encumbered them to such an extent that the mortgage creditor was forced to furnish funds with which to operate the property or foreclose his mortgage.

The only thing that saved the industry from ruin during these four years of Mr. Wilson's administration was the breaking out of the Great War. Are you going to follow in the footsteps of that administration—that administration which declared that it proposed to place sugar on the free list with the full knowledge that it would destroy the industry—when the people of the United States have returned you to power and thereby repudiated the action of that administration? We do not think so.

There is no use to split hairs on the proposition. If you are going to give us a tariff at all, give us one large enough to take care of the industry. We do not need 1 cent; 1 cent will only permit us to cripple along with constant failures; 1 cent will put us out of business, gentlemen, under the existing conditions. Cuba can raise sugar for 1½ cents per pound, and that island will raise it just as cheaply as it can be raised, because they have the soil and climate, they have the sugar houses, and have very little expense in cultivation.

Therefore, we must have a tariff that will give us something over 4 cents a pound for raw sugars in the United States, without which we can not continue in business in Louisiana, and I doubt very seriously that many of the companies engaged in the production of beet sugar will be able to stay in business.

Senator CALDER (interposing). What would that rate be?

Mr. MILLING. We would have to get about 2½ cents against Cuba—something like 3 cents general tariff. We might get along, Senator, on 2 cents a pound against Cuba, with which we could exist; but if you want the industry to grow, if you want real competition between the American producer and the seaboard refiner and the Cuba producer, if you want to stimulate the American producer to the extent that he will make sugar and make lots of it, give him the needed tariff.

Gentlemen, if you will examine the record showing the prices of sugar in the United States, you will find that in 1870 the refiner got about 5 or 6 cents per pound for refining sugar, while to-day we are having it refined in Louisiana at 75 cents per 100 pounds. Do you not see if we had no competition in the United States all the 15 or 20 refineries would have to do would be to get together and say, "We will not refine raw sugar at 75 cents per hundred pounds. Our refining charge will be 2 cents per pound, or 3 cents a pound, or possibly 4 cents per pound." What is going to stop them? I will tell you what will stop them. The best people out in the West saying, "We have our sugar factories. We are going to produce sugar, and we are going to produce it at 4½ to 5½ cents per pound, and we are going to sell it at from 10 to 20 points less than the refiners." That is what brought down the cost of refining from 6 cents a pound to 60 cents a hundred pounds. I have seen refined sugars sell on the New Orleans market, when the refiners were putting out of business the yellow clarified producers, at 60 cents higher than raw sugars, when as above stated, in 1870, it was from 5 to 6 cents per pound higher. This competition has been worth something to the people of the United States. The price of sugar has steadily declined, notwith-

standing the fact that we have had a very good tariff at all times up to 1913, especially when the Republicans were in power.

Then, why the necessity of all this propaganda about reducing the tariff in order to protect Cuba? Why the necessity of this fright on the part of the Cubans? If you will turn to the records for 1913 and examine the report of the hearings before the Ways and Means Committee, you will find that at that hearing there was also a three-cornered fight. The refiner and the Wholesale Grocers' Association of the United States on the one side and the American producer on the other. Congress made an investigation as to the personnel of the Wholesale Grocers' Association and found that it was none other than the Federal Sugar Refining Co. financing the association and running it through one of its officials, Mr. Lowry, who was toadying as secretary of the association. To-day the fight is the so-called Cuban producer and the refiner.

Who is the Cuban producer? When you ferret it out you will find that the men who stand behind the guns and are making the fight are none other than the seaboard refiners, most of whom own sugar plantations in Cuba. In other words, it simply means that the fight is all the time between the American producer and the refiners; and why? Because the American producer is the only competitor that the refiner has.

Mr. Atkins, who testified before the House Ways and Means Committee on a prior action and also testified at the time I speak of in the hearing of 1913, frankly stated that at the time his company (he then being president of the American Sugar Refining Co.) put \$20,000,000 into the beet industry in the West. He advised against it, for he could see at that time that if that industry was built up in the West it would be a competitor that might destroy the seaboard refiners. It has not destroyed the seaboard refiners, but it has had the effect of reducing the cost of refining until such refiners do not make the money that was made in prior years, and this shows how near correct Mr. Atkins was in his prediction that they might have a competitor to the detriment of the seaboard refiners.

I can not feel that Cuba itself—that the heart of Cuba—the people of Cuba who ought to feel grateful to the American people for giving them their liberty, has asked that our domestic industry be destroyed. Are they selfish enough, when we picked them up, gave them their liberty, and enabled them to stand on their feet—gave them the monopoly of the surplus sugar market in the United States by giving them 20 per cent preferential—are they ungrateful enough to now say, "We want it all. We not only want the market for the excess consumption of the United States, but we want the whole market. We want you, the American producer, to get out of the way. We want to eliminate you entirely, and we want to supply the entire domestic sugar market of the United States."

That is what their proposition means if they can succeed in inducing Congress to place only 1 cent duty upon the importation of Cuban sugar.

Senator Smoot. There is another thing it means, I think—that if you can destroy the American industry here the American people will pay for sugar prices high enough to build all the factories in the United States each year.

Mr. MILLING. There is no doubt about that. I am perfectly convinced of that. If you will permit the seaboard refiners to fix the

price, they will fix a differential between raws and refined that will make the American consumer pay an additional sum, sufficient, as suggested by Senator Smoot, to build all the refineries in the United States.

I will not detain you gentlemen. The situation as already stated is just simply this, that we need protection to stay in the business, and the American people need us in the business, and we do not feel that the Senators of the United States would be justified in destroying the industry, but we do feel that they should impose such tariff as would take care of the industry—make it thrive as it did from 1898 to 1913.

Think of an industry developing 1,650 per cent from 1898 to 1913, and then, with the abnormal conditions that existed after that time—the war, higher prices—only going ahead 4 or 5 per cent since 1913. Why? Simply because, gentlemen, capital did not have confidence in the industry. They did have confidence in the industry in Cuba. It was there they invested their money. Having these investments, they now propose to the Congress of the United States to destroy the only competitors they have and give them the entire American market.

STATEMENT OF CHARLES DE B. CLAIBORNE, REPRESENTING SOUTHERN AND NATIONAL BANKING INTERESTS, NEW ORLEANS, LA.

Mr. CLAIBORNE. Mr. Chairman, I want to begin by setting your minds at ease on the idea, perhaps, that the South is not voting, in a measure, the way it thinks. You may be astonished to know that in the city of New Orleans Mr. Harding cast a bigger vote than John M. Parker when he won the governorship, and I believe I can say that there is no man in the South that is better thought of than John M. Parker; and yet Mr. Harding, a Republican, got a larger vote than did John M. Parker for governor. So that certainly shows, as the gentleman from Texas says, that we are to be congratulated on what we have done thus far.

I am merely here as a banker to confirm the statement that no matter what the polls show, as a matter of fact, the overwhelming number of banks in the South favor protection; and they favor a duty that will absolutely protect. There is no use of giving us a duty that will barely allow us to live; we would just as soon do away with it entirely.

In the State of North Carolina we circulated a petition and we obtained 414 banks, or 70 per cent of the total number of banks in the State of North Carolina, in favor of protection; and only 11 banks answered that they were against it. You could not hope on any subject to get a larger percentage than 414 to 11; and we are not through yet in that State.

Let us take the State of Mississippi. In that State, where everybody is believed to be against a duty on anything, one of the highest percentages is shown in that State as being in favor of protection by the banks, 81 per cent. In other words, 273 banks thus far have said "yes" and 5 banks said "no." You could not expect to get any better percentage than that. Take South Carolina, where 269 banks, or 61 per cent; Virginia, thus far, 50 per cent; and Louisiana, 80 per cent, and when I left home I had quite a number of cards which I feel sure would have brought that percentage up to 90 per cent.

As a matter of fact, that is to say, in the short time we have been working there we have 254 banks, and I believe soon we will be able to show that 80 per cent and likely 90 per cent of the banks of the South are in favor of a high protective tariff, for the coming year anyhow.

I say "high protective tariff," because in the past, and speaking for my State, in one particular industry that perhaps I know a little more about than the others, we have been accorded a duty on, and that is sugar, which has never been sufficient. There is no use consulting statisticians or experts or anybody else on the subject. You are dealing here with the matter as we bankers deal with it. We call for the man's statement. If a sugar planter comes up to me and says, "I want \$200,000 for the year 1922," I do not call for the expert and say, "What do you think you can produce sugar for in 1922?" And let me see what he has been making in the sugar business, and if at the end of that time he has nothing to justify my giving him that money, I turn him down.

You gentlemen can have all the figures you want and you can hear all the experts you desire, yet the fact still remains that the average sugar planter in Louisiana is not in good financial condition. I am satisfied that you will find that same condition in the West; and, therefore, why ask if sugar can be produced at a figure, when at the end of 20 years the figures conclusively show that nobody can make money at that figure?

So, as a banker, we say that if you are going to give us a duty on anything, give us a duty that will allow us to live; give us a duty that we bankers feel that we can talk to this man as a business man and tell him "Go ahead, and we will back you."

I hear people say that 1.60 duty against Cuba is enough on sugar. I do not know whether these fellows have occasion to lend money based on what they say. But I am talking now as a banker who is an officer of the largest sugar bank in the United States—I mean domestic sugar—the Whitney Bank, which perhaps lends more money and does a larger sugar business than any bank in these United States, and I want to tell you honestly and frankly that we are not going to loan any money based on 1.60 duty of sugar against Cuba. In other words, if sugar is going to live in Louisiana, we must have a duty that will maintain that commodity at 4 cents, or that commodity is going out of existence so far as we bankers are concerned.

I can no more lend on sugar than I can on bonds without the necessary margin, and I tell you that the statements of all the planters I have seen—and you can call for those statements, if you have any reason to doubt what I tell you—and they will show that we are not justified in putting out the money.

You can send to the merchants of Louisiana; you can ask the big firms like Baldwin and Esherman, all the hardware and implement people that sell to the sugar people; ask the oil men how they feel about their bill for the next year, and ask them if they are going to sell oil to the sugar planter based on a duty of 1.60. What answer are you going to get? "No."

Therefore, why talk about our ability to get along on that when all the men who deal directly with the industry tell you that they can not get along on that basis.

I merely mention sugar because I could talk more intelligently on that particular commodity. But the same thing applies to all others.

We, as bankers, are not particularly interested in any one thing. We know, however, that we have no hope for success unless sugar, cotton, wheat, corn, and every other commodity is on its feet.

There is no use of being deceived by the figures which you may get from the Federal Reserve Board about all the gold that we have and about the 80 per cent reserve against circulation, and all of that stuff. That only proves what I am saying, that the country to-day is in a bad fix, and if they have got 80 per cent it is because the people now have no need for the money. There never was a time in the history of this country that I have been able to find when your public utilities, your steam railways, your big industrials, your sugar people, your corn people, your wheat people, and other lines of business that you can think of need this assistance as much as they do now.

Personally, I believe that we are going too far with this idea that we are supposed to help out the entire world. I am convinced that it is simply national vanity or some type of egotism that leads us to believe that we, the American people, have been ordained to save the entire world. You have got yourselves to save now, and you can take it from me, you can go all over the South and all over the West; you consult your western Senators and your southern Senators or anybody that you want to and ask them how their financial institutions and their commercial institutions stand. If you expect those assets to remain solvent, if you expect those values to keep up, it is up to you gentlemen to give whatever assistance you can.

But, as I say, that assistance must be given along intelligent lines. This is no time to compromise, no time to equivocate. When a man comes before you here and talks to you gentlemen, do not let him talk about what can be done. Ask him what has been done and make him show you. Do not let any of these theorists and these professors come up here and talk to you. If a man says he believes a certain thing can be done, ask him, "Well, would you put your own money out on that basis?" When a man tells you that he can conduct the sugar business successfully with 1.60 duty, tell him, "Would you buy a sugar plantation operated on that basis?" Or I tell you, gentlemen, I will lend you a plantation fully equipped and I will lend you a sugar house that you could not build for a half million dollars, and 3,000 or 4,000 acres of land, furnish you the mules and the whole works if you will operate it for next year. Do you know of any other business in which men have invested \$800,000 or \$900,000 that you can have the use of for nothing?

I merely mention to you these facts because I know I have attended meetings and I know people who are in the habit of coming to you gentlemen and theorizing, coming up here with a world of statistics that prove absolutely nothing. All they are talking about is the future; my feet are guided by the past and by nothing else; we do not loan money on what we expect; we are not promoters and have nothing to do with promoters. We lend on what history shows has taken place. If a man tells me he is worth a half million dollars and he wants the loan of \$250,000, I say, "Give me a sworn statement and let us see what that half million is made up of"; and if it is made up of cats and dogs, he does not get a cent. He has to show me. All I ask is for you gentlemen to do the same thing.

When anybody tells you what wealth they have in sugar, cotton, cottonseed oil, or anything else, do not let that fellow give you a lot

of dope in figures; ask him if anyone has been able to make money on that basis and to give you the names of men in that business; and do not pick out one single instance, but take the business as a whole. Take the cotton, wool and sheep, cattle and hide business. Look at your hide companies and see how they are getting along; look at the cattle business and see how the cattle raisers are getting along. That is what you gentlemen want to see. Do not listen to these fellows who are going to tell you, "We can make money on so and so if you give us so much protection."

I just thought it was my duty as a banker to assure you of the position we take. As I say, we are not interested, and we do not care—if you want to put the sugar business out of existence, Louisiana is willing to pay the penalty. But if we are going to live, then give us what we ask for, because I hope you will do me the justice to believe that I am telling you the facts, and if you want absolute statements from the individuals, I will get the statements. But please do not listen to that dope about what can be done next year, but take the figures on what was done last year. One is nothing but prophesy and the other is history; and you know you can depend on one more than the other.

Gentlemen, I thank you for the time I have taken up.

STATEMENT OF HENRY N. PHARR, OLIVIER, LA.

Mr. PHARR. Mr. Chairman and gentlemen of the Finance Committee, not knowing until I arrived here this morning that it would be my privilege to appear before you, I have not prepared a written brief. I feel, however, that I would like to indorse all Mr. Claiborne has said and all of the presentation made a few weeks ago before this committee by other representatives from the State of Louisiana—Mr. Chaffe, Mr. Rogers, and Judge Milling.

My earliest recollection is that of moving on a sugar plantation in Louisiana as a boy 7 years of age. My family has been in the sugar business since that time, never lived elsewhere, and are still making sugar in Louisiana. Therefore I am in a position to say that what Mr. Claiborne has just stated to you is absolutely true.

The sugar industry, as all of you know, has unquestionably been the football of politics, and, therefore, we have not known for any length of time in advance what the future had in store for us so far as a tariff was concerned. I am glad to say, however, that the Louisiana sugar industry has always been outspoken in favor of protective tariffs, not only for the sugar industry for Louisiana but for all American industries, and our Senators, with the exception possibly of one or two, have stood out boldly for protection to American industries from the time of Randall Gibson on down to Ransdell and Broussard: It is absolutely impossible for the industry to prosper without a sufficiently high tariff, but the figure that has been named of 2½ cents against all sugars except Cuba and 2 cents against Cuba will enable us to live and insure us a slight degree of prosperity. Without that we do not see how we can secure the necessary capital to continue the industry.

Some one may ask, "Why, then, continue an industry of that kind, one that demands protection higher possibly than the beet-sugar industry of the West or the cane-sugar industry of our insular possessions?" We answer, not with a spirit of egotism, but with

pardonable pride, that the sugar industry of the world owes a debt to Louisiana. You go into the Tropics to-day, you enter any large factory, and you will find in nine cases out of ten a Louisiana man at the head of that factory or in charge of the chemical department. We are educating in Louisiana the chemists and the mechanics and the superintendents that are taking charge of the large factories in the Tropics. Consequently, it is to the interests of the sugar consumers of this country, that this good work be not interrupted. Aside, however, from this incidental advantage to the sugar producing world from Louisiana, we claim that the domestic sugar industry is absolutely essential for the protection of the American consumer.

If you destroy the domestic sugar industry you place the American consumer absolutely at the mercy of the refiners. This has been proven in the past. Whenever Louisiana sugar and beet sugar has come upon the market there has always been a drop in price unless something unusual has happened at that particular time to affect the market; but in the ordinary course of affairs that has been true, and the Louisiana sugar industry and the beet-sugar industry of the West are the safety valves of the sugar market. If you destroy these industries—you do not have to help them except by levying a sufficient tariff—you absolutely place the American consumer at the mercy of the refineries. We therefore claim that it is an absolutely demonstrable fact, that can not be controverted, that if you do not furnish Louisiana and the beet people of the West the necessary tariff to enable us to continue to produce sugar for the American people you are doing the American people an injustice, regardless of the injury to us, because you are placing them at the mercy of the American refiners, and past experience proves that they are not very merciful when they get the consumer within their hands.

It is a question, gentlemen, to-day, it seems to me, of whether Cuba or America shall continue as sugar-producing countries; whether you are going to let them both continue or whether you are going to let Cuba furnish all our sugar and destroy the industry in this country.

We believe from every possible standpoint that it is to the interest of the American people that you allow both of these industries to continue. The Cuban industry will continue despite any legislation you may enact. The American-sugar producing sections can not furnish more than half of our necessary consumption; Cuba will furnish the other half. Therefore, they must produce sugar—they can do it cheaper than any other country in the world, and they can find a ready market for at least half of their product in this country, and we know, regardless of the tariff that you impose, the law of supply and demand will necessarily regulate the price sufficiently to enable them to make a profit that will insure their continuance in the business.

Mr. Chas. Claiborne, who represents one of the largest banks in New Orleans, the Whitney Central National Bank, and the bank that lends greatest assistance to the sugar planters of Louisiana, has definitely stated the attitude of the bankers and the resultant conditions if an adequate tariff of 2 cents a pound on sugar against Cuba is not written in the new tariff bill. From past experience, since Mr. Claiborne is my banker, I can testify that funds will not be

forthcoming for the 1922 crop unless this honorable committee recommends adequate protection to sugar. Since, however, the absolute necessity for a 2-cent tariff against Cuba has unquestionably been demonstrated by Mr. Claiborne to-day, and our other representatives a few weeks ago, I am not going to worry you by repeating facts and figures in confirmation of this truth. I simply wish to stress the point that it is now, and will be ultimately, to the interest of the American people to maintain their continental domestic sugar industry. This was unquestionably demonstrated during the World War.

We trust, therefore, that you will bear this in mind and not listen to the pleas of Cuba about the billion dollars of American money that is invested in Cuba as against the billion dollars of American money that is invested in the South and in the West. We want to stress that point with you. The investment is practically the same—a billion dollars of American money in Cuba or a billion dollars of American money invested on American soil on the mainland and in our insular possessions; and we feel that certainly we who have invested our money here in the United States are more in need of and more deserving of that protection than those who have invested their money in a foreign country, even a country that is friendly to America.

Besides being a sugar planter, Mr. Chairman, I am also in that unfortunate list known as the rice planters, and the rice men have asked me to say just a word for their schedule. It seems that in the general tariff bill you have treated them very fairly, with one exception, and that is you have decided to put a certain grade of rice, called paddy rice, on the free list. You have done that on the request of certain men who make canned foods, and I think it has been very conclusively shown you in this brief which has been previously submitted to you, that the advantage accruing to the manufacturer in this case is infinitesimal as compared to the corresponding damage done to the rice farmer who produces this low grade rice. The difference in the cost of the paddy rice that goes into one can of soup either with or without a tariff is so infinitesimally small that it absolutely can not affect the retail price to the consumer, nor materially lessen the manufacturer's profit. On the other hand it makes a very decided difference in the financial results of the farmer whether this particular grade of rice is admitted free of duty or is properly protected by an adequate tariff.

BEET AND CANE SUGAR.

[Paragraph 501.]

STATEMENT OF GRAY SILVER, REPRESENTING THE AMERICAN FARM BUREAU FEDERATION.

The proposed tariff law (the Fordney bill) gives to the American producers a protection of 1.6 cents a pound on his sugar, meaning that imported sugar can not sell at wholesale much under 4 to 5 cents per pound.

It means, on the other hand, that the consumer pays a tax of 1.6 cents on every pound of imported sugar purchased, and that the Cuban producer, in order to sell his sugar in the United States, must accept a price approximately 1.6 cents below that received by the domestic producer. The consumer buying sugar at retail now pays in Washington 6 cents a pound. Of this price, 1.6 cents is tariff duty, constituting a consumption tax of 26.6 per cent. This is paid willingly in most cases, to protect the American producer, but a tax much higher would be murmured against. A policy which requires millions of farmers and laborers to pay a consumption tax higher than

26 per cent on a necessity such as sugar, in order to enable a comparatively small number of American producers to produce sugar more profitably, will be in danger of repudiation unless it is shown that the higher tariff is absolutely necessary.

Even if the import duty were trebled, some Cuban sugar might come to the United States. The fact must not be lost sight of, however, that the domestic crop of sugar lacks somewhat over 2,000,000 tons annually of supplying the Nation's needs. Under this condition, there is no virtue in a policy which assesses as much duty as the traffic will bear. Middle ground must be held. Both the American producer and the American consumer must be protected. Protecting the producer means to assure him a fair and reasonable price for his products; protecting the consumer means to enable him to obtain the required amount of sugar at a fair price, which, of course, includes encouraging the Cuban producer to continue sending to the United States each year somewhat over 2,000,000 tons of sugar.

A better policy, as regards a sugar tariff, would be to adopt President Harding's proposed elastic tariff, with the Fordney bill provision of 1 $\frac{1}{4}$ cents per pound on sugar testing not above 75 degrees (amounting to 1.6 cents per pound on Cuban sugar of a 96-degree polariscope test) as a minimum duty. This gives the American producer a protection averaging six-tenths of 1 cent per pound over and above the protection he received prior to the adoption of the emergency tariff in May, 1921. With the Fordney rate as a minimum and with a possible maximum authorized by Congress as an item of an elastic tariff, the President might fix by proclamation the higher rate if at any time it should become evident that American producers are losing ground to the detriment of the country.

A DISCUSSION OF THE TARIFF.

The United States produces about 2,000,000 short tons of sugar per year, including the crops in Hawaii, Porto Rico, and the Philippine Islands. This amount is slightly less than one-half of the annual requirements. Most of the additional supply is cane sugar imported from Cuba.

Under the terms of the reciprocity treaty made between Cuba and the United States in 1903, the former enjoys a reduction of 20 per cent from the regular duty paid by other countries shipping products to the United States.

As practically all of the imported sugar has been coming from Cuba, this discussion is limited to points pertinent to the tariff relation between the United States and Cuba.

A large volume would be required to treat completely the subject of the sugar trade. It seems to be an unwarranted repetition, therefore, in a discussion which must of necessity be brief, to include numerous statistical tables such as appear in the survey prepared by the United States Tariff Commission, the reports of the Federal Trade Commission, and the brief of the American Cane Growers' Association.

For detailed statistics on production, imports, exports, consumption, and prices the reader is referred to those reports, but this treatment includes several summary talks, presenting a résumé of the situation as a whole and pointing out several pertinent features which have not received complete attention elsewhere.

WORLD PRODUCTION.

The total annual world production of cane and beet sugar is about 20,000,000 short tons. From 1912 to 1914, inclusive, each year's product was somewhat above this amount. A large proportion of the world product is beet sugar originating in Europe. In the year 1913-14 the European beet-sugar crop amounted to 8,688,400 short tons, being over 42 per cent of the world crop. Of the European product, Russia, Germany, and Austria-Hungary produced six and one-half million tons, or 75 per cent of the total. No cane sugar is produced in Europe. Naturally, the World War had a deterrent effect upon sugar production in Europe. From the large crops of 1913-14 there was a decline to less than 5,000,000 tons in 1917-18, to three and one-half million tons in 1918-19, and to two and nine-tenths million tons in 1919-20.

World production did not suffer as greatly as did European production, because of support from other countries. From a world total of 20,602,768 short tons in 1913-14, there was a decline to 17,049,407 tons in 1919-20. In other words, the world crop declined only three and one-half million tons, whereas the European crop registered a decline of five and one-half million tons.

It was stated above that European sugar is produced from beets. Most sugar produced in other regions, on the contrary, is cane sugar. The United States is the only nation outside of Europe which produces beet sugar to any appreciable extent, and the year 1920-21 is the only one within the 1911-1921 period when production reached 1,000,000 tons. From 1913 to 1919 the annual product did not vary more than 150,000 tons, the average crop being about 775,000 tons.

It is seen, therefore, that the increased production of 2,000,000 tons in countries other than Europe, making up a goodly part of the five and one-half million ton decline in Europe, was entirely due to stimulation of the cane-sugar industry.

CANE-SUGAR PRODUCTION.

The world crop of cane sugar has been increased steadily from 10,136,092 short tons in 1911-12 to 14,211,835 short tons in 1920-21. About four-fifths of the cane-sugar supply is produced in Cuba, Java, India, and the United States (including Porto Rico, Hawaii, and the Philippines). Referring to the production table accompanying this report (Table No. 1) it is seen that only a very small part of the increase can be credited to Java and the United States. The statistics for Cuba, however, tell a different story. From a crop of 2,142,000 tons in 1911-12, the output was increased to 4,423,519 tons in 1920-21, representing an increase of 2,281,519 tons, or 106 per cent, within 10 years.

It was indicated in the preceding paragraph that the world crop of cane sugar was increased slightly more than 4,000,000 tons within the past 10 years. This increase is represented approximately by augmented production in the following amounts and countries:

	Tons.		Tons.
Cuba.....	2,281,519	Africa.....	180,000
India, Japan, and Formosa....	740,000	British West Indies.....	80,000
Java.....	270,000	Other West Indies.....	100,000
South America.....	300,000	United States.....	80,000

THE OUTLOOK.

Production of beet sugar in Europe undoubtedly can be restored to the prewar level, adding thereby about 5,000,000 tons to a crop which in 1920-21 was only about 1,000,000 tons below the prewar level. Most of the Indian sugar is consumed locally, and any increase probably will go also into such uses, without affecting the world situation. Cuba apparently can continue her heavy production—probably she can even proceed with her steady increase in production—while several other countries (excepting the United States) can augment their sugar industries.

SUGAR SUPPLY IN THE UNITED STATES.

Production.—It was pointed out above that the beet-sugar crop in the United States has not been materially increased since 1913-14 with the exception of the one big crop in 1920-21. Louisiana is the only State of the Union worth considering in the cane-sugar industry and it is generally conceded that production in Louisiana has reached its maximum. The high prices and patriotic sentiments during the war did not result in any increased production in Hawaii or the Philippines, and had only a slight beneficial effect in Porto Rico, hence it is pretty safe to say that under present methods of production and in view of the present freedom of importation, the domestic product of the United States will not be increased.

Total production of cane sugar in the United States (including Hawaii, Porto Rico, and the Philippine Islands) was only about 80,000 tons greater in 1920-21 than it had been 10 years previously. The average annual production during the past 10 years, in short tons, has been: Louisiana and Texas, 236,451; Hawaii, 597,959; Porto Rico, 430,734; Philippine Islands, 301,776; total, 1,669,317 short tons. This amount of cane sugar, plus the average production of beet sugar, amounting to about 775,000 tons, makes a total sugar production of about 2,344,000 tons yearly.

It should be noted, however, that not all of the sugar produced in Hawaii, Porto Rico, and the Philippines comes to the United States proper. Probably the annual supply of domestic sugar is not much above 2,000,000 short tons.

Imports.—Sugar imported into the United States is practically all made from cane. The importation of cane sugar has ranged from 1,823,279 short tons in 1911-12 to 3,788,321 tons in 1919-20. Of these amounts of yearly imports, 87 per cent to 89 per cent came from Cuba. The actual amount which entered from Cuba in 1911-12 was 1,693,315 tons, while in 1919-20 it was 3,452,855 tons, representing an increase of approximately 117 per cent.

It should be remembered, however, that the year 1919-20 was not normal in the sugar trade. Prices in the United States were so high that importation was unusually stimulated. In spite of the fact that importation from Cuba during that year was considerably larger than it had ever been before, the Cuban product comprised only 91 per cent of the imports, whereas in preceding years, back to 1912-13, the Cuban product had averaged about 95 per cent of the imported supply. In 1920-21, while the total importation of cane sugar was only 296,223 tons, less than in the preceding year, the importation from Cuba declined 990,040 tons, bringing the percentage of the im-

ports originating in Cuba for that year down to 71, which was the lowest point within 10 years. It is evident, therefore, that in 1920-21 much larger supplies than usual came from sources other than Cuba. Reference to imports (Table No. 3) shows that practically all of the cane sugar imported in 1920-21 paid the regular duty, and as the regular duty from countries other than Cuba is 20 per cent higher than the Cuban duty, it appears that the decline of nearly 1,000,000 tons in imports from Cuba was made up in imports from countries paying the higher rate.

Under the discussion of world production it was pointed out that the Cuban product increased over 2,000,000 tons annually during and following the World War. The data on imports show that most of the larger Cuban crop has moved to the United States. It would appear, therefore, that consumption in the United States must have increased greatly, because it has been shown that the domestic production remained about constant. This, in fact, is what occurred, as it is shown in the following section that shipments abroad did not increase materially.

Exports.—The United States is not a sugar-exporting country, although during the World War this trade was so increased that in the year ended June 30, 1916, the shipments abroad amounted to 842,940 short tons. From 1910 to 1914, inclusive, the annual exports, with one exception, were less than 50,000 tons, and by 1921 they had declined to 388,718 tons.

Supply and consumption.—It has been shown that the sugar supply is made up of domestic product amounting to nearly 50 per cent of the requirements, while most of the balance as a general rule comes from Cuba. Consumption has ranged from 3,753,558 short tons in 1911 to 4,574,833 tons in 1920.¹ This increase of nearly 1,000,000 tons in annual consumption, plus the exports which grew abnormally large during the war, will account for the increase of half a million to nearly 2,000,000 tons of imported Cuban sugar.

TARIFF REGULATIONS—ACT OF 1913.

The tariff act of 1913 fixed the duty on sugar at 0.71 of 1 cent per pound on samples testing not above 75° by the polariscope, and for every additional degree shown by the polariscope test 0.026 of 1 cent per pound additional. Considering 96° as the average test of Cuban sugar, the duty under this law would have been 1.256 cents per pound. In view of the reciprocity treaty arranged with Cuba nearly 20 years ago, under the terms of which the duty on Cuban products imported from Cuba are 20 per cent lower than the general tariff duty, the actual duty paid on Cuban sugar under the 1913 law was 1 cent per pound.

THE EMERGENCY ACT.

The emergency tariff law increased the duty so that it amounts to 2 cents per pound upon 96° sugar, meaning on Cuban sugar (with the reduction of 20 per cent) a duty of 1.6 cents per pound.

THE FORDNEY BILL.

Under the Fordney bill the rates established by the emergency tariff act are continued without change, the average duty being 2 cents per pound on sugar generally, and 1.6 cents a pound on Cuban sugar.

DESTINATION OF CUBAN SUGAR.

Few people will deny that the United States is the natural and most convenient market place for Cuban sugar. Nevertheless, considerable amounts of this product have been shipped to other countries. Reference to Table 4 accompanying this report shows that in each year from 1916 to 1919, inclusive, Cuba sent somewhat over 2,000,000 tons of sugar to the United States, and about 1,000,000 tons to other destinations. The United Kingdom took a rapidly increasing proportion of the Cuban product, amounting in 1919 to 881,920 tons. If the records for 1920 and 1921 were available, undoubtedly this tendency to ship sugar to countries other than the United States would appear to be greatly accentuated, because it is a matter of quite common knowledge that in the fall of 1919, when the United States Sugar Equalization Board lacked authority to purchase the Cuban crop at about 6½ cents per pound, other countries took large amounts of the sugar at this (which later proved to be a very low) price, and subsequently shipped the same sugar to the United States at a tremendous profit. This partly explains the previous statement that in the year ended June 30, 1921, the importation of sugar was up to the high general average, but that imports from Cuba were nearly 1,000,000 tons lower than in the preceding year.

It is claimed by good authority, on the other hand, and no doubt correctly, that large stocks of the 1920 sugar crop are still in the Cuban warehouses, having been held be-

¹ Data from Willett & Gray.

cause of the low price in the winter of 1920-21 following the heavy shipments to the United States by other countries, and that this surplus sugar now threatens to swamp the United States market and destroy the American producers.

It is a strange indictment of public thought by economic and psychological conditions that during the year ended June 30, 1920, and the beginning of the year following, when consumers of the United States believed there was a scarcity of sugar, and were demonstrating their readiness to pay unheard of prices, the imports of sugar were heavier than they had ever been before. This was when numerous foreign countries were shipping Cuban sugar to the United States.

Early in the fall of 1920 the public awoke to the fact that a great surplus of sugar was on hand. Prices declined rapidly, and much of the large crops produced in Cuba that year remains unsold.

CUBA'S FUTURE SUGAR MARKET.

Concerning the possibility of new markets being found for Cuban sugar, two factors demand attention; first, tariff duties assessed by the importing nations; and, second, the ocean freight rates from Cuba to the country of destination. As Great Britain has been the chief among foreign nations purchasing Cuban sugar, this phase of the study is confined to British conditions.

British sugar tariffs.—Since April 23, 1918, the general tariff assessed upon sugar of 96 degree polarization imported into the United Kingdom has been £1 2s. 4½d. per hundredweight (112 pounds). This amounts to practically \$5.44 per English hundredweight, or 4.9 cents per pound if exchange be considered at par. Certainly no other basis should be assumed for computing the value of the pound sterling, because undoubtedly Parliament or the cabinet in framing a tariff law did not contemplate a depreciated standard of value.

Ocean freight rates.—At the present time (December, 1921) the freight rate on sugar from Cuba to the United Kingdom is \$5 to \$6.50 per long ton, or about 25 cents per 100 pounds. Freight to the United States are 12 cents per 100 pounds to Gulf ports and 13 to 17 cents to New York.

It is seen from these considerations that the British import duty is about 3.3 cents per pound higher than the United States duty and that the ocean freight rate to the United Kingdom is nearly one-eighth of a cent per pound greater than the rate to the United States.

The United States import duty of 1.6 cents per pound is quite low compared with the United Kingdom duty. Even with the present duty trebled, Cuba could ship sugar to the United States more economically than to England.

American consumers, however, would be compelled to pay war-time prices for peace-time sugar, which undoubtedly they would not do for an extended period. There is no assurance, moreover, that England expects to figure extensively in the Cuban sugar trade. It was only during the World War that Europe began to draw heavily upon western sugars, and in times of peace the former trade channels will prevail.

TABLE 1.—World production of sugar.

CANE-SUGAR PRODUCTION.¹

[In short tons.]

Year.	Cuba.	Java.	British West Indies.	India, Japan, and Formosa. ²	United States. ³	World.
1911-12.....	2,142,000	1,424,657	128,000	3,014,797	1,532,000	10,136,092
1912-13.....	2,737,000	1,527,684	126,000	3,041,867	1,453,000	10,817,125
1913-14.....	2,801,000	1,502,852	103,000	2,851,613	1,685,000	11,166,965
1914-15.....	2,997,427	1,436,818	79,000	2,933,000	1,660,192	11,855,671
1915-16.....	3,368,865	1,342,395	201,248	3,403,933	1,603,735	11,954,529
1916-17.....	3,336,566	1,787,715	218,039	3,487,450	1,693,561	12,697,063
1917-18.....	3,859,613	1,991,746	201,360	4,153,652	1,533,450	13,901,539
1918-19.....	4,448,389	1,959,337	221,136	3,119,959	1,624,047	13,425,230
1919-20.....	4,177,636	1,496,055	213,693	3,732,656	1,421,538	13,385,718
1920-21.....	4,423,519	1,696,800	208,580	3,752,000	1,611,275	14,211,835
1921-22.....	4,406,865					

¹ Data mostly from Willett & Gray.

² Chiefly India (consumed locally).

³ Includes Porto Rico, Hawaii, Virgin Islands, and Philippine Islands.

BEET-SUGAR PRODUCTION.¹

Year.	Europe.	United States.	Canada.	Beet, world total.	Beet and cane, world total.
1911-12.....	6,360,000	600,000	12,000	7,072,000	17,208,092
1912-13.....	8,804,774	692,556	12,430	9,509,769	20,326,894
1913-14.....	8,688,400	733,401	11,982	9,433,783	20,602,768
1914-15.....	8,027,651	722,054	13,773	8,763,478	20,119,149
1915-16.....	5,956,269	874,220	18,419	6,848,908	18,803,437
1916-17.....	5,618,553	822,726	14,000	6,455,279	19,118,806
1917-18.....	4,831,810	784,811	12,600	5,619,221	19,512,889
1918-19.....	3,690,147	755,879	24,976	4,471,002	17,771,256
1919-20.....	2,931,377	731,312	18,480	3,681,169	17,019,407
1920-21.....	4,119,777	1,017,200	33,600	5,169,977	19,378,812

¹ Data from United States Tariff Commission.TABLE 2.—Sugar production in the United States.¹

[In short tons.]

Year.	Beetsugar.	Cane sugar.				Total.
		Louisiana and Texas.	Hawaii.	Porto Rico.	Philippine Islands.	
1911-12.....	600,000	361,000	595,000	271,000	205,000	1,532,000
1912-13.....	692,556	183,000	547,000	298,000	345,000	1,453,000
1913-14.....	733,401	301,000	612,000	364,000	408,000	1,685,000
1914-15.....	722,054	247,000	646,000	346,000	421,192	1,660,192
1915-16.....	874,220	188,820	568,482	453,083	\$ 372,000	1,687,177
1916-17.....	820,637	310,900	648,818	502,283	\$ 235,200	1,667,313
1917-18.....	765,205	244,700	576,900	463,600	242,200	1,527,400
1918-19.....	760,950	288,530	608,650	408,150	218,720	\$ 1,524,080
1919-20.....	726,451	120,890	566,150	485,000	234,450	\$ 1,421,867
1920-21.....	1,047,200	191,787	590,688	487,200	\$ 336,000	1,605,675

¹ Data mostly from Willett & Gray.² Exports.³ Virgin Islands: 1918-19, 10,080 tons; 1919-20, 13,887 tons.TABLE 3.—Imports of cane sugar only.¹

[In short tons.]

Fiscal years.	Free.	Dutiable.	Above No. 16 Dutch Standard in color.	Total.
1910.....	87,935	1,656,284	3,054	2,047,273
1911.....	115,176	1,839,377	2,101	1,956,644
1912.....	217,785	1,828,280	2,992	2,049,057
1913.....	101,580	2,175,444	1,672	2,278,696
1914.....	53,375	2,472,408	397	2,531,180
1915.....	163,421	2,545,894	.....	2,709,315
1916.....	108,595	2,707,041	.....	2,815,636
1917.....	133,946	2,530,819	.....	2,664,764
1918.....	98,761	2,350,377	.....	2,449,138
1919.....	114,503	2,601,438	.....	2,715,941
1920.....	28,856	3,759,993	.....	3,788,849
1921.....	178,450	3,313,647	.....	3,492,097

¹Data from Department of Commerce.

TABLE 4.—Imports of cane and beet sugar.¹

[In short tons.]

Fiscal years.	Grand total.	Cane sugar.			Beet sugar.
		Total.	From Cuba.	Percent of total from Cuba.	
1911-12.....	1,831,531	1,828,279	1,593,315	87	3,262
1912-13.....	2,266,788	2,175,444	2,155,872	99	91,924
1913-14.....	2,473,589	2,472,405	2,463,303	99	1,183
1914-15.....	2,546,360	2,545,892	2,392,444	94	438
1915-16.....	2,707,039	2,707,038	2,575,425	95	1
1916-17.....	2,530,862	2,530,848	2,334,549	92	14
1917-18.....	2,330,377	2,330,377	2,230,375	97	1
1918-19.....	2,915,991	2,915,990	2,744,356	94	1
1919-20.....	3,795,456	2,788,821	3,452,855	91	7,135
1920-21.....	3,503,344	3,492,098	2,462,815	71	11,249

¹ Data from report by United States Tariff Commission.

TABLE 5.—Exports.

[In short tons.]

Fiscal year.	Domestic refined sugar.	Reexports.	Total.	Fiscal year.	Domestic refined sugar.	Reexports.	Total.
1910.....	62,726	24,062	86,788	1916.....	823,075	17,865	842,940
1911.....	27,474	8,513	35,987	1917.....	624,451	2,855	627,306
1912.....	39,797	2,077	41,874	1918.....	288,212	5,545	293,757
1913.....	21,997	974	22,971	1919.....	657,933	1,609	559,442
1914.....	25,443	10,127	35,570	1920.....	722,016	3,452	725,467
1915.....	274,504	18,339	292,843	1921.....	291,349	95,369	386,718

BLACKSTRAP (WASTE) MOLASSES.

[Paragraph 503.]

STATEMENT OF GEORGE A. CHAPMAN, REPRESENTING AMERICAN FEED MANUFACTURERS' ASSOCIATION, CHICAGO, ILL.

Mr. CHAPMAN. Mr. Chairman, I personally represent the American Feed Manufacturers' Association; and in compliance with the request of your committee the men who are here to be heard with me held a meeting and requested that I make for them a general statement. They also are very desirous of being heard personally, as they have so much on their hearts in connection with this.

Senator SMOOT. I think it would be very much better if you could make a complete statement yourself, and then if they have any briefs let them file them.

Mr. CHAPMAN. These gentlemen I am speaking for, in addition to the American Feed Manufacturers' Association, are: Mr. George H. Forsee, Kansas City, Mo., for Kansas City Hay Dealers' Association, and Missouri River Feed Manufacturers; Mr. Lou H. Robertson, Abingdon, Ill., for Military Tract Shippers & Feeders Association; Mr. Frank C. Jones, Bullville, N. Y., for Eastern Federation Feed Merchants; B. T. Manard, New Orleans, La., for Penick & Ford,

dealers in domestic and imported molasses; E. Wilkinson, Birmingham, Ala., for Alabama Division, American Cotton Growers' Association; Floyd Wilson, Lamar, Colo., for Colorado, Wyoming, New Mexico & Kansas Alfalfa Millers; Mr. Dwight Hamlin, Pittsburgh, Pa., for Pennsylvania Feed Manufacturers; Mr. A. F. Seay, St. Louis, Mo., for St. Louis and East St. Louis (Ill.) Feed Manufacturers; Mr. J. B. Edgar, Memphis, Tenn., for Memphis Feed Manufacturers.

We are here, gentlemen, in opposition to paragraph 503, which is the molasses schedule. We believe that in the interest of our manufacturing business and in the interest of the American farmer that blackstrap molasses should be permitted free entry. We realize that we are before a Republican Congress who believe in protection to American industries, and we also realize that we are in a time when it is necessary that our Government have revenue. So, in the event that you can not give us free entry, we want to take the position that the rate of duty on blackstrap molasses should not be in excess of one-fourth cent per gallon flat.

Paragraph 503 now specifies one-fourth cent per gallon based on 48 per cent total sugars, and an additional 275 one-thousandths of 1 cent for each per cent of total sugars over 48.

I would explain in regard to that that this is a new departure in the matter of a tariff on blackstrap molasses. The tariff has never before been based on this total sugar content; it has been based on a polariscope test of 40°. There has been some objection raised to the polariscopic method because it is said not to be as accurate as the total sugar basis by the Clerget method, and it has been said that higher grades of sirups than blackstrap have been by this means brought into the country at the blackstrap rate, and it has also been said the blackstrap molasses has been brought into the country and further extraction of sugar made.

I do not think there is very much to that latter claim. There has been to our knowledge not more than one concern that did that, and I believe that was only profitable during the period of very high-priced sugar, and possibly that concern was also able to get in some high-tested molasses. However that may be, if it is not presumptuous on our part, we would suggest an amendment to paragraph 503 wherein molasses for use other than for the further extraction of sugar, or for human food, might come in—this is blackstrap molasses I refer to—at the basic rate of not to exceed one-fourth cent per gallon.

We base this on a 40 per cent sucrose content by the Clerget method.

I do not believe it is necessary on a 40 per cent sucrose basis to safeguard any further extraction of sugar, but we have included in our suggestion a provision which will prevent the further extraction of sugar in order to clear the atmosphere. There seems to be a permeating atmosphere that it might be possible, and therefore I will read a paragraph as we would suggest to have it amended [reading]:

Paragraph 503. Molasses testing not above 40 per centum sucrose by Clerget method, when imported for use other than extraction of sugar for human consumption, twenty-five one-hundredths of 1 cent per gallon. All other molasses and sirups testing not above 48 per cent total sugars, twenty-five one-hundredths of 1 cent per gallon; testing above 48 per cent total sugars, two hundred and seventy-five thousandths of 1 cent additional for each per cent of total sugars and fractions of a per cent in proportion.

This amendment, gentlemen, would let in at the basic rate all of the blackstrap molasses which is the final residue from the manufacture of sugar from sugar cane.

Senator SMOOR. Under the Underwood bill it was 15.

Mr. CHAPMAN. Under the Underwood bill it was 15, under the existing law it is 25 per cent ad valorem, and the value in Cuba to-day is not to exceed a cent a gallon.

You note that we would go on with the balance of paragraph 503 and leave it just as it is now, so that molasses for the purpose of further extraction of sugar or for human consumption might be affected just as the Fordney bill proposes.

Senator SMOOR. You would be satisfied, then, to change that 48 per cent to 40 per cent?

Mr. CHAPMAN. No; the 48 per cent is total sugars.

Senator SMOOR. You say "molasses," so it reads as follows: "Molasses and sirups testing above 40 per centum" total sugars, and 0.275 of 1 cent per gallon?

Mr. CHAPMAN. No; my suggestion is 40 per cent sucrose, which is different from the total sugars. You see, you have the sucrose and the invert sugars to make the total sugars. Blackstrap molasses tests as follows by the different methods:

Sucrose by polariscope.....	22-1 33°
Sucrose by Clerget method..... per cent..	32-40
Reducing sugars..... do.....	14-28
Total sugars by polariscope..... do.....	40-54
Total sugars by Clerget method..... do.....	48-62

Gentlemen, you are dealing with a commodity which is the basic, fundamental necessity for a very large industry. It is a fundamental necessity for a feed-manufacturing industry which has been built up in the United States in the past 15 years employing at least \$200,000,000 of capital, with an annual output of approximately 3,000,000 tons of ready prepared rations, employing thousands on thousands of men—laborers, salesmen, office employees—

Senator DILLINGHAM (interposing). I do not understand what your product is.

Mr. CHAPMAN. It is a balanced ration for live stock, manufactured from various commodities, of which blackstrap molasses is the basic material.

The use of these feeds has grown tremendously. The farmers find that their stock do better on these rations. This blackstrap molasses is not and should not be considered a substitute for corn or oats or the home-raised feeds. It should be regarded just as we regard the table sirup in connection with our corn cakes in the morning. It makes the stock eat more corn and home-raised products, and therefore just as it makes us eat more cakes, the farmer gets a quicker and more profitable turnover in fattening cattle. Under the old methods it used to require six months to a year to fatten a steer. Steers are now fattened in 75 to 120 days by using the molasses as supplemental feed—so the home grown.

Senator CALDER. Is the molasses mixed with the feed?

Mr. CHAPMAN. It is handled in both ways. The farmers buy large quantities of it in barrels, but that is very expensive, because of the

¹ This is far under limit of 40° provided in emergency tariff and former tariffs.

expensive package, local freight rates, etc. The feed manufacturer makes a ration to balance the home-raised feeds, and these balanced rations carry 20 per cent to 60 per cent of molasses, just as much as the mixture will absorb; and then these molasses feeds are fed along with the home-grown grains.

To show you something of the demand that there is for these products, I would like to read you quotations from Farmers' Bulletin No. 1218, issued by the United States Department of Agriculture in November of this year. The Agricultural Department in this bulletin in suggesting rations for fattening 2-year-old steers in the corn belt, in a total of 12 suggested rations, mentions only three concentrates other than corn, silage, or other farm-raised products, namely, cottonseed meal, linseed meal, and molasses. These are all used as supplemental feeds to corn or other farm-raised feed stuffs, and in all but two of these rations one or more of these three concentrates were named.

I think no argument is necessary to show you that if anything should happen to put the price of molasses where the farmer could not longer afford to use it in fattening his cattle, he would have to go on to the other two of the concentrates recommended by the Agricultural Department, namely, cottonseed meal and linseed meal; and on account of the increased demand there would be an increased higher price level for those other two concentrates; and it is not only a matter of the molasses to the farmer, but it is a matter of raising the price of his other feedstuffs.

Senator McLEAN. You say it costs a cent a gallon in Cuba?

Mr. CHAPMAN. About a cent a gallon at the present time. Of course, we are laboring under very abnormal conditions at this time. Molasses is a drug; it is very difficult to dispose of even the domestic crop.

Senator McLEAN. It is a good deal cheaper than corn meal?

Mr. CHAPMAN. Yes; but you must bear in mind that we have freight from the interior of Cuba. This molasses is pumped out of the storage tank at the sugar factories, on the island of Cuba, for instance, and shipped to the seaboard, and then it is pumped into an enormous storage tank which may contain the product of a large number of sugar factories. It is pumped out of this large storage tank at the seaboard into tank steamers and is brought to the American seaboard and is there pumped into large storage tanks which may be partially filled with other molasses. There must be considered the expense of the tank-car service, the tank steamers, pumping into the tanks in Cuba, pumping into tank steamers to bring it to our own seaboard, and then the freight charges which have gone sky-high since the advances in freights.

Senator McLEAN. What does it cost the consumer a gallon?

Mr. CHAPMAN. It depends on where he is located, of course, after paying the freight. At the present time, the molasses is not coming in, and that is what I say to you gentlemen, that if you act upon this additional duty, blackstrap molasses will not come into this country; it is not coming in for feed purposes to-day on account of the low price of grain and the high freight rates. It is a long-haul commodity; it must come up from the Gulf ports, clear to our cattle-raising sections and into the dairy sections of the Northeast.

Senator McLEAN. It is considered a by-product?

Mr. CHAPMAN. It is a by-product; yes, sir.

Senator McLEAN. Do they not have it in Louisiana?

Mr. CHAPMAN. They have it, and that is the point I am coming to, gentlemen. We have it in Louisiana; we have it in very small quantities there. For seven years last past this country has raised in blackstrap molasses only 8 per cent of the amount used. In other words, we imported 92 per cent.

I do want to say this, that the feed manufacturers and the gentlemen I am representing have no fight with the sugar people. We want to see the sugar industry of this country prosper, and I believe it should be protected on sugar by a duty adequate—

Senator McLEAN (interposing). What percentage of the value of a ton of cane would be represented in the blackstrap molasses?

Senator SMOOT. It is nominal.

Senator McLEAN. It must be very small.

Judge MILLING. It is small—4½ gallons to the ton.

Senator McLEAN. What is a ton of cane said to be worth?

A LOUISIANA WITNESS. Cane is worth \$3.85; that is the average price paid at our factories.

Senator McLEAN. Then what would the blackstrap molasses be worth?

A LOUISIANA WITNESS. The last we sold was at 2½ cents a gallon.

Senator McLEAN. And you get how many gallons?

Mr. CHAPMAN. Four and one-half gallons to a ton of cane—11.7 pounds to the gallon. The argument I make is this: As I said, blackstrap molasses is a by-product material. The sugar people will get their protection on their sugar and no amount of protection in the world will cause one pound more of this by-product material to be produced. The molasses means little to the sugar interests; it means everything to our farmer and our feed-manufacturing interests.

Senator CALDER. About 8 per cent of all blackstrap molasses is domestic product?

Mr. CHAPMAN. Eight per cent of all blackstrap molasses used here has been a domestic product for the last seven years on the average. In the year 1920 this country produced only 5.3 per cent of the blackstrap molasses used in the United States.

Senator CALDER. Do you include the beet industry?

Mr. CHAPMAN. I am not dealing with the beet industry at the present time, for the reason that I am speaking on blackstrap, which is a cane product.

Quoting further from this farmer's bulletin—I am doing this to leave in your minds the idea that this is something that the farmer wants, that the farmer needs as a supplemental product to his own feed. On page 51 of this bulletin it says [reading]:

Molasses feed and other miscellaneous concentrates are in much demand in some sections of the corn belt.

Again it says [reading]:

Molasses in combination with other feeds makes a feed that is very palatable to cattle.

Further [reading]:

Blackstrap molasses can usually be bought at a price that justifies the farmer in buying it by itself and mixing it with the feed grown on the farm.

And the item that I particularly desire to have you note is on page 22, in which it states [reading]:

In Illinois cottonseed meal and linseed meal constitute the bulk of concentrates in nearly equal proportions. In Iowa the records indicate the use of molasses feed to be as general as cottonseed and linseed meal combined.

Further, it says [reading]:

Molasses or any other sweet feed in the rations can be fed until shipping time without bad effects.

We are submitting statements showing the imports of blackstrap molasses since the year 1914, official figures, which I will not take the time to read; also the American production of blackstrap molasses as taken from the yearbook published by the Louisiana Sugar Planters' Association of New Orleans. I have done this to substantiate the statement I have just made in regard to the quantities imported as related to the quantities produced in this country.

Mr. CHAPMAN. I desire also to direct your attention to the magnitude of this feed-manufacturing business. The principal use of blackstrap molasses in times of peace is in compounding feeds for live stock. In the past 10 or 15 years an enormous industry has been built up in this country manufacturing balanced rations of all kinds for live stock, using it as the essential basic ingredient. Large factories employing thousands and thousands of laborers and other employees, with investments probably totaling \$200,000,000, and producing approximately 3,000,000 tons of balanced rations, are located in every section of the country. In fact, in some centers the mixed-feed industry has become one of the leading industries. Aside from these industries located at the principal cities on the Pacific coast, mills are situated principally in the leading railroad centers east of the Rocky Mountains.

Mills manufacturing these mixed feeds are located about as follows: Kansas City, 5; St. Joseph, Mo., 2; Omaha, Nebr., 2; Clinton, Iowa, 2; Cedar Rapids, Iowa, 2; St. Louis, Mo., 2; East St. Louis, Ill., 5; Cairo, Ill., 2; Peoria, Ill., 2; Chicago, Ill., 8; Hammond, Ind., 3; Milwaukee, Wis., 2; Minneapolis, Minn., 3; Cincinnati, Ohio, 4; Pittsburgh, Pa., 2; Buffalo, N. Y., 5; Memphis, Tenn., 12; Nashville, Tenn., 3; Little Rock, Ark., 4. And a gentleman just here from Memphis has told me that there are at least \$6,000,000 invested in plants in Memphis, and those plants have a daily capacity of about 3,500 tons of mixed feed.

At Nashville, Tenn., there are 3; Little Rock, Ark., 4; and then there are hundreds of small plants controlled by farmers and cooperative associations for local feeding interests. In virtually all of the principal cities other than I have named there are single manufacturing plants.

Senator McLEAN. Is it for poultry feeding?

Mr. CHAPMAN. No, sir; but it will be. There is a movement on foot in that direction; there have been experiments made, and it is going to be used.

It is being used for the fattening of sheep in very large quantities. One concern in Illinois that fattens something like 50,000 sheep uses molasses as a fattener.

If it is the desire to increase the revenue, a high tariff will defeat that purpose, because molasses will not come in.

Senator SMOOT. What would you use in place of it?

Mr. CHAPMAN. It just will not be used if it is too high in price, and the farmers will have to make slower and more expensive gains in their feeding operations, and go back to the old long-period method.

I would like to speak to you in regard to the schedule. Where not above 48 per cent total sugars as the basic rate of one-fourth cent per gallon is proposed by paragraph 503.

There is no blackstrap molasses, as a matter of fact, that tests as low as 48 per cent total sugars. Extremely rare instances occur where such a test is shown, but when we get such a low test we are suspicious of that molasses, and feel that it has been adulterated.

We will submit for the record, gentlemen, statements of the three leading importers of blackstrap molasses, covering something over 150 cargoes, in one instance the importations of one concern running back from 1914 to 1920, inclusive, and we are showing you the chemical analysis and showing you the total sugar analysis made of those cargoes at the time they came in, and we do likewise with two other of the leading importers. You will note that the total sugar content on these shipments of blackstrap average 54 per cent total sugars by the Clerget method. Rarely does one get down to 48, which is the basic figure on this one-fourth cent tariff as proposed by the Fordney bill. Occasionally one will come in as high as 60 per cent total sugars, but the general average is 54.

(See Exhibits A, B, 1, and 2 in brief.)

Mr. CHAPMAN. As the Fordney bill is passed, virtually nothing will come in at one-fourth cent per gallon, although we feel that the House thought that they were placing a duty of one-fourth cent per gallon on blackstrap molasses. We base our opinion in regard to this on a letter received by one of the Minneapolis feed manufacturers from Congressman Fordney, in which Mr. Fordney stated that the committee understood that all blackstrap molasses would test under 48. So that we believe that the House intended to allow all blackstrap molasses to come in at one-fourth cent per gallon. As a matter of fact, the Fordney bill would assess a duty on the average blackstrap molasses of $1\frac{3}{4}$ cents per gallon or over. Basing it on the average of 54 per cent total sugars and slightly more than one-fourth cent for each 1 per cent total sugars over 48 per cent, there would be six additional quarter cents.

Senator SMOOT. That is, if it all came in at 54?

Mr. CHAPMAN. If it all came in at 54, but 54 is the average. Some of it runs as high as 60, and on that high-testing molasses you can readily see we would then pay over 3 cents per gallon, in fact, 3 $\frac{1}{2}$ cents; there would be another six points.

Senator SMOOT. Why do they allow the 60 per cent in molasses?

Mr. CHAPMAN. Blackstrap molasses is not a uniform commodity; it never has been and probably never will be. It varies greatly.

Senator SMOOT. Does not that come about by the failure of extraction of sugar?

Mr. CHAPMAN. That is one reason. The condition of the cane, soil conditions, weather conditions, efficiency of the extraction plant, all have their bearing on the quality of the blackstrap molasses. It has been suggested, "Why do you not keep the high-grade stuff separate, as it is worth more and it should pay more duty?" There is no way to do that; it is not possible.

This molasses, which comes largely from the interior of Cuba, is made at sugar plants in the interior. The sugar content of blackstrap molasses is dependent upon a great many factors: The run of to-day from a given factory may test differently from the run of tomorrow. The molasses from an individual factory is all run into a large vat. The run of to-day must be mixed with the run of tomorrow, and this run of several weeks or months may be stored in one vat. This molasses is pumped out of the storage tank at the sugar factory, on the island of Cuba, for instance, and shipped in tank cars to the seaboard and put into an enormous storage tank which may contain the product of a large number of sugar factories. It can not be kept separate and is all run together. It is pumped out of this large storage tank at the seaboard into tank steamers and is brought to the American seaboard and is there pumped into other large storage tanks which may be partially filled with other molasses. There is no way in which the buyer when he purchases blackstrap molasses either in Cuba or in America can know what sugar content he is going to get.

He may buy on a guaranteed minimum of not less than 48 per cent total sugars, for blackstrap molasses rarely, if ever, runs under that figure, but he can not buy on a guarantee that it will not run over that amount. Blackstrap with him is blackstrap molasses. He works on general averages and does not and can not discriminate. Blackstrap molasses in one part of a tank steamer or tank car may test higher in sugar content than that in another part of the same tank steamer or tank car. No two chemists were ever known to get identical results from two samples drawn from any particular lot of blackstrap. There is no way of determining what you are going to get when you buy blackstrap molasses; consequently, there is no way of getting more money for that which may, under the proposed bill, pay a duty of 3½ cents per gallon from that which may pay ½ cent per gallon.

Senator SMOOT. In your brief you give figures showing the different percentages and the different shipments for a certain length of time?

Mr. CHAPMAN. We do. As an illustration, we have taken here six typical cargoes brought into this country from January to May of this present year, and we find that based on actual practice as compared to the duty which those shipments actually paid, and which those same shipments would pay under the proposed Fordney tariff, the increase in duty is 370 per cent.

Senator SMOOT. I think the committee understands now your wishes in the matter, and if there is any special question that you want to impress upon the committee, I wish you would do it and do it briefly, so they can get the whole picture in their minds, because it is a rather difficult schedule, and if you expect all of the Senators to go into the detail of this here I am fearful they will not get very much out of it.

Mr. CHAPMAN. I am fearful of that, too.

Senator SMOOT. Let me suggest to you that you just impress upon the members of this committee right now the points you want them to get, succinctly as you can, so they will understand it and read it.

Mr. CHAPMAN. I want to do that.

Senator McLEAN. Have you got the quantities there of importation?

Mr. CHAPMAN. I have the statement of importations and the statement alongside of it of the quantity produced in the country.

Senator CALDER. What are the importations?

Mr. CHAPMAN. For 1914 they were 71,098,507 gallons and Louisiana produced 11,000,000 gallons; in 1915 we imported 88,000,000 gallons and Louisiana produced 7,000,000 gallons; in 1916 we imported 110,000,000 gallons and Louisiana produced 14,000,000 gallons; in 1917 we imported 140,000,000 gallons and Louisiana produced 12,000,000 gallons; in 1918 we imported 159,000,000 gallons and Louisiana produced 16,000,000 gallons, and that is the greatest amount that Louisiana has ever produced in these years; in 1919 we imported 156,000,000 gallons and Louisiana produced 6,600,000 gallons, and in 1920 we imported 179,000,000 gallons and Louisiana produced in that year 10,000,000 gallons.

Senator CALDER. What proportion of this blackstrap molasses is used for the purpose of making alcohol?

Mr. CHAPMAN. As near as we can figure—and we have covered that also in our brief—in normal times 75 per cent of the molasses is used for feed purposes. In war time we figure not more than 45 per cent was used for feed purposes, but the feed manufacturer and the feeders would have taken unlimited additional quantities if they could have gotten them. But during the war alcohol was in such great demand for powder and other explosives, poison gases, and so on, that the alcohol people took the molasses, and I do not think that the feed trade used over 45 per cent of the total molasses produced in the country and imported.

Senator DILLINGHAM. What has it been since that time.

Mr. CHAPMAN. In 1920 we believe that 75 per cent of the molasses was used for feed, and I will gladly tell you what we base our opinion on; we base it on the known figures of one molasses distributing company. That one company in the years 1919 and 1920 averaged for these years over 40,000,000 gallons annually to the feed trade.

Now, conservatively—I have talked with several of the other importers and they think that is a conservative estimate—we do not believe that that concern handled more than one-third of the molasses to the feed trade. So that, granting that this one concern handled only one-third of the feed molasses, during those two years the feed trade used approximately 120,000,000 gallons of blackstrap molasses, and that would be equal to about 70 per cent of the total importations of those years.

Then, again, in the years 1917-18 this concern's average annual delivery to the feed trade were 21,000,000 gallons. Of course, those were war years; and on the same hypothesis of one-third, the feed trade during those war years would have used 60,000,000 gallons annually, or about equal to 40 per cent of the importations during the war years.

Gentlemen, this is a tremendous thing to the feed trade. It is a million tons of molasses per year of imports.

Senator McLEAN. And your argument is that it does not displace corn and other mixtures?

Mr. CHAPMAN. Only to a slight extent. The extent only, particularly in the fattening of cattle, it hurries the operation; it takes

quicker gains; they eat more corn while they are fed this molasses. In dairy use it causes the stock to drink more water and keep in generally more thrifty condition and consequently eat more other feed.

Senator CALDER. It is an appetizer?

Mr. CHAPMAN. Just like your sirup on your corn cakes in the morning. The cotton planters of the South make their crop more economically, as these molasses feeds are safer and more efficient than the un-mixed grains for work animals. These feeds are in very large demand in the cotton-raising sections.

Alfalfa meal is not used appreciably as feed, except in molasses-feed mixtures. The business of hundreds of alfalfa-grinding mills in Colorado, Nebraska, Kansas, Wyoming, New Mexico, and Oklahoma depends upon the success of the mixed-feed manufacturing plants. Unless the mixed feeds can be made at prices at which they will sell readily, this important western industry of alfalfa milling will go down and out. Alfalfa meal is the principal ingredient mixed with molasses, and what affects one affects the other. Alfalfa meal is a long-haul commodity the same as molasses is a long-haul commodity, and the advanced freight rates have militated against both of these principal ingredients to the extent that they can bear no further handicaps and still be marketed. The grinding of alfalfa meal to be mixed with molasses amounts to hundreds of thousands of tons, and has created a market and a demand for alfalfa raised by the farmer in the country surrounding these alfalfa mills, and these farmers will be seriously affected unless the mixed-feed industry can go on.

I would like to say in conclusion—

First. That on account of the small amount of blackstrap molasses produced in the country and the large amount required to be imported, the imported molasses necessarily fixes the price.

Second. The feeders can not afford to use molasses if the price is increased as indicated by the House bill.

Third. No importer can undertake to import blackstrap molasses on an uncertainty of rate as proposed to the House bill.

Fourth. Blackstrap molasses must be segregated in the bill from other molasses and sirups and be permitted to enter either duty free or at a low fixed rate of duty.

Fifth. Either the basic total sugar content as proposed in the bill must be raised to an amount so that all blackstrap molasses may enter at the basic rate—that would require approaching 60 per cent total sugars—or it should be arranged to go back to the polariscope basis just as used in all previous tariffs—35° by the polariscope would cover all blackstrap molasses; or, inasmuch as the essential protecting the sugar schedule is the sucrose content, a basis which would consider sucrose only by the Clerget method could be adopted. The 40 per cent sucrose by the Clerget method would permit all blackstrap molasses to enter at the basic rate.

Sixth. The United States Tariff Commission in a pamphlet entitled "Tariff Information Surveys," on the articles in paragraph 177 of the tariff act of 1913 and related articles, dated 1921, on page 93, states:

The dividing line between high-grade and low-grade molasses might be fixed at 55 per cent of sweetening matter.

The Tariff Commission's suggestion would barely cover the average blackstrap molasses and would militate against the higher-testing grades.

Senator SMOOT. Would you like to file a brief?

Mr. CHAPMAN. I would like to do so.

Senator SMOOT. You may file it, avoiding in it repetitions of statements you have made orally, and it will be printed.

BRIEF OF GEORGE A. CHAPMAN, REPRESENTING THE AMERICAN FEED MANUFACTURERS' ASSOCIATION, CHICAGO, ILL.

Blackstrap molasses is the final residuo from the manufacture of sugar from the juice of sugar cane from which no more crystalizable sugar can be extracted. It is not suitable for human food. It was formerly all wasted, but of recent years uses have been found for it.

Black-strap molasses tests:

Sucrose by polariscope.....	22-1 33°
Sucrose by Clerget method..... per cent..	32-40
Reducing sugars..... do.....	14-28
Total sugars by polariscope..... do.....	40-54
Total sugars by Clerget method..... do.....	48-62
Molsture..... do.....	20-26
Protein..... do.....	3- 6
Ash..... do.....	5- 8

The sucrose and reducing sugars are in liquid form and are commercially uncrystalizable. None of these sugars can be profitably extracted. If they could, the sugar manufacturer who produces the blackstrap molasses would do it.

In normal peace times it is estimated that an amount equal to 70 per cent of the amount imported into the country is used for feeding to dairy cattle, steers, horses, mules, sheep, and hogs, either direct or in the form of ready prepared balanced rations. These rations contain from 10 per cent to 60 per cent black-strap molasses, the balance being made up of alfalfa meal, crushed grain, grain screenings, cottonseed meal, or other by-product materials.

During the war years probably not over 45 per cent of the amount imported was used for feeding live stock, due to the very heavy demand for alcohol required in the production of powder and other explosives.

(The above estimates are based on the known figures of one distributing concern whose average billings to the feed trade of blackstrap molasses for the years 1919 and 1920 approximated 40,000,000 gallons annually, and for the two war years, 1917 and 1918, 21,000,000 gallons annually. More would have been used by the feeders in the war years if they could have gotten it. It is conservatively estimated that this concern's sales to the feed trade could not have been more than one-third of the amount used by the feed trade. On this hypothesis the feed trade consumed an average of 120,000,000 gallons annually during 1919 and 1920, and an average of 63,000,000 gallons annually during 1917 and 1918. This is more than 70 per cent of the average annual importations for the years 1919 and 1920, and more than 40 per cent of the average annual importations for the years 1917 and 1918; it is fourteen times as much as the average annual Louisiana production for 1919 and 1920, and four and one-half times as much as the average annual Louisiana production for 1917 and 1918.

A small percentage of blackstrap molasses is used for the production of vinegar and yeast. A small percentage is also used with calcium arsenate to poison boll weevil in the South and grasshoppers in the Western States. It is also used in small quantities by foundries in the preparation of cores. There are practically no other known commercial uses for this low grade blackstrap molasses. Practically all dutiable imported black-strap molasses comes from Cuba. None of this is used or is suitable for human food.

Its principal use in times of peace is in compounding feeds for live stock. Within the past 10 or 15 years an enormous industry has been built up in this country manufacturing balanced rations for all kinds of live stock, using Blackstrap molasses as the essential basic ingredient. Large factories, employing thousands of laborers, salaried men, and office employees, with investments probably totaling \$200,000,000 and producing approximately 3,000,000 tons of balanced rations, are located in every

¹ This is far under limit of 40° provided in emergency tariff and former tariffs.

section of the country. In fact, in some centers the mixed-feed industry has become one of the leading industries. Aside from those industries located at the principal cities on the Pacific coast, mills are situated principally at the leading railroad centers east of the Rocky Mountains. Mills manufacturing these mixed feeds in the leading centers number as follows:

Kansas City, Mo.....	5	Hammond, Ind.....	3
St. Joseph, Mo.....	2	Milwaukee, Wis.....	2
Omaha, Nebr.....	2	Minneapolis, Minn.....	3
Clinton, Iowa.....	2	Cincinnati, Ohio.....	4
Cedar Rapids, Iowa.....	2	Pittsburgh, Pa.....	2
St. Louis, Mo.....	2	Buffalo, N. Y.....	5
East St. Louis, Ill.....	5	Memphis, Tenn.....	12
Cairo, Ill.....	2	Nashville, Tenn.....	3
Peoria, Ill.....	2	Little Rock, Ark.....	4
Chicago, Ill.....	8		

Hundreds of small plants controlled by farmers and farmers' cooperative associations for local feeding interests; also individual plants located in the principal towns and cities in practically every State north and south, east of the Rock Mountains. In fact, this has become one of the large industries of the country and was very thriving until unfavorable conditions developed, including the several advances in freight rates, which placed a prohibitive tariff on this long-haul commodity. Since then this industry has been struggling for its very existence. To continue to thrive and supply the farmers and feeders of the country with desirable rations, it must have low-priced molasses.

The industry was built up on low-priced molasses, and a comparatively low tariff has always been placed against it. When the railroad rates began to advance, the industry began to go down. Because this product must be hauled long distances to its point of manufacture and consumption, freight rates have always been a large part of its cost; in fact, on the imported molasses the transportation charges have always been the greatest part of its cost. An increased duty on blackstrap molasses would be the equivalent of another advance in freight rates and will put the finishing touches to this industry which is now struggling to keep going until conditions improve.

In the early part of this year the railroads which had been hauling not only the blackstrap molasses up from the Gulf ports and from Louisiana, but other supplies to the mixed feed plants, as well as the finished product out, saw this industry and this large source of revenue to them rapidly dying and endeavored to come to the rescue by granting a reduction in the freight rates effective June 10, 1921, of approximately 25 per cent. Even now with molasses selling at the seaboard at the lowest prices ever known, and with the reduced freight rates, the entire molasses feed manufacturing industry is in the throes of despair. With molasses duty free or with a low duty it may be able to survive.

The beneficiaries of cheap molasses are the farmers of all sections of the country, the producers of beef, pork, and mutton, dairymen, and owners of horses and mules. Especially the farmers of the grain belt want the benefit of cheap molasses. It is not a grain substitute, but a supplement to grain, which practical feeders have found added to their grain and home-grown roughages, makes these materials much more valuable and efficient.

Molasses feed must not be considered as coming into direct competition with corn. On the contrary it causes an increased consumption of corn. It is a competitor of corn in feeding to the extent that table sirup is a competitor to corn cakes in human consumption. Both increase the appetite for corn, causes more to be eaten, and consequently quicker, cheaper gains in weight. The big molasses feeders in the corn belt are the big raisers of corn and they would not buy something to compete with what they already have if molasses was simply a competitor of corn. Molasses is an appetizing supplement to corn and is so universally considered and used.

Should the western cattle feeder be unable, through the high price of other concentrates and the withdrawal of the molasses feed industry, to obtain any concentrates to go with his native feeds and be forced to feed out his cattle through the old and long process of using straight grains, he will be deprived of a quick finish and a quick turnover and be unable to handle his cattle profitably on the very small margin which exists and has existed for several years between the price that he pays for his feeder cattle and the price that he gets for his finished cattle.

It formerly required about a year to fatten or finish cattle for market. Now with the use of blackstrap molasses in the ration the animals are finished in 75 to 120 days. This saving in time obviously decreases the expense of producing meat. A large proportion of sweet feeds is consumed right in the corn belt.

Farmers' Bulletin No. 1218 makes the following statements:

Page 21: "Molasses feed and other miscellaneous concentrates are in much demand in some sections of the corn belt. Molasses in combination with other feeds makes a feed that is very palatable to cattle. The blackstrap molasses can usually be bought at a price that justifies the farmer in buying it by itself and mixing it with the feed grown on the farm.

Page 22: "In Illinois cottonseed meal and linseed meal constitute the bulk of concentrates in nearly equal proportion. In Iowa the records indicate the use of molasses feed to be as general as cottonseed and linseed meal combined.

Page 30: "Molasses or any other sweet feed in the ration can be fed until shipping time without bad effects."

The city people are benefited as their meat and milk are produced better and more economically, and team owners' hauling costs are reduced.

The cotton planters of the South make their crops more economically, as these molasses feeds are safer and more efficient than the unmixed grains for work animals. These feeds are in very large demand in the cotton-raising sections.

Alfalfa meal is not used appreciably as feed, excepting in molasses feed mixtures. The business of hundreds of alfalfa grinding mills in Colorado, Kansas, Nebraska, Wyoming, New Mexico, and Oklahoma depends upon the success of the mixed feed manufacturing plants. Unless the mixed feeds can be made at prices at which they will sell readily, the important Western industry of alfalfa milling will go down and out. Alfalfa meal is the principal ingredient mixed with molasses, and what affects one affects the other. Alfalfa meal is a long-haul commodity the same as molasses is a long-haul commodity, and the advanced freight rates have militated against both of these principal ingredients to the extent that they can bear no further handicaps and still be marketed. The grinding of alfalfa meal to be mixed with molasses amounts to hundreds of thousands of tons and has created a market and a demand for alfalfa raised by the farmers in the country surrounding these alfalfa mills, and these farmers will be seriously affected unless the mixed feed industry can go on.

Low-priced molasses makes it possible to feed enormous quantities of grain screenings and other by-product materials produced in large milling centers such as Minneapolis, Duluth, Kansas City, Chicago, Buffalo, St. Louis, etc. These materials otherwise would have no market and would largely go to waste. The molasses makes many materials palatable which are otherwise unpalatable to live stock. Molasses increases the digestibility of other feeds with which it is mixed; it causes live stock to drink more water and become generally more thrifty. Farmers, particularly in the beef cattle raising districts, buy large quantities of barrel molasses when it can be obtained at satisfactory prices to feed with home-grown roughage and other materials from the farm. Molasses mixed feeds create a distribution and use for hundreds of thousands of tons of cottonseed meal, linseed meal, and other by-product feeds.

Is it not the duty of Congress to build up and protect an industry which employs many thousands of citizens; which encourages and makes profitable the raising of live stock, and has a large share in keeping down the cost of living to the entire public?

If it is the desire to increase revenue, that will be defeated by the high duty. In fact, the present high freight rates and other adverse conditions have already seriously checked the importation of blackstrap molasses for feed purposes. The proposed duty as covered by the Fordney bill would place a duty of more than 1½ cents per gallon on the average blackstrap molasses, and as high as 3½ cents per gallon on some of the high testing blackstrap molasses. This is an astonishing rate when it is realized that blackstrap molasses can to-day be bought at gulf ports at about 3 cents per gallon, and recent sales have been made at North Atlantic ports as low as 2 cents per gallon. A duty of almost 100 per cent, with a possible 150 per cent, of the market price in this country on the average blackstrap certainly would stop its importation. It is unquestionably true that the stoppage in the importation of blackstrap molasses, if the proposed duty goes into effect, will result in actually less revenue to the Government than if the duty is arranged so that all blackstrap molasses is permitted to enter at a rate not to exceed ½ cent per gallon.

H. R. 7459, on page 82, line 3, paragraph 503, provides: "Molasses and sirups testing not above 48 per centum total sugars, twenty-five one-hundredths of 1 cent per gallon; testing above 48 per centum total sugars, two hundred and seventy-five one-thousandths of 1 cent additional for each per centum of total sugars and fractions of a per centum in proportion."

It has been represented that the proposed duty under the House bill would allow all blackstrap molasses to come in at ½ cent per gallon; that 48 per cent total sugars would allow all blackstrap to enter at the basic rate. This is not so, for virtually no blackstrap molasses tests as low as 48 per cent total sugars by the Clerget method of

determination, and in the rare instances of such low test the molasses is under suspicion of having been adulterated. A fair estimate of the average analysis of blackstrap molasses would be at least 54 per cent total sugars by the Clerget method. This being the average, it will be seen that quite as much would run as high as 60 per cent total sugars as would run as low as 48 per cent, and the duty would be prohibitive even on the average test.

The basing of the duty on the percentage of total sugars is a basis which has never been used in any former tariffs. All former tariffs have been based on a polariscope test of not over 40°. Under this test all blackstrap molasses could enter at the fixed rate of duty. Under former tariffs there was no uncertainty to the importer as to what duty he would have to pay when the goods actually arrived in this country. Under the proposed bill no one could be certain, within a possible 3 cents per gallon, what the duty might be until arrival in this country. The Fordney bill does not provide the method of determining total sugar content.

We are given to understand, through testimony given by a representative of the United States Bureau of Standards before the House Ways and Means Committee, and otherwise, that the basis of determining total sugars will be the Clerget method. If the Clerget method is used, virtually no blackstrap molasses can enter at the basic rate of duty, unless the proposed bill is altered.

The average total sugar content by the Clerget method of 112 cargoes of blackstrap molasses, imported by two leading importers of blackstrap molasses, namely, Penick & Ford (Ltd.), of New Orleans, La., and C. U. Snyder & Co., of Chicago, Ill., is about 54 per cent, as shown by the following itemized statement (Exhibits A and B):

EXHIBIT A.—Total sugars in blackstrap molasses received by Penick & Ford (Ltd.), (Inc.), New Orleans, La.

Ex-tanker.	Sucrose by polariscope.	Reducing sugars.	Total sugars by polariscope method.	Proposed duty.		Sucrose by Clerget method.	Reducing sugars.	Total sugars by Clerget method.	Proposed duty.	
				Per gallon.	Per ton.				Per gallon.	Per ton.
				<i>Cents.</i>					<i>Cents.</i>	
Rochelle.....	25.6	19.42	45.02	0.25	\$0.43	35.10	19.42	54.58	2.0595	\$3.52
Macoris.....	28.4	17.24	45.04	.25	.43	35.54	17.24	52.78	1.6645	2.68
J. O. Boyd.....	26.4	20.84	47.24	.25	.43	30.03	20.84	56.87	2.6892	4.60
Inspector.....	24.8	26.32	51.12	1.108	1.89	32.21	26.32	58.53	3.1457	5.38
Sucrosa.....	29.6	18.52	48.12	.283	.48	35.24	18.52	53.78	1.834	3.14
Do.....	29.0	20.00	49.60	.69	1.18	35.94	20.00	55.94	2.4335	4.16
Do.....	26.4	23.81	50.21	.8577	1.47	34.47	23.81	58.18	3.0495	5.21
Nelson.....	28.0	22.73	50.73	1.0007	1.71	34.54	22.73	57.27	2.7992	4.79
Do.....	26.0	27.78	53.78	1.8395	3.15	34.15	27.78	61.93	4.0807	6.98
Do.....	28.8	20.84	49.64	.701	1.20	34.76	20.84	55.60	2.34	4.00
Tilford.....	28.0	20.00	48.00	.25	.43	34.53	20.00	54.53	2.0457	3.50
Louisiana.....	24.0	26.32	50.32	.888	1.52	30.96	26.32	57.28	2.802	4.79
Sucrosa.....	28.0	20.84	48.84	.481	.82	33.58	20.84	54.42	2.0155	3.45
Nelson.....	29.6	20.81	50.44	.921	1.57	36.63	20.84	57.47	2.8542	4.88
Cubadist.....	31.2	17.86	49.06	.5415	.93	33.33	17.86	51.19	1.1272	1.93
Do.....	26.0	19.23	45.23	.25	.43	32.45	19.23	51.68	1.262	2.16
Do.....	31.2	17.55	48.75	.4502	.78	36.26	17.55	52.90	1.5975	2.73
Nelson.....	29.4	18.87	48.27	.3242	.55	36.94	18.87	55.81	2.3977	4.10
Cubadist.....	22.4	18.35	40.75	.25	.43	32.85	18.35	51.20	1.13	1.93
Mihero.....	26.0	17.86	43.86	.25	.43	33.49	17.86	51.35	1.1712	2.00
Cubadist.....	23.2	16.97	40.17	.25	.43	32.94	16.97	49.91	.7752	1.33
Do.....	29.2	17.24	46.44	.25	.43	36.73	17.24	53.97	1.8917	3.23
Marti.....	30.2	14.50	44.70	.25	.43	35.01	14.50	50.11	.8302	1.42
Regina.....	25.6	14.93	40.53	.25	.43	38.45	14.93	53.38	1.7295	2.96
Do.....	32.8	19.23	52.03	1.3582	2.32	39.59	19.23	58.72	3.108	5.47
Nelson.....	26.4	17.02	43.42	.25	.43	34.87	17.02	51.89	1.3197	2.26
Mihero.....	21.6	18.45	40.05	.25	.43	34.52	18.45	52.97	1.6167	2.76
Cubadist.....	24.0	18.18	42.18	.25	.43	35.58	18.18	53.76	1.834	3.14
Sucrosa.....	21.0	16.13	40.13	.25	.43	33.57	16.13	49.70	.7175	1.23
Marti.....	28.0	17.54	40.44	.25	.43	36.30	17.54	53.84	1.850	3.17
Nelson.....	25.6	23.25	48.85	.4837	.83	32.67	23.25	55.92	2.428	4.15
Do.....	30.8	19.23	49.31	.6102	1.04	37.15	19.23	56.38	2.5545	4.37
Cubadist.....	30.6	18.52	49.12	.558	.95	38.16	18.52	56.68	2.037	4.51

EXHIBIT B.—Analyses made by Dr. Carl S. Miner, of the Miner Laboratories, of Chicago, Ill., on cargoes of Cuban blackstrap.

Steamer.	Date.	Moisture.	Protein.	Ash.	Total sugars by Clerget method.	Total carbonates.	Price (gallon delivered, duty paid, in storage tank, Mobile or New Orleans).
Louisiana	Apr. 13, 1914	23.5	3.9	7.8	53.8	64.8	Cents 53
Nelson	Apr. 18, 1914	23.6	4.6	8.1	54.7	63.7	5
Louisiana	May 14, 1914	23.6	5.0	8.8	51.3	60.6	
Northwestern	June 4, 1914	23.6	3.6	7.1	52.5	63.7	51
Louisiana	June 11, 1914	22.5	3.6	6.9	53.2	67.0	51
Currier	Aug. 15, 1914	23.1	4.4	7.5	48.8	63.0	51
Nelson	Sept. 10, 1914	23.6	3.8	7.4	52.4	65.2	41
Alabama	Sept. 21, 1914	22.5	3.6	7.2	51.8	66.7	41
Louisiana	Oct. 11, 1914	22.6	3.9	7.7	51.8	65.9	41
Do.	Oct. 20, 1914	23.4	3.7	7.1	51.3	63.8	51
Alabama	Dec. 9, 1914	21.8	3.9	7.4	52.2	66.9	51
Currier	Feb. 5, 1915	20.1	3.4	6.8	53.8	69.7	5 and 51
Nelson	Feb. 22, 1915	20.5	5.2	8.5	62.9	65.8	41
Alabama	Mar. 15, 1915	19.9	2.8	7.8	57.5	69.5	51
Northwestern	Mar. 23, 1915	23.6	3.4	7.2	52.4	65.8	51
Gulley	Apr. 12, 1915	22.8	3.4	11.4	50.5	62.4	51
Louisiana	May 2, 1915	22.4	2.8	8.6	53.35	64.2	41
Northwestern	May 7, 1915	23.3	3.8	7.9	50.5	63.1	41
Regina	June 2, 1915	22.4	5.1	8.8	51.47	63.4	41
Gulley	June 10, 1915	22.8	3.6	7.5	50.36	66.1	41
Sun	June 13, 1915	24.3	3.6	8.2	49.11	63.9	41
Nelson	July 20, 1915	23.4	3.2	7.5	51.8	63.9	51
Do.	Aug. 26, 1915	21.6	3.7	8.2	51.0	66.5	41
Do.	Sept. 8, 1915	22.8	4.1	7.4	48.0	65.7	51
Currier	Sept. 30, 1915	24.7	3.6	7.6	51.5	64.1	41
Regina and Marl.	Nov. 24, 1915	21.6	3.4	7.3	67.7	53.0	41
Do.	Dec. 30, 1915	27.3	4.2	6.3	51.77	62.2	41
Do.	Jan. 22, 1916	24.4	5.2	9.0	48.66	61.4	41
Do.	Feb. 7, 1916	24.0	2.8	6.2	55.23	67.0	41
Currier	Feb. 24, 1916	23.0	3.3	5.9	57.17	67.8	41 and 51
Hanify	Apr. 6, 1916	21.1	2.4	7.3	57.6	66.2	51
Nelson	May 8, 1916	23.4	4.7	5.0	54.13	64.7	51
Hanify	May 26, 1916	23.0	4.1	6.4	56.38	64.5	51
Do.	June 13, 1916	23.4	4.8	6.4	53.15	63.4	51
Nelson	July 5, 1916	24.6	4.0	6.8	51.76	61.6	51
Hanify	July 22, 1916	26.0	5.0	6.8	46.9	63.2	51
Currier	Aug. 12, 1916	27.8	4.2	4.3	52.2	63.7	91
Hanify	Aug. 20, 1916	23.8	4.3	6.3	51.7	65.6	91
Do.	Sept. 21, 1916	23.69	5.69	6.7	52.15	63.92	151
Do.	Oct. 11, 1916	27.09	4.03	6.55	51.03	62.33	51
Regina and Marl.	Nov. 4, 1916	22.4	4.4	8.1	51.65	65.1	91
Do.	Nov. 28, 1916	25.6	5.5	5.9	51.01	63.0	151 and 51
Do.	Dec. 19, 1916	26.82	5.6	6.23	49.31	61.25	9.6 and 51
Do.	Feb. 7, 1917	27.16	4.2	6.45	52.79	62.19	9.6 and 151
Currier	Feb. 21, 1917	28.11	3.8	5.8	52.63	62.29	151
Sucroca	Apr. 29, 1917	27.0	4.1	5.3	53.61	63.6	151
Do.	May 29, 1917	26.0	4.3	6.0	53.62	63.7	151
Do.	Aug. 20, 1917	27.6	4.7	5.4	53.00	62.3	51
Cubadist.	Dec. 3, 1917	28.6	4.2	4.7	50.20	62.5	51
Sucroca	Dec. 29, 1917	23.3	4.2	4.4	51.77	66.1	151
Do.	Mar. 26, 1918	20.8	5.1	5.7	52.4	68.4	151
Cubadist.	Apr. 5, 1918	23.3	5.2	6.4	52.61	65.1	151
Sucroca	May 3, 1918	24.0	4.7	6.4	49.77	64.8	151
Cubadist.	May 10, 1918	26.0	4.6	5.5	51.13	63.9	151
Do.	July 8, 1918	28.2	4.7	5.0	52.18	64.1	151
Do.	July 18, 1918	22.4	5.6	6.2	48.43	65.8	151
Do.	Aug. 13, 1918	21.4	4.7	4.8	51.37	66.1	151
Mielero	Sept. 21, 1918	20.3	3.5	5.0	54.00	71.2	151
Nelson	Sept. 27, 1918	23.5	4.1	5.1	60.66	67.2	151
Do.	Oct. 18, 1918	19.1	5.4	6.8	50.81	68.7	151
Sucroca	Nov. 16, 1918	23.6	5.3	7.3	48.69	63.8	151
Do.	Dec. 2, 1918	21.7	5.1	7.6	50.49	65.6	151
Cubadist.	Dec. 29, 1918	23.3	4.6	5.1	60.97	67.0	151
Mielero	Feb. 1, 1919	24.6	6.1	6.9	51.94	62.4	7
Do.	Feb. 19, 1919	23.6	4.2	7.4	49.8	64.8	7
Do.	Mar. 16, 1919	24.3	4.6	7.1	51.56	63.8	7
Do.	Mar. 28, 1919	24.2	5.0	7.0	52.42	63.8	7
Cubadist.	Apr. 15, 1919	21.3	5.1	6.7	52.78	66.9	7
Sucroca	Apr. 22, 1919	24.1	4.2	6.2	52.36	65.5	7
Do.	May 4, 1919	24.3	3.9	6.4	51.00	65.4	7
Mielero	May 23, 1919	20.7	5.6	6.5	52.77	67.2	7
Do.	June 4, 1919	22.0	4.9	5.5	53.23	66.6	7
Cubadist.	July 22, 1919	25.7	3.7	7.0	49.61	65.0	7
Do.	July 31, 1919	22.9	4.1	5.0	50.12	64.0	7
Mielero	Sept. 14, 1919	23.5	3.8	8.9	52.21	63.8	7
Do.	Sept. 21, 1919	28	3.9	5.9	60.37	61.0	7
Do.	Oct. 13, 1919	25.7	3.8	5.9	49.89	64.6	7
Do.	Nov. 9, 1919	20.4	5.0	6.3	50.84	68.3	7
Do.	Dec. 20, 1919	21.2	5.1	5.9	50.92	64.6	7

We are informed that other importers' shipments average about the same.

Under the terms of the proposed bill and by noting the itemized statements of these two importers it will be seen that virtually no blackstrap molasses reaches the minimum of 48 per cent total sugars by the Clerget method, and that a total sugar content is occasionally reached as high as 60 per cent. With an average of 54 per cent total sugars, it will be seen that instead of assessing a duty of one-fourth cent per gallon, this bill assesses a duty on the average of more than 1½ cents per gallon, and on some of the higher testing blackstrap molasses more than 3½ cents per gallon, or more than 100 per cent duty based on to-day's American duty paid valuation for blackstrap molasses.

The attached statements, Exhibits 1 and 2, show six typical cargoes of blackstrap molasses imported by the American Sugar Refining Co. from Cuba during the early months of 1921:

Exhibit 1 shows sucrose content by polariscope, sucrose content by Clerget method, invert sugars, and total sugars by Clerget method.

Exhibit 2 is statement showing comparison of rates and amounts of duty applied to these six typical cargoes based on the actual duty paid under tariff effective prior to May 28, 1921, and amount of duty which would be paid on these same cargoes as proposed by the Fordney tariff bill.

The Fordney tariff would increase the duty over the actual duty paid 370 per cent. An inconsistency in the proposed Fordney bill might well be pointed out here in that the extra duty for each 1 per cent of total sugars over 48 is greater than the amount assessed on the original 48 per cent. Certainly if 48 per cent total sugars may come in for one-fourth cent per gallon, it is inconsistent to assess each additional 1 per cent two hundred and seventy-five one thousandths of 1 cent per gallon.

EXHIBIT 1.—*Sugar tests of six typical cargoes of blackstrap molasses imported by American Sugar Refining Co. from Cuba.*

Date of arrival at New Orleans.	Cargo No.	Sucrose by polariscope.	Sucrose by Clerget method.	Invert sugars.	Total sugars by Clerget method.
Jan. 14, 1921.....	29	28.1	35.75	15.78	51.53
Feb. 5, 1921.....	30	29.1	36.39	10.42	46.80
Mar. 6, 1921.....	31	30.2	37.48	16.00	53.48
Apr. 4, 1921.....	32	31.2	38.22	14.48	52.70
Apr. 10, 1921.....	33	32.2	39.28	14.81	51.09
May 13, 1921.....	34	33.3	39.55	14.52	51.07

EXHIBIT 2.—*Statement showing comparison of rates and amounts of duty applied to the six typical cargoes of blackstrap molasses imported by American Sugar Refining Co. from Cuba referred to in Exhibit 1.*

Cargo No.	Gallons.	Total sugars. ¹	Actual duty paid. ²		Duty based on Fordney bill as passed by House would be ³ —	
			Cents per gallon.	Total.	Cents per gallon.	Total.
29.....	478,253	51.53	0.27	\$1,291.28	0.976	\$4,567.75
30.....	521,146	46.80	.27	1,415.19	.200	1,048.29
31.....	653,063	53.48	.27	1,763.27	1.405	9,175.54
32.....	660,090	52.70	.24	1,584.22	1.233	8,038.91
33.....	662,324	54.09	.24	1,589.58	1.539	10,193.17
34.....	691,031	51.07	.24	1,658.52	1.535	10,607.63
Total.....	3,668,927			9,302.06		43,631.29
Average duty.....			.253		1.189	

¹ Total sugars: Sucrose by Clerget method plus invert sugar (reducing sugars).

² Actual duty paid on Underwood tariff: 15 per cent ad valorem, full duty, less 20 per cent for Cuba; appraised valuation 2½ cents per gallon during first quarter 1921 and 2 cents per gallon since that time.

³ Duty based on Fordney tariff as passed by House: One-fourth cent per gallon on molasses and sirups testing not above 48 per cent total sugars, and 0.275 cents additional for each per cent of total sugar, fractions in proportion, less 20 per cent for Cuba.

Percentage of increase duty based on Fordney tariff as passed by House over actual duty paid (Cuban), 370.

The Fordney tariff, as passed by the House, on the average of the six typical cargoes referred to above, on an ad valorem basis at present appraised valuation of 2 cents per gallon, shows the following comparison:

	Full duty.	Duty, allowing Cuban preferential of 20 per cent.
Fordney tariff.....	74.3	59.45
Underwood tariff.....	15.0	12.00

Blackstrap molasses can not be kept uniform and can not be purchased at any specific total sugar content. The sugar content of blackstrap molasses is dependent upon a great many factors—the efficiency of the extracting plant, the condition of the cane, the season of the year, weather and soil conditions, etc. The run of to-day from a given factory may test differently than the run of to-morrow. The molasses from an individual factory is all run into a storage vat. The run of to-day must be mixed with the run of to-morrow, and the run of several weeks or months may be stored in one vat. This molasses is pumped out of the storage tank at the sugar factory, on the island of Cuba, for instance, and put into an enormous storage tank, which may contain the product of a large number of sugar factories. It can not be kept separate and is all run together. Even with this method of handling it does not mix, and different samples from different parts of a tank or steamer show widely different analyses.

It is pumped out of this large storage tank at the seaboard into tank steamers and is brought to the American seaboard and is there pumped into other large storage tanks, which may be partially filled with other molasses. There is no way in which the buyer when he purchases blackstrap molasses, either in Cuba or in America, can know what sugar content he is going to get. He may buy on a guaranteed minimum of, say, not less than 48 per cent total sugars, for blackstrap molasses rarely if ever runs under that figure, but he can not buy on a guaranty that it will not run over that amount. Blackstrap with him is blackstrap molasses. He works on general averages and does not and can not discriminate. Blackstrap molasses in one part of a tank steamer or tank can may test higher in sugar content than that in another part of the same tank steamer or tank car. No two chemists were ever known to get identical results from two samples drawn from any particular lot of blackstrap. There is no way of determining what you are going to get when you buy blackstrap molasses, consequently there is no way of getting more money for that which may, under the proposed bill, pay a duty of 3½ cents per gallon from that which may pay one-fourth cent per gallon.

The cost of blackstrap molasses must be determined in advance of importation; otherwise, to handle it would be a commercial impossibility. The proposed tariff contemplates an unknown duty anywhere from one-fourth cent per gallon to 3½ cents per gallon, to be determined after the cargo has arrived. If it were possible to import blackstrap molasses at the higher rates of duty suggested by this bill, if an importer were lucky in the lottery and drew some low-testing blackstrap molasses he would be placed in position to put other importers who might have received a high-testing lot temporarily out of business. No feed manufacturer would pay more for the one than for the other, for it could not be handled separately. Moreover, he could not get any more for his finished product than his competitor, who might be using a lower testing lot. On such a variation, which at the present time amounts to more than the market value for blackstrap molasses, no one could take the chance of importing molasses.

Before the emergency tariff the duty was 15 per cent ad valorem, less 20 per cent Cuban preferential, equals 12 per cent net. Based on peace-time valuations of 2 cents per gallon in Cuba, equals 0.24 cent, or practically one-fourth cent per gallon. To-day's valuations would be less than 1 cent per gallon in Cuba, resulting in a duty of one-eighth cent per gallon.

The emergency tariff now in effect calls for 24 per cent ad valorem, less 20 per cent Cuban preferential, equals 19.2 per cent net. On valuation of 2 cents per gallon in Cuba, equals 0.384 cent, or practically one-third of 1 cent per gallon. To-day's valuations in Cuba would be less than 1 cent per gallon, making the duty 0.102 cent, or about one-fifth of 1 cent per gallon.

The permanent tariff is being prepared for years of peace and not for an era of war. Blackstrap in peace years is primarily a feeding material. It is indispensable for the best utilization of millions of tons of farm materials produced in the United States, and a means of making more efficient and valuable the feed grains with which it is fed.

Before imported molasses can compete with domestic molasses it must pay high transportation charges. This in itself is splendid protection for domestic producers of this formerly wasted material. Transportation costs, before these goods reach a parity with domestic goods, are approximately as follows (cents per gallon):

Average freight and tank car expense in Cuba from plantation to receiving station at Cuban seaport.....	1.5
Ocean freight from Cuban port to Mobile or New Orleans.....	1.5
	3.0
Proposed duty on 48 per cent total sugars added.....	.25
Proposed extra duty on average blackstrap testing 54 per cent total sugars of two hundred and seventy-five one-thousandths of a cent for each 1 per cent total sugars above 48 added.....	1.65
	4.90
Total.....	.38
Deduct for Cuban preferential.....	
	4.52

landed at Mobile or New Orleans, without one cent to the producer for his product or compensation to the importer to cover his investment in large receiving storage tanks, pumping, interest, taxes, tank-car service, and profits.

American blackstrap molasses originates at points taking New Orleans or Mobile rate of freight. Even if blackstrap molasses was admitted free of duty and the Cuban producer received nothing for his molasses and the importer nothing for his services, selling expense, pumping, interest, taxes on his storage tanks both in this country and in Cuba, and on tank cars in this country and in Cuba, the transportation alone would amount to 3 cents per gallon before the goods could be brought to a port in the United States taking the same rate of freight as the stations in Louisiana where blackstrap molasses is produced, and this 3 cents per gallon transportation charge is equal to the present selling price of blackstrap molasses produced in the United States. Sufficient protection certainly for an article whose American market price to-day is not over 3 cents per gallon, and whose normal prewar American market price was not over 5 or 6 cents per gallon. (See statement giving analysis and price of importations, 1914 to 1920, inclusive.)

Blackstrap molasses is produced in the United States in only one restricted locality, namely, the southern part of Louisiana, and there are comparatively few producers of it. For seven years last past the United States has produced less than 8 per cent of its total requirements and only 5.3 per cent of its 1920 requirements.

The following statement shows the Louisiana production and the amounts imported for seven fiscal years from 1914 to 1920, inclusive:

Year.	Dutiable.	From Porto Rico.	From Hawaii.	Total Imported. ¹	Louisiana produced in crop year. ²
	<i>Gallons.</i>	<i>Gallons.</i>	<i>Gallons.</i>	<i>Gallons.</i>	<i>Gallons.</i>
1914.....	51,410,271	15,577,832	1,110,404	71,099,507	11,190,908
1915.....	70,839,623	12,001,811	5,202,913	88,043,317	7,016,338
1916.....	85,716,673	16,279,073	8,329,014	110,324,760	14,272,635
1917.....	110,237,888	19,751,212	10,979,381	139,968,483	12,514,435
1918.....	130,730,861	14,485,752	14,671,417	159,888,030	16,101,650
1919.....	139,074,711	15,118,678	11,065,996	156,259,385	6,619,242
1920.....	131,670,200	15,059,273	9,605,486	156,334,959	10,066,981
Total.....	733,650,227	107,286,631	64,931,673	905,001,531	77,542,989

¹ Data covering imports taken from Monthly Summary of Foreign Commerce of the United States, published by the United States Department of Commerce.

² Production in Louisiana obtained from yearbooks published by Louisiana Sugar Planters' Association, New Orleans, La.

There are also large quantities of refiners' refuse molasses produced in the United States, but this is brought into the country in the form of raw sugar and is the by-product in the refining process.

The feed manufacturers and live-stock feeders accept and believe in the principles of protection to American industry; they believe in a protective tariff on sugar sufficient to allow the American sugar-producing industry to live and prosper. Blackstrap molasses, however, is a by-product commodity, and no duty, no matter how high, will cause one gallon more of it to be produced. The amount which has been produced or which it is possible to produce in the United States is so insignificant compared to the amount which the feed manufacturer and the feed trade of the United States require that protection to the feed trade and the feeders can only come by either allowing blackstrap molasses free entry or by placing the duty so low as to encourage its importation. The feed trade begs of Congress the same protection for its industry in free entry or a low tariff on this, its essential basic raw material, as it grants to other American industries in a protective tariff on their products.

BEEF MOLASSES.

It has been shown that the amount of American-produced blackstrap molasses available for feeding and manufacturing purposes is negligible compared with the amount required. Nothing thus far has been said about beet molasses produced in the United States and used in feeding and manufacturing. The amount of blackstrap imported and the amount of duty upon it will have little effect upon either the amount of beet molasses used or the price at which it will sell. Aside from the particular use of beet molasses in the feeding of live stock the demand for it in the manufacture of yeast and other articles for human consumption is rapidly growing. It probably soon will exceed the supply. While some beet molasses is used in feeding it is confined largely to feed for work stock, like horses and mules, and indeed in this class of feeds a premium is usually paid for beet molasses over blackstrap. Beet molasses produces a greener-colored feed than blackstrap, and there is always a demand for green feed. In feeding work animals it is not desired primarily to fatten them, and a smaller amount of molasses is used in these feeds than in feeds for cattle, sheep, and hogs. Again, beet molasses when used liberally in feeds has a tendency to scour the animal, whereas as much blackstrap can be used as the mixture will absorb. This runs as high as 60 per cent of the molasses ration, or 20 to 30 per cent of the total concentrates given the animal. Beet molasses and blackstrap molasses, therefore, come into but limited competition with each other. The uses of the one so far differs from the uses of the other as to make the import duty on the one have little bearing on either the consumption or the price of the other.

There is in normal times sufficient demand in the United States for beet molasses which blackstrap can not satisfy to more than absorb the supply, which fixes the price of beet molasses above the price of blackstrap.

A free entry of blackstrap or a low duty on blackstrap does not imperil either the amount of beet molasses which will be used or the money value of the crop. There is not sufficient American supply in either beet or blackstrap molasses to meet the demand in normal times.

CONCLUSION.

1. On account of the small amount of blackstrap molasses produced in the country and the large amount required to be imported, the imported molasses necessarily fixes the price.

2. The feeders can not afford to use molasses if the price is increased as indicated by the House bill.

3. No importer can undertake to import blackstrap molasses on an uncertainty of rate as proposed by the House bill.

4. Blackstrap molasses must be segregated in the bill from other molasses and sirups and be permitted to enter either duty free or at a low fixed rate of duty.

5. Either the basic total sugar content as proposed in the bill must be raised to an amount so that all blackstrap molasses may enter at the basic rate (that would require a figure approaching 60 per cent total sugars), or—

It should be arranged to go back to the polariscope test as used in all previous tariffs (35° by the polariscope would cover all blackstrap molasses), or—

Inasmuch as the essential in protecting the sugar schedule is the sucrose content, a basis which would consider only sucrose content by the Clerget method could be adopted. (Forty per cent sucrose by the Clerget method would permit all blackstrap molasses to enter at the basic rate.)

6. The United States Tariff Commission, in pamphlet entitled "Tariff Information Surveys," on the articles in paragraph 177 of the tariff act of 1913 and related articles, dated 1921, on page 93, states: "The dividing line between high-grade and low-grade molasses might be fixed at 55 per cent of sweetening matter."

The Tariff Commission's suggestion would barely cover the average blackstrap molasses and would militate against the higher testing grades.

It would be presumptuous on the part of the feed trade to suggest the method for fixing the basis for the enforcement of the proposed law. Congress and the Government departments in their wisdom should do this; but the feed trade desires with all the emphasis at its command to impress the committee with the necessity of fixing some basis whereby all blackstrap molasses, as it is produced and offered for sale, may enter either duty free or at a rate of duty which will not exceed one-fourth of 1 cent per gallon. If this is not done one of our country's most important industries can not go on, and the farmers and feeders will be deprived of an important economic commodity at a reasonable price.

STATEMENT OF GEORGE H. FORSEE, REPRESENTING KANSAS CITY (MO.) HAY DEALERS' ASSOCIATION AND MISSOURI RIVER FEED MANUFACTURERS.

Mr. FORSEE. Mr. Chairman, I would like to say that this is my fourth trip to Washington on this matter since early summer, and considering that I have here been that many times with the understanding that I would be heard on behalf of the interests that I represent, I would appreciate it very much if you would give me the opportunity either now or to-morrow morning of making a statement. I am speaking for some thirty feed mills along the Missouri Valley and for the Kansas City Hay Dealers' Association. On each of my trips to Washington we have had to pass the hat among ourselves to get money enough to pay my expenses, as there is not an institution in these two industries which can afford to have its representative here and pay his entire expense. I am, therefore, representing the entire group from my section of the country.

Senator SMOOT. Misery likes company.

Mr. FORSEE. Yes, sir. That is the condition of our industry on the Missouri River. It takes me two nights and a day to make the trip each way, and having made the trip four times, two for the House hearings and two for the Senate hearings, I feel that I can not go home again and report to our people that I made no effort to be heard in their behalf. I would, therefore, most earnestly request that if our time has expired to-night, or is about to expire, you will hear me as far as you can to-night and give me a few minutes to-morrow morning to complete my testimony.

The CHAIRMAN. You may go ahead, if you only want a few minutes.

Mr. FORSEE. I do want more than a few minutes, Senator; that is just the point. I fear that our hearing will not be considered very important if we seem to be willing to state our case in a few minutes and let it go at that. The molasses hearing is scheduled with the sugar hearing, and we have listened to two days of testimony on sugar, and now if we are willing to have our own end of it—the molasses end—only indifferently presented within 30 or 40 minutes' time I fear that you will think that we are not of sufficient importance as an American industry to be worth protecting.

The CHAIRMAN. The committee is anxious to protect you and in great sympathy with you; but you, like the committee, want to get this bill passed promptly.

Mr. FORSEE. I will say what I have to say as rapidly as I can. If my time has expired before I am through you can so indicate to me, and I will quit. Speaking under pressure, I can possibly boil down what I have to say. Gentlemen, here is the proposition as

we see it in a nutshell: There has grown up in America a system of scientific feeding of live stock. The average man used to feed the stock which he kept on his farm only for the purpose of using his surplus grains and marketing them in that way. But it was found that the American farmer could add to his farming industry another industry, that of feeding cattle for the market. When the farmer began to feed for the market—feeding to put fat on—he realized that his old system of feeding was too slow. That his grains alone and his roughage would require too long a time to round out his cattle and to turn the money which he had in them. Then he found that there were certain concentrates which he could use in connection with his home-grown materials and that the combination would permit him to greatly shorten his feeding period. He could then get his money out of these cattle, reinvest it in another bunch of cattle if he so desired, thus continuing to consume the materials which he raised, and make more money by this process and market more home-grown feeds than he could by the old process. At first he was confined in the use of concentrates principally to two—linseed-oil meal and cottonseed meal. These were obtainable only at comparatively high prices. Usually they were much higher than his home-grown feeds. Then the feeding value of blackstrap, or refuse molasses, was discovered. It was very cheap—seldom, if ever, higher than his home-grown feeds. Not only did this enable him to buy a much cheaper concentrate than he had been able to buy before, but he found that it could be used also as a base for many materials which he could not use before. Many grains and cereals which in themselves were unpalatable made the finest kind of feed when mixed with this molasses.

Again, when a shortage of feeding materials occurred in one section, or a complete shortage of all materials occurred in that section, other materials native to other sections could be gathered at terminal markets, mixed with blackstrap molasses, and be ready to supply the feeders' needs. Thus was not only the section which was short on feeds supplied, but a market was created for grains, cereals, and by-products in the sections where they were plentiful. Feeding operations were thus stabilized and made more certain and greatly reduced in cost. This necessity and demand of the farmer and feeder gave birth to the molasses mixed-feed industry. We who are in the business felt that we were so close to the farmers—so closely identified with his industry, an industry which was primarily producing the bread and meat for the country—that our business was well-nigh impregnable, so far as the common disasters of business are concerned. For instance, we thought that whatever the folks down East here might suffer from the ills following a war, we in the meat-raising and grain-growing sections would be able to furnish all the country with meat and bread at a cheap price, and would be busy all of the time in doing it. Gentlemen, you know the situation now as well as I could possibly bring it to you from my section. The farmer and feeder is almost worse off than anybody, and we in our industry are flat on our backs.

The CHAIRMAN. Can you tell us what agricultural or industrial establishment is not flat on its back?

Mr. FORSEE. No. We are all in the same boat.

The CHAIRMAN. From the Atlantic to the Pacific Ocean that is so.

Mr. FORSEE. We feel, gentlemen, that this tariff on blackstrap molasses as it comes to you from the House will double or treble or possibly quadruple the cost of this molasses, or at least the cost of entry under previous tariff bills. That means that if the schedule as written in the bill by the House is maintained when the bill is passed by Congress that this burden is immediately borne by the farmer and feeder, and I submit, gentlemen, that he is the first man in the United States who ought to have his burdens lightened instead of added to, as he is the basis of the rehabilitation of us all.

Another objection which we urge to this schedule is that it is on a graduated scale. This tariff, as I understand it, runs all the way from one-fourth cent a gallon, based on 48 per cent total sugars, up to about 3 cents a gallon. We do not know, and the farmer does not know, so far as sugar content is concerned, what kind of molasses he is going to get; therefore under this bill none of us know what it is going to cost. But this we do know, that whatever it costs in tariff duties above those of previous bills, the farmer and those allied with the farmer are going to pay for it.

In addition to the live-stock-feed milling industry I oppose this schedule on behalf of the Kansas City Hay Dealers' Association. The hay industry is very large in our section of the country and, like the feed-milling industry, is very closely connected with the farmer and his interests. Alfalfa hay is largely used in connection with blackstrap molasses, and the means of marketing a very large part of this hay is through blackstrap-molasses feed. Hence the interest in this bill of the hay dealers, and back of them the hay-raising farmers.

Senator SMOOT. Would you be satisfied with the rates named in the Payne-Aldrich bill?

Mr. FORSEE. I understand the Payne-Aldrich bill provided a 20 per cent ad valorem duty and that the tax under that bill was about a quarter of a cent per gallon. I think we would be satisfied with that one-fourth cent if we can not get free entry of this essential raw material.

Mr. CHAPMAN. The Payne-Aldrich bill was on an ad valorem basis, and we do not want an ad valorem basis if we can avoid it. We would rather have the quarter-cent specific duty.

The CHAIRMAN. We did not know very much about that blackstrap molasses in the Payne-Aldrich bill; it had not been used as extensively as it is now.

Mr. CHAPMAN. Very true.

Senator CALDER. Twenty per cent was the ad valorem rate.

Mr. CHAPMAN. We do not want the ad valorem rate.

Senator SMOOT. Do you want this blackstrap molasses to come in at 58 per cent and 60 per cent in some cases? The Payne-Aldrich bill did not treat that kind of molasses with any 20 per cent ad valorem.

Mr. FORSEE. It is impossible for us out in our part of the country to determine grades of blackstrap molasses by these technical differences. We know blackstrap molasses as blackstrap molasses. If molasses can be brought into this country for the purpose of feeding, molasses from which no more sugar can be extracted, and it is possible to designate and fix such molasses upon some such costs as we have

had in former bills, then we can hope to get our feeding business back on its feet.

Senator CALDER. Does the witness know whether the corn men and meal men are in favor of this product coming in?

Mr. FORSEE. Do you mean the corn grower?

Senator CALDER. Yes.

Mr. FORSEE. I am, myself, a manufacturer of molasses feeds in the corn belt. My biggest customers are the biggest users of corn, and I might say the biggest growers of corn as well. There is no fight between corn and molasses. Molasses supplements corn and is fed with corn and raises the digestible value of the combination ration. Corn has a digestible value of about 79 per cent; blackstrap molasses has a digestible value of about 90 per cent. Animals eating molasses with corn digest their food better, drink more water, are kept in better condition, and consume more feed which is turned into fat quicker than when they are fed on the same old dry grain ration as corn—corn all the time.

The demand for blackstrap molasses for feeding comes from the corn belt, and the same people who raise corn and sell it to us—and we put corn in all of our mixtures—are the same people who turn around and buy mixed feed with the molasses content in it. For cattle feeding, sheep feeding, and hog feeding the corn grower and corn feeder want all of the molasses that the mixture will absorb, and this will run as high as 60 per cent molasses.

Senator CALDER. What I had in mind was whether you knew whether the corn men and meal men were very much in favor of legislation to put this on the free list?

Mr. FORSEE. You mean the farmers?

Senator CALDER. Yes.

Mr. FORSEE. I do not know of any organization of farmers that is acting one way or the other. We have, however, one of the biggest feeders in our section of the country sitting here with us.

Senator CALDER. I am thinking of the corn growers and the farmers chiefly. What is their attitude?

Mr. FORSEE. They want cheap concentrates. If you take molasses away or raise the price of molasses, you will force them into giving up their cheapest concentrate. They will then have to fall back on such things as cottonseed meal and linseed-oil meal for a concentrate, and they will always cost more than molasses. Indeed, the use of cottonseed meal and linseed-oil meal is greatly helped, the value is greatly increased, by feeding molasses with them, and the price of these concentrates is brought down. The farmer must have something to feed with his home-grown grains. He must shorten his feeding period. He must reduce this period from six months or a year under the old method to 75 or 100 days. At least he wants to do this, and knows that he can do it by scientific feeding.

It has been only since the advent of molasses feed that there has grown up in the West the cattle-feeding business as a business. It is incident to farming in our section of the country, it is necessary in farming, and the combination farmer and feeder is the one who does best in both lines. Feeding has taught the farmer to turn over his investment as often as possible, and it has brought other up-to-date business methods to the farm. Of course, there are a large number

of men—or, at least there were—who feed cattle as a business and who do not necessarily farm, but the records show that 80 per cent of the cattle feeders are both farmers and feeders. That is about the only class that we have left, as there have been millions lost in the cattle business the last several years, and hundreds of cattlemen who thought they were comfortably fixed for life have been wiped out as clean as the top of this table [illustrating].

Senator SMOOT. The Payne-Aldrich bill provided 20 per cent on molasses testing not above 40 degrees; 40 degrees and not above 50 degrees, 2 cents per pound; above 50 degrees, 6 cents a gallon. Are those duties satisfactory to you?

Mr. FORSEE. I do not know, Senator Smoot; I am not technical enough to know how these things figure out. I simply know that this traffic will not stand, in a tariff way, more than around a quarter of a cent per gallon, and I also know that a great American industry and a great agricultural industry will be enormously helped if this material, nearly 90 per cent of which we can not get in this country, is permitted to come in free. I understand that the 40 per cent spoken of is 40 per cent by the polariscope, whereas this bill fixes the duty, or duties, on a sliding scale of sugar content. We want a maximum of a quarter cent a gallon, and as much under that as possible.

Senator SMOOT. In molasses testing what degree? Forty degrees is one thing, but 60 degrees is quite another thing, because you can take 60-degree molasses and you can make sugar of it, I think, profitably.

Mr. FORSEE. If you will trace a cargo of molasses through to us in Kansas City you will not have any fear sugar will be made out of it. But here is the point in regard to a sliding scale: I can not go out to a feeder and say, "I want more money this time for the same feed that I sold you last week, because this feed has molasses in it that tests 57 per cent sugar, whereas the feed that I sold you last week had molasses in it that tested 52 per cent sugar." We can not operate on a scale of that kind.

Senator SMOOT. You have been operating all the time on it, ever since you first made the product.

Mr. FORSEE. It has all been sold to us at a definite fixed price; there has been no difference in price between one tank car coming to us and another. If there has been a difference in the tariff duty between cargoes coming to America, it has not been reflected in the sale price to us. I am not a molasses importer, neither am I a molasses expert, and sucrose and Clerget and polariscope and the other technical terms used in these hearings I know nothing about except what little I have absorbed from these hearings. But I do know that here is a product that we have been selling to the farmer at a fixed price and to meet a long-felt want, and that under the proposed bill, with a sliding scale of duty, the tariff will run from a quarter of a cent up to 2.75 cents a gallon, which will make it almost impossible to merchandise the material.

There is just one other thing I want to touch on here that has not been touched on, and that is the difference in the use between cane molasses and beet molasses. I feel that unless this is made clear you will not realize that there is a marked difference in the use of

these two in feeding. I manufacture both cane and beet molasses feed. Beet molasses is used in horse and mule feeding almost entirely; cane molasses is used in cattle, hog, sheep, and dairy feeding almost entirely. We do not sell feed with beet molasses in it for fattening purposes, for the reason that beet molasses is quite laxative, and when it is put into feeding rations in comparatively large amounts, say 40 to 60 per cent, it produces scouring. Only a limited amount of molasses, or a limited percentage, is used in horse and mule feeding, as the purpose of that feed is not to fatten the animal, as is the purpose in feeding meat animals. Beet molasses makes a green feed, and the average horse and mule owner likes green feed and will ordinarily pay more money for it than for a brown feed. Blackstrap makes a dark-brown feed usually. Horse and mule feed is usually retailed a few sacks at a time, and the greener it is the better the dealer can sell it. There will always be a sufficient demand in this country for a green feed to absorb the supply of beet molasses, and this demand will be quite independent of the demand for and the use of cane or blackstrap. I am speaking, of course, of normal times. At the present time there is little demand for anything. In addition to this particular demand in feed for beet molasses there is an increasing demand for it for the making of yeast and vinegar, and we, in the feed business, will have to compete in the matter of price with the yeast and vinegar people in the purchase of beet molasses if we are going to continue to supply a green feed. This combination of uses will, in my judgment, not only more than absorb the beet supply, but it will fix a price for beet independent and higher than the price for cane. I do not consider, therefore, that cheap cane molasses will affect either the amount of beet molasses used or the price of beet molasses in the market.

STATEMENT OF FLOYD M. WILSON, REPRESENTING ALFALFA MILLING INDUSTRY OF COLORADO, WYOMING, NEW MEXICO, AND KANSAS.

Mr. WILSON. I am here to represent the interests of alfalfa millers in Colorado, Wyoming, New Mexico, and Kansas. We have in the West a comparatively new industry, the milling of alfalfa.

The use of alfalfa meal is dependent almost wholly upon blackstrap molasses, and that is the reason we are here. If the molasses industry is affected, and if the tariff is such as to make the importation of blackstrap for feeding purposes prohibitive, the big alfalfa-milling industry in the West will have to go out of business.

Senator SMOOT. Does that industry use beet-sugar molasses?

Mr. WILSON. We ship all the meal we manufacture to eastern and southern markets, Senator, and it is there mixed with blackstrap and some beet molasses; but when business conditions are normal there is not nearly enough beet molasses for feed mixing to supply the demand; at least I am told so by our customers. You understand that we simply grind the alfalfa hay into meal and sell it direct to the mixed-feed plants in the South and East.

At the stockyards in Denver I am advised that oftentimes they use cane molasses, or blackstrap, in feed mixtures in preference to beet.

That is all I care to say, gentlemen. The marketing of alfalfa meal is almost entirely dependent upon the use of blackstrap molasses.

(Following is the brief of Mr. Wilson:)

The purpose of this brief is to bring to the attention of the Finance Committee the close relationship existing between the blackstrap-molasses industry and the alfalfa milling industry, showing that the outlet for alfalfa meal is dependent almost wholly upon the commercial availability of blackstrap molasses at a relatively low cost; furthermore, that the enactment of the Fordney tariff bill as it now stands would result in raising the cost of molasses-alfalfa feeds \$2 to \$3 per ton, which would add to the economic problems of cattle feeders as well as other users of mixed feeds, curtailing the demand for alfalfa meal, thereby seriously injuring the alfalfa milling industry and, indirectly, the alfalfa farmer.

The alfalfa milling industry is engaged in the grinding of alfalfa hay into a mealy product, which is commercially known as alfalfa meal. This meal is packed in 100-pound sacks and marketed direct to the farmers, feeders, and mixing plants throughout every section of the East, South, and Middle West, the principal markets being Tampa, New Orleans, Birmingham, Little Rock, Memphis, Cairo, St. Louis, Kansas City, Omaha, Cincinnati, Chicago, Milwaukee, Minneapolis, Norfolk, Philadelphia, Pittsburgh, Buffalo, and Boston. To-day there are approximately 75 alfalfa mills west of the Missouri River, representing an investment aggregating \$3,000,000. These mills are located in rural communities, and their successful operation means not only much to the farmers in affording a convenient cash market for their product, but a great many thriving little towns in the West are dependent to a marked degree upon the labor pay roll of the alfalfa mills. In fact, we do not think there is an industry in the United States that works as close to the field and farmer and upon which the farmer is locally so dependent. Therefore, if the "hono" alfalfa-hay market is not to be disturbed and the thrift and growth of country towns is not to be impeded, nothing should be done through the enactment of a tariff bill that will stifle or slow down alfalfa milling—so distinctly a rural enterprise.

During the period of depression the past year alfalfa mills have been forced to suspend operations the greater part of the time. High freight rates have demanded a heavy toll. However, with the resumption of the feed business now in sight and a further reduction in freight rates contemplated, it would, indeed, be disastrous if these economic benefits would be more than offset by a tariff which would result in increasing the cost of alfalfa-molasses feeds. This character of feed has the indorsement of all practical feeders and farmers, as well as State agricultural colleges and Government feed experts.

We believe it is a fact that as much as nine-tenths of the blackstrap used by feeders is imported from Cuba. If this statement is true (and Government reports and statistics so indicate), the free entry of blackstrap molasses would result in far greater economic benefit to the farmers and stock growers than could possibly be derived by fixing a duty on this sugar by-product. We believe the tariff as fixed by the Fordney bill would prove commercially impracticable. The importer would be unable to determine just what a cargo of molasses would analyze until after it had reached the port of entry, and therefore could not make "future" quotations to the feed trade on a flat per-gallon basis. The feeder is little concerned as to variations in sugar content and will not pay a premium for molasses carrying a relatively higher percentage of sugar. Alfalfa-molasses feeds necessarily are cheap and bulky products, which will not admit of going on a scientific chemical-analysis basis except where a wide range of analyses is allowed. If blackstrap molasses is admitted on a flat basis, with the range of sugar content from 48 to 60 per cent, it would allow the importer to figure with a degree of certainty the cost of his product. On the other hand, if the duty assessed would be from one-fourth cent to 2½ cents per gallon, according to sugar content, the molasses market would be in a chaotic condition and the mixed-feed industry would be demoralized and discredited with the farmer and feeder on account of varied and constant fluctuations in price.

The protein analysis of alfalfa meal varies from 11 to 17 per cent. Oftentimes the greener hay will run much lower in protein than hay that is off color. It would be just about as practical to sell alfalfa meal on an 11 per cent minimum basis, with an additional charge of 25 cents per ton per each per cent of protein over 11 as it would to attempt to sell blackstrap molasses to stock feeders where the import duty varies from one-fourth cent to 2½ cents per gallon. The low-priced stock-feeding industry is figured on too close a competitive basis to admit of such constant variations in the cost of raw materials.

Again, we would respectfully call your committee's attention to the fact that the alfalfa milling industry of the West is dependent almost wholly upon the commercial availability of blackstrap molasses for feeding purposes. Alfalfa meal is the only known absorbent, in the line of feed, for molasses. A free entry of blackstrap or a very low duty on a flat basis will help to insure the life and prosperity of the alfalfa milling industry.

STATEMENT OF FRANK C. JONES, REPRESENTING THE EASTERN FEDERATION OF FEED MERCHANTS, BULLVILLE, N. Y.

Mr. JONES. I am going to try to be just as brief as I possibly can. From the record it would show that I am representing the Eastern Federation of Feed Merchants, which is an organization composed principally of retail feed merchants throughout the East. I am asking nothing in their behalf, but what I shall ask will be for the dairy farmer of my section.

In order to ascertain how much blackstrap molasses is being used for feeding purposes in the territory of the organization, I sent out December 1 a questionnaire asking a few more than 300 dealers these questions:

How many tons of feed containing molasses have you sold during 1921 or have under contract for delivery prior to December 31 this year?

The second question was:

How many gallons of feed molasses have you sold during 1921 or have under contract for delivery before December 31 this year?

The members of this committee, and especially the members who come from New England and Pennsylvania and New York State, know that the farmers of those States buy almost their entire requirements of commercial feeds; in other words, they grow none on their farms excepting some roughage. The result of this questionnaire is:

We received 1 or 2 more than 200 returns, and it showed that 202 were handling molasses and molasses feeds. The total number of tons of molasses feeds that were handled by these 200 men was 14,839 tons. The total number of gallons of molasses in its raw state as sold by these men was 358,300 gallons.

The membership of the Eastern Federation is scattered over the six New England States and New Jersey, New York, and Pennsylvania, and there are more than 6,000 dealers in these nine States.

On the basis of the ratio of 2 to 1 obtained by the questionnaire, 4,000 of the 6,000 dealers are handling molasses and molasses feeds. Therefore if 200 dealers sold 14,839 tons of molasses feeds and 358,300 gallons of molasses, it is fair to assume that the 4,000 have sold twenty times these amounts, or 296,780 tons and 7,166,000 gallons of molasses.

The manufacturers of molasses feed tell me that the average amount of molasses used in molasses feeds is 30 per cent of the weight, or 50 gallons per ton of feed. Following out the calculation on that basis 296,780 tons require 14,839,000 gallons of molasses, or a total number in molasses in feed and in liquid molasses of approximately 22,000,000 gallons.

Importers of blackstrap molasses submit figures which show that the average of blackstrap contains 54 or 55 per cent of total sugars. Under the proposed schedule, the average blackstrap would pay 1½ cents per gallon duty, which applied to the 22,000,000 gallons would amount to a trifle over \$330,000. This amount seems small, as figures go these days, but it is to be placed on those who are engaged in an industry who are unable to stand this. I speak of the dairy farmer.

If other conditions of the dairy farmer of my section were in his favor, perhaps he would not feel this three hundred and thirty thousand and odd dollars. But to-day he is forced to pay \$90 to \$150 apiece for the

ordinary grade cow. This cow is forced to the limit of milk production, and she is all through in about three to five years. Then here is what happens: A good customer of mine about three weeks ago had two cows that were not with calf, and their milk production had fallen below the amount that would bring him any profit, and he put them in a car and shipped them to the Jersey City market along with some stock of some other farmers. They sold for the enormous sum of 1½ cents per pound, Jersey City. Out of that he had to pay freight and commission, and when he returned home, after paying \$5 car fare, with no other expense, he had just exactly \$14 for his two cows. Three years ago he could have received for those two cows in the same market perhaps not less than \$60 or \$75 each.

So when it comes to the selling of his stock, after he is all through with it, he gets nothing for it.

In the little village where I live there are two creameries receiving 10,000 or 12,000 quarts of milk daily to be shipped to New York. Just before I left home, I learned that one of these would pay \$2.30 per 100 pounds for 3 per cent milk for November. Allowing the average to be 3.8 per cent butter fat, the dairyman receives \$2.62 per hundredweight, or 5.58 cents per quart. Deduct from that amount what he has to pay for the commercial feeds, and he will have approximately 3½ cents per quart, out of which he has to pay the hired man, if he is fortunate enough to find one, taxes, interest, and other incidental expenses.

Some Member over in the House of Representatives made the statement that the demand for the reduction has not come from the consumer. I frequently call on the feed and grain stores all over the section of the territory which I represent, and talk with their customers as they come and go. I have in at least 100 instances brought up the question of duty on blackstrap molasses, and I find that they are unalterably opposed to it, and have used the same argument that I have used, that they can not afford to pay any more than they are paying at the present time.

One month ago the dairymen of this very section were represented before this committee by Mr. Holman, the secretary of a large association of milk producers; by Mr. Putnam, of New Hampshire; Mr. Ness, of Maine; Mr. Leech, of Vermont; and Messrs. Bronson and Cambeen, of Massachusetts, asking for an upward revision of the tariff as to milk and milk products.

I respectfully submit that, in my opinion, it would seem to be inconsistent if Congress, with its strong right arm, hands out to those dairymen protection for milk and milk products and, with the other, takes away by imposing a duty on the very essentials of milk production that they are forced to buy.

These 6,000 retail feed merchants are the men who rub elbows with the dairymen every business day in the year and know some of his problems. They visit the farms; they see the cows milked, and they know at least some of the problems, and they help to carry some of the financial burdens.

I made that statement not very long ago to a small bunch of men, and some joker in the crowd said:

At the end of the month, you take his milk check and apply it to the feed bill and take a note for the balance.

I am a frank believer in the protection of American industry, but in this instance the industry is so small in comparison with the three that are already suffering--namely, the dairyman, the stock feeder, and the feed manufacturer--that I am prone to ask for their benefit that blackstrap molasses be permitted to enter this country free of duty.

STATEMENT OF J. B. EDGAR, REPRESENTING EDGAR-MORGAN CO., MEMPHIS, TENN.

Mr. EDGAR. I appear representing the feed manufacturers of Memphis. I want to indorse Mr. Chapman's remarks and his brief, which I think will cover the case fully in a general way.

Memphis is a very important point in the manufacture of mixed feeds. There are 12 mills there representing an investment of \$12,000,000, employing more than 1,000 men, and with a capacity of some 3,500 tons of feed daily. That industry is on its back to-day, as are all industries connected with agriculture, and it is my firm belief that anything added to the cost of our basic raw material--blackstrap molasses--will mean bankruptcy for a large number of concerns in that business.

I am not going to take your time with explanations, but I will ask the privilege of making a statement in writing.

The CHAIRMAN. You may file it.

(The brief is as follows:)

The manufacturing of mixed feeds is one of the largest industries of Memphis. There are 12 feed mills located in Memphis, with a total daily capacity of more than 3,500 tons. These mills represent an investment of more than \$6,000,000, and employ at least 1,000 people in various capacities.

The feed business at Memphis has grown rapidly since the introduction of blackstrap molasses as a feed material. Because of its palatability and effect on the digestive system, blackstrap molasses is a necessary ingredient in mixed feeds for most purposes. It is the basic raw material of the industry. There is no other feeding stuff which can economically take its place in modern scientific feeding schedules. The large feed-manufacturing industry is thus dependent upon the availability of an adequate supply of blackstrap molasses at a reasonable price. By the use of blackstrap molasses our cotton growers and live-stock producers effect an enormous saving annually in their feeding cost.

The feed manufacturer of Memphis is barely existing during the present business depression. In my judgment, the mixed-feed industry will be practically destroyed if the prohibitive tariff on blackstrap provided under the Fordney bill is added to our present difficulties.

The feed manufacturers of Memphis ask that blackstrap molasses be placed upon the free list in order that the feed industry and the live-stock feeders of this country may be protected on their basic raw material, an otherwise useless by-product, about 8 per cent of the quantity used being produced in this country. The American producer of blackstrap, who supplies such a small percentage of the total consumption, is already protected by the high cost of transportation in Cuba, the ocean freight, and handling charges, which amount to several times the value of blackstrap in Cuba.

The mixed-feed industry has developed under a tariff of approximately one-fourth cent per gallon. If that duty is retained in the present tariff bill it should be made a specific duty, as buyers of blackstrap can not afford to import it if the duty is based on a sliding scale which will figure from 1 cent to 3 cents per gallon, depending on sugar content, as provided under the Fordney bill. Blackstrap is not bought by feeders or manufacturers on the basis of sugar content. Blackstrap should, therefore, be defined, so as to admit at a flat rate all blackstrap molasses from which it is not profitable to make a further extraction of sugar. I approve of the amendment to paragraph 503, suggested by Mr. Chapman, representing the American Feed Manufacturers' Association, and I heartily indorse his brief as the logical presentation of the facts in this case.

**BRIEF OF GRAY SILVER, WASHINGTON, D. C., REPRESENTING
THE AMERICAN FARM BUREAU FEDERATION.**

SUMMARY.

Summarizing the arguments set forth herein, namely—

That the alcohol manufacturers are using a smaller and the feeders a much larger proportion of the supply of blackstrap;

That less than 10 per cent of the requisite supply is produced in the continental United States and only 25 per cent in the United States and its island Territories;

That the ordinary market price at seaboard points represents only about 20 per cent of the price which the farmer-feeder must pay in order to get the blackstrap laid down at his feed yard;

That the feeders in 47 States of the Union are, or may be, interested in buying this feed, whereas only the people of one State could be benefited by a high tariff;

That the alcohol manufacturers will not approve the idea of using corn instead of blackstrap in their seaboard plants because of the heavy expense of transporting corn to the seaboard; and

That molasses does not displace corn and other feeds grown throughout the country, but rather supplements them and makes them more valuable—

We are convinced that the country requires even less tariff duty on blackstrap than is contemplated in the Fordney bill.

We would make the scale less steep on the lower grades of molasses—up to, say, 60° sugar content—while on the higher grades comprising the molasses and sirup made by a distinct industrial group, intended for table use rather than recognized as a by-product, we would raise the duty to somewhat higher levels.

A DISCUSSION OF THE TARIFF.

The tariff act of 1909 fixed a duty of 20 per cent ad valorem on molasses testing not above 40° polariscope test, with a specific duty of 3 cents per gallon on molasses testing above 40° and not above 56°, while on molasses testing above 56° the rate was 6 cents per gallon.

Under the 1913 act the duty was decreased one-fourth, making it 15 per cent ad valorem on grades testing not above 40°; 2½ cents per gallon on grades ranging from 40 to 56°; and 4½ cents per gallon on grades testing above 56°.

This polaric test is not satisfactory for molasses because it is not a true index of the sugar content. As a consequence, most of the molasses imported has been in the lowest of the three grades. As the greatest part of the imports came from Cuba, which country receives preferential treatment to the extent of 20 per cent reduction of the regular duty, practically all of the molasses imported since 1913 has paid a rate of 12 per cent ad valorem (see table). The value in Cuba of molasses imported to the United States under the tariff act of 1913 has averaged about 5 cents per gallon. At an ad valorem rate of 12 per cent this is equivalent to a specific duty of six-tenths of 1 cent per gallon. In 1914 and in 1920, however, the Cuban price was approximately 3 cents per gallon, hence the duty at 12 per cent ad valorem amounted to slightly more than one-third of 1 cent a gallon.

Under the emergency tariff the duty on Cuban molasses rests at 19.2 per cent ad valorem, making the duty 0.58 cent per gallon on 3-cent molasses.

THE FORDNEY BILL.

The Fordney bill undertakes to change the method of testing molasses, basing the duty upon the percentage of sugar content. Paragraph 503 of the proposed law provides that molasses and sirups testing not above 48 per cent total sugars shall pay 0.25 cent per gallon, while grades testing above 48 per cent total sugars shall be assessed 0.275 cent additional for each per cent of total sugars over and above 48.

To the Treasury officials, of course, is left the option of determining the method of making the sugar test. To ascertain the total sugar content, however, it is necessary to use the Clerget method. Thirty-three tests of blackstrap molasses, made by Penick & Ford, of New Orleans, show an average sugar content of 55 per cent.

According to other good authorities, the sugar content of all grades of molasses will range from 50 per cent to 75 per cent. Taking 55 per cent, or degrees, as the test of average blackstrap molasses, the duty under paragraph 503 of the Fordney bill would

be 2.17 per gallon¹ from countries other than Cuba and 20 per cent less, or 1.7 cents per gallon, from Cuba.

By this same schedule a high-grade molasses, testing 71° sugar, such as the cane-juice sirup produced in the Southern States, and from which no sugar has been extracted, would carry a duty of 6.57 cents per gallon generally, or 5.26 cents per gallon if from Cuba.

IMPORTS OF BLACKSTRAP.

Referring to the tables of imports, it will be seen that over 90 per cent of the total amounts coming in are Cuban blackstrap. General imports have increased rapidly, advancing from 31,000,000 gallons in 1910 to 154,000,000 gallons in 1920, Cuban products always constituting close to 100 per cent of the importation. This shows, among other things:

1. That the demand for molasses has increased very rapidly.
2. That Cuba is able to supply all normal requirements.

USES OF MOLASSES.

Molasses is put to numerous uses. The higher grades are commonly used on the table. A considerable quantity also is consumed in bakeries. The two main channels of demand, however, lead to mills manufacturing stock feed or to stock feeders, and to distilleries. There are no definite figures showing the division between these two major uses. Penick & Ford, of New Orleans, say that in normal times practically 90 per cent of the blackstrap is required for stock-feeding purposes. The American Cane Growers' Association claims that two-thirds of the supplies from Cuba, amounting to about one-half of the total stocks of blackstrap, is used by the distillers. It has been estimated by the American Feed Manufacturers' Association that 35 per cent of the blackstrap molasses imported is used for stock-feed mixtures. As most of the domestic supply is used as feed, the 30 per cent of the imported supply said to be used as feed, plus the local production, would amount to practically one-half of the total available. Thus it appears that the cane growers and the feed manufacturers are at agreement in their estimates.

The Federal Trade Commission, in a bulletin issued on March 29, 1921, "Report of the Federal Trade Commission on Commercial Feeds," says on page 60:

"It is not practicable to give a satisfactory estimate of the proportion (of blackstrap) used as feed. It may be stated that the two main uses of this commodity are for the production of alcohol and for feeding purposes. The division of the supply between these two uses differs greatly at different times, depending on various factors, such as the relative price of molasses and other raw materials for alcohol manufacture (particularly corn) the demand for alcohol, and the demand for sweet feeds. The control of the supply of blackstrap is practically in the hands of the producers of alcohol."

Referring to the above statement that the control of the (imported) supply of blackstrap is practically in the hands of the producers of alcohol, the Federal Trade Commission report explains, on page 167, that since 1919 the United States Food Products Corporation has initiated and developed a strong hold upon the business of importing Cuban blackstrap, indicating that more and more of this product will go into food and feeds.

It is stated unofficially that the Federal Trade Commission considers the present distribution of blackstrap between the two main consuming industries to be 60 per cent to the feeders and 40 per cent to the distillers.

The question of the use of blackstrap can be settled with reasonable definiteness by constructing a table to show the approximate total annual supply and the amount consumed yearly in the production of distilled spirits. While absolutely accurate conclusions can not be drawn from these slightly unsatisfactory figures, the trend can at least be depended upon.

The aforesaid table showing the supply of low-grade molasses and the amounts used by the distillers makes very clear that as short a time ago as 1913-1915 the distillers were using most of the blackstrap imported to the United States feeders were getting only 8 per cent to 20 per cent, or thereabouts, of a small supply, while in 1920 there were left for feeders or other users, after the distillers had their requirements 46 per cent of a very large supply. While the amounts of molasses used by the dis-

¹ The duty is 0.25 cent per gallon if test is not over 45° sugar. For each degree above 45° it is 0.275 cent additional. A sample testing 55 pays 0.25 cent plus 0.275 cent times 7 equals 1.92 cents, giving a total of 2.17 cents.

tillers have increased rapidly, the amounts used by feeders have doubled and trebled several times.

This table is of further interest to show the proportion of the total molasses supply produced at home and imported. About 40 per cent to 70 per cent comes from Cuba, 8 per cent was produced in Louisiana in 1920 (including first, second, and third centrifugals), and 16 per cent to 20 per cent, as a rule, comes from Porto Rico and Hawaii.

MOLASSES AS A FEED.

Cane blackstrap molasses was considered a waste product until a few years ago. Its first use by feeders of stock was as a condiment, to render other feeding materials more palatable. Following its successful use by Louisiana sugar planters as a feed for work mules, however, its popularity spread rapidly. It is not a complete food, being almost a pure carbohydrate, but it is one of the important ingredients of a balanced ration.

Molasses is palatable, easily digestible, and generally plentiful and low in price. Many patent mixed feeds now in the market contain 10 per cent to 40 per cent of molasses. It may be mixed with alfalfa, cottonseed or linseed meal, cracked corn, crimped oats, and numerous mill feeds. Large numbers of farmers and stock feeders prefer to buy the molasses and do their own mixing. A method followed profitably by many feeders is to sprinkle molasses over hay, cornstalks, or other rough feed which probably could not be utilized as feed without making it appetizing and more easily digestible.

Since molasses is becoming a competitor of other feeds, the tariff problem assumes greater importance than ever before. Its feeding value, pound for pound, is said to equal that of corn. As a gallon of molasses weighs 12 pounds, only $4\frac{1}{3}$ gallons are required to equal a bushel of corn. At 5 cents per gallon corn would have to be as low as 23 cents per bushel to displace molasses. The price of molasses frequently has been much less than 5 cents at the source of production, but during the war it was much higher. The American Cane Growers' Association claims that the farmer ought to have 6 cents for his molasses. This would put molasses as a feed material on a parity with 28-cent corn.

The big problem is to determine how far imported molasses competes with corn and other domestic feeds and how far it is a supplementary feed. Molasses is not a complete feed in itself, as is corn. Its virtue lies largely in its ability to improve other kinds of feed. Hays and fodders are worth much more when sprinkled generously with molasses than when fed alone; cracked corn and molasses mixed make a better feed than corn alone, while molasses is never fed alone, except that it is said sugar-plantation mules learn to drink it and really prefer it in that way to any other.

It seems idle, therefore, to speak of molasses feed proving injurious to the corn growers and feeders. Rather is it becoming more and more a necessity to all feeders.

MOLASSES AND INDUSTRIAL ALCOHOL.

There is one situation outside of the feed province in which molasses competes to the apparent discard of corn, namely, the production of industrial alcohol. In the discussion of the uses of molasses above it is shown that a very large proportion of the total supply of blackstrap has gone to the distilleries. Of course, it is understood that most of the alcohol now produced is put through a further process of manufacture called denaturation, and that the denatured alcohol is in great demand in the industries. Statistics on production and consumption of alcohol show a marked decline since the cessation of use for war and beverage purposes, but industrially it is of marked importance. There is a strong possibility of its coming into general use as a fuel to replace gasoline. In such an event every owner of an automobile will be a booster for Cuban molasses.

Reference to the tables on alcohol will reveal a decline in production (because two important uses were cut off), the 1920 output of distilled spirits being only 82,331,687 gallons, whereas in 1917 the product was 286,085,463 gallons. This is not a surprising revelation, but it is surprising to note that in 1920 more molasses was used to produce 82,000,000 gallons of distilled spirits than was used in 1917 to produce 286,000,000 gallons. On the other hand, over 40,000,000 bushels of grain were consumed in distilleries in 1917, whereas in 1920 only 2,500,000 bushels were so utilized. In other words, molasses became almost the only raw material used in the production of alcohol.

This situation was partly due to expediency, molasses being very readily convertible into alcohol and usually being low in price; also was more or less due to the appeals of the Government not to use grains for distillation purposes during the war

period. In 1921 there was a slight reaction in favor of grain, about 6,000,000 bushels being consumed by distillers. Possibly in normal times it will be found that inland distilleries located in the corn belt will prefer corn in order to avoid paying freight on molasses from the seaboard, whereas seaboard distilleries will desire molasses to avoid bringing corn from the interior. However this may be, it remains true that molasses is the principal material used in the production of industrial alcohol, and that industrial alcohol is a necessary commodity.

The question now resolves itself into one of policy toward industrial alcohol: (1) Shall the United States prohibit or tax heavily the importation of molasses for distillation purposes; or (2) shall the duty be fixed just high enough to put molasses on a parity with corn in cost to the distiller; or (3) shall the duty be left low enough to encourage the most economical and efficient production of industrial alcohol; or (4) shall the duty be fixed at a point to permit profitable use of Cuban molasses by the distillers and still afford sufficient protection to growers of sugar cane and feeders of stock in the United States? Discussion of these four phases of the subject follows in the order named.

1. *Relative to a high tariff.*—If the Government puts a prohibitive duty upon molasses, the distillers will be forced to use other materials. A policy such as this has been advocated by certain interests. It is said that a duty of 10 cents per gallon would keep molasses out and would cause distillers to use about 125,000 bushels of corn per day, thus helping the American farmer to market his corn. The advocates of this plan admit the importance of molasses as a feed, but they claim that the local production is sufficient for feeding purposes. They would put a duty of 40 cents per gallon on industrial alcohol to prevent the transfer of the industry to Cuba.

Such argument can not be maintained. Statistical Tables XII-A and XII-B, naming the materials and amounts of same from which alcohol is made reveal the fact that grain has almost gone out of use by distilleries and that practically all of the alcohol produced comes from molasses. If importation were prohibited, therefore, undoubtedly the distillers would become the strongest bidders for the molasses produced domestically, thereby taking the entire supply away from the feeders. The annual production of alcohol has decreased to such an extent, moreover, that only about 17,000,000 to 18,000,000 bushels of corn, approximately one-half of 1 per cent of the 1920 crop, would have been required by the distillers in each of the past two years if no other raw material had been used.

The demands for molasses for feeding purposes, on the other hand, could not have been met by domestic production, even though the entire supply had been put to this use. In 1920 the available supply (see Table II) of low-grade molasses was more than 209,000,000 gallons, little more than half of which was used by the distillers. Of approximately 95,000,000 gallons used for foods and feeds, only 17,000,000 gallons were produced in the United States, about 33,000,000 gallons were brought in from Hawaii and Porto Rico, leaving the feed manufacturers, stock feeders, and sirup mixers to depend upon Cuban blackstrap to the extent of 45,000,000 gallons. If the duty on Cuban molasses had been 10 cents per gallon, undoubtedly none would have been imported, the distillers would have taken all of the local supply, and the feeders would not have received a gallon unless by paying an exorbitant price for it.

It is plain, therefore, that a prohibitive duty, or even a high duty, on molasses would injure the American farmers, producers of industrial alcohol, and consumers generally.

2. *Relative to placing molasses on a parity with corn in cost to the distiller.*—It is stated by good authorities that one bushel of corn will produce about 4.7 gallons of alcohol (1) and that a gallon of molasses will produce 0.6 to 0.85 gallon of alcohol. (2) Thus, approximately, $6\frac{1}{2}$ gallons of molasses are required to equal 1 bushel of corn for distillation purposes. To place molasses on a parity with corn, therefore, as regards cost to the distiller, would require a duty sufficiently high to make $6\frac{1}{2}$ gallons of molasses cost as much as a bushel of corn.

The price of a bushel of corn is not stable; neither is the price of a gallon of molasses. Each fluctuates from day to day, depending largely upon supply and demand. A poor corn year in the United States may be a good molasses year in Cuba, resulting in unusually high prices for corn and low prices for molasses. If corn were 60 cents per bushel in the United States and molasses 2 cents per gallon in Cuba, the $6\frac{1}{2}$ gallons equivalent to the bushel of corn would cost only 13 cents plus a small freight charge, consequently the desired parity could be established only by levying a duty of approximately 8 cents a gallon upon the molasses. On the other hand, if corn were 40 cents and molasses 3 cents, the proper duty would be in the neighborhood of 3 cents a gallon.

Fixing a duty upon molasses which would meet all such contingencies might be a suitable task for a theorist, but farmers, economists, and customs officials could not afford to be bothered with it. An import duty, in order to be administered, must be

stable. As it is certain that equality in cost between United States corn and Cuban molasses could only be established by means of an import duty which would fluctuate with every price variation of either corn or molasses, the idea is not practical. Only under fixed prices—Government price control—could such a relation be maintained.

3. *Relative to encouraging the most economical production of industrial alcohol.*—There is no doubt but that industrial alcohol is a necessity. Demand for this product subsided very materially following the signing of the armistice, however, and peace requirements must increase manifold before the maximum possibilities of production will be required. Reports issued by the Commissioner of Internal Revenue show that in 1918 the manufacturers used 68,803,050 gallons of specially denatured alcohol, while in 1920 a larger number of users consumed only 22,260,649 gallons. (Table XV.) Production of distilled spirits amounted to 286,085,463 gallons in 1917, while in 1920 the total was only 82,331,687 gallons. (Table XI.) The amount of alcohol subjected to the denaturation process has declined steadily from nearly 94,000,000 gallons in 1917 to 45,640,948 gallons in 1920 and to 38,812,138 gallons in the year ended June 30, 1921. (Table XIII.)

The marked decline in the use of industrial alcohol does not indicate an economic need of greater efficiency of production but rather it indicates an abandonment of war-time uses as well as an objection to the high prices of 1920. In July, 1919, nearly a year after the need of alcohol for war purposes was past, the price was down to 42 cents per gallon (Table XIV), having receded from the high level of \$1 per gallon in July, 1917. In July, 1920, however, apparently without good cause, the price was \$1.11 per gallon. It is said that the peak of blackstrap prices was reached in the summer of 1920, the feeders being required to pay 25 cents per gallon because of scarcity due to the loss at sea of two molasses tank ships and to transportation difficulties in Cuba. The chances are, however, that not many distillers paid this high price for blackstrap.

The extreme American price was not materially reflected in Cuba, and the Federal Trade Commission states that the importation of Cuban molasses has generally been controlled by the alcohol manufacturers. Mere delay in receiving supplies would not mean increased prices to those in control. The Federal Trade Commission bears out this view in showing on page 127 of its report on commercial feeds that the contract price of molasses during the first four months of 1920 was a great deal lower than during the corresponding months of 1919. For the year 1918 the average price per gallon was 20.28 cents; during the first four months of 1919 it was 16.71 cents; throughout the remaining eight months of 1919 it was down to 8.03 cents, while during the first six months of 1920 it was 10.20 cents.

It is true that the annual consumption of molasses for alcohol production has scarcely declined since the war, the millions of gallons used in 1917 being 112, in 1918 increasing to 118, in 1919 going to 123, and in 1920 receding only to 113.

This maintenance of the use of molasses at the maximum while alcohol production decreased over 70 per cent may be attributed to the fact that molasses displaced practically all other raw materials used by distillers. (See Table XII-B.) The ease with which molasses can be converted into alcohol assures it first consideration unless other materials can be purchased at comparatively lower prices.

In 1913 the distillers produced six times as much spirituous liquor from grain as they did from molasses, whereas in 1920 the production from molasses was nearly 12 times as great as it was from grain. (See Table XII-B.) If the price of molasses in 1920 had been 25 cents per gallon to the distillers, it would have been relatively cheaper for them to use corn, yet Table XII-A shows that they used very little grain. The fact that the price of molasses in July, 1921, was about 24 cents per gallon and of alcohol 32 cents a gallon shows that a spread of 29½ cents per gallon covered the additional expenses of production and an adequate margin of profit. Now if molasses cost several times as much in 1920 as in 1921, there is no reason for multiplying labor cost and profit by the same factor in order to determine the sale price. This ought to be an exercise in addition rather than in multiplication.

It has been claimed that a heavy export demand for alcohol caused the high industrial alcohol prices in 1920. Official records of exports, however, do not indicate a depletion of local stocks. In 1919 about 101,000,000 gallons of alcohol were produced, of which 12,000,000 gallons went to exporters and 60,000,000 gallons were denatured. This left about 29,000,000 gallons for other uses. In 1920 the production was unchanged—27,000,000 gallons were exported and 45,000,000 gallons were subjected to the denaturation process. Thus again about 29,000,000 gallons remained for utilization otherwise.

By reference to the tables on production (XIII) and use (XV), of specially denatured alcohol it is seen that in 1919 about 44,000,000 gallons (28,294,219 wine gallons)

¹ See price table on pp. 106 and 127, report of Federal Trade Commission on commercial feeds.

of specially denatured alcohol were produced and 47,000,000 gallons were consumed. In 1920, on the other hand, production exceeded consumption in the ratio of about 25 to 22. There does not seem, therefore, to have been a real shortage of alcohol.

Since the price of industrial alcohol in 1920 apparently was unjustifiably high, there seems to be no compelling reason to believe that a lower duty would bring more efficient production. Psychological considerations still would affect prices.

The day probably is coming, nevertheless, when alcohol will be required as motor fuel.

It is reported that Cuba is producing this kind of fuel for her own automobiles at half the cost of gasoline, and that she is developing an export trade to South America. When the day draws near for the extensive use of such fuel in the United States there may be occasion for the adoption of special legislation to encourage importation of molasses, but such considerations concern the future. In the meantime the duty should not be placed so high as to destroy the Cuban market or to weaken the industrial alcohol industry in the United States.

4. *Relative to a duty which will be fair to Cuban and American producers and to all classes of American consumers.*—From 1913 to 1920 the duty assessed on molasses by the United States certainly has been fair enough to Cuba, because annual receipts of Cuban blackstrap have increased approximately 500 per cent, molasses has almost completely displaced other materials in the production of alcohol and the sweet feed industry has grown to immense proportions. The reduction of general imports from 154,000,000 gallons during the fiscal year ended June 30, 1920, to 113,000,000 gallons for the year ended June 30, 1921, was not due to the emergency tariff law (which did not become effective until May 28, 1921, and which made only a very slight increase in the molasses duty), but to a marked decline in alcohol production.

As regards the American producer of blackstrap it is generally admitted that his product is superior to the imported supply, consequently more of it goes to the bakers, sirup and feed mixers than to the distillers, who get millions of gallons from Cuba at very low prices.

As local production is comparatively small, the price is fixed by the great mass of the imported product, consequently American sugar mills receive an average of about 3 to 4 cents per gallon for molasses in normal times.

One acre of land will produce approximately 15 tons of cane yielding 67½ gallons of molasses, hence at 4 cents per gallon the farmer is allowed for molasses \$2.70 per acre of sugar cane harvested.

It appears, therefore, that the blackstrap producer might well be granted sufficient protection so that he might add 1 or 2 cents per gallon to the price of his product. Adding 2 cents per gallon would net him increased receipts of \$3.33 per ton, or \$1.35 per acre of cane cultivated.

Let us see, on the other hand, how an increase of 2 cents per gallon would affect the feed mixer and the farmer of the corn belt. Two cents per gallon on molasses means one-sixth of 1 cent per pound. Molasses is said to equal corn, pound for pound, in feeding value. Therefore 56 pounds of molasses, equaling a bushel of corn, would be increased in price 9½ cents. If the corn-belt farmer could purchase molasses at 5 cents per gallon, he would be paying a price comparable with 23 cents per bushel for corn; addition of the 9½ cents to cover the tariff duty of 2 cents per gallon would make feed cost 32½ cents per bushel. A difficulty now arising is that the farmer has to pay about 100 per cent extra to cover freight rates and the expense of distributing molasses in small lots, usually in barrels.

COMPARATIVE PRICES, CORN VERSUS MOLASSES.

Table III shows comparative prices of corn and blackstrap. These are average prices as quoted in official publications. The contract prices of blackstrap here used are considerably lower than the open-market prices during the year 1920; but as most of the blackstrap is said to be purchased under contract, probably the contract price is fairly representative.

In order to make possible a comparison of the prices of corn and molasses, the table shows in column 1 the price of corn, in column 2 the price of molasses at the seaboard, in column 3 the price of molasses with 3 cents added to cover freight from New Orleans to St. Louis or from New York to Cleveland, in column 4 the price of 56 pounds of molasses (the equivalent of a bushel of corn) plus 10 cents to cover the proposed duty, and in column 5 a price including an additional 6 cents per gallon (or 28 cents per bushel of corn equivalent) when purchased by the farmer in small lots, probably in barrels.

Study of this table arouses opposition to the proposal to add 2 cents to the duty on molasses. Column 5, representing the price to be paid by the farmer of the Middle

West, shows until 1917 a molasses price in excess of the price of corn. Probably the reason no fuss was made about it was that no data such as this table reveals have been published. Middle West farmers in those days were not using much molasses, hence they had no reason to consider the extra charge of 8 cents per gallon, 2 cents to cover import duty and 6 cents to cover barreling of the molasses. Such price quotations as they saw or heard generally were for molasses in tank-car lots at factory or at seaboard points.

Even when bolstered up with those extra charges due to tariff, freight, and barrel shipments in small quantities, the price of molasses during the war period was below the price of corn. It was during the period of high prices incident to the war, moreover, that molasses feeds gained so great prominence.

Corn and molasses both are low in price at the present writing (December, 1921), but the composite table under review shows the blackstrap when made available for the farmer to be higher priced than corn. The 10 cents per bushel equivalent, proposed to be added as a tariff duty, appears to be the "straw which breaks the camel's back."

AN EQUITABLE TARIFF DUTY.

It was pointed out early in this paper that the present emergency tariff rate on Cuban blackstrap is about 0.58 cent per gallon. Reference once more to Table I shows that the rate proposed in the Fordney bill on Cuban blackstrap of the average total sugar content test (55°) is 1.74 cents per gallon, or an increase of 1.16 cents per gallon.

The study of the composite price table, comparing prices of corn and molasses, indicated that an additional duty of 2 cents per gallon would prove a heavy burden upon the farmers far removed from the seaboard. The same line of argument tends to prove that the tariff duty increase contemplated under the Fordney bill, namely, 1.16 cents per gallon, is too high.

Unless some method can be found to relieve the United States farmer on his tremendous costs of production, no good can come from the act of adding the equivalent of 10 cents per bushel to the cost of a feed which he needs and can not produce. Well-nigh tragical it seems to contemplate a feed heralded the country over as being purchasable at 3 cents per gallon, but which, before being available at the farmers' feeding pens must be augmented in price by 3 cents (100 per cent) for freight rate, 6 cents (200 per cent) for a container and the labor incident to putting it into same, and 2 cents (66 per cent) in the form of a tax. Although the Fordney bill proposes an increased duty of only 1.16 cents instead of 2 cents per gallon, the hypothetical case previously used of a 2-cent additional duty is continued in this connection, because certain interests are asking that the basic rate in the Fordney bill be increased by three-fourths of 1 cent per gallon, making the 48° molasses dutiable at 1 cent per gallon and increasing all higher grades in like proportion.

Here is a table showing the duty per gallon on molasses testing 48° and up, as provided in the proposed law:

TABLE I.—Duty proposed by Fordney bill.

Molasses testing not above—	In general, cents per gallon.	From Cuba, cents per gallon.	Molasses testing not above—	In general, cents per gallon.	From Cuba, cents per gallon.
48°	0.25	0.20	62°	4.10	3.23
49°	.52	.42	63°	4.37	3.50
50°	.80	.64	64°	4.65	3.72
51°	1.07	.88	65°	4.93	3.94
52°	1.35	1.08	66°	5.20	4.16
53°	1.62	1.30	67°	5.47	4.38
54°	1.90	1.52	68°	5.75	4.60
55°	2.17	1.74	69°	6.02	4.82
56°	2.45	1.96	70°	6.30	5.04
57°	2.72	2.18	71°	6.57	5.26
58°	3.00	2.40	72°	6.85	5.48
59°	3.27	2.62	73°	7.12	5.70
60°	3.55	2.84	74°	7.40	5.92
61°	3.82	3.06	75°	7.67	6.14

TABLE II.—Supply of low-grade molasses and amounts used by distillers.

	Domestic products.			Imports.		Total imports.
	Louisiana production, blackstrap and first, second, and third centrifugals. ¹	Received from Porto Rico. ²	Received from Hawaii. ³	From Cuba. ⁴	From other countries.	
Fiscal year:						
1908.....		4,799,213	21	16,744,349	109,273	16,853,622
1909.....		8,359,363	624	20,994,836	194,164	21,158,000
1910.....	28,304,963	9,604,926	1,801,100	30,459,714	506,990	30,966,704
1911.....	35,067,545	8,868,860	1,801,796	20,000,337	2,222,691	22,224,090
1912.....	14,302,169	10,937,670	1,734,318	25,451,083	1,521,183	26,972,270
1913.....	24,046,320	11,153,672	3,736,877	29,468,901	1,768,674	31,237,575
1914.....	17,177,443	15,577,832	4,110,404	50,171,978	626,151	50,798,129
1915.....	14,122,584	18,004,811	5,202,913	64,749,504	3,594,221	68,342,725
1916.....	25,225,664	16,279,073	8,399,014	82,501,070	3,724,062	86,225,132
1917.....	28,867,058	18,751,212	10,979,383	106,788,759	2,205,714	108,994,474
1918.....	28,234,768	14,493,752	14,671,477	126,035,181	4,624,907	130,680,388
Calendar year:						
1919.....	13,355,231	15,554,493	9,882,567	110,224,781	7,554,290	117,799,071
1920.....	17,050,593	20,770,640	12,126,132	148,062,698	11,571,746	159,634,411

	Exports, Porto Rico and Hawaii. Shipments to foreign countries excluded (gallons). ⁵	Available supply.	Percentage of supply—			Molasses used for production of distilled spirits (gallons).	Per cent of total supply used by distillers.	Per cent remaining for food and feeds.
			Imported from Cuba.	Received from Porto Rico and Hawaii.	Produced in Louisiana.			
Fiscal year:								
1910.....	1,427,764	66,906,693	45	14	39			
1911.....	3,356,511	67,906,693	29	15	57			
1912.....	9,513,411	53,946,427	52	21	27			
1913.....	2,145,613	70,171,344	42	21	34	64,640,976	92	
1914.....	778,396	57,663,808	57	22	20	64,721,265	74	
1915.....	1,113,720	105,678,033	61	22	13	123,301,496	116	
1916.....	2,664,568	136,128,883	61	18	18	80,977,474	59	
1917.....	1,618,403	167,592,126	64	18	17	112,497,633	67	
1918.....	2,723,049	188,082,085	67	16	15	118,027,960	63	
Calendar year:								
1919.....	3,768,411	156,591,362	70	16	9	123,498,693	79	
1920.....	4,788,773	202,581,809	71	16	8	113,132,685	54	

¹ Data from Yearbook of Louisiana Sugar Planters' Association.

² Molasses and sirup combined. Data from Monthly Summary of Foreign Commerce of the United States.

³ Molasses only. Data from Monthly Summary of Foreign Commerce of the United States.

⁴ Imports for consumption of molasses not above 40° (presumably all blackstrap).

⁵ Exports are so small after deducting the amounts shipped from the Hawaii and Porto Rico consular districts, and so little of the molasses exported from the United States proper is known to be blackstrap, that it is thought best to disregard this column; consequently these amounts are not deducted in arriving at available supply.

⁶ It is probable that in this year the distillers purchased larger quantities of molasses than they used, carrying over a considerable quantity to the following season. It is noted that the following year's recorded consumption was very light, but that production of spirits from molasses was much larger than in 1915.

TABLE III.—*Corn and blackstrap molasses.*

Year and month.	Corn, mixed, cash No. 3, Chicago, per bushel. ¹	Molasses, average net price for contract blackstrap in bulk f. o. b. storage plants New York per gallon. ²	Plus 3 cents per gallon average freight from seaboard to interior.	Price of 41 gallons (56 pounds) of molasses, plus 10 cents to cover duty at 2 cents per gallon. ³	Plus 6 cents per gallon (or 24 cents per bushel of corn equivalent) for molasses in barrels as required by farmers.
		Cents.	Cents.		
1914.					
January.....	\$0.62	8.04	11.04	\$0.62	\$0.90
April.....	.67	7.37	10.37	.58	.86
July.....	.71	7.82	10.82	.61	.89
October.....	.73	7.62	10.62	.60	.88
1915.					
January.....	.71	7.13	10.13	.57	.85
April.....	.75	6.80	9.80	.56	.84
July.....	.79	6.93	9.93	.56	.84
October.....	.62	7.74	10.74	.60	.88
1916.					
January.....	.75	10.91	13.91	.75	1.03
April.....	.74	13.58	16.48	.87	1.15
July.....	.78	12.30	15.30	.81	1.09
October.....	.96	12.20	15.20	.81	1.09
1917.					
January.....	.99	16.80	19.80	1.02	1.30
April.....	1.47	18.27	21.27	1.09	1.37
July.....	2.01	17.57	20.57	1.06	1.34
October.....	1.90	18.21	21.21	1.09	1.37
1918.					
January.....	1.60	24.75	26.75	1.35	1.63
April.....	1.53	20.56	23.56	1.20	1.48
July.....	1.53	19.97	22.97	1.17	1.45
October.....	1.25	18.02	21.02	1.08	1.36
1919.					
January.....	1.58	15.37	18.37	.96	1.24
April.....	1.58	16.43	19.43	1.01	1.29
July.....	1.58	7.78	10.78	.60	.88
October.....	1.58	8.25	11.25	.63	.91
1920.					
January.....	1.47	8.36	11.36	.63	.91
April.....	1.69	11.07	14.07	.76	1.04
June.....	1.81	10.35	13.35	.72	1.00
July.....	1.54				
October.....	.88				
1921.					
January.....	.65				
April.....	.55				
July.....	.60	2.50	5.50	.36	.44
October.....	.44				

¹ Quotations of War Industries Board and Federal Reserve Board.² Quotations from Federal Trade Commission Report on Commercial Feeds.³ Columns 1 and 4 show the prices of equal weights of corn and blackstrap if a duty of 2 cents per gallon be imposed.⁴ Estimate.

TABLE IV.—*Molasses, sirup, and sorghum production in the United States.*

Year.	Louisiana cane blackstrap.	Molasses, other than blackstrap.	Sugar cane in Louisiana. ¹	Sirup, total, United States. ²	Sorghum.
	Gallons.	Gallons.	Tons.	Gallons.	Gallons.
1910.....		26,304,963	2,195,475		
1911.....		35,062,525	2,604,575		
1912.....	7,756,054	6,546,115	2,943,481		
1913.....	15,723,403	8,322,917	4,345,533		
1914.....	11,190,908	5,986,535	2,432,690		
1915.....	7,016,338	7,106,246	2,195,868		
1916.....	14,272,535	10,943,129	4,133,274		13,688,000
1917.....	12,544,435	16,322,623	6,214,675		37,472,000
1918.....	16,101,650	12,133,118	11,243,003		33,387,000
1919.....	6,649,242	6,705,989	2,459,565	38,183,000	35,402,000
1920.....	10,066,981	6,983,612	1,911,220	43,507,000	43,876,000
1921.....					43,924,000

¹ Data from Louisiana Sugar Planters' Association.² Yearbook, Department of Agriculture.³ Including blackstrap.⁴ Estimate by Department of Agriculture.TABLE V.—*Molasses, and sirup, refined.*

MOLASSES.

Fiscal year.	General import.	Domestic exports.	Drawback on spirits, account molasses content.	Production in Louisiana. ¹		Total.
				Black-strap. ²	Other than blackstrap. ³	
	Gallons.	Gallons.		Gallons.	Gallons.	Gallons.
1910.....	31,292,165	1,503,353	\$10,330			26,304,963
1911.....	23,873,190	3,386,611	23,295			35,062,525
1912.....	28,828,213	9,513,441	14,335	7,756,054	6,546,115	14,302,169
1913.....	33,926,521	2,145,613	15,708	15,723,403	8,322,917	24,046,320
1914.....	51,410,271	1,002,441	7,533	11,190,908	5,986,535	17,177,443
1915.....	70,839,623	1,148,741	11,447	7,016,338	7,106,246	14,122,584
1916.....	85,716,673	4,387,369	6,270	14,272,535	10,943,129	25,225,664
1917.....	110,237,888	2,889,991	2,084	12,544,435	16,322,623	28,867,058
1918.....	130,730,861	3,811,311	72,772	16,101,650	12,133,118	28,234,763
1919.....	136,074,717	6,123,765	53,907	6,649,242	6,705,989	13,355,231
1920.....	154,670,200	7,557,919	16,522	10,066,981	6,983,612	17,050,593
1921.....	119,413,681	5,318,202				

¹ Sugar cane molasses only—excluding sirup and sorghum.² Data from Louisiana Sugar Planters' Association.³ Data from Yearbook, Department of Agriculture.

SIRUP, REFINED.

Fiscal year.	Imports for consumption.	Domestic exports.	Value imports (for consumption.)	Duty collected.	Value per pound in country of origin.	Equivalent ad valorem rate.	Legal rate.
	Pounds.	Gallons.				Per cent.	Per cent.
1910.....	333,369	13,457,307	\$14,652	\$2,930	\$0.044	19.99	20
1911.....	252,129	12,001,799	12,847	2,569	.051	20.00	20
1912.....	325,201	19,146,986	17,647	3,529	.034	20.00	20
1913.....	374,065	14,309,029	19,093	3,818	.051	20.00	20
1914.....	326,377	11,630,528	19,310	3,104	.059	16.07	15
1915.....	288,722	11,489,133	13,105	1,965	.063	15.00	15
1916.....	227,562	10,031,660	15,166	2,274	.067	15.00	15
1917.....	116,534	10,327,503	9,603	1,440	.082	14.99	15
1918.....	31,366	7,689,938	1,052	157	.034	14.92	15
1919 (calendar year).....	53,464		3,999				¹ Free.
	700,504	16,731,846	31,070	4,660			15
	469,643		40,916				² Free.
1920.....	4,600		498	58			15 and 20
	1,181,886	6,564,535	39,700	5,955			15

¹ From Virgin Islands.² From Cuba.

TABLE VI.—*Molasses—Imports by countries (gallons).*

[Data from Department of Commerce.]

	Fiscal year.					
	1910	1911	1912	1913	1914	1915
England.....	67,246	11,505			30,092	
Canada.....	203,312	194,819	324,993	128,914	183,416	148,738
British West Indies.....	1,488,426	1,560,697	1,414,175	1,488,090	1,530,690	1,303,161
Cuba.....	29,024,493	20,029,704	25,724,611	30,697,527	49,304,702	67,139,884
Santo Domingo.....	501,903	2,035,123	1,354,026	1,610,000	360,000	2,242,342
Danish West Indies.....	4,806	5,049	7,666			
Turkey in Asia.....	100	43	2,071	665	320	
All other.....	3,877	1,250	671	1,325	1,051	5,520
Total.....	31,292,165	23,838,190	28,828,213	33,926,521	51,410,271	70,839,623

	Fiscal year.			Calendar year.		
	1916	1917	1918	1918	1919	1920
England.....	36,936		69	69	600	10,300
Canada.....	60,433	498,571	651,252	571,142	643,152	958,278
British West Indies.....	1,488,114	1,242,039	1,796,737	2,001,011	1,005,590	1,301,128
Cuba.....	81,198,897	108,865,857	127,418,036	138,240,517	111,967,615	153,317,590
Santo Domingo.....	2,925,750	1,613,598	679,156	309,153	6,410,413	4,455,685
Danish West Indies.....	5,698	2,758				
Turkey in Asia.....						6,967
All other.....	847	15,035	185,611			
Total.....	85,716,673	110,237,888	130,730,861	141,339,184	120,125,795	160,123,653

TABLE VII.—*Molasses (blackstrap) not above 40°.*

IMPORTS FOR CONSUMPTION FROM CUBA.

[Data from Department of Commerce.]

	Legal rate of duty.	Quantity.	Value.	Duty collected.	Average per gallon in Cuba.	Actual rate of duty paid.
Fiscal year:		<i>Gallons.</i>				<i>Per ct.</i>
1910.....	20 per cent less 20 per cent.	30,489,714	\$1,067,156	\$170,744	\$0.035	16
1911.....	do.....	20,000,337	700,365	112,058	.035	16
1912.....	do.....	23,451,085	882,710	141,233	.035	16
1913.....	do.....	29,468,001	1,508,995	169,439	.036	16
1914.....	do.....	25,344,987	872,667	139,626	.034	16
1914.....	15 per cent less 20 per cent.	24,826,991	663,173	75,980	.026	12
1915.....	do.....	64,748,504	1,609,582	193,149	.025	12
1916.....	do.....	82,501,070	3,377,721	405,326	.041	12
1917.....	do.....	106,788,739	10,377,340	1,245,280	.097	12
1918.....	do.....	126,055,181	8,322,225	998,667	.066	12
Calendar year:						
1918.....	do.....	136,092,374	9,119,348	1,094,322	.067	12
1919.....	do.....	110,241,781	3,471,871	416,625	.031	12
1920.....	do.....	148,062,698	3,453,942	425,273	.024	12

TABLE VIII.—*Molasses (blackstrap) not above 40°.*
 IMPORTS FOR CONSUMPTION OTHER THAN FROM CUBA.
 [Data from Department of Commerce.]

	Legal rate of duty.	Quantity.	Value.	Duty collected.	Average per gallon in country of origin.
Fiscal year:		<i>Gallons.</i>			
1910.....	20 per cent.....	506,990	\$16,835	\$3,367	\$0.033
1911.....	do.....	2,222,693	64,743	12,948	.029
1912.....	do.....	1,521,185	45,860	9,172	.030
1913.....	do.....	1,768,674	59,764	11,652	.034
1914.....	do.....	495,378	18,371	3,674	.037
1914.....	15 per cent.....	130,773	6,227	934	.048
1915.....	do.....	3,594,221	93,711	14,356	.027
1916.....	do.....	3,724,062	129,445	19,416	.035
1917.....	do.....	2,205,714	250,554	37,533	.114
1918.....	do.....	4,624,907	162,136	24,320	.035
Calendar year:					
1918.....	do.....	4,341,297	345,845	51,877	.080
1919.....	Free ¹	9,470	5,374	.....	.585
1919.....	15 per cent.....	7,544,820	196,665	29,500	.028
1920.....	Free ²	15,190	11,437	.....	.750
1920.....	15 per cent.....	11,556,556	317,803	47,670	.027

¹ From Virgin Islands.² From Virgin Islands and Philippines.

TABLE IX.—*Molasses, above 40° and not above 56°.*
 IMPORTS FOR CONSUMPTION OTHER THAN FROM CUBA.
 [Data from Department of Commerce.]

	Legal rate of duty per gallon.	Quantity.	Value.	Duty collected.	Average value per gallon in country of origin.	Actual rate of duty paid.
Fiscal year:	<i>Cents.</i>	<i>Gallons.</i>				<i>Per cent.</i>
1910.....	3	1,705,690	\$301,632	\$51,170	\$0.177	16.96
1911.....	3	1,587,478	229,159	47,624	.144	20.78
1912.....	3	1,413,570	241,463	42,407	.171	17.56
1913.....	3	1,154,553	234,852	34,636	.203	14.75
1914.....	3	776,903	160,941	23,307	.207	14.48
1914.....	2½	1,067,099	156,544	24,009	.147	15.34
1915.....	2½	1,502,448	241,726	33,805	.161	13.99
1916.....	2½	1,407,545	320,046	31,669	.227	9.90
1917.....	2½	1,172,809	313,666	26,388	.267	8.41
1918.....	2½	1,736,309	653,861	39,066	.377	5.97
Calendar year:						
1918.....	2½	1,938,917	825,366	43,626	.426	5.29
1919.....	Free ¹	10,401	6,240	.....	.599	.....
1919.....	2½	1,008,234	476,128	22,685	.472	4.70
1920.....	Free ²	5,690	4,426	.....	.770	.....
1920.....	2½	1,507,506	1,190,555	33,919	.790	2.85

IMPORTS FOR CONSUMPTION FROM CUBA.

	<i>Cents.</i>	<i>Gallons.</i>				<i>Per cent.</i>
Fiscal year:						
1910.....	* 3	3,770	\$615	\$90	\$0.163	14.71
1911.....	(1)	668,459	46,169	16,043	.069	34.75
1913.....	(1)	11,359	2,787	272	.245	9.78
1914.....	* 2½	4,290	776	77	.181	9.95
1915.....	(1)	13,554	2,685	243	.099	18.17
1917.....	(1)	28,930	2,866	530	.127	14.18
1918.....	(1)	57,020	7,238	1,026	.....	.....
Calendar year:						
1918.....	(1)	159,219	30,071	2,866	.188	9.53
1919.....	(1)	18,566	2,227	334	.120	15.00
1920.....	(1)	18,780	6,320	338	.336	5.35

¹ From Virgin Islands.² Cents per gallon.³ Less 20 per cent.

TABLE X.—*Molasses above 56°.*

IMPORTS FOR CONSUMPTION OTHER THAN FROM CUBA.

[Data from Department of Commerce.]

	Legal rate of duty.	Quantity.	Value.	Duty collected.	Average value per gallon in country of origin.	Actual rate of duty paid.
Fiscal year:	<i>Cents.</i>	<i>Gallons.</i>				<i>Per cent.</i>
1910.....	16	48	\$11	\$2	\$0.227	26.45
1911.....	16	253	74	15	.293	20.50
1912.....	16	1,005	344	60	.342	17.53
1913.....	16	991	350	59	.353	16.88
1914.....	16	545	221	32	.413	14.52
1914.....	14½	687	320	30	.466	9.66
1915.....	14½	736	239	33	.325	13.86
1916.....	14½	48	17	2	.354	12.79
1917.....	14½	2,887	762	129	.264	17.05
1918.....	14½	12,725	5,061	572	.398	11.31
Calendar year:						
1918.....	14½	10,938	4,761	492	.435	10.34
1919.....	1 Free.	5,999	2,279	.....	.430	.....
1920.....	14½	401	344	18	.853	5.23
1920.....	14½	7,643	6,772	344	.686	5.08

IMPORTS FOR CONSUMPTION FROM CUBA.

Fiscal year:	<i>Cents.</i>	<i>Gallons.</i>				<i>Per cent.</i>
1910.....	{ 16	47	\$29	\$2	\$0.553	8.89
1911.....	{ (1)	316	69	15	.221	21.70
1912.....	{ (1)	58	42	2	.718	6.69
1913.....	{ (1)	101	47	4	.461	10.38
1914.....	{ 14½	30	7	1	.233	15.43
1915.....	{ (1)	103	41	3	.398	9.05
1916.....	{ (1)	50	10	1	.200	18.00
1917.....	{ (1)	325	72	11	.222	16.25
Calendar year:						
1918.....	{ (1)	4,066	1,220	146	.390	12.00
1919.....	{ (1)	120	82	4	.683	5.27
1920.....	{ (1)	3,456	346	124	.100	35.96

1 From Virgin Islands.

2 Cents per gallon.

3 Less 20 per cent.

TABLE XI.—*Distilled spirits, gallons.*

Fiscal year.	Total production. ¹	Exported. ²	Denatured. ³
1910.....	.....	231,077	10,605,870
1911.....	.....	35,231	11,682,687
1912.....	.....	25,440	13,955,903
1913.....	187,571,878	151,232	16,953,552
1914.....	181,919,512	187,845	17,811,078
1915.....	140,656,103	200,455	25,411,718
1916.....	253,283,273	24,433,243	84,532,253
1917.....	281,085,463	51,941,634	93,762,422
1918.....	178,833,799	8,351,142	90,644,722
1919.....	100,778,541	11,884,383	60,399,308
1920.....	101,245,238	27,376,167	45,640,948
1921.....	85,068,776	14,035,394	38,812,139

1 Annual Reports of Commissioner of Internal Revenue.

2 Department of Commerce.

TABLE XII-A.—Grain and other materials used for production of distilled spirits.¹

Year ended June 30—	Corn.	Rye.	Malt.	Other materials.	Molasses.	Dilute saccharine liquid.	Wheat.
	<i>Bushels.</i>	<i>Bushels.</i>	<i>Bushels.</i>	<i>Bushels.</i>	<i>Gallons.</i>	<i>Gallons.</i>	<i>Bushels.</i>
1916.....	32,069,542	3,116,612	4,490,588	68,822	80,977,474	71,164,758	3,373
1917.....	33,973,268	2,375,439	4,239,677	72,172	112,497,633	78,462,969	2,533
1918.....	14,544,545	248,864	1,689,677	75,313	118,027,960	68,527,242	.....
1919.....	3,890,347	25,304	573,246	73,974	123,498,693	9,801,335	.....
1920 ²	2,062,023	60,597	352,732	53,433	138,455,910	23,326,761	.....
1921.....	4,810,517	187,940	719,171	303,072	119,032,798	5,562,518	.....

Year ended June 30—	Barley.	Oats.	Liquids containing one-half of 1 per cent or more alcohol by volume.	Total bushels.	Total gallons.
	<i>Bushels.</i>	<i>Bushels.</i>	<i>Gallons.</i>		
1916.....	148	9,807	.....	39,748,892	152,142,222
1917.....	.....	6,730	.....	40,669,819	190,900,602
1918.....	94,331	2,385	.....	16,665,125	186,555,202
1919.....	10,936	714	.....	4,574,521	133,300,028
1920 ²	22,433	581	.....	2,541,799	161,782,671
1921.....	.....	.....	25,538,553	6,020,700	150,153,869

¹ Data from Annual Reports of Commissioner of Internal Revenue.² Commencing May 1, 1920, separate accounts were required to be made for industrial alcohol plants. In this table the figures for the two months have been combined with the data on distilled spirits proper.

TABLE XII-B.—Material used and spirits produced.

Fiscal year.	Grain used.	Spirits produced from grain.	Molasses used to produce spirits.	Spirits produced from molasses.	Molasses used to produce rum.	Rum produced from molasses.
	<i>Bushels.</i>	<i>Gallons.</i>	<i>Gallons.</i>	<i>Gallons.</i>	<i>Gallons.</i>	<i>Gallons.</i>
1913.....	34,039,277	155,757,827	61,194,333	26,844,710	3,446,643	2,750,846
1914.....	30,679,549	142,323,044	60,862,167	29,262,516	3,859,098	3,026,065
1915.....	19,138,118	89,553,291	119,467,918	39,736,543	3,833,578	2,844,313
1916.....	39,748,892	184,091,810	77,034,173	58,052,924	3,943,301	2,908,878
1917.....	40,669,819	188,238,880	108,843,878	82,460,340	3,653,755	2,881,414
1918.....	16,655,125	86,025,237	116,167,599	83,293,277	1,860,361	1,464,021
1919.....	4,574,521	21,929,557	122,498,268	75,407,358	1,000,425	816,103
1920 ²	2,541,799	6,745,200	137,219,460	72,135,758	1,236,450	947,174
1921.....	6,020,700	.....	119,032,798	.....	689,169	.....

Fiscal year.	Dilute saccharine liquid used to produce spirits.	Spirits produced from dilute saccharine liquid.	Liquids containing one-half of 1 per cent or more alcohol by volume.
	<i>Gallons.</i>	<i>Gallons.</i>	<i>Gallons.</i>
1916.....	71,164,758	4,070,283	.....
1917.....	78,462,969	3,094,324	.....
1918.....	68,527,242	2,693,918	.....
1919.....	34,488,006	823,000	.....
1920.....	23,326,761	854,109	.....
1921.....	5,562,518	.....	25,538,553

¹ Data from annual reports of Commissioner of Internal Revenue.² These figures for 1920 are incomplete so far as spirits produced are concerned, in that they do not include 18,933,551 gallons of industrial alcohol produced during May and June, after requirement was made that separate accounts be kept for industrial alcohol plants. (See Table 68, p. 164, Rpt. of Com. of In. Rev., 1920.)

TABLE XIII.—Denatured alcohol production.

[Figures from Commissioner of Internal Revenue.]

Fiscal year.	Completely denatured (wine gallons).	Specially denatured (wine gallons).	Total.	
			Wine gallons.	Proof gallons.
1910.....	3,076,924.5	3,002,102.5	6,079,027.1	10,605,570.7
1911.....	3,374,019.9	3,507,109.9	6,881,129.8	11,682,587.9
1912.....	4,161,268.5	3,933,248.4	8,094,515.0	13,955,903.8
1913.....	5,223,240.8	4,608,417.7	9,831,658.5	16,953,552.8
1914.....	5,213,129.5	5,191,845.0	10,404,975.6	17,811,078.2
1915.....	5,386,648.9	8,599,821.8	13,986,468.7	25,411,718.8
1916.....	7,871,952.8	38,807,153.5	46,679,106.3	84,532,253.1
1917.....	10,508,919.3	45,170,678.3	55,679,597.6	93,762,422.7
1918.....	10,328,454.6	39,834,561.4	50,163,016.0	90,644,722.8
1919.....	9,976,720.6	28,294,219.0	38,270,939.6	60,399,308.9
1920.....	13,528,493.0	15,307,947.1	28,836,440.1	45,640,948.6
1921.....	12,392,593.0	9,996,229.7	22,388,822.7	38,812,133.7

TABLE XIV.—Wholesale prices of alcohol, per gallon.

[Data from Oil, Paint, and Drug Reporter, and Drug and Chemical Markets.]

	January.	April.	July.	October.
1914—U. S. P., 190.....	\$2.54	\$2.54	\$2.52	\$2.62
Denatured, 188.....	.33	.35	.33	.33
1915—U. S. P., 190.....	2.60	2.52	2.56	2.56
Denatured, 188.....	.33	.33	.38	.39
1916—U. S. P., 190.....	2.64	2.66	2.66	2.66
Denatured, 188.....	.50	.59	.59	.54
1917—U. S. P., 190.....	2.72	2.81	3.80	5.65
Denatured, 188.....	.64	.69	1.00	.90
1918—U. S. P., 190.....	4.95	4.95	4.97	4.97
Denatured, 188.....	.73	.68	.68	.68
1919—U. S. P., 190.....	4.97	4.95	4.95	4.75
Denatured, 188.....	.61	.42	.42	.66
1920—U. S. P., 190.....	4.75	7.00	(1)	5.60
Denatured, 188.....	.73	1.02	1.11	1.03
1921—U. S. P., 190.....	5.20	5.20	4.75	4.75
Denatured, 188.....	.72	1.04	.32	.40

¹ Nominal.

TABLE XV.—Gallons of denatured alcohol received by manufacturers and dealers and specially denatured alcohol used by manufacturers.

[Data from Commissioner of Internal Revenue.]

Year.	Number of manufacturers.	Gallons used.
1918.....	1,060	68,803,050
1919.....	1,114	47,371,329
1920.....	1,395	22,260,649

STATEMENT OF L. H. ROBERTSON, CATTLE FEEDER AND FARMER, ABINGDON, ILL.

The CHAIRMAN. State your full name for the information of the committee.

Mr. ROBERTSON. My name is L. H. Robertson.

The CHAIRMAN. Where do you reside?

Mr. ROBERTSON. In Illinois.

The CHAIRMAN. What is your occupation?

Mr. ROBERTSON. I am a cattle feeder and farmer.

The CHAIRMAN. Will you make your statement to the committee as briefly as you can?

Mr. ROBERTSON. What I wanted to mention to you, gentlemen, is this—that our feeding industry has been hit very hard in the last two years. We think that we need everything that would be able to do us any good in making our cattle as cheap as possible. We find in feeding in connection with our corn that if we feed molasses feed with our grain we can produce our cattle quicker, put them in a higher state of finish by far than we could with the old methods.

My father fed cattle before me; I have fed cattle myself for over 20 years. In the early days when we used to feed cattle, we fed them anywhere from six months to a year. To-day we can take a steer and make him a very good beef steer in 70 to 120 days by new methods of feeding.

I want to give you an idea as to what I think of the value of molasses. I would say that I would consider it something we could hardly do without. We need it; we can shorten up the feed period, make a steer drink more; they eat a little more feed but gain so much faster.

The CHAIRMAN. What do you want to urge or advise in connection with this tariff bill?

Mr. ROBERTSON. I would like to see the Cuban blackstrap molasses come in on the free list; that would be my idea.

The CHAIRMAN. Have you any statement you desire to file with the committee?

Mr. ROBERTSON. Yes, sir; I will say that I am a member and director of an association called the Military Tract Shippers and Feeders Association, located at Monmouth, Ill., with a membership of about 3,000—possibly over that, maybe 3,500; and I just want to say in behalf of all the feeders that I know that they indorse the putting of Cuban cane blackstrap molasses on the free list.

STATEMENT OF E. WILKINSON, REPRESENTING AMERICAN COTTON GROWERS' ASSOCIATION, BIRMINGHAM, ALA.

Mr. WILKINSON. I represent the Alabama division of the American Cotton Growers' Association.

Our condition is a little different from the conditions that have been presented, as we are users of manufactured sweet feeds; and to save the time of the committee I would ask that we be permitted to file a written brief and not take up your time at this late hour, and I would like to know when that brief would have to be here. I have none prepared.

The CHAIRMAN. You may prepare it and send it as soon as you can, and we will endeavor to find a proper place for it.

Mr. WILKINSON. We present an entirely different feature.

The CHAIRMAN. What particular feature do you desire to call the attention of the committee to?

Mr. WILKINSON. The increased cost of feedstuffs which we buy—we are not producers of our feeds, we are buyers—and the increased costs of those feeds and the effect it will have on the cotton-growing industry.

The CHAIRMAN. The committee will be very glad to give your brief careful consideration.

Mr. WILKINSON. Thank you, sir.
(The brief is as follows:)

My discussion of this subject will be confined to the effect of any increase in the duty on blackstrap molasses in excess of one-quarter of 1 cent per gallon when used for animal food.

The House bill provides a sliding scale, with a basis rate of one-quarter of 1 cent per gallon when total sugar content is not in excess of 48 per cent, and further provides an increased duty of \$0.0275 cent per gallon for each additional 1 per cent of total sugar.

The brief filed by the American Feed Manufacturers Association shows the total sugars of many different cargoes. In one case only was the analysis as low as 48 per cent, while in some cases it ran above 59 per cent, and the average was 54 per cent total sugar. The average duty would therefore be \$0.0165 cent per gallon, above one-quarter of 1 cent, less the preferential allowed on imports from Cuba. This would increase the cost of blackstrap molasses for animal feed over \$2.25 per ton, and in the cases showing 60 per cent total sugar might run as high as \$5.50 increase in the cost per ton.

Taking the average of 54 per cent total sugar, making the increased cost of \$2.25 per ton for molasses, the cost of assembling the ingredients to manufacture a ton of molasses feed of the grades used in Alabama would be increased 78 cents. The manufacturer will add to this amount 10 or 15 per cent to cover overhead and profit, making his selling price to the wholesale dealer in Alabama about \$1 per ton above the amount he would charge on the flat duty of one-quarter of 1 cent per gallon. The wholesaler adds his usual per cent to this increased price, and the retail dealer then adds his per cent of profit to the price he pays the wholesaler. The price increases with per cent of profit added to each preceding increase until the original cost of 78 cents in assembling the material has become not less than \$1.50 when the feed actually goes into consumption.

It is this feature which directly affects the cotton grower in Alabama, because he does not produce his requirements of animal food and must buy a considerable part of his requirements.

From October 1, 1919, to October 1, 1920, Alabama used 6,200,712 hundred-pound bags of manufactured feed. This included dry dairy and poultry feed in amount less than 35 per cent of the total, leaving 65 per cent as molasses mixed feed, or 4,030,462 hundred-pound bags, equaling 201,523 tons. This, based on the average analysis of 54 per cent total sugar content of imported blackstrap molasses, would cost the Alabama consumer over one-quarter of a million dollars more than it would have cost on a flat one-quarter of 1 cent per gallon duty.

As some of this molasses tests 60 per cent total sugar, the importer will in all probability take no chance on the importation or on his profit, but base his selling price on the possibility of a higher sugar content with the increased duty and only sell at a figure which will give a profit on the 60 per cent basis as a duty cost. It requires a firm strong financially and with large resources and investment in equipment to import blackstrap molasses. The Fordney bill will furnish an excuse for quoting blackstrap based on the highest sugar content, and, consequently, a much higher duty, which in all probability would double the estimate of a quarter of a million as increased cost of feed for one year to the Alabama consumers.

You gentlemen accustomed to dealing with millions may regard this as a small sum, and I therefore ask that you examine into the ability of our cotton growers to assume this increased cost. A small sum means much more to one class of people limited in resources than does a much larger sum mean to another class with a greater income. I have been asked frequently if Alabama was very prosperous because of the recent advance in cotton values. In some quarters the idea seems to prevail that the Alabama cotton grower was reclining on a "bed of roses" or traveling "easy street." Nothing could be further from the facts.

A glance at the production of cotton in our State will clearly demonstrate the prostrate condition of our agriculture. From 1900 to 1910, inclusive, Alabama produced annually an average of 1,166,000 bales of lint cotton. (See table herewith.)

In 1910 the boll weevil made his first appearance in Alabama, and by 1915 the entire State was infested with this uncontrollable pest, threatening with extinction the entire cotton-growing industry. From 1916 to 1920, inclusive, the State produced annually an average of 713,000 bales. (See table herewith.)

Our crop for 1921 will be about 650,000 bales, or a little over one-half of the annual 10-year average from 1900 to 1910.

The State department of agriculture in a late bulletin shows the number of plows engaged in the production of cotton in Alabama for the crop year 1921 to be 354,000.

The vast majority of cotton grown in the State is grown on a rental basis, one plow usually representing one family, renting 20 to 40 acres of land; the rental usually being one-third of the cotton produced, the tenant keeping the corn and other crops, an agreement being made as to the number of acres of cotton to be planted. If rented for a cash rent it is from \$40 to \$50 per year on the average. In central and south Alabama the tenants are Negroes, and in the northern part of the State very frequently they are white farmers. In addition to cotton, they cultivate a few acres of corn, a "patch" of sorghum or sugar cane. The corn produced furnishes the family bread, and sorghum or cane boiled down on the farm to the form of sirup is the "sweetening" for the family. If thrifty, a pig or two is raised, which is the family supply of meat and lard. The corn grown will only supply food for the mule a part of the year, and molasses feed supplies the remainder. For cash the family depend exclusively on cotton. With 350,000 families engaged in the industry and a production of 650,000 bales, it is conclusive that the average family produced less than two bales of cotton in the year 1921.

At the present market values, two bales of cotton would bring about \$160. From that must be deducted \$30 for fertilizer and \$40 for rent, and it is clear that the year's work would net about \$90 or about \$7.50 per month. Corn bread, molasses (home produced), and a little pork have eliminated to some extent the expense for food, yet the fact remains that suffering is very extensive and acute.

It is on these unfortunates, with an income of \$7.50 per month cash, which sum must provide clothing, coffee, horse feed, schoolbooks, and other necessities this quarter of a million dollars will fall, by increasing to that amount the cost horse feed necessary to maintain their animals. It means to them the last which will "break the camel's back." The pressure since the boll weevil appeared in 1910 is intense and has reached the limit of human endurance. An increase in the cost of existence will mean greater disaster and increased suffering for many thousand families.

In their behalf I most respectfully urge this committee not to render their lot more hopeless, but limit their cost of horse feed by a duty on imported blackstrap molasses for animal food not in excess of one-quarter of 1 cent per gallon.

I desire to call your attention to one more point of deep interest to the Alabama farmer. In October last the legislature of our State passed a good-roads bill, which will result in the expenditure of \$25,000,000 on State highways. Under the Federal act we hope for a like sum from the National Treasury. The best engineers and contractors advise that 20 per cent of the total cost of hard-surfaced road construction is feed for the work stock used in the construction. Twenty per cent of the \$50,000,000 is \$10,000,000, and within a few years this amount of feed will be used in the construction of Alabama roads. Molasses-mixed feeds are our cheapest source of supply under present conditions and have been for years past. A high-grade molasses-mixed feed manufactured under the present duty sells in Birmingham for \$30 per ton. Ten million dollars will buy 333,333 tons. The Fordney bill would make the same feed cost at least one-half million more, and would probably result in an increased cost of about \$1,000,000. This sum would build from 200 to 400 miles of hard-surfaced roads.

The necessity for good roads in Alabama is manifest, and their construction will grant material relief to the cotton grower described above. The per cent of illiterates in our State is very high. During the winter our roads do not freeze, and the nature of our soil (largely clay), with our heavy winter rainfall, produces a condition which renders them impassible, preventing children in rural districts from reaching a schoolhouse a large part of the year. Road improvement will make the schoolhouse accessible to thousands of children, greatly reducing our illiteracy.

To the one-plow farmer, with a cash income of \$7.50 per month, improved roads will offer relief and renewed hopes. With their construction, milk, eggs, butter, and vegetables produced as a side line would find a market in the cities and could easily double and quadruple the cash income of the family. Under the present road condition it is impossible to reach a market with them a large part of the year. Alabama ships in from other States annually eggs, butter, milk, and cream to the extent of many millions, and is of itself an agricultural State. Impassible roads explain that condition, and every mile of good roads built will help very materially by offering this source of revenue to our farmers.

A fixed duty of not over one-quarter of a cent per gallon on imported blackstrap molasses for animal food will be acceptable. A sliding scale rendering uncertain the delivered price is not desirable.

The Louisiana and beet producer of molasses will unquestionably demand a heavier duty as protection to an American industry. I raise no protest at a duty on sugar

which will grant them protection on sugar as against the cheaper production of other countries. We desire to increase our production, but as the blackstrap is a by-product, and this country can produce only a very small per cent of the required quantity, it is unwise to tax a large number of users of molasses-mixed feed to protect a relatively few sugar producers. And especially is that true when the duty will be increased by a per cent of profit which the manufacturer, the wholesale dealer, and the retail dealer will add to the duty cost, and when passed on to the final consumer the duty of a few cents has assumed a size double its original proportions. Louisiana and beet molasses are not strong competitors, as each has its especial use and each its sphere of usefulness.

High freight rates and transportation cost prevent imported molasses from seriously injuring the beet product in the northern and western markets, and the same influence prevents the beet product from being a large factor on the eastern seaboard and Southern States. It costs for rail charges (the car furnished by the shipper) 2½ cents per gallon to move imported blackstrap from Mobile to Birmingham, a distance of about 240 miles, so that freight alone would furnish ample protection for the beet producer in the large consuming district where his product is used—namely, north of the Ohio and from the Mississippi west. The ocean carriage, freight to reach a Cuban port, loading and unloading is a charge against imported blackstrap in excess of its value in Cuba by 200 per cent, and added to a duty of one-quarter of a cent per gallon will give the Louisiana grower protection which would satisfy any fair producer, and any demand in excess of the amount above would be the demand of one who was oblivious to fair play and who would exploit a consumer by trust methods if given control of any situation.

Any duty above one-quarter of 1 cent per gallon will render less valuable to the States in the Southeast all State and Federal aid to good-roads construction. Every mile of good roads will mean better citizens and lawmakers to-morrow by education of the barefoot children of to-day. Every mile of good roads will also mean an opportunity for the overburdened cotton grower to diversify and market perishables that normally go with every good effort at agriculture, but have been impracticable in the cotton belt and will be impracticable until our roads are improved.

In the interest of a higher type of man and womanhood for the coming generation, and as simple justice to the family struggling to exist under the pressure of adversity, I ask that the duty be limited to not more than one-quarter of 1 cent per gallon, when for animal food.

I realize that war has made it necessary to raise immense sums to liquidate obligations, but believe this great Nation is too rich in resources to raise the needed revenue at the expense of illiteracy and from the income of homes where wheat bread and sugar are rare exceptions on the table and decent clothing and shoes for the children are unknown.

The Alabama Division of the American Cotton Growers Association, in the name of over one-third of a million families, most of them lacking the necessities of life, urge a modification of the Fordney bill and that the duty be a fixed and definite one of not more than one-quarter of 1 cent per gallon on imported blackstrap molasses when for animal food.

Lint cotton produced in Alabama.

[Figures taken from Alfred B. Sheperdson compilation of cotton production. Odd thousands omitted.]

Year.	Bales produced.	Year.	Bales produced.
1901.....	1,110,000	1916.....	550,000
1902.....	970,000	1917.....	520,000
1903.....	990,000	1918.....	790,000
1904.....	1,450,000	1919.....	720,000
1905.....	1,230,000	1920.....	670,000
1906.....	1,240,000		
1907.....	1,110,000		
1908.....	1,330,000		
1909.....	1,040,000		
1910.....	1,190,000		
10 years.....	11,600,000	5 years.....	3,250,000
Annual average.....	1,166,000	Annual average.....	650,000

1921 yield about 650,000 bales.

STATEMENT OF B. T. MANARD, REPRESENTING PENICK & FORD (LTD.), NEW ORLEANS, LA.

Mr. MANARD. I am representing Penick & Ford (Ltd.), dealers in both imported and domestic blackstrap. I will save the time of the committee by filing a brief.

The CHAIRMAN. Of course, you gentlemen will bear in mind that you are speaking to the same point, and it is really sufficient to file a brief.

(The brief is as follows:)

By adding to paragraph 503 the words "Molasses testing not above 40 per cent sucrose, one-fourth of 1 cent per gallon," you will permit the entry of only that grade of molasses known as "blackstrap" at the specific rate of one-quarter cent per gallon.

Dr. F. W. Zerban, an authority on sugar chemistry, advises that sugar can not profitably be extracted commercially from molasses testing as low as 35° by the polariscopes or containing as little as 40 per cent sucrose. Sucrose is the table sugar which domestic sugar interests principally desire to protect. The crystallization of the sucrose in blackstrap is prevented by the presence in the liquid of a large per cent of ash, gums, and glucose or reducing sugars.

A review of remarks in the Congressional Record on pages 4406 to 4409, July 21, 1921, clearly indicates that it was the purpose of the House to provide for one-quarter of 1 cent per gallon on that specific grade of molasses called "blackstrap," but this object is unintentionally defeated by the application of the term "total sugars" to all grades.

Chairman Fordney, of the Ways and Means Committee, when presenting an amendment on July 21, 1921, is reported in the Congressional Record, page 4406, as saying: "Mr. Chairman, this amendment reduces the duty on blackstrap molasses from 1 cent to three-fourths of a cent per gallon."

Eight days before, in replying to a letter from Brooks Elevator Co., of Minneapolis, Minn., in which they protested against duty on blackstrap, Chairman Fordney wrote: "It was committee's understanding that this sort of molasses, I believe, would test less than 48 per cent total sugars and be dutiable at 1 cent per gallon. I shall be glad to make inquiry and bring same to committee's attention."

The House eventually passed an amendment which was clearly intended to admit "blackstrap" at one-quarter cent per gallon, but on account of the misunderstood provision the result shows a duty ranging up to 4 cents per gallon, or in terms used by feed manufacturers, \$7 per ton. We ask that as much consideration be given to this error as is often given to a misplaced comma.

Blackstrap is handled by the dealers in large volume and on a close margin which requires terms of draft attached to bill of lading. To enable feed manufacturers to conduct their business efficiently, blackstrap dealers contract ahead for Cuban molasses and supply their customers as their requirements demand. It is not a speculative business, but occasionally something happens which causes much grief; and every time it is the producer of domestic blackstrap that gets the benefit.

The latest case of this kind occurred in the spring of 1920, when importations were seriously interrupted by the sinking of two molasses tank ships which could not immediately be replaced. Buyer's contracts called for imported blackstrap at 8 cents per gallon. The feed manufacturers had orders for feed which had to be filled. The law of supply and demand worked as usual, and the domestic producers secured as high as 22 cents per gallon for their blackstrap.

Our Louisiana friends have had several tastes of high price for blackstrap. This year business has not been so satisfactory. If they want a good price in future the way to get it is to encourage an even larger demand instead of inadvertently seeking a prohibitive duty which would stifle those who make their product valuable. We commend to them the fable of the goose that laid the golden egg.

STATEMENT OF JOHN M. ROGERS, REPRESENTING AMERICAN CANE GROWERS' ASSOCIATION.

Mr. ROGERS. I will not take up the time of your committee. With your permission I will also file a brief covering our position.

(The brief is as follows:)

The polariscopic test for molasses and sirups is not a true value test, as this method takes no account of the food, feed, or manufacturing value of sirups and molasses.

The polariscope shows only one component—sucrose—when, in fact, the invert sugars not shown by the polariscopic test are of equal value.

This polariscopic test for molasses and sirups is inapplicable and unscientific. In the sugar schedule itself ample provision is made from the standpoint of refining sugars from liquors when intended for that purpose. The evident purpose and only thought of the framers of the law was that sirups and molasses were nothing more nor less than a form of or a potential source of sugar. New and entirely different uses of sirups and molasses having grown up requires adjustment of the schedule to conform to the purpose for which the products are used. For this reason we advocate tests that will determine the total sugar contents, including sucrose and invert sugars, all of equal value to the users of molasses.

This determination of the total sugars should prove of equal value to the buyer and users as to the sellers of sirups and molasses, in that each may know the true value of the product as scientifically proven. No user of sirups and molasses can otherwise properly determine the value to him, the quantity to use, or the results to be obtained in the usual trade usage of sirups and molasses.

The alcohol maker should know definitely the constituent parts and the total sugars of all kinds contained in the molasses he uses, otherwise he could not determine the value of the raw material used or estimate the cost of his finished product. In practice he does determine this fact before proceeding to manufacture alcohol from molasses.

The feed mixer is required by law in many States to conform to certain guarantees as to chemical analysis to show the unit values of the feed he manufactures. Regardless of statutory requirements, his feeds must conform to natural laws to produce desired results. The principles of the balanced ration have been scientifically worked out and are of proven values. The results to be obtained from the feeds used must be taken into account. As an example, feed for the use of the dairyman for milk production and the feeder of young stock for securing rapid growth and development require a feed high in protein and low in carbohydrates, while that fed for fattening stock must be the reverse—that is, proportionately high in carbohydrates and low in protein—while that for work animals is between the two. The feed value of molasses is contained wholly in its carbohydrate value (all the sugars being carbohydrates).

Any statement that the use of molasses in feed without test or regard for its carbohydrate (total sugars) value at once condemns such feed as unscientific and its use impractical. All feed mixers and feeders well know that the kind or character of materials in feed in no way determines the value of the feed except when due regard is had to the chemical unit value thereof.

Penick & Ford (I.t.d.) (Inc.), of New Orleans, have a reprint of series of articles by W. H. Dalrymple, M. R. C. V. S., in which is set forth very fully the value of blackstrap cane molasses for the feeding of horses and mules, dairy and beef cattle, hogs and sheep. Dr. Dalrymple being an accepted authority on the subject of animal feeding and feeds, Penick & Ford, by the reprint and wide distribution of these articles, have very properly given indorsement to and approval of the facts contained therein. Quoting from this reprint from Dalrymple by Penick & Ford:

"BLACKSTRAP FEEDING MOLASSES.

"But while blackstrap is a food, it should be understood that it is not a complete food, any more than potash alone constitutes a complete fertilizer. It is almost a pure carbohydrate, and the carbohydrates (sugar and starches) form one of the important ingredients of complete or balanced food. And, besides, it is one of, in some localities, the cheapest sources of this element and with a digestibility of practically 100 per cent.

"As intelligent feeders are aware, all stock foods contain certain elements, or nutrients, in certain percentages, which perform the function of supplying nourishment to the animal body for different purposes, such as the performance of work of different kinds, the production of flesh, of milk, etc. But in order to meet those requirements the nutrients, the chief of which are known as protein, carbohydrates, and fat, have to be properly or approximately balanced, otherwise some parts of the system may be excessively nourished at the expense of other parts, and in such cases the ration is sometimes termed one-sided; while, when the nutrients in digestible form are arranged so as to meet the needs of the animal they are termed a balanced ration. In the use of molasses, therefore, it should be made to take its place as an ingredient of the balanced ration, in supplying a considerable part of the carbohydrate element in concentrated form, just as one would use any other grain or concentrated ingredient, which we will endeavor to illustrate in some sample rations containing blackstrap.

"The amount of molasses to use in a ration will depend upon the character of the other ingredients. If, for example, the roughage part of the ration should be composed of the leguminous hays, which are rich in protein, more molasses may be used than if the roughage should be a grass hay, as the latter is more of the carbohydrate class of feeds to which molasses itself belongs. If a ration should contain too much of either the nitrogenous (protein) or of the carbonaceous (carbohydrate) element, the balance is upset, it becomes one sided, and supplies too much of one element and too little of the other. A balanced ration is approximated to meet the requirements of the animal under different conditions. If this is borne in mind by the feeder, he will readily understand that the mixture, no matter what the ingredients may be, should be so compounded as to meet those requirements in properly balanced form. If molasses should be the cheapest source of carbohydrates, the feeder should substitute as much of it as possible for other and more expensive carbonaceous grains—such as corn, under certain conditions, but not to excess—or that may make the mixture undesirable or one sided.

"For instance, in the case of horse or mule feeding, and where a little cottonseed meal and leguminous hay—such as pea vine, alfalfa, or choice lespedeza—is used, we find that a ration for a working animal weighing 1,000 pounds may be economically balanced by using about the following weights of the different ingredients: Two pounds cottonseed meal, 8 pounds corn chops or corn and cob meal, 6 pounds blackstrap, 12 pounds pea-vine or alfalfa hay.

"By figuring out the digestible nutrients in the above ration, it will be found to approximate the standard requirements for either of the animals mentioned under hard-working conditions.

"If, on the other hand, we use ingredients (feeding materials) which all belong to the same class of feeds, we get a ration that is altogether unbalanced, or one-sided. For example, if we try to make our ration out of molasses, corn, and timothy hay (a grass hay), we are using carbonaceous feeds all through, with the result that we get too much carbohydrates, which produce heat and energy chiefly, with too little protein, which goes to make muscle, etc.

"Again, if we use all protein feeds we err in the opposite direction. An illustration of this would be the use of cottonseed meal, oats, and alfalfa hay, all relatively rich in protein. In the former instance, we get too much carbohydrates (starches and sugar), with too little protein, for the needs of the animal; and in the latter an excess of protein, with a deficiency of carbohydrates. In either case we have destroyed the proper balance of the required nutrients and have supplied too much of the one or the other for the needs of our animal and for best results.

"Molasses, however, has a most valuable place in any ration for horses and mules on account of its high carbohydrate content, its high digestibility, and, ordinarily, its cheapness. But the amount will have to be regulated by the amount of the digestible nutrients contained in the other ingredients of the mixture. The weight of blackstrap is usually estimated at about 12 pounds to the gallon."

These fundamental facts are well known, and for successful feeding must be adhered to by the feeder if desired results are to be obtained. Therefore, not only economic necessity, but for practical results, must the feed mixer and the feeder know the carbohydrate value of the molasses he uses, just as he must know the protein value of the other ingredients used in his feed. He can not assert that he simply dumps in such and such per cent or so many pounds of each ingredient in his feed without at once making the confession of utter disregard for the results to be obtained from feed so mixed. He must know, and does know, the carbohydrate (total sugar) value of the molasses he uses. His feed to be properly balanced must contain the proper ration of essential units. If he buys molasses testing high in total sugars (carbohydrates), he very properly reduces the volume of molasses in the feed; if low in total sugars, then the volume is increased. This, and this only, explains the variation of the percentage by volume of molasses used in mixed feeds, where the percentage of molasses varies in feeds for the several uses to which they are put. May not this explain the desire on the part of the importer for the high minimum test asked for? Blackstrap molasses produced in America is higher in total sugar content than that imported. By fixing a high minimum total sugar, or polariscopic test, all imported molasses comes in at the same level base rate. The domestic article is without the benefit of the true test value, and the producer must sell his superior product on the price level so fixed. The feed buyer is led to believe that "blackstrap is blackstrap," while the importer and feed mixer benefits by the very tests he now opposes in the tariff bill.

No argument is needed to show that the importer does carefully test molasses. Long exhibits of tests made covering periods of years are before you in the testimony

presented by the opponents. These tests, many of them, are quoted for periods several years before there was called to your attention the inequality of the existing tests and rates. Therefore, any claim on the part of the importer that to him "blackstrap is blackstrap," without regard to its total sugar value, is disproved by his own testimony. He did test for total sugars; he can test for total sugars; he does test for total sugars. The value of blackstrap molasses is its total sugar content and no other; therefore, the duty should be based on the true value, viz, the total sugars content.

Therefore, no feed mixer can operate nor feeder use molasses intelligently or profitably in his feeds without knowledge of the total sugars (carbohydrate) value. The total sugars (carbohydrate) content being the economic value of molasses, then molasses should pay duty on this basis.

In 1918 Herbert Hoover, then Food Administrator, appointed the committee on cane sirup and molasses. The personnel of this committee were: R. E. Milling, chairman, New Orleans, La.; N. W. Tausig, secretary, New York, N. Y.; G. R. Bunker, New York, N. Y.; C. D. Kemper, New Orleans, La.; W. L. Petrikin, Denver, Colo.

In the report made by this committee we find a true analysis of the various grades of sirups and molasses. From their report we quote:

"There are several grades of molasses and sirups, viz: (a) Cane-juice sirup. (b) Old-fashioned open-kettle molasses. (c) Centrifugal molasses, which may be divided into, first, centrifugal molasses derived from the open-kettle process; second, centrifugal molasses derived from the vacuum process; whether derived from either process, however, they are divided into first, second, and third molasses. (d) Refiners' sirups, which are subdivided into, first, the highest quality of filtered sirup; second, medium; third, unfiltered, fourth, blackstrap. (e) Commercial glucose, commonly known as corn sirup.

"Cane-juice sirup contains approximately 71 per cent of combined sugars, of which 55 per cent is sucrose and 16 per cent invert. A gallon of sirup weighing approximately 12 pounds we find that if based upon the above percentages contains 6.6 pounds sucrose, 1.92 pounds invert, or 8.52 pounds total sugars.

"First molasses contains 65 per cent combined sugars, 48 per cent of which is sucrose and 17 per cent invert, so we have 5.76 pounds sucrose, 2.04 pounds invert, or 7.80 pounds total sugars.

"Second molasses contains about 60 per cent combined sugars, 31 per cent sucrose, and 29 per cent invert, so we have 3.72 pounds of sucrose, 3.48 pounds of invert, or 7.20 pounds total sugars.

"Third molasses contains 50 per cent combined sugars, 30 per cent sucrose, 20 per cent invert, so we have 3.6 pounds of sucrose, 2.4 pounds of invert, or 6 pounds total sugars.

"Refiners sirup, highest grade, has 63 per cent combined sugars, 35 per cent sucrose, and 28 per cent invert, so we have 4.2 pounds sucrose, 3.36 pounds invert, or 7.56 pounds total sugars.

"Trade and custom have declared that standard blackstrap must have a combined test of sucrose and invert of not less than 50 per cent and must be at least 42 Baumé at a temperature of 90° F. Final molasses meeting this test, or slightly above or below the same, would be considered blackstrap, whereas final molasses which is above standard blackstrap, say, 55 per cent combined sugars, while frequently sold as blackstrap, is of superior quality and should be classed as Louisiana third molasses."

Therefore, any test method that does not show the total sugar content of the molasses or sirup fails totally in arriving at their true food or economic value. Even though the regulations be changed to this proper method, the result would be equally abortive and of no value if the minimum scale for total sugars be placed at a point above the total sugar test of any of the various grades.

The regulations previously in effect have no meaning because of high point polariscopic test of 40 degrees, for the reason that as shown in the report quoted only the two very highest grades of sirups contain as much as 40 degrees sucrose (the only factor shown by the polariscope), and since there is but little importation of such high-grade sirups the result is that nearly all sirups now imported come in at the same rate, there being no discoverable difference by the polariscope.

By placing the minimum test and the base rate at 48 per cent total sugars, then, in that event, all sirups and molasses imported would come in on their true test and at fair proportionate rates. Any higher minimum would be wholly meaningless and simply result in all importations coming in at a flat tariff rate regardless of quality or value.

RATES IN FORDNEY BILL.

The rate in the bill now before you reads, twenty-five one-hundredths of 1 cent per gallon for molasses testing not above 48 per cent total sugars with two hundred and seventy-five one-thousandths of 1 cent for each per cent of total sugars over and above 48 per cent.

This would mean for the blackstrap molasses testing 50 per cent, eight-tenths of 1 per cent per gallon general tariff, sixty-four one-hundredths of 1 cent from Cuba.

Duty per gallon on molasses testing 48° and above total sugars.

Testing not above—	In general.	From Cuba.	Testing not above—	In general.	From Cuba.	Testing not above—	In general.	From Cuba.
*	Cnts.	Cnts.	*	Cnts.	Cnts.	*	Cnts.	Cnts.
48.....	0.25	0.20	56.....	2.45	1.96	64.....	4.65	3.72
49.....	.52	.42	57.....	2.72	2.18	65.....	4.92	3.94
50.....	.80	.64	58.....	3.00	2.40	66.....	5.20	4.16
51.....	1.07	.88	59.....	3.27	2.62	67.....	5.47	4.38
52.....	1.35	1.08	60.....	3.55	2.84	68.....	5.75	4.60
53.....	1.62	1.30	61.....	3.82	3.05	69.....	6.02	4.82
54.....	1.90	1.52	62.....	4.10	3.24	70.....	6.30	5.04
55.....	2.17	1.74	63.....	4.37	3.50	71.....	6.57	5.26

There should be a rate of not less than 1 cent per gallon, 48 per cent test total sugars with two hundred and seventy-five one-thousandths for each additional degree. This would make the rate on molasses testing 50 per cent general tariff, 1.55; Cuban tariff, 1.24.

MOLASSES USED FOR OTHER PURPOSES THAN FEED MIXING.

During the war period large quantities of industrial alcohol were produced from molasses. This increased production of alcohol over the prewar period was caused by the demand of America and the Allies for alcohol for the manufacture of explosives and other war uses. Reports from internal revenue reports show that 90 per cent of all low-grade molasses imported during that period was converted into alcohol. From available data—such sources as internal revenue reports, Department of Commerce, Federal Trade Commission, and trade papers—it is clearly shown that the proportion of molasses used in the manufacture of alcohol and mixed feeds, for the latest dates, calendar year 1920 and fiscal year ending June 30, 1921, is molasses used for alcohol making, 60 per cent; feed mixing, 40 per cent. On this basis there were used from the 1920 (fiscal year) imports, which totaled 160,123,653 gallons, 60 per cent for alcohol making, or 96,074,191.8 gallons; 40 per cent for feed mixing, or 64,049,461.2 gallons; a total of 160,123,653 gallons.

The feed mixers claim to produce 3,000,000 tons of molasses feed annually. The average molasses content of mixed feed being about 20 per cent, makes the estimate of 60 per cent of imports for alcohol and 40 per cent for feed mixing in agreement with the feed-mixer's statement as to his production of 3,000,000 tons and the 20 per cent average molasses content of mixed feed.

You have before you exhaustive data in tabulated form in the brief submitted by Gray Silver. Having had the privilege of studying the official data contained therein previous to its filing, and out of deference to the committee, I would respectfully refer same to you as correct, this reference and application confined solely to the tabulated data.

Please note that molasses from our insular possessions, Porto Rico and Hawaii, should be treated as domestic production and not imports.

Referring again to alcohol production, it is significant that this industry, although far the largest users of molasses in manufacture, has voiced no protest either against the tests for total sugars or the rates asked for. The producers of industrial alcohol use no other mixture in making their product, and since for each gallon of molasses (dependent on its total sugar content) produce from six-tenths to eighty-five one-hundredths gallon of alcohol, molasses being 60 to 85 per cent of their finished product, whereas in feed mixing the proportion is 20 per cent. The larger users of molasses both in volume and in proportion to finished product apparently are not protesting.

MOLASSES MIXING.

It is significant that the leading opponents of the proposed new schedule on sirups and molasses—and allow me to say right here that the schedule is not restricted to blackstrap but covers all grades of molasses; in fact, the word "blackstrap" is not mentioned in the act—are not feed mixers but mixers of sirup for human consumption. It is a well-known fact that they take the by-products of the starch factories, corn sirups, etc., and flavor them with cane molasses, which comes in direct competition with all of the pure cane and sorghum sirups grown in America.

This is of vital importance to the cane-growing industry of Louisiana, but I am frank to say that I believe it is of more importance to the sirup producers outside of the State of Louisiana.

The production of sirup in America for direct consumption is very material, as evidenced by the following report from the Yearbook of Department of Agriculture for 1920:

Area of sugar cane and production of cane sirup in the United States, 1919 and 1920 (not including sorghum).

State.	Total cane area.		Area harvested for sirup.		Sirup made.	
	1920	1919	1920	1919	1920	1919
	<i>Acres.</i>	<i>Acres.</i>	<i>Acres.</i>	<i>Acres.</i>	<i>Gallons.</i>	<i>Gallons.</i>
South Carolina.....	9,300	7,700	8,900	7,400	979,000	1,369,000
Georgia.....	72,000	67,600	60,000	56,000	9,697,000	10,640,000
Florida.....	28,000	21,000	24,000	17,000	6,110,000	4,590,000
Alabama.....	73,000	62,500	60,000	51,000	10,298,000	8,450,000
Mississippi.....	35,000	31,400	28,000	26,700	7,497,000	6,674,000
Louisiana.....	299,000	278,000	28,000	20,800	6,274,000	3,672,000
Texas.....	16,400	12,600	7,100	7,800	2,215,000	2,421,000
Arkansas.....	2,900	3,200	2,100	2,300	437,000	336,000
Total.....	535,600	481,000	214,500	188,900	43,507,000	38,183,000

¹ Not including blackstrap.

Sorghum for sirup: Acreage, production, and value, by States, 1920; and totals, 1917-1919.

State or year.	Acreage.	Average yield per acre.	Production of sirup.	Average farm price per gallon, Dec. 1.	Farm value, Dec. 1.
	<i>Acres.</i>	<i>Gallons.</i>	<i>Gallons.</i>	<i>Cents.</i>	<i>Dollars.</i>
Virginia.....	11,000	100	1,110,000	105	1,155,000
West Virginia.....	5,000	100	500,000	135	675,000
North Carolina.....	37,000	100	3,700,000	100	3,700,000
South Carolina.....	15,000	100	1,500,000	100	1,500,000
Georgia.....	13,000	94	1,410,000	101	1,466,000
Florida.....	600	140	84,000	100	81,000
Ohio.....	5,900	91	537,000	152	816,000
Indiana.....	15,000	82	1,250,000	140	1,722,000
Illinois.....	8,900	75	668,000	145	959,000
Wisconsin.....	4,000	75	307,000	180	540,000
Minnesota.....	3,000	100	300,000	150	450,000
Iowa.....	5,100	93	480,000	144	701,000
Missouri.....	49,000	83	4,057,000	135	5,084,000
Nebraska.....	2,000	95	190,000	135	256,000
Kansas.....	5,000	88	440,000	125	538,000
Kentucky.....	51,000	85	4,345,000	107	5,184,000
Tennessee.....	20,000	90	1,800,000	101	1,818,000
Alabama.....	90,000	99	8,910,000	90	8,019,000
Mississippi.....	72,000	90	6,480,000	90	5,832,000
Louisiana.....	600	110	66,000	100	66,000
Texas.....	7,900	94	741,000	105	780,000
Oklahoma.....	7,400	94	696,000	108	752,000
Arkansas.....	42,000	90	3,780,000	105	3,959,000
Utah.....	500	100	50,000	123	62,000
Total.....	472,900	92.8	43,788,000	105.2	48,138,000
1919.....	429,500	82.4	35,409,000	110.3	39,054,000
1918.....	374,800	79.1	29,641,000	98.3	28,532,000
1917.....	415,200	90.3	37,472,000	69.5	26,035,000

All sirup brought in that can be used directly for human consumption or for the flavoring of mixed sirups comes in direct competition with both the cane and sorghum sirup produced.

COMPETITION WITH DOMESTIC PRODUCTION.

The contention that "blackstrap is blackstrap" is not only incorrect, but sinister in its purpose and effect on domestic sirups and molasses. Every grade of the domestic product is admittedly superior to that imported. In Louisiana the term "blackstrap" is often, by the buyers, made to cover even second and third molasses. If imported low-grade molasses is allowed to enter on a polariscopic test or total sugar test of a minimum above 48 per cent, then this high-grade domestic product will continue to meet the low-quality imported molasses on the "blackstrap is blackstrap" level. Because of this very condition to-day buyers are offering only 2 cents per gallon to the producer for the domestic molasses, when even on the present depressed market this domestic molasses has an intrinsic value basis total sugars of 4 cents to 6 cents per gallon. Yet, under the regulations and tariff by them proposed, the buyers in effect say, "Blackstrap is blackstrap. We offer 2 cents per gallon. Take it or turn your molasses into the bayou."

There is no other product in America to-day so closely confined in its primary market as sirups and molasses, this with particular reference to the lower grades. The entire market is confined to three buyers, and in Louisiana it is even more restricted.

We do not ask a duty that will add materially to the cost of mixed feed, alcohol, or table sirup, but we know that at 5 to 6 cents per gallon to the producer of domestic low-grade molasses and a proportionate price for the high-grade sirups there still is ample profits to users and converters of these sirups and a return to the producer that will enable him to provide containers for, rather than dump into the stream, his product.

A duty on "sirups and molasses of 1 cent per gallon for molasses testing not above 48 per cent total sugar with two hundred and seventy-five one-thousandths of 1 cent for each additional degree of total sugars" will enable the domestic producer to sell his product based on its intrinsic value and at a price of 5 to 6 cents per gallon for blackstrap. We think you will see the fairness of this and hope you will grant our request.

STATEMENT OF DWIGHT E. HAMLIN, REPRESENTING DWIGHT HAMLIN CO., PITTSBURGH, PA.

Mr. HAMLIN. I will just file a brief. The subject has been covered so well that there is no necessity for me taking up any more of your time, and I will do that.

The CHAIRMAN. You speak in conjunction with those who want either no duty or a small duty on blackstrap molasses?

Mr. HAMLIN. Yes, sir; we want no duty. I am a feed manufacturer and operate a farm in Pennsylvania.

The CHAIRMAN. I know you do.

(The brief is as follows:)

Our troubles are exceptionally serious to us. In fact, a tariff of one-fourth cent per gallon on 48 per cent total sugars and an additional twenty-seven and one-half hundredths of 1 cent for each additional 1 per cent sugars on blackstrap molasses will put the feed industry out of business. If the feed industry is put out of business, it will work a great hardship on thousands of dairymen, fat-cattle feeders, and truckmen and indirectly increase prices of all meats and dairy products.

The situation is just this: The bill as it now stands reads one-fourth cent per gallon duty on blackstrap molasses based on 48 per cent total sugars. Now, there is practically no blackstrap molasses that tests as low as 48 per cent total sugars, and in the extremely rare instances where it tests as low as that the molasses is regarded as adulterated. The average of imported blackstrap molasses would be about 54 per cent total sugars. Now, with the basic rate of one-fourth cent and an additional one-fourth cent, or, to be exact, two hundred and seventy-five one-thousandths of a cent, for each 1 per cent additional total sugars above 48, you can see that the average blackstrap molasses will be assessed an extra $1\frac{1}{2}$ cents per gallon, or a total, with the basic one-fourth cent, of more than $1\frac{1}{2}$ cents per gallon, and some of the higher-testing blackstrap, which may run as high as 60 per cent total sugars, would have to pay a

duty as high as 3½ cents per gallon. What we want to do is to get the basis changed so that all blackstrap molasses can come in at the basic rate of not to exceed one-fourth cent per gallon. All previous tariffs have permitted all blackstrap molasses to come in at the basic rate, and this proposition of basing the duty on total sugar content is an entirely new proposition, and it certainly will not work in the case of blackstrap molasses, because who could afford to import blackstrap molasses without knowing whether the duty was going to amount to one-fourth cent per gallon or 3½ cents per gallon?

There would be no way of keeping the molasses separate and no way of telling what it was going to analyze until it reached this country.

STATEMENT OF A. F. SEAY, ST. LOUIS, MO., REPRESENTING ST. LOUIS (MO.) AND EAST ST. LOUIS (ILL.) FEED MANUFACTURERS.

Mr. SEAY. I represent the St. Louis and the East St. Louis millers, and also the Ralston Purina Co., who have mills located in St. Louis and East St. Louis, Nashville, Buffalo, and Fort Worth, Tex.

I am not going to take up your time to tell you the situation that faces not only the millers but ourselves as manufacturers, but with your permission we should be pleased to make a brief statement.

I represent St. Louis (Mo.) and an East St. Louis (Ill.) molasses-feed mill interest, eight in number, also the Ralston Purina Co. of St. Louis, Mo., one of the largest manufacturers of molasses feed in the country, having mills located at St. Louis, Mo., East St. Louis, Ill., Buffalo, N. Y., Nashville, Tenn., and Fort Worth, Tex.

In our own company alone we employ some 200 traveling representatives and give employment to hundreds of others in our mills and offices. When all of the molasses-feed manufacturers are considered as a whole their total business runs into a tremendous volume, as shown by the brief filed by the American Feed Manufacturers' Association. This is an industry worth protecting, because it renders an economical service to the country at large.

Through the combining of certain feed materials and blackstrap molasses together, which is fed in conjunction with all home-grown grains, we enable the farmer to produce meat and dairy products in a shorter period of time and at a lower cost per pound; at the same time allow him to get more out of his home-grown grains than would be the case if he fed them without the molasses-feed mixture. So the molasses-feed business is not to replace home-grown grains but supplement them.

Blackstrap molasses is the basic raw material for this industry. Our country doesn't begin to produce this commodity in sufficient quantities to operate our present industries. Records filed with your committee show that in the United States we produce only about 8 per cent of the total blackstrap molasses used. We believe that it is the purpose of the committee to protect home industries, who depend on foreign materials with which to operate their plants, and permit them to secure such basic products at the lowest possible cost.

We object to the present basis of the Fordney tariff bill, which calls for a maximum of 48 per cent total sugars and a penalty for every 1 per cent over this amount. Blackstrap molasses imported into this country, as shown by statements already filed with you, varies considerably in the total sugar content, most of the cargoes running from around 50 per cent to over 60 per cent total sugars, and yet in

the manufacture of molasses feed we can not possibly get any more for that testing 60 per cent total sugars than that testing 50 per cent.

The nature of the business is such that blackstrap molasses is obtained from different shippers at the same time and stored together in large storage tanks. It would be impossible to market the same brand of feed and say to the dealers and consumers that this shipment has blackstrap molasses containing 6 per cent more sugar in it and we will have to charge you so much more than we did the last time. All sales are made at a definite price before the feeds are shipped. All blackstrap molasses, regardless of total sugar content, has the same commercial value.

A further study of the Fordney tariff bill shows that even though there are several grades of the different grains listed therein and the markets in this country pay a different price for the several grades, yet this bill permits their importation on a flat rate as follows:

Paragraph 723: Barley, hulled or unhulled, 15 cents per bushel.

Paragraph 724: Buckwheat, hulled or unhulled, 30 cents per hundred pounds.

Paragraph 725: Corn or maize, 15 cents per bushel.

Paragraph 727: Oats, hulled or unhulled, 10 cents per bushel.

Paragraph 729: Rye, 10 cents per bushel.

Paragraph 730: Wheat, 25 cents per bushel.

We believe that it is the desire of your committee to permit the importation of molasses and sirups which can not be used for table purposes or from which there can not be made a further extraction of sugar without penalizing the feed manufacturers, and further that such molasses can not be used for any other purpose than for feeding.

Upon investigation we find that where the total sucrose content of molasses doesn't exceed 40 per cent it would be unfit for table use or the further extraction of sugar. We therefore hope that you will see your way clear to segregate blackstrap molasses in a somewhat different way than you would molasses or sirups for table use or further extraction of sugar and consider same separately in the tariff on the basis of free entry or not over one-fourth cent per gallon duty.

CANDY AND CONFECTIONERY.

[Paragraph 506.]

STATEMENT OF WALTER C. HUGHES, REPRESENTING NATIONAL CONFECTIONERS' ASSOCIATION.

Mr. HUGHES. According to the 1919 census, there are about 3,150 manufacturers in our association, representing an investment of about \$315,000,000. In addition, we have 3,500 candy jobbers and about 75,000 candy retailers, and these do not include the wholesale grocers and wholesale druggists who are large distributors of candy. We have no record of the entire number.

The total sales of the manufacturers for the year 1919 amounted to about \$450,000,000. The total number of employees engaged in the industry, which does not include superintendents or salaried officials, was 76,000, and the total number of employees, which includes everybody employed in the industry, is about 250,000.

There is a direct relation between the duty on sugar and the duty on candy. The duty as proposed in the pending tariff bill is 30 per cent ad valorem.

Senator WATSON. To what are you addressing yourself now?

Mr. HUGHES. This is paragraph 506. I should have stated that when I began.

We recommend that the duty should be made 50 per cent ad valorem for these reasons.

Senator WATSON. What is it in the Fordney bill?

Mr. HUGHES. Thirty per cent ad valorem in the Fordney bill. We recommend that it should be made 50 per cent ad valorem.

Sugar of 96° test, in the Payne-Aldrich bill, was 1.68 cents; refined, 1.95 cents. At that time the duty on candy was 4 cents per pound, and 15 per cent ad valorem on candy under 15 cents per pound, and on candy over 15 cents per pound it was 50 per cent ad valorem. Under the Underwood bill the duty on 96° test sugar was 1.25 cents per pound; on refined sugar, 1.36 cents per pound; and the duty on candy was 2 cents per pound under 15 cents per pound, and 25 per cent ad valorem over 15 cents per pound.

The duty in the Fordney tariff bill on 96° test sugar is 2 cents per pound; on refined sugar, 2.16 cents per pound with, as I said a moment ago, a duty on candy of 30 per cent ad valorem.

The duty on 96° test sugar has been increased 60 per cent as compared with the duty that was in effect prior to the passage of the emergency tariff bill. Now, we must take also this fact into consideration, that the Underwood bill admitted sugar on the free list, on May 1, 1916, but that was repealed by Congress on April 27, 1916. Therefore, with free sugar contemplated the duty on candy valued at 15 cents per pound or less was 2 cents per pound, and valued at more than 15 cents per pound 25 per cent ad valorem. On this same basis, if the duty is to remain 2 cents per pound on 96° test sugar and 2.16 cents per pound on refined sugar, then the duty on candy should be 50 per cent ad valorem.

Senator WATSON. Have you worked out that relationship to your own satisfaction?

Mr. HUGHES. We have; yes, sir.

With reference to the duty on other raw materials in which we are interested, just to show the effect they have upon our costs, let me cite these illustrations.

Almonds, not shelled, present duty 3 cents; proposed duty 5 cents. Almonds, shelled, present duty 4 cents; proposed duty, 15 cents.

Walnuts, not shelled, 2 cents; proposed duty, 4 cents. Walnuts, shelled, 4 cents; proposed duty, 15 cents.

Egg albumen, another item which must be taken into consideration, present duty, 3 cents; proposed duty, 15 cents.

There are approximately 165 different kinds of raw materials which the manufacturers use on which duties have been increased anywhere from 10 per cent to 400 per cent, which, therefore, adds that much to their cost of production; and these raw materials include such supplies as essential oils, flavoring extracts, colors, and materials of that kind that increase the cost of the finished product. Therefore we are vitally interested with reference to these proposed increases in the duties on the various supplies that I have mentioned.

Then there is another thing which we must take into consideration and that is the question of foreign competition.

There are many large manufacturers in Germany, England, France, and Canada; and prior to the Great War they produced candy in very large quantities. The economic conditions in these countries are such at the present time that they are going to seek foreign markets for their output. They must keep their plants running, and, therefore, we can expect in the near future that, unless there is an import duty which will protect us against this foreign competition, we are going to have very serious foreign competition. The competition that we are going to have from the countries that I have mentioned is going to be on low-priced candies. It is very likely that approximately 80 per cent of the manufacturers in this country will come into competition with candies brought in from foreign countries. We recently made a survey of the industry, and we know that 80 per cent of the output of the entire industry is sold by manufacturers at under 20 cents a pound, and it is this grade of candy on which we expect the competition from foreign countries; that is, on the low-priced candy.

Senator WALSH. I do not think the imported candies are nearly so good as the American-made candies, even the poorer grades.

Mr. HUGHES. I am very glad to hear you say that, Senator Walsh.

The imported candies were largely from England, France, and Austria. They were of special varieties which they made over there, but they are very likely more interested in selling the lower-priced candies rather than the candies of higher grade.

We must also take into consideration the question of the low cost of production in these foreign countries. As an illustration, over there the wages and cost of materials, and on account of the drawback allowed on exports, enable them to place these candies on the market at lower prices than they can be made for in the United States. As illustrative of this point, I am going to furnish you with some figures of wages paid to male and female workers in candy factories in those countries from which we will have the keenest competition.

Senator WATSON. You do not mean a common level of wages?

Mr. HUGHES. I was just about to read them for the different countries.

Senator WATSON. Very well.

Mr. HUGHES. Germany, 4 cents to 11 cents per hour; France, 4 cents to 13.5 cents per hour; England, 14 cents to 26 cents per hour. The wages paid to the same classes of female and male workers in the United States range from 25 cents to \$1 per hour.

Senator WATSON. Did you interpret that in wages paid in American money?

Mr. HUGHES. Yes. This report from which I am reading was made for the benefit of the Ways and Means Committee of the House.

Now, with reference to the Japanese competition. I want to say a word about that, and then I shall be through. We are reliably informed that the Japanese have been over here for the purpose of seeing whether there is an opportunity to sell their candies in this country. We know that so far as the Japanese are concerned they have large factories over there in Japan—in Tokyo, Yokohama, and Kobe—and they are equipped, as I know personally, with modern machinery, a great deal of which was manufactured here in the United States. They are thoroughly up to date in their factories. The low cost of production is due to the extremely low wages which they pay employees, and also the low cost of raw materials.

The wages paid the male employees in candy factories average \$1 per day, or \$20 a month with board, as compared with \$4 to \$10 per day for male workers here in the United States.

One of the largest Japanese firms is located at Tokyo. That firm employs 2,000 laborers in its plant, and its plant is equipped in every way with modern, up-to-date machinery, and of course can compete with American manufacturers.

Therefore we are in this position, that we must have a higher duty on candy in order to meet this foreign competition. We recommend, therefore, as I said a moment ago, that the duty should be made 50 per cent ad valorem instead of 30 per cent ad valorem, as it is in the pending tariff bill.

Senator McLEAN. You have the recent importations?

Mr. HUGHES. No, sir. I would be glad, however, to furnish you with those figures, Senator McLean, or include them in the brief which I would like to have the privilege of filing, if I may.

Senator McLEAN. Are they increasing rapidly at the present time?

Mr. HUGHES. I could not say as to that, because I would not be in a position to answer that question accurately, but we anticipate that we shall meet very serious competition in that direction.

Senator WALSH. The imports for the 10 months of this year were 539,270 pounds, or about a half million pounds, and the production of the candy in America, in 1914, was 154,000,000 pounds.

Mr. HUGHES. It is the future that we are looking to rather than the immediate present.

Senator McLEAN. What percentage of the cost is labor cost?

Mr. HUGHES. That depends entirely upon the circumstances. It depends upon the class of candy; that is, whether it happens to be hand made or whether it is machine made. I can not answer that question without knowing the particular candy which you have in mind.

Senator McLEAN. Take the cheaper grades sold, for instance, at around 20 cents per pound. That would represent a large proportion, would it not?

Mr. HUGHES. Yes; 80 per cent.

Senator McLEAN. About what percentage would the labor be?

Mr. HUGHES. I would not want to say because I would not be able to give that information accurately.

Senator SIMMONS. Do you export any candy?

Mr. HUGHES. Prior to the war the exports were what you might call satisfactory. During the war they increased to a considerable extent due to the conditions with which you are of course familiar. Since the war exports have fallen off rapidly. At the present time, while I have not the figures before me, I know that they are very much less than a year ago.

Senator SIMMONS. The export trade before the war was somewhere near \$2,000,000, was it not?

Mr. HUGHES. I should say just offhand, Senator—I would not quote this as a correct figure—that it would run probably less than that amount.

Senator SIMMONS. This document here shows that the exports for 1914 were valued at \$1,329,000; in 1918, \$1,856,000, an increase of about a half million dollars during the war. But even then the exports—I am referring now to what they were before the war,

\$1,300,000—would be two or three times the imports. The value of the imports for the year 1921, or for the 10 months of 1921, were only \$157,000.

Mr. HUGHES. What year?

Senator SIMMONS. 1921. For the 10 months of 1921 they were only \$157,000. It would seem to me that you had not much cause to complain of that in view of the fact that the domestic production before the war was about 154,000,000 pounds,

Mr. HUGHES. I might say in answer to that question—

Senator SIMMONS (interposing). Certainly there is nothing in the present condition or in past conditions that would justify the apprehension you have expressed, and I do not think you have given the committee any special reason, or any particular reason for supposing that the future would be worse than the past.

Mr. HUGHES. We can say this with what you might call a reasonable degree of assurance, that we are going to have more intensive competition from these foreign countries. I mean that we are going to have it from this time on, perhaps not in the next month or the next six months, but during the course of a few years. The competition is going to be more intense than it was before the war.

Senator SIMMONS. It did not run in the line of candy before the war or during the war, so why do you suppose the competition from over there will hereafter run strongly in the line of candy?

Mr. HUGHES. For this reason, that these factories over there are going to keep going. They are going to find markets for their products in foreign countries, including the United States, and for that reason we expect that they are going to get into this market stronger than ever before.

Senator SIMMONS. Suppose they were to go into the market many times stronger, still our imports would not be equal to the exports.

Mr. HUGHES. They will have the advantage, however.

Senator SIMMONS. I do not know about that—not any more so.

Mr. HUGHES. There are lower production costs and wages.

Senator SIMMONS. But they had that advantage before the war, or at least the gentlemen who came before the committee before the war told us that.

Mr. HUGHES. But not to quite as great an extent, Senator Simmons, as they have at present. Conditions over there, as you know, are very serious now. They are much more serious than before.

Senator WALSH. You are troubled more about the ingredients than with the imports of the candy itself, are you not?

Mr. HUGHES. Yes.

There is no objection to the ad valorem duty of 50 per cent that we are advocating. It gives the Government that much more revenue by 20 per cent on anything that comes in.

BRIEF OF WALTER C. HUGHES, REPRESENTING THE NATIONAL CONFECTIONERS' ASSOCIATION.

SIZE OF INDUSTRY.

The confectionery industry is one of the largest industries in the United States. There are approximately 3,150 manufacturers, with an investment of about \$315,000,000, who sell the wholesale and retail trade, consisting of approximately 3,500 candy jobbers and 75,000 candy retailers.

This, however, does not include several thousand wholesale and retail grocers and wholesalers and retail druggists, through whom a large volume of candy is distributed. We have no means of knowing the value of the investment of the wholesalers and retailers, but it is obviously very great.

The total value of the output of the manufacturers for the year 1919 was approximately \$450,000,000.

The total number of employees engaged in the manufacture of candy, which does not include salaried officials, managers, office employees or salesmen, or the employees of the jobbers and retailers, is approximately 76,000.

The total number of employees engaged in the industry is approximately 250,000.

DUTY ON CANDY AS COMPARED WITH THE DUTY ON SUGAR.

The proposed duty will not give adequate protection to our industry, and we respectfully request that the duty on candy and all confectionery be made 50 per cent ad valorem.

There is a direct relation between the duty on sugar and the duty on candy and confectionery.

The duty on sugar as provided in recent tariff bills is as follows:

	Sugar.		Candy.	
	96° test.	Refined.	Under 15 cents per pound.	Over 15 cents per pound.
	<i>Cents.</i>	<i>Cents.</i>		
Payne.....	1.68	1.95	4 cents per pound and 15 per cent ad valorem.	50 per cent ad valorem.
Underwood.....	1.25	1.36	2 cents per pound.....	25 per cent ad valorem.
Fordney.....	2.00	2.16	30 per cent ad valorem.....	30 per cent ad valorem.

The duty on raw sugar 96° test in the pending tariff bill as compared with the present duty as provided in the Underwood bill is increased approximately 60 per cent.

Furthermore, the Underwood bill provided that sugar should be placed on the free list on May 1, 1916, but this provision was repealed by Congress on April 27, 1916.

Therefore, with free sugar contemplated, the duty as provided in the Underwood bill on candy and all confectionery valued at 15 cents per pound or less is 2 cents per pound, and valued at more than 15 cents per pound, 25 per cent ad valorem.

On the same basis, with the duty on raw sugar 96° test 2 cents per pound as proposed in the pending tariff bill, the duty on candy and all confectionery should be at least double the present duty which would be practically the same as the duty in the Payne-Aldrich bill and we are therefore asking for a uniform duty of 50 per cent ad valorem.

DUTY INCREASED ON OTHER BASIC RAW MATERIALS.

The present and proposed duties on various other raw materials, which are used in large quantities by manufacturing confectioners, are as follows:

	Present duties.	Proposed duties.
	<i>Cents.</i>	<i>Cents.</i>
Almonds:		
Not shelled.....	3	5
Shelled.....	4	15
Walnuts:		
Not shelled.....	2	4
Shelled.....	4	15
Egg albumen.....	3	15

The duties on 165 kinds of materials used by manufacturing confectioners have been increased from 10 per cent to 400 per cent, such as the increased duties on essential oils, flavoring extracts, and colors, which further increase our cost of production and make it still more difficult for us to compete with foreign manufacturers and which is surely going to be a serious factor in the development of our industry.

We are therefore vitally interested in the proposed duties on various raw materials and especially in the proposed duties on shelled nuts, which we consider are unreasonably high.

Furthermore, our industry is burdened with taxation to such an extent as to further increase our cost of production and make it possible for foreign competition to enter this market.

FOREIGN COMPETITION A SERIOUS FACTOR.

There are many large candy factories in Germany, England, France, and Canada which, prior to the great war, shipped candy into this country in large quantities. Smaller quantities were shipped from various other countries.

The economic conditions in these countries will force the owners of these large candy factories to sell their surplus production in foreign markets, and the United States will be an inviting field.

Taking into consideration these conditions, it is evident that in the very near future we must contend with intensive foreign competition unless we are given adequate protection by a higher duty than that provided in the pending tariff bill.

FOREIGN COMPETITION ON LOW-PRICED CANDIES.

Foreign competition will be on low and medium priced candies. Such candies are sold by manufacturers in the United States at prices averaging 20 cents per pound and less.

The cost of production has not decreased to such an extent as to enable United States manufacturers to make any further reduction in their prices and at the same time make a decent-living profit. Manufacturers have reduced their prices on an average approximately 50 per cent.

The slight decreases in the prices of some few basic raw materials are more than offset by the proposed increase in the duty on sugar and various raw materials and the increase in labor and overhead expenses, the latter, as compared with 1920, showing an average increase of about 40 per cent.

The low and medium priced candies are staple lines on which there is the keenest local competition. They are sold at a very narrow margin of profit and constitute approximately 80 per cent of the entire output of all kinds of candy.

Therefore 80 per cent of the entire output of the industry would be seriously menaced by low-priced foreign candies.

LOW COST OF PRODUCTION IN FOREIGN COUNTRIES.

Candy manufacturers in England, Germany, France, and Canada can produce the same grades of candy at a much lower cost of production than United States manufacturers, largely due to lower duties on various raw materials and drawbacks allowed on exports by these countries.

Wages and the cost of sugar and other materials are very much lower.

Wages paid to male and female workers in candy factories in those countries from which we will have the keenest competition are as follows: Germany, 4 cents to 11 cents per hour; France, 4 cents to 13 cents per hour; England, 14 cents to 26 cents per hour.

Wages paid the same classes of male and female workers in candy factories in the United States average from 25 cents to \$1 per hour.

JAPANESE COMPETITION.

We are reliably informed that Japanese candy manufacturers are making extensive investigations relative to the opportunities for the sale of their products in the United States.

Should they invade this market, as they very likely will do, it will be a very serious matter for our industry.

The low cost of production, due to extremely low wages and low cost of raw materials and packages, would enable them to flood this market with low-priced candies and would make them very formidable competitors.

Wages paid male workers in candy factories in Japan average about \$1 per day, or \$20 per month with board, as compared with \$4 to \$10 per day paid to male candy workers in the factories in the United States.

The candy factories in Tokyo, Yokohama, and Kobe, we are reliably informed, are equipped with the most modern, up-to-date candy machinery, a great deal of which was manufactured in the United States.

The quality of the candy manufactured in these plants and the method of packing compares very favorably with similar kinds of candy manufactured in the United States and England.

The Morinaga Confectionery Co. (Ltd.), of Tokyo, employs 2,000 male and female workers and is one of the largest concerns of its kind in either Europe and Asia.

OVEREXPANSION OF INDUSTRY IN THE UNITED STATES.

The confectionery industry in the United States has always been highly competitive, and, furthermore, due to overexpansion during the war period there is now serious overproduction and keener competitive conditions than ever before and a further invasion by low-priced foreign competition would be disastrous.

HIGHER DUTY ABSOLUTELY NECESSARY.

We are, therefore, appealing to you for adequate protection through a higher duty. There is no opposition to a higher duty, and it would give our industry the protection which we must have against ruinous foreign competition.

We trust, therefore, that our request for a duty on candy and all confectionery of 50 per cent ad valorem will receive your favorable consideration.

SCHEDULE 6.

TOBACCO AND MANUFACTURES OF.

TURKISH TOBACCO.

[Paragraphs 601 and 605.]

STATEMENT OF JUNIUS PARKER, NEW YORK CITY, REPRESENTING AMERICAN TOBACCO CO.

The CHAIRMAN. Mr. Parker, you reside in New York and represent the American Tobacco Co.?

Mr. PARKER. Yes, sir; I reside in New York City, and I am the general counsel of the American Tobacco Co., but in this hearing, at the instance of, I think, all cigarette manufacturers, I represent them. I say I think I represent all of the cigarette manufacturers, at least the larger cigarette manufacturers.

The CHAIRMAN. Will you give a list of the cigarette manufacturers represented by you?

Mr. PARKER. The R. J. Reynolds Tobacco Co.; Liggett & Myers Tobacco Co.; P. Lorillard Co. (Inc.); the Tobacco Products Corporation; Larus & Bro. Co.; Bloch Bros. Co.; and I have also been asked to speak on behalf of or represent the Tobacco Merchants' Association of the United States, which includes in its membership substantially all of the other cigarette manufacturers.

The CHAIRMAN. How many of them are there?

Mr. PARKER. The last report of the Internal Revenue Commissioner shows about 200; that is, 198 or 200 or 201; I do not answer exactly.

The CHAIRMAN. In general, the cigarette manufacturers?

Mr. PARKER. In general, the cigarette manufacturers.

The CHAIRMAN. Where are they located principally?

Mr. PARKER. A good many of them in New York, a good many in Illinois, and some in New Jersey; the smaller cigarette manufacturers are usually in the large cities and their brands have a large but local consumption.

The CHAIRMAN. Have you a list of these some 200 other manufacturers, Mr. Parker?

Mr. PARKER. No, sir; I have not, Senator.

The CHAIRMAN. They are in the report of the Commissioner of Internal Revenue, are they?

Mr. PARKER. No, sir; the names are not in the report, but the number is in the report.

The CHAIRMAN. Where could the committee get the names?

Mr. PARKER. Mr. Dushkind has the Tobacco Merchants' Association list of these cigarette manufacturers.

Mr. DUSHKIND. We have a partial list that is not altogether official.

The CHAIRMAN. Could the committee be furnished with a list as complete as may be?

Mr. PARKER. Certainly, sir.

The CHAIRMAN. Proceed, Mr. Parker.

Mr. PARKER. The provision of the Fordney tariff bill which I shall discuss is that provision which advances the rate of duty on Turkish tobacco from 35 cents to \$1 a pound. I earnestly protest against that increase or any increase, on behalf of all of the cigarette manufacturers.

The language of the Fordney bill is confused, but I need not stop to discuss at any length that confusion. There is a provision that filler tobacco shall be increased from 35 to 45 cents a pound for unstemmed and from 50 to 60 cents a pound for stemmed, with the provision that that class of filler tobacco that is habitually used without stemming shall bear the same rate as stemmed tobacco; that is, 60 cents a pound instead of 45; and Turkish tobacco is about the only tobacco that we know of that is used without stemming, and on that there would appear to be imposed a duty of 60 cents. But then it provides further that the tobacco that is known as Turkish shall bear a rate of \$1 a pound.

I understand there have never been any hearings before the Ways and Means Committee, but I understand also that this increase in the rate on Turkish tobacco was induced on the theory that California could grow Turkish tobacco if it were properly protected, and it was for that reason that I had some anxiety to hear Mr. Aram, who, so far as I know, represents the California Turkish tobacco growing industry. I do not know upon what basis this request is to be made, because I have never heard Mr. Aram.

Senator SIMMONS. Have they, up to this time, grown any tobacco of the Turkish type in California?

Mr. PARKER. No, Senator. No tobacco has ever been grown of the Turkish type, in my judgment, in California. The total California crop of tobacco—which is California tobacco and not Turkish tobacco—in the year 1920 was 200,000 pounds, as stated in the memorandum filed by Mr. Aram with the Ways and Means Committee.

Senator SIMMONS. Is that essentially different from the other cigarette tobaccos grown in this country?

Mr. PARKER. Essentially different? Yes; I think in the same sense that burley is different from Virginia, and in the same sense that Wisconsin is different from Maryland, and not otherwise.

Senator SIMMONS. Would the California product in any way take the place in the manufacture of cigarettes of Turkish-grown tobacco?

Mr. PARKER. Not at all; it is not substitutable.

Before I proceed with the California situation—

Senator LA FOLLETTE (interposing). In what respect is it similar to the Turkish tobacco, if there is any similarity?

Mr. PARKER. There is some similarity. The similarity comes from its being grown from Turkish seed, and the first crop that is grown from the fresh seed preserves some of the characteristics of the seed from which it is grown, the differences being made by the soil and the climate, precisely like Wisconsin tobacco has a resemblance to

Cuban tobacco, because it originated from the Cuban seed. But before we get to this California matter, if you will permit me, allow me to refer to some of the general considerations.

There is imported into this country substantially 40,000,000 pounds of Turkish tobacco. An advance of 65 cents a pound would be an advance of substantially \$26,000,000 on that importation. There are produced in this country substantially 50,000,000,000 cigarettes. The production in the last fiscal year came down to about 47,000,000,000 from about 53,000,000,000 the year before. But there has been some picking up of the business since, because of the introduction of some new and cheaper brands, so I think it is fair in round numbers to say that there is a business in this country of substantially 50,000,000,000 cigarettes, and there are 40,000,000 pounds of Turkish tobacco imported—a proposed increase, therefore, of the tax on cigarettes of \$26,000,000 is, as applied to the whole cigarette business, an increase of substantially 50 cents a thousand.

Senator LA FOLLETTE. What is the value of those 40,000,000 pounds of imported Turkish tobacco?

Mr. PARKER. It varies very much.

Senator LA FOLLETTE. I suppose it does.

Mr. PARKER. In a general way, I think that as an average it costs 55 to 70 cents in Turkey, with 35 cents a pound additional, or a little more than \$1 a pound, duty paid.

The Ways and Means Committee and the Senate Finance Committee, with no hearings before either, but with the information derived from the Treasury Department and from the Revenue Department, concluded, and I think very wisely, that no branch of the tobacco business could be safely subjected to increased taxes. The only branch that seemed flourishing at all, and even that had fallen off 11 per cent, was the cigarette business. Therefore, I think that there has been an adjudication, as it were, that there ought not to be an addition of 50 cents a thousand to the cigarette tax, and that is what this proposed advance would amount to as a revenue measure spread over the whole cigarette business.

The CHAIRMAN. Did not the Secretary of the Treasury suggest the propriety of raising the tax for internal revenue?

Mr. PARKER. He gave that as one of the suggestions; I never understood that he suggested it otherwise than to give a list of things from the taxation of which a deficit might be covered.

Senator SIMMONS. The Secretary of the Treasury, if the chairman will pardon me, and Dr. Adams, speaking not, I believe, of tariff duties, suggested and stated that in their opinion the tax now imposed upon tobacco was as high as it was profitable for revenue purposes.

Mr. PARKER. That has been my understanding. There were no hearings before the Finance Committee; there were no hearings before the Ways and Means Committee. But every line of the tobacco business had fallen off; the cigarette business had fallen off over 5,000,000,000, or 11 per cent.

Senator SMOOT. Of course, Mr. Parker, you know that the amount of cigarettes now has even increased.

Mr. PARKER. Are increasing compared with those months which showed a falling off?

Senator SMOOT. Yes.

Mr. PARKER. And I wanted to deal, Senator, with the utmost frankness—I have a feeling that part of that decrease in 1920 was that peculiar condition, beginning in the fall of 1920, of stagnation, but I do think you ought to remember this—

Senator SMOOT (interposing). There was another reason also, Mr. Parker. Of course, there were quite heavy purchases before that slump in the number sold, and now that has all been disposed of and it is normal again.

Mr. PARKER. No, Senator, it is not normal again, and I will tell you why.

Senator SMOOT. What I meant to say was that the stock is normal, and the purchases are normal, and there is the regular rate of buying; they have to buy as they need them.

Mr. PARKER. No. I will tell you what is reflected in the reducing costs of tobacco. The American Tobacco Co. got out a cheaper brand called "111." The Liggett & Myers Tobacco Co. got out a cheaper brand and the Lorillard Co. got out a cheaper brand; and the tobacco people believe that the increases lately have been from the distribution of those new brands which have not gone into consumption. But, Senator, the fiscal year 1920 showed 53,000,000,000; the fiscal year 1921, or ending June 30, 1921, showed 47,000,000,000.

I was assuming—and I believe, so far as we can judge, that is a fair assumption—that we have a business of substantially 50,000,000,000.

Senator McLEAN. What did you say the consumption in 1914 was?

Mr. PARKER. The consumption in 1914 was very much less. I have the figures here given by the commissioner's return. I haven't it in fiscal years; this is calendar years. In 1914 the business was only 16,000,000,000.

Senator McLEAN. And the increase has been very rapid, has it not?

Mr. PARKER. It has been very rapid; the increase in the cigarette production in this country has been enormous. In 1910 it was only 8,000,000,000; in 1919 it was 53,000,000,000; in 1920 it was 47,000,000,000.

Senator WATSON. What about the imports during that time?

Mr. PARKER. Of what—Turkish tobacco?

Senator WATSON. No, cigarettes?

Mr. PARKER. Very slight. The importation of Turkish tobacco has increased.

Senator LA FOLLETTE. In what branch of the cigarette business was there a slump—in the whole?

Mr. PARKER. So far as I know, in the whole business.

Senator LA FOLLETTE. If there was a diminution in consumption, have you any means of knowing in what grade of cigarette consumption there was a falling off?

Mr. PARKER. No, Senator; I do not think there is anybody who is informed. Different brands fared differently, but I do not think it was in any particular grade of consumption.

Senator McLEAN. How about the price; was that increased?

Mr. PARKER. The price of cigarettes has been increased from time to time with the increase in taxes, and the price has been maintained high because of the tremendous increase in the cost of leaf tobacco. Prices are now going down, first by putting out new brands that sell

20 for 15 cents instead of 20 for 20 cents, and, second, in the reduction in the price of staple brands.

Senator McLEAN. You are doing a pretty good business now, I take it?

Mr. PARKER. The cigarette manufacturers?

Senator McLEAN. The American Tobacco Co.

Mr. PARKER. The American Tobacco Co., yes. The American Tobacco Co. is doing a good business, but the American Tobacco Co.'s rate of profit on output or rate of profit on capital is not higher now than it was in 1912.

Senator LA FOLLETTE. How high is it?

Mr. PARKER. The last annual report of the American Tobacco Co. showed a rate of profit on its capital investment of about 10 per cent, and a rate of profit on its output of about 11 per cent.

Senator McLEAN. I think I saw in the paper the other day that the American Tobacco Co.'s earnings on common stock was something like 20 per cent.

Mr. PARKER. I think that is so, but that is because our common stock is small and our preferred stock and bonds, with a low rate of interest, is very large.

Senator LA FOLLETTE. What is your common stock?

Mr. PARKER. The common stock was \$40,000,000 as compared with over \$100,000,000 of other securities. A stock dividend was declared some time ago. But the report of the American Tobacco Co., differing in that respect from the other tobacco companies, beginning as far back as 1905 or 1906, has constantly given the amount of sales, the amount of profit, the percentage of profit on the sales, and the percentage of profit on the invested capital.

Senator McLEAN. What do you handle besides cigarettes?

Mr. PARKER. Tobaccos.

Senator McLEAN. Leaf tobacco?

Mr. PARKER. Oh, no; not leaf tobacco. We are manufacturers of established brands, like Bull Durham; plug and smoking. Then we are interested in a cigar company by stock ownership; I mean publicly interested in the American Cigar Co. So the American Tobacco Co.'s activities include the whole field.

Senator McLEAN. The American Cigar Co. buys leaf tobacco?

Mr. PARKER. It buys leaf tobacco as the American Tobacco Co., because it has to do it in order to manufacture.

Senator McLEAN. So that you are interested in leaf tobacco?

Mr. PARKER. Oh, tremendously interested in our raw material, but I thought you meant dealing in leaf tobacco.

Senator Smoot. You are objecting to the putting of \$1 per pound on filler tobacco, known as Turkish tobacco. If that \$1 a pound was taken off, are you still objecting to the increase on filler tobaccos not specifically provided for, increased from 35 to 45 and from 50 to 60 cents?

Mr. PARKER. Yes, sir. But I would not discuss that, Senator, because that is largely a cigar proposition, and the cigar industry is represented here.

Senator Smoot. Then you are simply objecting to the rate of Turkish tobacco of \$1 a pound?

Mr. PARKER. That is so. I said, in the first place, that I did not believe the cigarette industry would stand an increase of 50 cents a thousand.

Senator WATSON. What proportion of the cigarettes made in the United States does your company make?

Mr. PARKER. I think about 20 per cent.

Senator WATSON. Do you use Turkish tobacco in all the cigarettes?

Mr. PARKER. We do not use Turkish tobacco in all the cigarettes we make.

Senator WATSON. In what proportion of the cigarettes that you make do you use Turkish tobacco?

Mr. PARKER. In 80 per cent—not the American Tobacco Co., but the cigarette industry of the country. And there we come to the gross injustice of this proposed increase of rates.

Senator WATSON. Do the other cigarettes made by other companies contain Turkish tobacco in the same proportion?

Mr. PARKER. They differ. The Liggett & Myers Co. has a brand called "Piedmont," much advertised, which is pure Virginia. The American Tobacco Co. has a brand called "Sweet Caporal" that has a small infusion of Turkish.

But the three leading brands in this country to-day in sales are Camel, Lucky Strike, and Chesterfield; and every one of those uses a proportion of Turkish tobacco. I know how much Lucky Strike uses, but I do not know how much Camel uses and I do not know how much Chesterfield uses, and I suppose the manufacturers do not think I would be perfectly reliable in telling how much Lucky Strike contains, and I am sure they would not be in telling how much Turkish these other brands use.

But you noted that tremendous growth in the cigarette business. That tremendous growth is precisely coincident with the development of the blended cigarette. In 1910 there were hardly any blended cigarettes made; in 1920 we consider that 70 per cent of all the cigarettes made are blended cigarettes.

Senator WATSON. What do you mean by that?

Mr. PARKER. There were 50,000,000,000 cigarettes manufactured in this country, and of that amount we think about 70 per cent are blended; about 20 per cent are pure domestic, and about 10 per cent are pure Turkish. Those are estimates.

Apply those percentages to the 50,000,000,000, and you have 35,000,000,000 cigarettes that are blended, some 10,000,000,000 that are pure domestic, and some 5,000,000,000 Turkish.

Senator WALSH. And in the blended cigarette is the Turkish tobacco usually used?

Mr. PARKER. You can work that out pretty well. Forty million pounds are brought into this country; at the rate of about 3 pounds per thousand to make the 5,000,000,000 pure Turkish requires about 16,000,000 pounds. If you deduct that you will have 24,000,000 pounds, and when you divide that 24,000,000 pounds into the 35,000,000,000 cigarettes you get about 20 per cent Turkish.

I have no doubt that some brands use more than 20 per cent Turkish; for instance, Fatima and Omar. I have no doubt some use less than 20 per cent; but it is about 20 per cent, those figures show.

Senator WALSH. In the blended cigarette?

Mr. PARKER. In the blended cigarette. Now, 20 per cent of the tobacco being Turkish, 80 per cent or four times as much is domestic, and unless we cigarette manufacturers are wrong, the development of this blended business has meant what? That in the blended cigarettes alone we are consuming 96,000,000 pounds of domestic-grown tobacco—grown in North Carolina, Virginia, South Carolina, and Kentucky, because burley has come to be used in cigarettes very much now.

There are 96,000,000 pounds of domestic used in making these blended cigarettes, whereas in 1910 the total cigarette consumption of leaf tobacco in this country was only for 8,000,000,000 cigarettes, or about 35,000,000 pounds.

Therefore, Mr. Chairman and gentlemen of the committee—

Senator WATSON (interposing). Is there a greater demand by the trade for the Turkish cigarette than the ones purely American?

Mr. PARKER. Generally. But, of course, the cigarettes are successful when they appeal to the smoker.

Senator WATSON. That is what I am asking about.

Mr. PARKER. If you want to know what are the most popular ones, judged by the volume of sales, I think I have indicated it by saying 70 per cent in volume of sales are the blended cigarettes.

Senator McLEAN. They are cheaper than the pure Turkish?

Mr. PARKER. They are cheaper than the pure Turkish, but the same price as the pure domestic. Take Liggett & Myers Co. It has two brands of cigarettes, both of which are distributed well and both of which are manufactured well. One is called the "Piedmont," an older cigarette brand; the other is called "Chesterfield." I do not know their figures. They sell at the same price, but I venture the statement that Chesterfield outsells the Piedmont two to one.

Senator McLEAN. Do you think the average smoker can tell the difference with his eyes shut?

Mr. PARKER. Yes; I think he can.

Senator McLEAN. Or with them open?

Mr. PARKER. I think if he did not tell by the first cigarette that he will tell in the consumption week in and week out.

Senator McLEAN. You say this enormous increase in the consumption came with the blended cigarette. It also came with the war, did it not?

Mr. PARKER. No, indeed, Senator. It began long before the war.

Senator McLEAN. It "began"?

Mr. PARKER. No, indeed. You see, these figures do not include export figures, because export cigarettes do not pay any internal revenue. Therefore, I can go right up the line. In 1910 it was 8,000,000,000; in 1911 it was 10,000,000,000.

Senator WALSH. Of what?

Mr. PARKER. Of cigarettes.

Senator WALSH. Of all cigarettes?

Mr. PARKER. Of all cigarettes.

Senator WALSH. I was asking about the blended cigarettes. He asked you if the blended cigarettes had not increased during the war.

Senator McLEAN. The cigarettes increased enormously during the war. It might have begun before the war.

Mr. PARKER. The increase, so far as our soldiers consumed them in France, is not reflected here at all.

Senator McLEAN. But they got the habit there?

Mr. PARKER. The increase has been in greater proportion—

Senator McLEAN (continuing). And I assume they have not discontinued the habit on the return very largely?

Mr. PARKER. In 1910, it was 8,000,000,000; in 1911, it was 10,000,000,000; in 1912, it was 13,000,000,000; in 1913, it was 15,000,000,000; in 1914, 16,000,000,000; in 1915, 17,000,000,000; in 1916, 25,000,000,000. But we had not gone into the war in 1916.

Senator McLEAN. No; but the war was on.

Mr. PARKER. But these figures do not include those shipped to foreign Governments, because they do not buy internal revenue stamped goods, and therefore they are not a part of these figures.

Senator McLEAN. You have got 25,000,000,000 to account for after the war began, which is something of an increase.

Senator WALSH. Why is it that blended cigarettes are not more expensive than domestic cigarettes, in view of the tariff?

Mr. PARKER. Well, in the first place, domestic leaf tobacco has been very high. For instance, I am familiar with the Lucky Strike brand, because I represent the American Tobacco Co. always. After the armistice, when burley tobacco remained very high and when shipping facilities were established well with Turkey, and the crops from there came over, our Turkish content in Lucky Strike cost us less than the Burley content. But that did not induce us to put in more Turkish, because we had a blend that had shown its popularity, and whether a blend is popular or not depends not on relative prices; and it does not depend on relative qualities, except as the quality appeals to the smoker.

The American Tobacco Co. makes pure domestic cigarettes, as well as blended, and its livelihood is not dependent upon the Turkish cigarette.

Liggett & Myers Co. makes pure domestic cigarettes and blended cigarettes. The Reynolds Tobacco Co. makes blended cigarettes. But if you take the small manufacturers they almost all make pure Turkish cigarettes; and to increase—

Senator SMOOT (interposing). Pure Turkish?

Mr. PARKER. Pure Turkish—the small manufacturers; it is the local men in the cities, and so on. Their business is almost all pure Turkish.

Now, if you increase the duty as proposed in this bill, you increase the tax per thousand on the pure Turkish cigarette to the extent of \$2 a thousand. The internal-revenue tax now is \$3. The duty at 35 cents, 3 pounds to the thousand, makes a total of \$4, and therefore you will have a tax which would apply to the pure Turkish cigarette of \$6 a thousand, which is simply, in my judgment, prohibitive.

Besides that, you are doing a vast injustice in putting this additional revenue of \$26,000,000 not on the whole industry but on the particular brands, because particular brands have been advertised and built up at the expense of tremendous sums of money; and when you destroy the blend, when you destroy the formula of manufacture, you have destroyed the brand. A brand that is 10 per cent Turkish and 30 per cent burley and 40 per cent Virginia and 20 per cent Maryland—if it is to preserve its identity it has got to preserve those percentages, and to legislate to impose a tax falling unequally on

different manufacturers is the height of injustice to the manufacturer. And in saying that I am not particularly speaking in the interest of the American Tobacco Co., because that injustice can better be stood by the American Tobacco Co. and Liggett & Myers than any other two manufacturers. Take such as Lorillard, the Tobacco Products, and the small manufacturers, and it would be destructive of their business.

I think, therefore, that from the point of view of revenue, from the point of view of the conservation of established brands and businesses, from the point of view of the interests of the Virginia, North Carolina, and Kentucky growers, that any increase on the tax on this Turkish leaf is very disastrous. Senator Simmons, at least, will remember that 10 years ago, or 12 years ago, when the pure Turkish business was growing, some North Carolina farmers and Virginia farmers, or spokesmen for them, took up with some Members of the Senate and House from North Carolina and Virginia the question of the increase in duty on Turkish tobacco for the protection, as they said, of Virginia and North Carolina tobacco. They abandoned that; it never was brought before any committee, because they came to realize, even at that time, that the blended cigarette had potentialities to the great benefit of Virginia and North Carolina farmers and not to their detriment; and time has shown the wisdom of that abandonment, because, as I said a minute ago, at that time the total tobacco used in cigarettes of all sorts was only about 35,000,000 pounds, whereas to-day in our blended cigarettes alone, disregarding for the moment pure Turkish and pure domestic, we are using 96,000,000 pounds of domestic tobacco.

Senator SIMMONS. Are any of the producers of cigarette tobacco demanding additional grade as a matter of protection?

Mr. PARKER. One. Mr. Aram, of California.

Senator SIMMONS. And that is upon the ground that they may raise it?

Mr. PARKER. As a substitute for the Turkish. No suggestion has come from the burley growers of Kentucky, the Virginia growers, North Carolina or South Carolina growers, or from any other section of the country—no slight suggestion has come that this duty should be raised, because they recognize—every intelligent one does—that it would jeopardize and be likely to be destructive to their interests to have this Turkish tobacco eliminated, believing, as they do, from seeing the growth of brands, that the very largest selling brands, the most popular brands, the brands that appeal the most, to the extent of 70 per cent of the entire production in this country, are brands that carry with them a little Turkish and a lot of domestic.

Senator SIMMONS. You have been speaking up to this time with reference to the cigarettes consumed in this country. Now, with reference to the cigarettes that you export, do you not export a large number of cigarettes?

Mr. PARKER. We export very few.

Senator SIMMONS. Do you mean the American producers, or are you speaking of your own company?

Mr. PARKER. I speak of my company now.

Senator SIMMONS. I am speaking of the whole industry.

Mr. PARKER. Senator, there is not as much export of cigarettes as there used to be. Every country is differentiating in favor of the domestic manufactured goods instead of the imported cigarette.

The British-American Tobacco Co. is a large exporter. It had factories in Durham and Petersburg. But the British-American Tobacco Co. had to establish factories in China and India. The Imperial Tobacco Co. is a large user of American-grown tobacco, but its factories are in England. So the export of the manufactured cigarette from this country is falling off, and the inevitable tendency is to fall off, because every country differentiates in favor of the domestic-made product, as against the imported product.

Senator SIMMONS. What I had in mind to ask you is, do the foreign consumers show the same preference for blended cigarettes that the American consumers do?

Mr. PARKER. I do not know, Senator. Camel cigarettes, I know, have a considerable export business. But as compared with the consumption of cigarettes throughout the world, the export from this country is insignificant.

It is suggested that this danger to the revenue, this injustice to the manufacturers, this injustice, in my judgment, to the leaf growers in Virginia, North Carolina, and Kentucky should be done—that this increased duty should be imposed—because a substitute for Turkish tobacco may be grown in California.

Senator SIMMONS. Mr. Parker, nobody is asking it, and for the present I am eliminating the California man, because we have not heard from him yet, and you say that up to this time there is no tobacco of the Turkish type produced, that they simply hope to produce it in the future. There is nobody who produces a tobacco who is asking for this increase upon the ground that it is needed for the purpose of protection of the American product. This, then, assumes the aspect purely and simply of a revenue proposition.

Mr. PARKER. Except for California, it does.

Senator SIMMONS. Except for California—I eliminate that.

Mr. PARKER. Yes.

Senator SIMMONS. In reference to the revenue from the tobacco industry in this country, I was under the impression that according to the views of the Secretary of the Treasury and Dr. Adams, the expert, that we had gone to the limit in the revenue bill.

Mr. PARKER. I think you have gone beyond the limit of revenue production.

Senator WATSON. He made that statement here before the committee.

Senator SIMMONS. He did; that is my recollection.

Mr. PARKER. I think you have gone beyond the limit, so far as revenue is concerned. But if you have not, then I ask, in the name of justice to the manufacturers other than my own company, I ask in the name of justice to the tobacco growers in North Carolina and Virginia, that you protect the brands in their relative positions by putting a flat tax on cigarettes.

It is not right, when there are no considerations of the proper protection of an American industry—it is not right, to destroy a man's brand, on which he has spent thousands of dollars advertising and selling, by requiring him to change the formula radically of his content, because when you have changed that formula you have destroyed that brand.

Senator McCUMBER. How is the tax upon the mere brand of cigarettes going to be beneficial to those who desire to raise the tobaccos in California; how will it help them?

Mr. PARKER. It will not. Now, we come directly to this California situation. I am frank to say that, as I have heard it, this Fordney bill tariff of \$1 a pound was not intended as a revenue producer; it was intended to protect and build up a so-called California production of Turkish tobacco.

We know a good deal about that California situation. The American Tobacco Co. in 1909 or 1910 had a much larger proportion of the tobacco business of this country than it has now. We bought tobacco in Turkey. We found conditions in Turkey uncomfortable, and we spent thousands of dollars attempting to grow a substitute for Turkish tobacco.

The CHAIRMAN. Why did not these interests have a hearing before the Ways and Means Committee?

Mr. PARKER. There was no hearing, as I understand, even from Mr. Aram. The first we ever heard of such was just about the time the Fordney bill was reported, and somebody found in an odd tariff hearing volume a memorandum filed by Mr. Aram, and there was no opportunity for a hearing. When we found it the hearings had closed.

But, as I was saying, in answer to your question, the American Tobacco Co. literally spent thousands of dollars in attempting to grow a substitute for Turkish tobacco, and in many other places it has been experimented with—North Carolina, South Carolina, and California.

Mr. Melachrino, the founder of a large Turkish cigarette business, the Melachrino brand, attempted the production of Turkish tobacco in Colorado and California.

In 1911 the California business and the San Francisco business of the American Tobacco Co. was conveyed to the Liggett & Myers Co. They continued the experiments that we had begun in California.

Mr. Drucklieb, a large Turkish leaf dealer in New York, tried it in the Carolinas and in New Jersey, and we could not grow a substitute for Turkish tobacco, and that is not strange. Nobody has been able to grow a substitute for Cuban tobacco. You can not grow in Wisconsin burley tobacco; you can not grow in Wisconsin North Carolina tobacco.

Even if conditions in California, to the superficial observation, were precisely similar to what obtains in Turkey—

Senator LA FOLLETTE (interposing). How extensive were your experiments in California?

Mr. PARKER. They extended over several years. They involved an expenditure—we leased the land—of \$20,000 or \$30,000.

The CHAIRMAN. I see in the appendix of the Ways and Means report that there is a brief on the Turkish tobacco question by the associated tobacco growers of California.

Mr. PARKER. That is what I said; that is what we first found, and I think you will find it on page 4439.

The CHAIRMAN. Yes; that is the page.

Mr. PARKER. That is Mr. Aram's memorandum.

The CHAIRMAN. And that is the only information we have on this?

Mr. PARKER. That is all. Another consideration that has got to be taken into account is this: Reference is made to their ability to grow Turkish tobacco in California, but really we think it is quite

like a man who would go to England, saying that he could grow American tobacco there.

The fact is that the Turkish tobacco production in that country is as large as the United States, and there is as much difference between Xanthi and Kavalha tobacco as there is between Wisconsin and North Carolina tobacco, and it would be a little absurd, from my point of view, for an Englishman who was born in Wisconsin to say, "Well, I have been able to develop American tobacco." He may, perchance, have been able to develop something somewhat like Wisconsin tobacco, but he has not been able to develop burley or Virginia or Maryland or perique.

Senator WATSON. Your contention is that this effort to grow Turkish tobacco in California has not succeeded in that it has not developed a real substitute for the Turkish?

Mr. PARKER. Absolutely, and never will.

The CHAIRMAN. Will you permit me, Mr. Parker? The committee has agreed, as well as the experts, that we must finish this schedule to-day. We recognize you as the chief speaker on the one side of the question and Mr. Dushkind and his associates on the other, as I take it?

Mr. PARKER. No; there is no disagreement between Mr. Dushkind and his associates and myself. It is Mr. Aram.

The CHAIRMAN. The committee appreciates the value of your remarks, but we must limit these things in reason. Have you come to any agreement with those holding opposite views on this question as to the time?

Mr. PARKER. No; I never met Mr. Aram.

The CHAIRMAN. Is there any gentleman present who desires to be heard on the same subject as you?

Mr. PARKER. I think they do not desire to be heard, if I cover the question.

The CHAIRMAN. You will no doubt cover it thoroughly, as you have done in past years.

Mr. PARKER. I was going to say that, in the first place, we know California will not grow Turkish tobacco, because we have tried it, and other manufacturers have tried it. In the second place, we are not surprised that it will not, because when you try to develop the aroma, the flavor, the body of a type of tobacco grown in one section in another 5,000 miles away, the chances are all against you.

Then we know, even superficially, that California is not like a great part of the Turkish territory. The extremes of heat and cold are different and fluctuate more rapidly. The season, so far as moisture is concerned, is different. But if you want what I think is the best theoretical advice as to whether California tobacco is Turkish tobacco, I suggest that you would have no better witness than Dr. Garnier, who is the head of the leaf tobacco division of the Agricultural Department.

Moreover, in 1917—

Senator WATSON (interposing). Can the difference be detected by chemical analysis?

Mr. PARKER. I have no doubt it could, Senator, but chemical analysis of tobacco is not very satisfactory. You can determine it much better by smelling it; you can determine it much better by smoking it. But we would like to buy California tobacco; we would

love to use California tobacco. Ultimately the production and use of California tobacco would be an economy to us. But it can not be done.

Now, what has been the history of that crop? Mr. Aram is an oriental, an Armenian, I believe.

Mr. PARKER. There are several people in his section who have had an experience in Turkey, in Armenia, in growing tobacco. Now, they have gotten Turkish seed. They have attempted to bring about a substitute for Turkish tobacco. In 1920 they grew 200,000 pounds, so Mr. Aram's brief says. He believes—and I have not a particle of doubt he is sincere in his belief—that he can grow tobacco that approximates Turkish. But here you have an industry 10 years old which produces 200,000 pounds, and you have a consumption of Turkish tobacco in this country to-day of 40,000,000 pounds.

Senator SHORTRIDGE. In 1920 there were 700,000 pounds produced instead of 200,000.

Mr. PARKER. Senator, I have not any information about it at all, except as contained in Mr. Aram's memorandum, and Mr. Aram says in his memorandum the production is as follows: In 1906, 500 pounds; in 1910, 300,000 pounds; in 1919, 1,000,000 pounds; in 1920, 200,000 pounds. And then from 1906 to 1920, inclusive, or a period of 15 years, 6,500,000 pounds.

Senator SHORTRIDGE. Having made the statement I did, Mr. Chairman, it is only just and proper to add that I have the crop figures verified, and we offer them as correct, showing the production of Turkish tobacco in California from 1906 down to and including 1920. In the year 1906 it was 500 pounds. I will not trouble you at the moment to read the output each year successively. But in 1907 it had increased to 9,500 pounds; in 1908, 30,000 pounds, and on down—I pick up the matter at 1917, when there were 498,000 pounds; in 1916 there were 870,000, and in 1919, 1,525,000. It fell off in 1920 to 700,000 pounds, for reasons which can be explained.

Mr. PARKER. Senator, you will quite understand I am not attacking the correctness of the figures, but I am justifying my statement, because it was entirely in good faith and on the statement made in Mr. Aram's brief.

Senator SIMMONS. I understood you to say that this California tobacco, spoken of as Turkish tobacco, is not of the Turkish type.

Mr. PARKER. It is not Turkish tobacco at all; it is California tobacco. Ask Dr. Garner; ask any tobacco man. The Tobacco Products Co., whose president is here, has used some of the tobacco. He is using some now.

Senator SIMMONS. Is it bought in this market as Turkish, and do they pay the prices obtained for Turkish tobacco?

Mr. PARKER. I did not understand.

Senator SIMMONS. Is it bought in this market as Turkish tobacco, and by the concerns that buy and use it and pay for it the price they would have to pay for Turkish tobacco?

Mr. PARKER. Not at all. The president of the Tobacco Products Co. tells me he has negotiated for the purchase of some of this California tobacco in North Carolina. It has been taken down to North Carolina and subjected to the process of redrying that is common in domestic tobaccos, and which is never applied to the Turkish tobacco.

He says it is the best California he ever saw. He is offering 35 cents, and the man wants 40 cents.

Senator WATSON. Has that company attempted the use of California tobacco in the manufacture of cigarettes?

Mr. PARKER. Not to any extent. Our company attempted some little use when endeavoring to grow it, and we never found it pleased us. The Tobacco Products Co. did try it, and still use it, and it is entirely conceivable that if the California tobacco growers would really produce tobacco and reach a dignity of output, if I may so express it, it may be that somebody will get a blend and use some of it.

Fifteen years ago, Senator, burley tobacco was not used in cigarettes except by some manufacturers down in New Orleans, and it was a tradition of the trade that burley cigarettes would not sell outside of the Gulf States. But when Camel came and when Lucky Strike came and Chesterfield came, the manufacturers were able to blend with their Turkish Maryland and burley in cigarettes that hit the popular consumption, and nobody can foretell what combination will hit. But it is not Turkish tobacco, it never has been Turkish tobacco, it never will be Turkish tobacco, and you had just as well talk about protecting the banana business in order to create a banana business in Maine.

If the California growers grow tobacco and keep on growing it, they may get some results. Mr. Dixon, of the Tobacco Products Co., told me this morning, "I am using this California tobacco. I do not think of it as Turkish tobacco at all. But I got up a cigarette that sold on the East Side in New York that contains some Turkish, some burley, some Virginia, and some California. It is called 'Afternoon,' and it is selling fairly well."

But Mr. Dixon says further that "Under the stress of war times and the impossibility of getting Turkish tobacco, I did try an experiment once with this California tobacco as a substitute for Turkish. I put in 10 per cent in three brands—Royal Nestor, Oxford, and Arabs; and those three brands were living brands when I put it in, and they are dead now."

The smoker wants, gentlemen of the committee, what he wants.

The CHAIRMAN. Does the smoker show any bad effects from the consumption of these cigarettes?

Mr. PARKER. From the California tobacco?

The CHAIRMAN. Of the brand that died out?

Mr. PARKER. No, I think not. Of course, it is a very dangerous thing, Senator, to experiment with the formula under which your brand is made, because there is a very intimate touch, and when, on account of the high cost of some particular grade of tobacco as compared with the abundance of some other grade, the manufacturer tries a substitution—

Senator McLEAN (interposing). Do they put anything into cigarettes besides tobacco?

Mr. PARKER. Pure Turkish, no. The pure Turkish cigarettes, it is my understanding, have only the tobacco. Virginia cigarettes, like Sweet Caporal and Piedmont, carry, I think, some sugar and they carry a little glycerin, because glycerin has an affinity for moisture and it is used in small quantities so that they may retain a fairly moist condition. Camel and Lucky Strike cigarettes, I think, have added to them some chocolate, maybe, and maple sugar, and those ingredients that frequently go into the burley tobaccos.

If not uninteresting to you, Senator, the Camel cigarette was produced by the Reynolds Tobacco Co., and it had made a tremendous success in Prince Albert tobacco, and I have always had an impression that the Camel cigarettes carried with it some of the flavoring that had made the Prince Albert so popular. I know that Lucky Strike has in it some of the flavoring and process of manufacture that being applied to Lucky Strike and Tuxedo tobacco had made them very successful.

But if you mean to ask if there is anything in cigarettes that is harmful, unless tobacco is harmful; if you mean to ask whether there is any dope in them; if you mean to ask whether there is a thing in cigarettes that has any harm in it, then I say with all emphasis, no; and I speak not only for my own company but I speak with emphasis for every cigarette manufacturer in the United States.

So far as we conceive it, this is an attempt to carry the doctrine of protection clean beyond any limits that have ever been suggested. It is not to protect an industry, but it is to protect a hope and a vain hope, and a hope that the theorist and the practical man condemn. With all deference to the doctrine of protection, and with all deference to the productivity of California, it seems to us it is going too far and that this committee is not going to, as the House committee would not if hearings had been had, do the injustice to the industry, the revenue, the owners of the brands, and the tobacco planter.

Senator WATSON. Do you want to strike out the whole dollar a pound or modify it?

Mr. PARKER. I propose to strike out all the increase. I propose that the tax on Turkish fillers or cigarette fillers be, as it has been since 1882, no higher than on cigar fillers. And so far as I have had anything to say about the cigar industry, I have urged that that filler ought not to be advanced over 35 cents.

STATEMENT OF HON. SAMUEL M. SHORTRIDGE, SENATOR FROM CALIFORNIA.

Senator SHORTRIDGE. Mr. Chairman, I will take but a very few moments of the committee's time. I will very gladly follow the suggestion of the chairman, and permit Mr. Aram, of California, to present the matter more in detail.

I think it is proper, at the very outset, to say that the gentleman who has just addressed you is in error when he says that the Ways and Means Committee asked an ex parte statement. I am well informed as to the action taken by the House committee. I understood him to state that there had been no presentation of this matter to the House committee, that no one had appeared, no one had been heard. I understand that the matter was taken up before a subcommittee of the Committee on Ways and Means and very thoroughly discussed, broadly and in detail, arguments for and against the proposed increase being presented.

Senator SIMMONS. Is that discussion in the records of the Ways and Means Committee?

Senator SHORTRIDGE. I am not able to answer, Senator, but I was struck with the gentleman's remark, and turned to Mr. Aram, who advised me as he will in turn advise you from his own knowledge.

I think it proper to have our minds fixed on the fact that the term "Turkish" tobacco is a generic term and used to differentiate be-

tween many members of the tobacco family. In the term "Turkish tobacco" are included over 20 varieties of tobacco. The notion seems to prevail that from Turkey, whatever her territory may now be, comes one specific, well-defined type of the plant known as tobacco, and that that well-defined and exclusive type bears the extraordinary term "Turkish," and, moreover, that that particular kind of tobacco can not be raised elsewhere on God's earth than in Asia Minor. Such a notion is altogether erroneous.

There has been submitted here to this committee a tabulated memorandum containing much detailed information which I trust the members of the committee will have opportunity to read and to consider.

So much in brief reply to the remarks of the scholarly gentleman who has spoken.

The CHAIRMAN. Senator, will you permit me to interrupt you a moment?

Senator SHORTRIDGE. Yes.

The CHAIRMAN. Do you desire to have that pamphlet printed as a part of your remarks?

Senator SHORTRIDGE. I very much desire it.

The CHAIRMAN. It will be inserted as part of the Senator's statement to the committee.

Senator SHORTRIDGE. Thank you. Touching the soil and climatic conditions prevailing in California—

Senator SIMMONS (interposing). Senator, let me direct your attention to one thought I have in mind?

Senator SHORTRIDGE. Certainly.

Senator SIMMONS. You say there are various types of tobacco produced. The question, it seems to me, before this committee is that we are considering it from the standpoint of protection, whether it ought to be protected or not, whether there is produced in this country, in California, or elsewhere, a type of tobacco which comes in competition with the Turkish tobacco, selling at something like the same price that the Turkish tobacco would sell at, less the duty imposed. It is a question of competition. There may be a great many types, but is there a type so nearly approximating that in all the elements that enter into the desirability of that type for use in the manufacture of cigarettes?

Senator SHORTRIDGE. It may be known that I am a protectionist. I believe in the doctrine of protection.

Senator SIMMONS. I understood that very thoroughly.

Senator SHORTRIDGE. In the theory and the experience of protection, and my immediate answer to your thought is that there is produced in this country and there is produced in California a tobacco which we designate "Turkish tobacco," which comes in competition with tobacco grown somewhere yonder in Asia Minor—whether it be in Turkey proper or surrounding territory is neither here nor there. You are quite right in suggesting that this question does involve an application, and I hope a true American application, of the American doctrine of a protective tariff, the purpose of which is to build up and sustain an industry in this country which can not, unprotected, meet competition with the foreign product.

As to California, I was about to say, you are all familiar with its geography. There was published some time ago by our Geographical

Society a very interesting bulletin in which learned men undertook to account for the peculiar climatic conditions of the Pacific coast, from, say, the northern boundary of Washington State down to the southern boundary line of California. Having regard to ocean currents, to trade winds, and air currents, to latitudes and to altitudes, to the direction of the ranges of mountains, to rainfall on the western and eastern slopes of our mountains; taking all of these physical facts into consideration in an attempt to account for the peculiar summer and winter climate of California, the conclusion arrived at was, in point of truth, somewhat as Socrates would say, "That I do not know." And yet, there it is. There is that peculiar climate, different as to temperature and rainfall on the eastern and western slopes of our mountain ranges, and hard to account for. In brief, climate and soil of hillsides and valleys differ for reasons suggested.

I trouble you with these words to come to the point, that this type of tobacco, spoken of as "Turkish tobacco," which comes in competition with the tobacco grown yonder in Asia Minor, is now planted, cultivated, grown, and produced in some 10 counties in California—in Fresno, Tulare, San Joaquin, Santa Clara, Placer, Mendocino, Yolo, Yuba, Sacramento, and San Diego. In other words, this tobacco is raised in San Diego County, our extreme southern county, and in Mendocino County, away up in what we speak of as northern California, and along the foothills of the western slope of the Sierras, to the east of the Sacramento and the San Joaquin Valleys. To repeat, the raising of this tobacco is not confined to any one locality or small territory.

Senator McCUMBER. Senator, may I ask you a question right there?

Senator SHORTRIDGE. Yes, sir.

Senator McCUMBER. You stated a moment ago that there were very many different species or varieties of tobacco raised in Turkey, or what is known as "Turkish tobacco." Are all of those varieties of which you speak used in the blends which make our cigarettes, or is there but one specific variety out of the great number that may be raised in what we call Turkish territory?

Senator SHORTRIDGE. Frankly, Senator, I am not able to answer your question. I understand that various types or kinds are imported from Turkey, but what or how many varieties, under what particular subnames, are used in this blending process, I am not advised.

Mr. PARKER. I do not desire to interrupt, but I can supply the information if I may. A great deal of Turkish tobacco is not brought to this country at all, and is as worthless for purposes of American manufacture as any tobacco in the world. But the blends themselves consist of several varieties. For instance, in Pall Mall cigarettes it is said there are 42 varieties that go to make up that combination; and even when there is a 20 per cent blend of Turkish in cigarettes that may be a half dozen or a dozen different varieties of Turkish tobacco, the Xanthi being used for aroma, the Kavalha for taste, and the Smyrna for burning qualities or combustion.

Senator McCUMBER. Are they imported already blended?

Mr. PARKER. No. The skill—and sometimes good luck of cigarette manufacturers is in blending and balancing the quality of the Xanthi

for aroma, and Kavalha for taste, and Smyrna for burning or combustion qualities.

Senator McCUMBER. Let me ask whether or not the tobacco which you raise in California which you call Turkish tobacco consists of only one particular kind or whether you have the several species that are imported from Turkey?

Senator SHORTRIDGE. If you will permit me, Senator, I will allow Mr. Aram to answer that, because I am not able to do so with any degree of certainty. It has been suggested here that efforts were made to raise this kind of tobacco in California and that they were abortive or a failure. Of course, I do not recall what detailed effort they made, or in what quantities it was raised, or where, or by whom, but I have stated that this tobacco is now raised in 10 counties of our State. Manifestly, there are counties where it could not be raised.

Senator SIMMONS. Senator, does that tobacco raised in your State sell in the markets of this country at much higher prices or any higher prices than the average tobacco sells?

Senator SHORTRIDGE. It takes on a different value because of the sum total cost of production. It is an essentially different plant in size, in cost of production, etc., from other kinds. I have an "impression," to use that word, that there are gigantic companies in this country whose interests are hostile to the development of this particular brand of tobacco in California, and their interests and control over the market may be such as to effect the price offered for this particular tobacco.

Senator SMOOT. Do you know what the price for the 1920 crop was?

Senator SHORTRIDGE. I do not have the figures before me; but Mr. Aram will be able to advise you.

May I trouble you for a moment longer? It was said at one time we could not raise what has been erroneously called "English walnuts" in California. Well, we raise California walnuts, still sometimes called English walnuts, in great quantity and of the very finest quality.

It was erroneously thought, and I have heard it stated in this room, that we could not raise almonds in California equal to the product of France or Italy or other European countries, but the evidence, the fact, is we raise the finest almonds in the market to-day, and adequately protected we can supply the American market.

It was said originally that we could not raise certain kinds of grapes in California. But that suggestion has been long ago disproved. We raise every variety of grapes, and prices are better than formerly.

Now, it is said here this day that we can not raise this particular type or kind of tobacco in quantity or of quality sufficient to gratify the tastes of the American smoker who wants to smoke cigarettes blended or made up of a quantity of something containing a little "Turkish" tobacco.

Senator MOLEAN. A little chocolate, glycerin, and sugar.

Senator SHORTRIDGE. Yes; chocolate, glycerin, sugar, and other unknown quantities. I take issue with the gentleman; I deny his contention; we are ready to prove that his claim, or the claim of his clients, is utterly unfounded.

Now, as to the raising of this kind of tobacco: We started in in 1906, with 500 pounds. Well, for some reason men continued to plant and to cultivate, and Mr. Aram, who is an Armenian—we

have quite a population of native Armenians in California—and familiar with the cultivation of this particular tobacco, will give you detailed information as to the growth of the industry from 1906 to the present time.

Senator WATSON. Senator, since 1913 the tariff has been 35 cents a pound, I understand, on the unstemmed, and on the stemmed 50 cents a pound, and with that tariff you have been able to increase your production of tobacco, as you have stated, and why is it necessary to raise the tariff to \$1 a pound?

Senator SHORTRIDGE. That is a pertinent question which calls for an answer, of course. Conditions in the world change. The price of labor changes; the cost of production changes here and abroad. We have abnormal conditions.

Senator WATSON. That is what I was trying to get at.

Senator SHORTRIDGE. I have thought of these things, and they are all incorporated, and a satisfactory answer in substance to your question is set down here in this memorandum.

Senator WATSON. I just wanted to get that.

Senator SHORTRIDGE. Yes; thank you, Senator. Permit me to repeat a few of these figures: In 1906, 500 pounds; in 1908, 30,000 pounds; in 1909, 30,000; in 1910, 300,000; in 1911, 490,000; in 1912, 250,000; in 1913, 215,000; in 1914, 245,000; in 1915, 500,000; in 1916, 800,000; in 1917, 498,000; in 1918, 870,000; in 1919, due to good conditions and many elements contributing, 1,525,000 pounds; in 1920, for reasons to be explained, 700,000 pounds.

Senator CALDER. The war gave you an opportunity to develop the tobacco there and impressed the value of it upon the country?

Senator SHORTRIDGE. Yes, sir. In other words, gentlemen, whatever may be said to the contrary—probably by gentlemen who have not had the pleasure of visiting California or who have not come in contact with the physical facts there—whatever may be said to the contrary, the fact is, the outstanding fact is, that commencing with 500 pounds in 1906—experimental, if you will—the industry has grown, employing many men, women, and children, and in every way has been and is an advantage to the State and, moreover, I think, an advantage to the Nation.

Now, one more thought to which I wish to call your attention, and then I will ask you to listen to Mr. Aram. Something was said as to the consumption of cigarettes in America. I have figures here commencing with 1912 down to and including 1920. In 1912 it seems that our people got along by smoking 11,239,000,000 plus cigarettes. But in 1920 they consumed 50,448,000,000 plus.

Senator WATSON. The women have learned to smoke in that time. [Laughter.]

Senator SHORTRIDGE. Yes; I believe in one of our States they have passed a law making it a penitentiary offense to smoke cigarettes in public. Whether that law is being enforced I am not advised.

The CHAIRMAN. I think in the State of Utah they are not permitted to smoke them at all.

Senator SMOOR. Oh, yes, they are. I would not care if they were not.

The CHAIRMAN. Are they permitted to smoke in private?

Senator SMOOR. Oh, yes.

Senator SHORTRIDGE. In the matter of exports, in 1912 our merchants and manufacturers were able to export and did export 1,630,000,000 plus, and in 1920 15,833,000,000 plus. It appears that those figures indicate that the consumption has increased vastly and that the exports have similarly increased.

Senator McLEAN. We exported 15,000,000,000?

Senator SHORTRIDGE. Yes; exported from the United States.

Senator McLEAN. What is the unit—pounds or cigarettes?

Senator SHORTRIDGE. Cigarettes. The reports mounted up from 1,600,000,000 plus in 1912 to 15,833,000,000 plus in 1920.

I thank you very much, gentlemen. I repeat that the House committee listened to this matter and reached a conclusion. We thought then—we think now—that the conclusion was right, not on behalf of California alone—I trust that my vision extends beyond the territory of that State—for if that conclusion involved an industry of North Carolina or Florida, and the facts were as they are, I would pray the privilege to stand here and speak in behalf of that conclusion and that industry. It does not affect California alone. Of course, we have a very large territory, and we are no inconsiderable portion of this Union. You can take all of New England, New York, and Ohio and lay them down on the soil of California, and still we would have some unoccupied ground.

Senator SIMMONS. Senator, you said a little while ago that there were certain interests in this country that were very antagonistic to the growth of this Turkish tobacco in your State—at least that is what I understood you to say.

Senator SHORTRIDGE. Yes, sir.

Senator SIMMONS. I am rather at a loss to understand why any interest in this country should be antagonistic to that. Certainly the manufacturer who uses it as a blend ought not to object to it, because if you grew there the Turkish tobacco he would not have to pay that duty on it. He would get it at the American price, less duty. Certainly the producers of the ordinary types of tobacco in this country ought not to object to it, because it is very clear, I think, that this Turkish tobacco has popularized the use of his tobacco, has extended the use of it; and the cheaper that class of tobacco is bought by the manufacturer the greater price he expects to get for his type of tobacco.

Senator SHORTRIDGE. Yes, Senator; I appreciate the force of your words.

Senator SIMMONS. Therefore, it seems to me that both the manufacturer and the producer of tobacco in this country ought to welcome the production in this country of Turkish tobacco, if it can be produced here.

The CHAIRMAN. What are the interests that are opposed?

Senator SHORTRIDGE. I will answer that in a moment. I have always thought that the cultivation of this tobacco should be encouraged. But strangely enough, whenever this question of fixing a tariff on an imported article arises, there develops this conflict: Upon the one hand, there will be importers, or manufacturers closely related with importers, who come forward and say that the American product, whatever it may be—agricultural or manufactory—can not be produced in quantity or quality equal to the imported article. Wherefore they oppose a rise in the tariff; wherefore they argue

and say that the American product from field or shop never can be developed or produced to meet the demand.

Senator WATSON. Have you any evidence to show that the large tobacco companies in the United States are interested in the Turkish tobacco in Turkey or the other countries which have been referred to?

Senator SHORTRIDGE. I have been informed that they are largely interested in the importation of this so-called Turkish tobacco, and that because of business interests and connections abroad they want no increase in the duty, lest it will interfere harmfully with their now vested interests and connections.

Mr. PARKER. You do not mean that any of the tobacco manufacturers are interested in Turkish lands, do you?

Senator SHORTRIDGE. I do not know that they have title to the Turkish lands themselves, nor do I undertake to so state; nor is it necessary that they should have.

Senator SIMMONS. Let me ask you this question: Is it your understanding that Turkish tobacco sells in this market for less than American leaf tobacco?

Senator SHORTRIDGE. I understand the different grades and kinds—

Senator SIMMONS (interposing). Well, this Turkish tobacco. In this market, leaving off the duty paid on it, does the invoice price of Turkish tobacco fall, or has it ever fallen, below the price of American cigarette tobaccos?

Senator SHORTRIDGE. I understand not.

Mr. PARKER. Generally speaking, of course, you are perfectly right—Turkish tobacco with duty added.

Senator SIMMONS. Take the duty off.

Mr. PARKER. Take the duty off? It varies very much in type and price. Mr. Dushkind tells me that the average import price of Turkish tobacco in bond—that is, without duty—is 94 cents.

Senator SIMMONS. Has any tobacco ever produced in this country sold for that much?

Mr. PARKER. Yes; Connecticut tobacco.

Senator SIMMONS. I am speaking of cigarette tobacco.

Mr. PARKER. No.

Senator SHORTRIDGE. Finally, gentlemen, if this rate which we are asking were designed wholly and exclusively for the benefit of California, I would ask it. But I would follow it by the statement that it can not in the movements of business in America be hurtful to the consumers in America.

If Connecticut asks a special rate for her tobacco, I favor it, if it will develop that industry in that State, not because of Connecticut alone, though if it were so I would favor it, but in the development of our common country. The development of the West helps the South; the development of the South helps the North; the building up of New England creates a market for the West and the South. Therefore, while I do not appear here in behalf of California in any exclusive sense, still I ask you to consider her, her industry, her people.

Senator SIMMONS. If Turkish tobacco was now selling at a higher price than any other cigarette tobacco produced in this country, it would seem that when you add—I mean, in bond—35 per cent, that ought to prove protective.

Mr. PARKER. I am told that the figures show that the average price of Turkish tobacco was 94 cents during the year 1920; that was in bond. That, of course, makes a duty-paid value of \$1.30, virtually. The average price, as figured by some division of the Department of Commerce, of the domestic cigarette tobacco—that includes North Carolina, Virginia, burley, and others—was 41 cents.

Senator SIMMONS. Nearly double.

Mr. PARKER. More than double—41 as compared with 130, or substantially three times as much.

Senator SIMMONS. I have understood that the industries of the country claim absolute protection where the foreign was underselling the American product. But here is a case where the foreign product seems to be selling for twice the domestic product, and still you want more than 35 per cent.

Senator McLEAN. About what is the percentage of the cost of material in the high-grade cigarettes to the cost of the cigarette? I refer to the high-class Turkish cigarette, which I understand they sell for more than any other.

Mr. PARKER. Yes; the high-class cigarettes are the type which sell at from 25 to 30—Egyptian Deities and Pall Malls, etc.

Senator McLEAN. Two and a half to 3 cents apiece?

Mr. PARKER. Yes.

Senator McLEAN. What is the cost of the material in that cigarette?

Mr. PARKER. Senator, I can not give the information, although I can send it to you, because precisely that question came up not long ago, and we analyzed the elements, and leaf cost is substantially the largest element of our cost.

Senator McLEAN. I understood you to say about \$4 a thousand?

Mr. PARKER. No; you misunderstood me. I said that the present internal-revenue tax is \$3. The cigarette uses 3 pounds to the thousand; therefore the tariff tax now prevailing, 35 cents a pound, adds \$1, making \$4 of tax—not the cost. When you add to it—if you did add to it—the proposed addition, it would make \$2, making a total of \$6 tax.

Senator SIMMONS. How much does the tobacco cost?

Mr. PARKER. If you say that the average cost of Turkish tobacco is 94 cents, I would assume that the average cost of Pall Mall and Deities would be \$2.

Senator McLEAN. Two mills to the thousand?

Mr. PARKER. No; \$2 a pound, or \$6 a thousand.

Senator McLEAN. That is a cent and two mills; and that covered the cost of material in the highest-priced cigarettes?

Mr. PARKER. Of course, in those cigarettes you have very high cost of wrapping material; that means fancy boxes and the paper, and you have uniformly high-class paper in those high-class cigarettes.

Senator McLEAN. They are made by machinery, are they not?

Mr. PARKER. To an extent; but some are made by hand.

Senator McLEAN. I wish you would hand to the committee the percentage of costs to the selling price.

Mr. PARKER. Does that mean the highest class cigarettes?

Senator McLEAN. Yes; made out of Turkish tobacco—entirely Turkish tobacco. I understand you put in only a very small percentage of Turkish tobacco into the blends?

Mr. PARKER. Oh, no. We put, I would say, Senator, as I state to you, in a rather complicated way—the blended cigarettes carry o the average 20 per cent Turkish.

Senator McLEAN. One-fifth?

Mr. PARKER. That is one-fifth; yes. That Turkish is frequently of a lower price than very high class Turkish, but it bears, of course, a duty of 35 cents.

STATEMENT OF ALFRED ARAM, FRESNO, CALIF., REPRESENTING THE ASSOCIATED TOBACCO GROWERS OF CALIFORNIA.

Senator McCUMBER. Mr. Aram, will you kindly state your full name and address?

Mr. ARAM. Alfred Aram; Fresno, Calif. I am president of the Associated Tobacco Growers of California.

Mr. Chairman and gentlemen of the committee, I can not expect to be as eloquent as the gentleman who represented the manufacturers, because this is my first experience in speaking at a public hearing before a committee of Congress, but I shall endeavor to put the facts as we know them before you.

I represent the Turkish-type tobacco growers in the State of California. That organization, I may say, is composed of farmers who actually grow the tobacco. We have a membership of some 300 farmers. I may state to you also that 92 per cent of the membership of that organization is made up of men who are not less than three-generation Americans. There was a reference made here this morning about my being an oriental, or something of that kind. I was born Armenian through unavoidable circumstances, but I became an American citizen through choice. Also, the gentleman who made that remark knows that I was wearing the uniform of the United States Air Service as early as April, 1917, and the manufacturers whom he represents took full advantage of my absence from business in dealing with our farmers.

Senator WATSON. There was nothing said this morning by way of a slur or implication.

Mr. ARAM. I did not quite like it. It was taking unfair advantage.

Senator WATSON. I am sure that Mr. Parker said that only to show that you had some knowledge of that situation. Then, afterward, Senator Shortridge referred to the fact that you had been born in Armenia. That is nothing against you.

Mr. ARAM. The Fordney bill puts a tariff of \$1 per pound on the Turkish type of tobacco. We ask no change in the tariff as it stands in the Fordney bill, although we asked for a higher rate from the House committee. The term "Turkish" does not imply tobacco coming from any particular country. The term "Turkish" is simply a popular name for one branch of the tobacco family. The scientific term for that particular branch is *nicotinum rusticum*. If we should say *nicotinum rusticum*, it would mean the Turkish type of tobacco, no matter where it is grown. There has been an effort to represent that there is a discrimination against one country or several countries. This type of tobacco is now grown in over 20 different countries.

First of all, we asked the Ways and Means Committee of the House for a separate classification of this type of tobacco. Heretofore it

has been classified as filler tobacco, just as a number of other different types are classed under the filler classification. The reason was that it is impossible to put a just tariff on one of these filler tobaccos without doing an injustice to the other tobaccos included in that term "filler tobacco."

I wish to call the attention of the committee to the difference of that Turkish tobacco and other types of tobacco carried under that term. It can be seen very easily from the physical characteristics of these various tobaccos that they can not all survive under the same classification. The 35-cent rate on filler tobacco was put on long before we knew anything about Turkish tobacco and long before we had any such tobacco grown here.

The yield of this tobacco [indicating] is from 800 to 1,500 pounds per acre, I understand. If we get 400 pounds of cured tobacco from the Turkish tobacco, we feel very happy about it. The method of curing and preparing for market this particular kind of tobacco is different from that used in connection with these tobaccos here [indicating], and involves much heavier expense.

Senator DILLINGHAM. Do these samples that you have here represent the actual size of the leaves?

Mr. ARAM. Yes, sir. This tobacco, as I understand it, is harvested in the South by cutting the entire stalk off the ground. This tobacco is primed off, leaf by leaf, as each ripens.

Senator SIMMONS. You are mistaken about that. There are sections in the South in which it is cured in the way you indicate. They cut the stalk off and cure the tobacco on the stalk. In North Carolina, where I live, we invariably pull the leaves off and cure the leaves.

Mr. ARAM. I am not acquainted, Senator, with the tobacco situation in the South. However, there is no comparison either between the yield per acre and the method of manipulation and expense between the two tobaccos. The period of harvesting the leaves off the stalk of the Turkish tobacco extends from one month to five weeks, and it must be done before sunrise. That is one of the reasons that a separate classification became necessary for that particular type of tobacco, in order to separate it from the filler tobaccos. Our tobacco has much smaller yield per acre and requires heavier expense and careful work in manipulation. I have gone into that very thoroughly in our brief, or memorandum as I have called it, which we will submit to the committee for the records.

Senator SIMMONS. What is the comparative thickness of that small Turkish tobacco and the Virginia type?

Mr. ARAM. This [indicating] is a little thicker. There is more body to it.

Senator McLEAN. Does that represent the average?

Mr. ARAM. This represents the average high-grade tobacco of its type. There are larger leaves, but they are not considered a good grade of tobacco.

Senator McLEAN. That is just the point. Are there larger leaves than those on every plant? In other words, have you selected these small leaves from a plant that had larger leaves on it?

Mr. ARAM. The bottom leaves are somewhat larger, but they are not as desirable. They bring a lower market price than these leaves here [indicating] do.

Senator SIMMONS. Now, when you are estimating the number of pounds that you raise per acre do you include only the small leaves that you say are of the higher type, or do you include both the small leaves and the larger leaves?

Mr. ARAM. The entire yield; that is, all that is harvested off the stalk.

Senator SIMMONS. What is the difference between the price of the higher grade small leaves and the price of the lower grade larger leaves?

Mr. ARAM. Well, that would be very difficult to say, because of the difference of types. The manufacturers could answer that better than I can.

Senator SIMMONS. You make it and sell it, do you not?

Mr. ARAM. Yes, sir.

Senator SIMMONS. Then you ought to know.

Mr. ARAM. I would say there is 100 per cent difference between the price of the bottom leaves, the middle, and the top leaves. That has been our experience.

Senator SIMMONS. Do you get from those small leaves more than the average price of Virginia-grown tobacco?

Mr. ARAM. Much higher.

Senator SIMMONS. What did you get for it?

Mr. ARAM. We have sold it as high as \$1.25 per pound, when we did get anything for it.

Senator SIMMONS. What do you mean by saying when the manufacturers give you anything for it?

Mr. ARAM. I mean by that that since 1919 we have not been able to sell a pound of tobacco. We have had to give it to the manufacturer at the manufacturer's price, and not at the fair value of the product.

Senator SIMMONS. What price did you have to give it to him for?

Mr. ARAM. We have not sold anything since 1919. Prior to that we have sold our tobacco at from 25 cents a pound to \$1.25 per pound.

Senator LA FOLLETTE. That is since last year?

Mr. ARAM. We have not sold anything since and including the 1919 crop. It is in the warehouses.

Senator SIMMONS. Why?

Mr. ARAM. There are two reasons: The first is that if they purchase these tobaccos from us and give it a fair value, that is, cost plus a fair profit, they will be higher; they will have to pay us a higher price than they would pay for the imported leaf of the same type and grade. In the second place, the manufacturers do not want to encourage this industry in California because they feel that the California crop can not be controlled as the imported crop is controlled. They tried it and we would not stand for it. There is a tendency out in California to do business on a cooperative basis and to stand up for a fair profit. I have evidence of that. I will come to that a little later on.

Senator SIMMONS. You say you did not sell the 1920 crop at all?

Mr. ARAM. No, sir; nor the 1919 crop.

Senator LA FOLLETTE. Was it a good crop?

Mr. ARAM. Yes; it was a fair crop.

Senator DILLINGHAM. What did you get for the 1918 crop?

Mr. ARAM. It was according to the varieties. The highest was \$1.25.

Senator LA FOLLETTE. Have the manufacturers given any reason for refusing to buy the crops of 1920 and 1921?

Mr. ARAM. They have not stated any clear, definite reason, but, Senator La Follette, we have dealt with these people for 16 years now, and from our own experience we can read between the lines. We have had a thorough investigation made; we have had a very thorough experience with the manufacturers, and we know the reasons. They have made them known to us. They do not mince words with us and tell us where we get off, but they do not speak for publicity. And when they come down before Congress they speak very nice and assume the rôle of the much-abused business man. The reason seems to be that they do not wish to encourage the industry in the United States because it can not be controlled by the big five as the imported leaf is controlled. They are not going to encourage the industry if they can help it.

Senator SIMMONS. Tobacco sold at a high price in 1919, did it not?

Mr. ARAM. Yes. They offered—

Senator SIMMONS. The Virginia tobacco sold at good prices.

Mr. ARAM. At the same time the highest offer we could get was 40 cents a pound. That represented one-third of the cost of production. We could not sell it. Besides, they never make a firm offer. They always leave a loophole for themselves. When we deliver the tobacco they take some at the agreed price and reject the rest, giving us the alternative of accepting a much lower price. They do this because we can not say, "Well, we don't sell; we will sell it to the next fellow," because there is no next fellow.

Senator WATSON. Could they buy the Turkish tobacco during the war?

Mr. ARAM. Some.

Senator WATSON. When they could not get it except in small quantities, did they make any offers?

Mr. ARAM. They bought it all. In addition they went to China and Korea, operated their own plantations and raised Turkish tobacco there and kept themselves supplied until the armistice.

Senator WATSON. How much did you raise?

Mr. ARAM. I have the figures in my brief.

Senator WATSON. How much did they pay for it?

Mr. ARAM. We sold it for whatever they offered for it. That was, as I said, from 25 cents to \$1.25 per pound.

Senator WATSON. That was at this particular time; that is, while we were in the war?

Mr. ARAM. Yes.

Senator DILLINGHAM. Can you state what proportion you sold for 25 cents and what proportion you sold for \$1.25?

Mr. ARAM. I haven't the figures here, but I can prepare a statement and submit it to the committee, if it is desired.

There was a statement made this morning which would make it appear that the California people wanted a tariff on an industry that they hope to establish rather than on an industry already established and entitled to protection. I want to say that that industry is already established. Since the speaker representing the American Tobacco Co. referred to it, I would like to read from a pamphlet

which deals with this particular point. It was issued by the American Tobacco Co. in 1909. The statements in the pamphlet refer to Turkish-type tobacco exclusively:

The growing of tobacco is a common-sense proposition with no mystery of any sort attached. * * * The growing of tobacco in California is well on its way. In fact it may now be regarded as an established industry.

That was in 1909, when we had a production of 37,000 pounds. If it was an industry then, why isn't it an established industry in 1919, when the production was 1,525,000 pounds?

This pamphlet was issued in 1909 by the Exeter Tobacco Ranch, operated by the American Tobacco Co. That is the experiment station that they referred to this morning.

I have letters also from manufacturers stating that the reason that they can not give us the price we think fair is that they do not want to give us a higher price when they can get that same tobacco on the other side at a lesser price. They do not say anything about quality.

I have a letter from Mr. James M. Dixon, chairman of the board of the Tobacco Products Corporation, who is now present. It is dated June 25, 1918, in which he says:

I can only repeat what I have told you so many times—the offer that I originally made you I do not consider is in any way binding. The tobacco market for Greek tobacco is at the present time on the decline, and I may be obliged to change my offer at any time without notice to you. The matter is certainly not of sufficient interest for me to come out to Fresno, when I know that the price which sellers are asking is more than I will pay.

Senator McCUMBER. Is this California tobacco used as a substitute for the Turkish tobacco?

Mr. ARAM. Of course, Senator McCumber, they do not state what they use it for, but I have letters from the manufacturers. One letter is written by a large manufacturer of the highest grade of Turkish cigarettes on the market, and the inference is that the manufacturer was making an inquiry for his own use rather than for that of some one else. However, they do not inform us what they use it for and what they do with it. The manufacturers are a very close-mouthed bunch. I suppose they have to be. But they have repeatedly told me that they don't care where the tobacco is grown, but if we intend to grow in this country we will have to give it to them for the same price as the imported.

Senator SIMMONS. Do you know what they paid for the Turkish tobacco in 1919?

Mr. ARAM. We tried to get that information from the Department of Commerce through the assistance of the State Department. I have reports submitted by the various consular representatives in the various countries where these tobaccos come from. The statement was made this morning that these tobaccos cost, on the other side, 80 to 90 cents. I will say that in my negotiations with the manufacturers they stated to me that they did not see why they should buy California tobacco when they could get it from the other side, laid in bond, for from 15 to 30 cents.

Senator SIMMONS. 15 to 30 cents?

Mr. ARAM. Yes, sir.

Senator McCUMBER. That is export?

Mr. ARAM. Imported from levantine countries.

Senator McCUMBER. Imported for the purpose of making cigarettes.

Mr. ARAM. Imported for the purpose of manufacturing in this country and selling it in this country.

Senator McCUMBER. At what price did you say?

Mr. ARAM. 15 to 30 cents.

Senator LA FOLLETTE. That is the price on the other side?

Mr. ARAM. In other words, a man who has tobacco in the warehouse in New York City is willing to sell for that price.

Senator McCUMBER. After paying the duty?

Mr. ARAM. Before paying the duty. I have here a letter from a man who has 500,000 pounds of the Turkish imported tobacco, and he is offering it, in this letter, for 35 cents a pound in New York City in bond. It is dated August 9, 1921, from Mr. M. H. Mathowsian, New York City, as follows:

MY DEAR MR. ARAM: Under separate cover I am mailing you just a few samples of our tobacco. This tobacco came to New York on the steamship *Chesterville* and we have 2,500 bales, approximately 500,000 pounds. We will sell it at 35 cents a pound ex warehouse New York. Should you be interested in this tobacco I will be pleased to give you inspection permit. Hoping to hear from you favorably, etc.

The question was raised this morning, Why is it that this industry has survived for 16 years and has increased in production and got along so well and now needs a tariff? I would like to give you the history of this industry in the State of California. This industry was started back in 1906 by a few men who had come to this country from Macedonia and Turkey, where they had been tobacco growers themselves. They took up the industry in San Juan Valley and made it a sort of side issue. Some of them had 1 or 2 acres of land that were not used for anything else and they put those acres in tobacco. That was done on the side. When the time came to sell the tobacco they sold it for whatever the manufacturers offered. No attempt was made to keep account of its cost. These men reasoned something like this, "Last year we had \$5,000 for our olives, this year we have \$5,000 for our olives and have \$300 or \$400 for our tobacco besides." They considered the tobacco money all velvet. They never figured, however, on the cost of raising the tobacco, because that was done in between times. That condition continued until about the year 1911. By 1911 it became generally known in California that this type of tobacco did best in certain soils which up to that time we did not know what to do with. It required light, loose soil; soil on the hillside. Now, it was at that time that good American farmers went into tobacco growing exclusively. Of course, they kept books. When the crop came and was harvested, they discovered it did not bring within one-half the cost of production. The industry then began to decline. Then the war came along. Under war conditions we sold it as best we could. Production went on. As soon as the war stopped the imports from the other side came in and the industry dropped down.

I must state that if the coming tariff bill does not carry a protective duty on this tobacco, we are through with it. We can not do anything with it. I have a letter here that shows the situation we face now:

FRESNO, CALIF., March 3, 1921.

FRED W. LINKS,
State Agricultural Society, Sacramento, Calif.

DEAR SIR: We have your favor of February 28, and note your desire to have an article dealing with growing tobacco in this section.

Tobacco growing in the San Joaquin Valley has been practically abandoned because of unfavorable prices and the inability to market the crop grown two or three years ago.

Any report that would be made would therefore be rather adverse, and we hesitate to compile it, unless you believe it should be included in the statistical report.

Yours, very truly,

FRESNO COUNTY CHAMBER OF COMMERCE,
GUY E. LEONARD, *Director of Publicity.*

The tariff in the Fordney bill was computed on the basis of the cost of production here and the cost of production on the other side. It is less than what we asked for and we believe we should have, but we are willing to go to work on what the Fordney bill gives us. The cost of production over on the other side we secured, after careful examination, and through the consular reports, and so on. We are ready to submit to the committee also detailed cost of production, going into every item in connection with this tobacco. It is in our brief.

I should also answer the statement of the gentleman who spoke this morning, and who made it appear that the Ways and Means Committee levied a tariff on a product with no other showing than a written brief. That is not true, and the statement is not fair to the House committee. I could not be present during the public hearings before the Ways and Means Committee. I arrived a little too late. I put in our brief, which they referred to, and then the subcommittee on agriculture called me in and made me go over every statement and prove everything that was contended for. In fact, it was very thorough, and from my experience with the committee I wondered if every member of the committee came from the State of Missouri. We had to go very thoroughly into every statement and prove every statement that we made and give them all the facts in detail.

There is another question, and that is the question of quality. The gentleman who spoke here this morning said that this was not Turkish tobacco. Well, it is not Turkish tobacco; that is, it is not grown in Turkey. It is what is known as *nicotinum rusticum*. Turkish tobacco is not grown in Turkey alone; it is grown in Macedonia, Russia, Austria, Rumania, Greece, Palestine, Syria, Bulgaria, Italy, South Africa, United States, and in a number of other countries. In the Union of South Africa they began to cultivate this tobacco about 10 years ago. Now they have demonstration farms and an assistant to the director of agriculture in charge of tobacco exclusively. I will pass to the committee an advertisement in a London paper by the commissioner of the Union of South Africa urging Britishers to migrate to the Cape Colony and engage in farming Turkish tobacco. In Italy also they have been producing this tobacco for several years, and the Italian Director of Agriculture recently announced that the cultivation of Macedonian-type tobaccos would be further extended, and that it was the intention of the Italian Government to be independent of imports from the levantine countries. The question of quality in connection with our tobaccos was never raised until after we organized our cooperative association and prepared to ask Congress for adequate protection. It was then that the manufacturers began

to carry off a systematic propaganda against the quality of this tobacco. Here is a news item printed in the issue of August 29, 1918, of Tobacco, a trade journal published for the tobacco industry:

SUCCESS IN CALIFORNIA.

E. Constantine, a tobacco broker of San Francisco, visited the Chiflakos Bros.' plantation near Esparto, Yolo County, Calif., recently for the purpose of investigating the varieties and quality of the tobacco grown by Chiflakos Bros. After making a thorough examination Constantine declared the product to be of the very highest quality, and closed a contract for the purchase of the crop.

Constantine was enthusiastic over the possibilities of tobacco raising in the Yolo section, and is endeavoring to sign a contract with the Chiflakos Bros. for the entire crop of 1,000 acres for next year. It is not known if the deal was closed, but it is practically assured that the Esparto growers will have in the neighborhood of 1,000 acres in tobacco in 1919.

Senator REED. How much ground did you say is used in California in raising this Turkish tobacco?

Mr. ARAM. Three thousand acres in 1919.

Senator REED. What is the total acreage of California?

Mr. ARAM. I do not know, sir. I do not think I can answer that.

Senator McCUMBER. Do you mean tillable land?

Senator REED. Yes, tillable land.

Mr. ARAM. I do not know. But in California we can raise the entire world consumption of this tobacco without using one acre of land that is fit for other crops.

Senator REED. How many acres in the United States are employed in the tobacco business generally?

Mr. ARAM. I do not know that, sir.

Mr. DUSHKIND. One million.

Senator REED. How many people own these 3,000 acres of ground?

Mr. ARAM. We have a membership now of 300 farmers.

Senator REED. Three hundred farmers?

Mr. ARAM. Yes, sir.

Senator REED. Then there are 300 farmers who, you say, are members?

Mr. ARAM. Yes.

Senator REED. You mean 300 farmers who are engaged in the business of raising Turkish tobacco?

Mr. ARAM. No, sir; there are more than that. My association is comprised of 300 farmers. The reason that the other fellows are out is this: When American Tobacco Co. came out there they leased ground in the San Juan Valley. Naturally the thing centered around San Joaquin Valley—

Senator REED. That is probably very interesting, but I want to follow the line of questioning upon which I started.

Mr. ARAM. That is just what I was coming to.

Senator REED. How many people are there outside of your association?

Mr. ARAM. I have not the exact figures.

Senator REED. Well, approximately.

Mr. ARAM. Well, I should say about 100.

Senator REED. So that here are about 400 men engaged in raising the Turkish tobacco in California?

Mr. ARAM. Yes; that is, 400 men who own the land and cultivate it. There are more than that engaged in the industry.

Senator REED. I am talking about the landowners.

Mr. ARAM. Yes.

Senator REED. When you speak of others being engaged in the industry, do you mean mere employees who are engaged in picking tobacco and storing it?

Mr. ARAM. Such men as are employed in the industry.

Senator REED. How many men, all told, would you say are engaged in cultivating the 3,000 acres of ground to which you referred? I mean men employed in picking the tobacco, storing it in warehouses, and carrying it to market.

Mr. ARAM. I do not think I could give you a very accurate answer to that question.

Senator REED. Approximately.

Mr. ARAM. I do not know.

Senator REED. It does not average 10 acres apiece, does it? I suppose one man could come pretty near taking care of an acre.

Mr. ARAM. He can not. In the busy season it would take about six men to an acre part of the time. At other times one man could handle it.

Senator REED. Would you say 6,000 people, taking the average during the entire year?

Mr. ARAM. It would take more than that. It would be nearer 9,000. Nine thousand would be a fair number employed; that is, from time to time.

Senator REED. About 9,000?

Mr. ARAM. Yes.

Senator REED. During the entire year?

Mr. ARAM. Yes, sir; employed from time to time.

Senator SIMMONS. Working 3,000 acres?

Mr. ARAM. Of course that is not the entire time.

Senator REED. I am asking you for the entire year.

Mr. ARAM. That would be the average.

Senator REED. How much employment would be furnished constantly during the year on that average?

Mr. ARAM. That would be the average number employed.

Senator REED. That would be the average. All right; we will say 9,000.

Mr. ARAM. Yes.

Senator REED. How much Turkish tobacco do you raise—that is, what you call Turkish tobacco?

Mr. ARAM. I, personally?

Senator REED. Oh, no. I mean all of these people.

Mr. ARAM. In 1919 we raised over one million and a half pounds.

Senator REED. One million five hundred thousand pounds?

Mr. ARAM. Yes, sir.

Senator SMOOT. What did you raise this last year?

Mr. ARAM. I think about twenty or thirty thousand pounds.

Senator SMOOT. How much?

Mr. ARAM. About twenty or thirty thousand pounds, because we have not sold anything, including the 1919 crop.

Senator SMOOT. What was the 1920 crop?

Mr. ARAM. Seven hundred thousand.

Senator REED. Seven hundred thousand pounds for 1920?

Mr. ARAM. Yes, sir.

Senator REED. That was last year?

Mr. ARAM. Yes.

Senator REED. What is this tobacco worth per pound?

Mr. ARAM. It is not worth anything now. The manufacturers say it is not, and only four or five buyers can buy. They say they do not want it. It is not worth anything.

Senator REED. I do not want to take advantage of you, and you must not take advantage of me. You say that it is not worth anything. You mean by that there is no market. What is the market for it? It surely sells for something.

Mr. ARAM. I suppose it would sell for something if any manufacturer came and made an offer for it, but we have no offers for it.

Senator REED. It must not be of much account then.

Mr. ARAM. It is not of much account to us unless it is sold.

Senator REED. Why isn't it of any account?

Mr. ARAM. Because the manufacturer does not buy it.

Senator REED. Why does he not wish to buy it?

Mr. ARAM. Because he does not wish to see the industry continued in the United States, but principally because the American product costs more than the foreign product.

Senator REED. The American manufacturer does not want to see good Turkish tobacco raised in this country, and so he will not buy it at all.

Mr. ARAM. That is exactly the case.

Senator REED. How are you going to make him buy it?

Mr. ARAM. We are not going to make him buy it.

Senator REED. Then how are you going to handle it?

Mr. ARAM. All we want is a fighting chance so that the cost of production on the other side and on this side will be equalized.

Senator REED. What is the difference in the cost of production of these 700,000 pounds? I have asked you the price. I believe you said you could not tell the price.

Mr. ARAM. That tobacco costs, on the average, \$1.25 per pound—some was more and some was less.

Senator REED. The average was \$1.25?

Mr. ARAM. Yes. Our brief gives the exact figures.

Senator REED. What does the Turkish tobacco shipped in here sell for?

Mr. ARAM. There is no open market in the United States for this tobacco. The manufacturers maintain their own warehouses over there and do their own buying and importing through a subsidiary company. Our consular reports show that the highest cost to the foreign farmer is 50 cents.

Senator REED. Fifty cents.

Mr. ARAM. That is the highest, not the average.

Senator REED. What is the average?

Mr. ARAM. I do not know. They have not given that to us.

Senator REED. Can you in any way approximate it?

Mr. ARAM. I have no way of doing that, Senator. I have relied for my information on the Department of Commerce.

Senator REED. You say 50 cents. Then it costs two and a half times as much to raise this tobacco here as it does to raise it abroad and ship it to the United States, pay the tariff, and market it; that is the situation, is it?

Mr. ARAM. Fifty cents is the cost to the farmer over there before it comes here.

Senator REED. How much Turkish tobacco is consumed in the United States?

Mr. ARAM. Our importation amounts to—it varies from 25,000,000 to 35,000,000 pounds.

Senator REED. Twenty-five million.

Mr. ARAM. Yes.

Senator REED. To 35,000,000?

Mr. ARAM. Yes.

Senator REED. Then 30,000,000 would be a fair average.

Mr. ARAM. I presume so.

Senator REED. We will take 30,000,000 for easy figuring. It comes in at 50 cents. You say it costs \$1.25 to raise this tobacco. You would want some profit on that, naturally. What would you say would be a fair selling price?

Mr. ARAM. I suppose we would be satisfied with 10, 15, or 20 per cent. It all depends on market conditions and crop conditions.

Senator REED. You would want to get at least \$1.50 a pound, would you not?

Mr. ARAM. We would have to get a fair profit.

Senator REED. Very well; we will take \$1.50. Now, you want us to raise the price on the foreign tobacco from 50 cents on the 30,000,000 pounds, so that instead of selling at 50 cents, the highest price at which it would sell, it would be \$1.50, on the average. That is the price at which it would have to sell.

Mr. ARAM. That is not quite right, Senator; 50 cents is not.

Senator REED. So that if you import 30,000,000 pounds of this tobacco, that would mean \$30,000,000 that would have to be paid by the American consumer in order that you gentlemen might realize 25 cents a pound profit on 700,000 pounds, or \$175,000. You want us to tax the American people \$30,000,000 as a minimum in order that you may realize \$175,000.

Mr. ARAM. That is not a fair statement, for this reason.

Senator REED. I think it is absolutely fair.

Mr. ARAM. I stated that the cost of production on the other side was a maximum of 50 cents a pound. There is no tobacco brought into this country and sold at such a figure, even before putting the tariff on it, which is now 35 cents a pound.

Senator REED. It is less than 50?

Mr. ARAM. Sometimes it is less than 50, at the point of production, but only two or three manufacturers can get it at that price.

Senator REED. You said that was the highest.

Mr. ARAM. That is the highest cost of production over there.

Senator REED. I asked you for the cost of production abroad plus shipping and plus tariff, and you said it was the highest price.

Mr. ARAM. I have no information on shipping. I have information only from the Department of Commerce as to the actual cost of production. That is the highest figure. Some is less than that when the tobacco comes to this country and before the duty of 35 cents is paid, but when it goes to the independent manufacturer he can not get it at such a price.

Senator REED. You certainly misunderstood my question, or I failed to ask it clearly.

Mr. ARAM. I am trying to understand it.

Senator REED. The price of this tobacco after it has been shipped to this country and after it has been marketed is 50 cents, as I understood you to say. The market price, I understood you to say, was 50 cents.

Mr. ARAM. That is not my statement. I said the cost of production on the other side was 50 cents for the highest figure. That is the actual cost of production to the farmer on the other side. I have no way of knowing what the transportation rates and the insurance charges, etc., are, because we are not engaged in the marketing or importing of foreign tobacco.

Senator REED. Then you did not understand my question.

Senator SMOOT. Did I understand you to say that many of the independents could not buy the Turkish tobacco?

Mr. ARAM. Not on the same terms as two or three manufacturers do.

Senator SMOOT. What difference does it make? Do you mean that there is a difference in the price or in the terms?

Mr. ARAM. A difference in the price. It costs much more for the independent manufacturer to buy the Turkish tobacco than it does two or three of the large manufacturers.

Senator SMOOT. Is your Turkish tobacco just as good as the Turkish tobacco that they import?

Mr. ARAM. It is, sir.

Senator SMOOT. Why don't they come to you to buy it, then?

Mr. ARAM. They could not buy more than a bale a month.

Senator SMOOT. Your independent manufacturers amount to nothing in the trade, then, do they?

Mr. ARAM. There are none.

Senator REED. Then why do you talk about independent manufacturers and large manufacturers?

Mr. ARAM. That is one reason why they are not there. The supply is controlled and when they want it they have to pay heavy for it. When I spoke of independent manufacturers I meant that we have a great many men who make cigarettes by hand for private trade and for clubs, etc. They pay the highest prices. But their capacity is very small. We can not deliver one bale of tobacco to a manufacturer and support our industry.

Senator SMOOT. No more than they get from Turkey?

Mr. ARAM. They don't get from Turkey. They get it in New York from the importing subsidiary companies of the big five.

Senator REED. No more than they get from one of their factories?

Mr. ARAM. I don't know about that.

Senator McLEAN. What is the tariff under the old law?

Mr. ARAM. It has been 35 cents, classed as filler tobacco.

Senator SMOOT. That is unstemmed?

Mr. ARAM. Unstemmed.

Senator McLEAN. That represents the duty up to the enactment of the emergency tariff?

Mr. ARAM. We are not in the emergency tariff. It is in the permanent tariff. We wish we were in the emergency. Our farmers are broke, including myself. We had to sell our house last summer because all we have is in tobacco and I had to come here to get this tariff. If the permanent tariff doesn't pass before long, there will be

a good many farmers of my section, not only the tobacco growers, but others who will have to sell their houses or whatever they can to live on. We have been at our wits' end to know how to raise money to pay the warehouse charges that have been coming due from month to month on the association tobacco. I went to the War Finance Corporation and arranged for a loan. They were very nice to me and wanted to help. According to the war finance law we had to get a valuation on our tobacco in New York warehouses and a New York banker undertook to get that valuation. This was only two months ago. I was sitting in that banker's office when he called up the big manufacturers right in my presence and asked them as to the market value of our tobacco. He was informed that it was not worth more than 15 cents and yet the manufacturer who made that statement was at that very time in negotiations with me trying to get our tobacco for 40 cents, but they would not make the offer in writing. They knew we were hard pressed by a small bank in California and they also knew that it was only a matter of time that they could buy that tobacco at their own price. We could not get the valuation because there are only four or five companies in the United States who can buy tobacco in any quantities. That is where the farmers stand. I have a letter here from a bank in California that has loaned some money to the members of our association, and the loan has been due for two years. This bank is a good friend of the association, but they have gone as far as they can because all their money is tied up in agricultural products that is not selling. Here is a letter and I will let it tell its own story:

BANK OF ESPARTO,
Esparto, Calif., July 7, 1921.

MR. ALFRED ARAM,
Care of Congressman Curry, Washington, D. C.

DEAR SIR: I hate to write hard-luck stories, but I am going to beg of you to leave nothing undone to give us the relief that we are praying for, and that we so sorely need. It is a wonder that we keep open. If we could get the tobacco money, we would again find that life was worth living.

It is impossible to predict what will come to us if we have to wait much longer for the relief that the sale of the tobacco will bring.

Very truly, yours,

M. O. WYATT, *President.*

As to how farmers are situated now I am going to insert another letter that brings the situation right up to date. That also tells the story without any further comment.

O'GORMAN, BATTLE & VANDIVER,
New York City, December 2, 1921.

ALFRED ARAM, Esq.,
Hotel Ashton, New York City.

DEAR MR. ARAM: I have received word from Mr. Quinn to-day that he has received a letter from the Fresno Bank in answer to his letter in which they refuse to be guided by his suggestions and recommendations in the matter but direct him to enter judgment, issue execution to the sheriff, and have the tobacco levied upon and sold in the regular way. Under these circumstances of course Mr. Quinn is powerless to do anything but to follow out the directions which he has received.

I do not see anything that we can do under the circumstances, but I think you had better come to see me as soon as possible, and we will talk the matter over.

Very truly, yours,

ADDISON A. VAN TINE.

The money we owe to this bank is \$15,000, and the tobacco that they have ordered attached has cost our farmers over \$200,000 to grow, and we can't raise the \$15,000 to release our tobacco. I have gone into every bank that didn't have a lock on their door, but I found out that to borrow money from the banks now on agricultural products is impossible.

Senator McLEAN. The filler tariff is 35 cents?

Mr. ARAM. That is the wrapper tobacco. We have nothing to do with cigar tobacco. This is strictly cigarette tobacco.

Senator McLEAN. But you have been doing business under the rate of 35 cents a pound for the imported tobacco up to the present time, have you not?

Mr. ARAM. We are under that now.

Senator McLEAN. Yes.

Mr. ARAM. Yes.

Senator McLEAN. Before I go further I will ask you this: Has the price of the foreign product varied very much in the last year?

Mr. ARAM. Do you mean the leaf tobacco?

Senator McLEAN. I mean the tobacco used for cigarettes. What has been the effect of the war on that tobacco?

Mr. ARAM. During the war the price was higher, but the manufacturers could not get much because of the absence of ships on the high seas. They grew the tobacco in China and it cost them very little.

Senator McLEAN. And since the war how has it been?

Mr. ARAM. It has been very low.

Senator McLEAN. And in the meantime the price of cigarettes has doubled?

Mr. ARAM. I suppose so.

Senator McLEAN. So the matter of the tariff has not affected the consumer very much in this country?

Mr. ARAM. No. It never has on any kind of smokes. If there is any saving the manufacturer keeps it. If there is any increase he passes it and more on to the consumer.

Senator McLEAN. The dealers have gotten their production at a less price and they have doubled the price of the cigarettes.

Senator REED. Does the chart which you have there show that cigarette prices have been doubled?

Mr. ARAM. I do not think they have been doubled.

Senator REED. They have been increased?

Mr. ARAM. The price has been increased considerably.

Senator SMOOT. Have they been increased in price since the increase in the revenue?

Mr. ARAM. My understanding is that they have been increased. Yes; I believe the price is nearly double on some cigarettes.

Senator SMOOT. Since the increase of the revenue tax?

Senator McLEAN. I do not want to make any misstatement. Perhaps I exaggerated when I said the price had doubled. I do not know anything about that, but I assume that the price has increased with the increase in the price of other things.

Senator SIMMONS. I do not think it has kept abreast with the increase in the price of cigars.

Mr. PARKER. Some brands of cigarettes have increased in price. They increased in price when the tax came along. There was an

increase in price for the packages of 20, but there has not been an increase since 1920, and the present tendency is downward. They have recently reduced the price.

Senator McLEAN. You stated this morning, I think, that the price of the cigarette filled with Turkish tobacco was 2 or 3 cents apiece, as I understood you.

Mr. PARKER. That is the Pall Mall and the high-grade Egyptian Deities.

Senator McLEAN. Yes.

Mr. PARKER. The price of the Pall Mall has not been increased in 10 years. It was 25 cents to the consumer for a package of 10. In some stores they sell for 30 cents for a package of 10 but, generally speaking, they sell for 25 cents.

Senator REED. How much increase was made in the tax?

Mr. PARKER. From \$1.25 to \$3.

Senator McLEAN. That is 3 mills to the cigarette.

Mr. PARKER. But there was no increase made in that price.

Senator McLEAN. The price of the cigarette is, at the present time, from 2.5 to 3 cents apiece?

Mr. PARKER. Yes; and always has been.

Senator REED. Let us take the Camel, the real cigarette. What does that cost?

Mr. PARKER. Twenty for 10 cents. The tax was increased from \$1.25 to \$3. The Virginia and the burley tobaccos all went up. At one time they reached a point of 20 cents to the consumer.

The manufacturers of Camels have comparatively recently made reductions.

With the lowering of the cost of tobacco, the American Tobacco Co. got out 20 for 15 cents. The Lorillard Tobacco Co. has gotten out a brand that goes to the consumer for 20 for 15 cents. The advance reached its peak in 1918 and during 1921 it has been on the decline.

Senator REED. What have you to say about these people in California who say that the large dealers will not buy that California tobacco?

Mr. PARKER. There is no justification for it. It may be true that large manufacturers having an organization in Turkey can save something on their tobacco. But these organizations are separate competing organizations. The American Tobacco Co. buys some through its own organization and picks up some through importers, but there is no suggestion of any condition that I know of where any manufacturer has any motive or purpose except to get the raw material that will suit his brand as well as he can get it.

Mr. ARAM. It was stated this morning that the manufacturers tried to raise this tobacco in different States and they became convinced that the tobacco could not be grown in California. The fact that they went to Colorado to raise it as the manufacturers' representative stated this morning indicates that they know nothing about growing tobacco. High humidity, even temperature, and fog at night are prime essentials for the growing of this tobacco, and if Colorado boasts these characteristics of climate it has escaped our attention. The manufacturers went out there and encouraged the industry as long as it was grown as a side issue and the farmers, as I said awhile ago were willing to sell it for whatever they were offered

forit. The policy of the manufacturers changed and they then opposed the progress of this industry in California, as Mr. Parker stated—and he was correct—in about 1910. Now that change was brought about in this way: In about 1909 or 1910 the United States Government began to take a lively interest in the doings of the manufacturers, and it was decided that with the establishment of this industry in California it would not be quite to their liking that there should be a source of the raw product which would be open to anyone and where anyone could get it on equal terms. It would never do to give the small manufacturer a chance. As to quality, I don't believe there has ever been any industry in the United States, be it agricultural or industrial, producing a competing article with a foreign article but what the interests making money on imports have come down here to Congress and raised a question of quality. A few years ago they said it was impossible to grow long-staple cotton in Arizona. Well, they are not only growing long staple cotton in Arizona, but they are growing a better cotton than the imported, and it may interest this committee that the last United States Census report shows that the State of Arizona is showing a greater percentage of increase in population than any other State in the Union. If you go down the Salt River Valley of Arizona and see the transformation they have worked out of the dry desert you will easily understand how this increase of population came about. If it had been left to the gentlemen interested in cheap imported cotton, Salt River Valley would still be a desert. In 1904 the United States Department of Agriculture published a report based on the Paris Exposition of tobacco.

Mr. Marcus Floyd, who is now engaged in the production of wrapper tobacco, represented the United States Department of Agriculture at that exposition. In that report the department urged that the United States should ultimately become independent of all foreign tobaccos and that there was no reason whatsoever why we should not go to work and produce all the different kinds of tobacco that are grown anywhere in the world. Did the Department of Agriculture or the Congress of the United States suppose for a moment that we could grow these various kinds of tobaccos without a protective tariff? We have gone to work and produced this so-called "Turkish" tobacco. We have an industry that must be protected. The manufacturers come along and oppose the tariff that is already written in the bill. What have the manufacturers ever done to promote any branch of the tobacco industry? What have they done for the tobacco industry in the South? What have they done for the consumers, except to exploit them and charge them all they can, giving as little as they can? Gentlemen, there is nothing to this talk about quality. If there is any such question in the minds of the members of this committee, the California farmers will submit their tobacco to any fair test that the committee may suggest.

It was said awhile ago that on these 700,000 pounds of tobacco we want to raise a tax of \$30,000,000 or so on the American public, although the Senator raising the question misunderstood my statement on the cost of production in the Levant and followed an erroneous method of computing. I wish to state this, that we are not trying to raise the taxes on the public. We want adequate tariff protection and we can raise all the tobacco that the United States can

consume of that type. As to raising the taxes on the smoker, there is about 10 per cent of Turkish tobacco in the average blended cigarette. We know that. If there is more than 10 per cent, there is no import figure shown for the amount needed.

If we distribute this \$1 per pound on the amount of tobacco used in the average blended cigarette, the increase, if it is to pass on to the consumer, would amount to thirty-two one-hundredths of a cent per package of 20 blended cigarettes. But, giving a protective tariff to this tobacco is not going to mean an increase to the consumer unless the manufacturer wishes it so. Tariff and taxes have no effect on the consumer provided there is competition in manufacturing and distribution. What the tobacco growers and the consumers of this country need is real competition among the manufacturers. There are three individuals in this country who are interested in the manufacture and distribution of tobacco products. They are known as the "tobacco triplets." If some day they should go on a vacation without leaving their forwarding address, the manufacturers and the distributing agencies of tobacco products in the United States would not know where to report to their chiefs.

We have made several investigations with the collaboration of several of our consuls in foreign countries.

In England the consumer buys a cigarette made entirely of Virginia tobacco which is shipped out of this country. The British manufacturer pays freight, insurance, and so on, and pays a very high duty, which is much higher than that in the United States, and yet the cigarette sells for practically the same price that the American consumer pays for it in this country. Competition in England keeps the price down in spite of very high taxes.

There has been considerable talk about taxes being high on the tobacco industry in the United States. On investigation we found that the American smoker is taxed less on his tobacco and gets less for his money than the people in any other civilized country where tobacco is not a Government monopoly, and as to the farmers who produce the tobacco, they are dependent on what the manufacturer may wish to pay them.

Here is a statement that appeared in the Wall Street Journal:

MANUFACTURERS ACCUMULATE CASH.

As a result of lower leaf prices, cigarette manufacturers are accumulating large quantities of cash. It is officially estimated that one of the big manufacturers purchased its supply of tobacco at something like \$20,000,000 less than it cost in 1919. This figure exceeds the manufacturing profit of any cigarette concern last year and is nearly 45 per cent of the profits of the five most important manufacturers.

These \$20,000,000 represent money that belonged to the farmers, money that the manufacturer should have paid and did not pay to the farmer. Did any of it pass on to the consumer?

If this increase in tariff is going to mean an increase to the consumer, how is it to be explained that in England, where the taxes are nearly 100 per cent higher than in the United States, the consumer pays practically the same price or less? With respect to some of the American brands which are manufactured and sold in this country and also manufactured and sold in England after paying the 100 per cent higher tariff, the Englishman pays 1 cent less per package of cigarettes than the man in this country.

Senator LA FOLLETTE. On an American cigarette?

Mr. ARAM. Cigarettes manufactured in England by the American tobacco companies, and same identical brand sold here and in England.

I have telegrams in my pocket from our consuls. I also got information on the various brands in question from the manufacturers themselves. For instance, on one brand of cigarettes, I went to the export manager of that particular cigarette and asked him what it sold for in England.

Senator WATSON. What is the name?

Mr. ARAM. Melachrino, but it holds true for Pall Mall and Philip Morris cigarettes, also, in spite of the fact that the manufacturer pays twice as much in taxes in England, the Englishman pays 1 cent less for his package of 10 of these cigarettes than we pay here.

Senator REED. What is the ordinary Government revenue on cigarettes?

Mr. ARAM. What kind of cigarettes?

Senator REED. Take those cigarettes made in this country.

Mr. ARAM. You mean on tobacco grown in this country?

Senator REED. Yes.

Mr. ARAM. \$3 per thousand internal revenue.

Senator REED. Then there is a stamp?

Mr. ARAM. In addition to the \$3 revenue there is an import duty if the cigarette is made of imported leaf, but on cigarettes made of American-grown tobacco \$3 covers everything. The total Government tax in the United States on cigarettes made of all imported Turkish tobacco is \$4.31 per thousand. In England the same cigarette pays a tax of over \$7.35 per thousand.

Senator REED. The import tax.

Mr. ARAM. In England there is no tobacco produced and there is no internal revenue. All the tax is taken at the customs house.

Senator REED. And they sell for less there?

Mr. ARAM. For 1 cent less than in America. That is the manufacturer's statement to me.

Senator REED. That is retail?

Mr. ARAM. Yes, sir.

Senator REED. Perhaps the merchant sells at a less profit?

Mr. ARAM. I do not know what his profit is, but in the United States the manufacturers control the arteries of distribution also through large chain-store systems, and the manufacturers themselves tell me that the cost of distribution in the United States is less than in other countries. They have things just where they want in this country. As to comparative prices here and in England I have charts here which I will pass for the record. It shows a comparison of taxes on tobacco in the United States, Canada, and England.

It shows that cigarettes made of good Virginia tobacco retail in England at \$10 per thousand after paying British taxes of \$4.90 per thousand, while the same cigarette retails in this country for \$10 per thousand, paying to the United States Government total taxes of \$3 per thousand, in spite of the fact that the tobacco is grown at the very doorsteps of the American factories while the English manufacturers must pay ocean transportation, insurance, etc. It is also interesting that some of the cigarettes sold in England are manufactured by subsidiaries of American companies. There was some-

thing said this morning about this tariff on Turkish tobacco injuring the tobacco farmers of the South. It was attempted to show that the consumption of southern tobaccos depended on the use of Turkish tobacco to be blended in. It would be interesting to have the manufacturers show the exact percentage of the Turkish tobacco contained in some of the largest selling blended cigarettes. I have been a tobacco man all my life and I know that there is no cigarette more delightful and tasty than good ripe Virginia and burley cigarettes. The manufacturers put that kind of cigarette on the market in England and other countries, but in the United States they mix it with "57 varieties" of artificial flavoring. They have good reason for doing that—that is, good reasons that suit their purpose. That, also, will have to be looked into one of these days, but as to the interests of the southern tobacco growers it is nothing short of preposterous that the American manufacturers of cigarettes should undertake to speak for the tobacco farmer. What the tobacco growers—growers of any kind of tobacco—in this country need is real competition in manufacturing. The speaker for the manufacturers stated this morning that the marketing of so-called blended cigarettes started in about 1912. He was right. What brought that about? Did the American smoking public get up all of a sudden out of a clear sky and demand blended cigarettes? Both the smokers and the manufacturers seemed to be getting along very well with straight southern-tobacco cigarettes.

In examining any condition or question in connection with the tobacco industry in the United States anything that happened within the years of 1910 and 1912 bears looking into very closely. That was the time when the United States Government took a lively interest in the activities of these manufacturers, which culminated in a dissolution order of the United States Supreme Court in 1911. The manufacturers artificially forced the demand for the so-called blended cigarettes because they felt that if the Government of the United States continues its interest in the tobacco situation, the United States being the largest tobacco-producing country, manufacturing would soon become an open game. Then they started to concentrate and create a demand for the so-called blended cigarette. And since they control the importation of these Turkish tobaccos they felt that would give them some measure of protection against manufacturing competition. The manufacturer's opposition to this tariff on Turkish tobacco is explained by these facts.

Senator REED. May I interrupt you now and ask you another question?

Mr. ARAM. Yes.

Senator REED. You said there were 9,000 people employed, on the average, in this industry?

Mr. ARAM. Yes; in 1919.

Senator REED. And they raised 700,000 pounds of tobacco last year?

Mr. ARAM. Yes, sir; but the 700,000 production did not require 9,000 people. That was for 1919, when the production was over 1,500,000 pounds.

Senator REED. Which you say cost you \$1.25. That would be \$874,000. How would you pay 9,000 men with \$874,000?

Mr. ARAM. How would I pay them?

Senator REED. Yes. How would you pay 9,000 men working at, say, \$1 per day. That would not pay their wages at \$1 per day.

Mr. ARAM. I do not know what these men received, but we did not have 9,000 men engaged in 1920. Our association is conducted in this way: Our farmers raise tobacco under the direction of the association as to the method of production. The tobacco is taken to the association's warehouses, and a man goes to New York to try to sell it as best he can, and they are paid pro rata on what they get. In the last three years they have not received anything.

Senator REED. I do not think they have that many men because it would not pay them.

Mr. ARAM. The cultivation of tobacco requires a great many men. But the 1920 production of 700,000 pounds did not require 9,000 people. That was for 1919, when we produced over 1,500,000 pounds, and most of these employees are part time only.

Senator REED. May I ask you another question?

Mr. ARAM. Yes.

Senator REED. You spoke of 3,000 acres of land. Where does that land lie?

Mr. ARAM. Do you mean the exact location?

Senator REED. Generally speaking. Is it scattered all over the State of California?

Mr. ARAM. Yes, sir.

Senator REED. Is it rich land?

Mr. ARAM. It is not. It is not grown on rich land.

Senator REED. It is poor land?

Mr. ARAM. Yes, sir.

Senator REED. Do you raise anything besides tobacco?

Mr. ARAM. We have not so far. The best land is the land which heretofore has been used for grazing; that is, rocky, sloping, loose soil. That is the reason the State of California has gone behind this thing and wants a tariff. It is because there is plenty of this land which can not be put to productive use except for this kind of tobacco. I have requests here from the chambers of commerce of 21 counties, farmers' organizations, and from other public organizations and several editorials from newspapers stating that California needs this industry because it puts to productive use the type of land that we can not make use of for anything else.

Senator REED. What is it worth?

Mr. ARAM. From \$100 to \$250 an acre—some is worth more and some less.

Senator REED. The land, then, is not good to do anything else with?

Mr. ARAM. It is not good for anything else except grazing.

Senator REED. That is a high figure, is it not?

Mr. ARAM. That is what we are paying.

Senator SMOOT. You are paying that for land in California?

Mr. ARAM. Yes. This tobacco being grown on hillsides there are numerous ravines, gulleys, steep banks of the ravines, and other waste area that can not be cultivated, and the cost of the entire land must be charged against a productive area only.

Senator WATSON. You are asking for a tariff of \$1 per pound on the Turkish tobacco?

Mr. ARAM. Yes, sir. I am asking that there be no change in the Fordney rate.

Senator WATSON. On the theory that you can raise and are raising Turkish tobacco which you want to be protected from imported Turkish tobacco?

Mr. ARAM. Yes, sir. We have an established industry that has every claim to protection—in fact, it can not survive without it.

Senator WATSON. You want the Turkish-tobacco industry protected? These gentlemen say that you are not raising it, and you say you are. They say that they can not use it.

Mr. ARAM. Yes; that is what they say.

Senator WATSON. How do you propose to prove your position? You say they can use it and they say they can not. How do you propose to show that it can be used?

Mr. ARAM. They did use it as long as they could get it at their own figure. Here is a pamphlet published by the American Tobacco Co. in 1909. It goes into detail and tells the farmers how they should raise the Turkish-type tobacco. They have a statement here to the effect that the thing is an absolute success and that it is an established industry.

Senator REED. What year was that?

Mr. ARAM. 1909.

Senator McCUMBER. Do they say it is a Turkish tobacco?

Mr. ARAM. The entire pamphlet is on Turkish tobacco. I have a letter here from Gaston & Co., importers and brokers of Turkish tobacco. They are also small manufacturers. It is dated New York, August 20, 1917, and is signed James G. Gaston, and is as follows:

DEAR SIR: Your letter of August 2 received, also the samples. I am very well pleased with the quality and I will buy all the tobacco, more or less than 60,000 pounds, so please write me a letter, and tell me what price do you consider right for this year's crop and when the tobacco will be ready for shipment to New York.

I hope you will grant me a reasonable price so we will be able to do business this year.

Hoping to receive a favorable reply, I am, etc.

I have another letter here which speaks of the visit of Mr. Kahaya, president of the Standard Commercial Tobacco Co., New York. This company makes all Turkish-tobacco purchases for the Camel cigarettes.

TURLOCK, CALIF., April 28, 1921.

Mr. ALFRED ARAM, Fresno, Calif.

DEAR SIR: In reply to your request concerning certain interview with Mr. Kahaya, president of the Standard Commercial Tobacco Co. of New York, I beg to state that, to the best of my recollection, it was some time in the month of December, 1917, or in the month of January, 1918, that Mr. Kahaya examined our tobaccos in Santa Clara County and in the presence of a number of gentlemen declared that our California-grown Turkish tobacco was a distinct success, in color, size, aroma, and oily quality and body of the leaf. I remember that he expressed great enthusiasm, and further added on his return from the Orient he would be ready to invest millions in our California-grown Turkish tobacco.

However, I believe Mr. Kahaya's expert opinion subsequently appeared in an interview published in the San Francisco Call some time later. That opinion was very flattering to the California product.

Very sincerely, yours,

ARAKELIAN BROS. & Co.

Senator SMOOT. That is when they were spending money to develop the industry?

Mr. ARAM. That is during the time when they were making money buying the farmers' crop at confiscatory prices. They did not come out there to develop the industry. They came out there after the industry had started and came there to put it where they wanted it, but the farmers would not stand for it. For instance, when the time came to deliver the tobacco to the buyer the farmer was informed that he must deliver it to the company warehouse at Merced. Now, this town happened to be 60 miles from the tobacco-growing section. There was not a pound of tobacco grown within less than 60 miles of Merced. The farmers would protest. Some would refuse to do so; others would deliver. When the tobacco arrived at the warehouse the farmer was then told what he would get for his tobacco.

After spending several days to pack and cart his tobacco to that distance he did not have the heart to cart it back another 60 miles, and so he let them have it at their own price. After awhile the farmers would not have anything to do with him. There were protest meetings. The chambers of commerce of the various districts had to consider the situation, and the sentiment of the people was so aroused that it was not the safest thing to go through these districts and be known as manufacturers' agents. The manufacturers stayed there as long as the loot lasted and discontinued only because outraged public opinion would no longer tolerate their tactics and the manufacturers were convinced that the supply could not be controlled. Only a tobacco farmer knows the imperial arrogance of the tobacco buyer and his chief, and yet these men come down here before Congress and state without blushing that they went out to California to try to develop the industry.

Senator McCUMBER. You have had 12 years since then to demonstrate that.

Mr. ARAM. As to the quality, we are perfectly willing to get samples of both imported and domestic-grown tobacco and make any test to satisfy this committee, if any doubt exists.

Senator McCUMBER. You think that any smoker who would use it for a month could not tell the difference?

Mr. ARAM. There is no smoker in the country who can tell the difference. The manufacturer himself can not tell it. I have tried it on them.

Senator McCUMBER. Then why is it they can not sell it for as good a price, if they can make a cigarette that the smoker can not tell?

Mr. ARAM. That is, the American-grown tobacco?

Senator McCUMBER. Yes.

Mr. ARAM. They can and they have used it, but the domestic product cost more than the imported. They would lose money if they used our tobacco, especially now when the imported article is going around begging for a buyer. The question of quality that the manufacturers have raised is not sincere. It is a question of the domestic costing more than the imported and also of encouraging a source of supply which they can not control.

Senator McCUMBER. With a great many it seems to be a question whether or not it will measure up in quality with the Turkish tobacco.

Mr. ARAM. We will dispose of that question by the method that I spoke of.

Senator McCUMBER. That would be to your satisfaction, but can you satisfy the buying public with that?

Mr. ARAM. I do not think the buying public can tell the difference between third-rate and first-rate Turkish tobacco, to say nothing of tobacco of the same quality. It is the manufacturer who says that this is not Turkish tobacco; in other words, the manufacturer wants to be judge, jury, and prosecuting attorney all at once. As to satisfying the public, we may yet go into manufacturing, and the public will give its verdict soon enough. About two months ago I made a few hundred cigarettes by hand. It was from tobacco that the association has in New York warehouses. I gave some of these cigarettes to Congressman Free of California. A few days after that he was in a banquet in Chicago and passed one of these cigarettes to the gentleman sitting next to him. He happened to be a fastidious Turkish-cigarette smoker and immediately inquired of Mr. Free as to where he could buy these cigarettes. There is nothing in this talk of the manufacturers about the quality. They were after it hard enough when they could get it on their own terms.

Senator McCUMBER. Your position is then, as I understand it, that these manufacturers, these large manufacturers, who can afford to buy in large quantities, are refusing to buy your product simply in order to destroy the business; that they really think it is just as good as the other, but they do not desire to purchase it, but want to drive you out of the market?

Mr. ARAM. Not necessarily.

Senator McCUMBER. Then why don't they buy it, if it is just as good?

Mr. ARAM. We can not sell it for the same price that the imported leaf costs them. If we did that, we would have to get out of business. We can not do it for the same price. So far as the manufacturer is concerned, if I were the manufacturer I would not buy the American-grown Turkish tobacco and pay more for it if I could get the imported article for less.

Senator McCUMBER. You say that the imported article, without paying duty, will cost 50 cents?

Mr. ARAM. More than that.

Senator McCUMBER. What will be the average?

Mr. ARAM. I can not say.

Senator McCUMBER. Well, we will say 75 cents. Then you would have to add 35 cents duty?

Mr. ARAM. Yes.

Senator McCUMBER. That would make \$1.10.

Mr. ARAM. Yes.

Senator McCUMBER. If you get \$1.10 can you make money?

Mr. ARAM. No, sir; it would be below the cost of production.

Senator REED. Let me ask again the last part of Senator Watson's question. You say that the American tobacco combination, or the big manufacturers—I will refer to them by the most offensive name I can think of—will not buy your tobacco although it has gone down to nothing, and the reason they will not buy your tobacco is that they want to put you out of business?

Mr. ARAM. Not necessarily; I did not say that. Our tobacco has not gone down to nothing. We insist on a fair price.

Senator REED. That is the way I understood it. Now, suppose you put \$1 per pound tariff on it. They are still actuated by that same motive. How are you going to make them buy your tobacco? Why wouldn't they buy the foreign tobacco, as they do now, and refuse to buy your tobacco and charge the American consumer a little more for the cigarettes?

Mr. ARAM. The question as to California tobacco—that is, as to whether they would buy or not—came when they realized that our tobacco was costing more than the imported product, and they got wind of the fact that we wanted a tariff. What they wanted to prevent, and what they have tried to bring about for several years, is that we should have no industry to talk about and ask protection for. As soon as we have a tariff for protection and the cost in this country and the cost on the other side is equalized, then we can sell. They will buy it. Capital has no country and no favorites. There is nothing personal in the manufacturers' attitude. But let us assume that even after the costs here and abroad have been equalized they will not buy. We consume over 55,000,000,000 cigarettes a year in this country. About 85 per cent of that consumption is represented by the so-called blended cigarettes. Why is there not one manufacturer outside of the big five making blended cigarettes?

The reason is, when an independent operates on a scale where he needs large quantities of Turkish tobacco he gets into hot water. The supply is controlled. If the manufacturer is sufficiently short-sighted—which I don't believe he is—not to buy the domestic leaf when it can be given to him at an advantage over the imported, through better quality, grading, etc., he will be exposing himself to competition in the manufacturing field. I look to see the time when the tobacco farmers' cooperatives will follow their product from field to consumer, giving a fair smoke at a fair price. So, once you equalize the cost here and abroad, you can trust the American farmer to fight his battles. Tobacco growers' cooperatives selling their own manufactured brands and telling the public why they were driven to manufacture will make mighty good reading, and I don't believe the present manufacturing interests have any stomach for it. I believe, however, that is coming in spite of what they may do. It will be the first time the American public will get an honest smoke at a fair price. There is too much advertising humbug and not enough value given in the tobacco business as it is conducted now.

Senator REED. You say that the little fellow is not buying, and the big fellow will not buy?

Mr. ARAM. They will later on. We can not live on the little fellow's business.

Senator REED. Why not to-day?

Mr. ARAM. Because now we can not sell in competition with the imported leaf; when we have a protective tariff, it will be a different story.

Senator REED. Let me read these figures to you: In 1918 you raised 870,000 pounds; in 1919, 1,525,000 pounds; in 1920, 700,000 pounds; and in 1921, 40,000 pounds. Now, if this conspiracy exists to put you out of business, and they will not buy your tobacco at all,

and you put a \$1 a pound tariff on it, how are you going to make them buy?

Mr. ARAM. We are not going to force anybody to buy our products. I believe I tried to make it clear a while ago. The reason that they have held back for the last three years from buying is that the imported leaf is much cheaper, and also they knew we were trying to investigate the cost of the product on the other side and the cost of our product, and we were getting ready to come before a Republican Congress for protection. When the protection is given that will vanish.

Senator REED. Three years ago?

Mr. ARAM. We began three years ago.

Senator REED. And you foresaw a Republican Congress. You did not know three years ago we were going to have one, did you?

Mr. ARAM. We were quite sure we were going to have one before long.

Senator REED. You had better get filled up this time because you are not going to have one next year. [Laughter.]

Mr. ARAM. We will roll up a majority in California, any way. The farmers are protective tariff Republicans.

Senator McLEAN. How many pounds of tobacco does it take to make a thousand cigarettes?

Mr. ARAM. Three pounds.

Senator McLEAN. So that a dollar a pound for the cost of the tobacco in the cigarette would amount to 3 mills for the cigarette?

Mr. ARAM. I have a letter here from the Tobacco Products Corporation, signed by James A. Dixon, in which he says:

We are able to buy tobaccos that are equally as good tobacco in quality as the California tobaccos, of the 1913 crop, at 21 cents per pound f. o. b. shipping point: this with the duty and expenses added brings the cost of same considerably below that which you state the best of your tobacco has cost to produce, and we are therefore unable to consider entertaining any proposition to purchase these California tobaccos at a price such as you mention.

Senator REED. What is the date of that letter?

Mr. ARAM. February 18, 1918.

Senator SMOOT. That is Colorado tobacco?

Mr. ARAM. California tobacco.

I have another letter from the Melachrino Co., dated New York, November 10, 1916, in which it states as follows:

Your samples of California tobacco received a few days ago. We have examined same thoroughly and have also smoked cigarettes from this tobacco, but hardly think that we will be interested at the prices quoted in your telegram.

This is the Melachrino Co., making one of the highest grade Turkish cigarettes. You will note that they state they have smoked the tobacco, but there is no objection or even mention of anything about quality. The contention has always been and is now on the price, because we have not been able and we can not now sell the American-grown tobacco for the same price that the farmer on the other side can sell it for.

Senator LA FOLLETTE. Will you select from your material there all the letters that bear upon this subject—the telegrams and pamphlets, etc., that you have referred to?

Mr. ARAM. Yes, sir.

Senator LA FOLLETTE. And the charts that you have made?

Mr. ARAM. Yes, sir.

Senator LA FOLLETTE. And pass them to the reporter and let them be made a part of your statement?

Mr. ARAM. I will do that.

Senator REED. You say you have an association of 300 members?

Mr. ARAM. Yes, sir.

Senator REED. Do you market everything through that association?

Mr. ARAM. Yes, sir.

Senator REED. Why?

Mr. ARAM. For self-defense.

Senator REED. That is what Germany said when she built up her army.

Mr. ARAM. I do not know any better way of selling products than through the association. We tried the other way.

Senator LA FOLLETTE. You sell your product just as the California fruit producers sell their products?

Mr. ARAM. Yes, sir.

Senator REED. You do that so that you can keep the price up, do you not?

Mr. ARAM. No, sir.

Senator REED. To keep it down, I suppose?

Mr. ARAM. No, sir. We keep the cost of production down.

Senator REED. The cost of production?

Mr. ARAM. Yes.

Senator REED. Doesn't each individual raise his own crop?

Mr. ARAM. Each individual raises his crop and manipulates it to a certain point. After that, instead of each individual doing the curing, grading, etc., we do that through the central warehouse, which makes it cost less and also insures an impartial grading. It insures shipping in car lots and every advantage to lower overhead.

Senator REED. All right. When you get it in that shape all the tobacco of all the members of the association has to be marketed through one agency, does it not?

Mr. ARAM. Through the board of directors of the association.

Senator REED. You have all the growers of this character of tobacco in that association, have you not?

Mr. ARAM. Yes, sir.

Senator REED. You expect to get them all, don't you?

Mr. ARAM. Not all.

Senator REED. Substantially all?

Mr. ARAM. Yes; substantially all.

Senator REED. I am talking about them generally. So, if we put on this tariff and shut out the foreign tobacco—

Mr. ARAM (interposing). We are not going to shut it out. The protective tariff on wrapper leaf has not shut out imports. There is more imported now than there was before the tariff. I will submit a carefully prepared chart on that subject for the record.¹

Senator REED (continuing). There will be but one seller of your tobacco in the United States, and that will be your association?

Mr. ARAM. Yes. That may be.

Senator REED. That will be a good thing for you.

¹ Omitted in printing.

Mr. ARAM. My best answer to that is that the results of cooperative marketing of farm products throughout the United States is to the advantage of every one. The cooperation is not for the purpose of holding up the public or the purchaser. It insures quality, grading, etc., and it also protects the farmer against the manufacturer who has shown that he knows how to take advantage of the unorganized producer.

Senator REED. And also prices.

Mr. ARAM. Of course, we have got to get back our money.

Senator REED. You know that your literature is full of representations to your members that by joining this association they can get better prices.

Mr. ARAM. If we can grade better—

Senator REED (interposing). I did not ask you that. I asked you if your literature is not full of statements to the effect that you can get better prices by joining the association?

Mr. ARAM. If the individual farmer dealt by himself, he would have to sell at the purchaser's price, and the consumer does not get the benefit.

Senator REED. And you don't intend to do that?

Mr. ARAM. My answer to that is that I have a letter written to each individual grower to the effect that the policy of the association will be as follows: We will compute the exact cost of growing and marketing and we will then charge so many per cent for profit, and so on. I can produce that letter. Only yesterday the President of the United States urged in his message to Congress that the farmers' cooperatives further extend their activities. The cooperative principle as it has been demonstrated in this country is not on the defensive. It needs no apology.

Senator REED. That is what the Steel Trust does, too.

Senator LA FOLLETTE. You have to deal with powerful interests, do you not?

Mr. ARAM. Yes. In our case at least we have to deal with industrial imperialists. I have an editorial here which appeared in Forbes' Magazine of January, 1921. It says, in part:

The unhappy truth is that several of the most powerful tobacco leaders are men of none too admirable type. They are a callous, hard-hearted, mercenary, money-grabbing lot, given to questionable operations to line their pocketbooks. It would be very salutary if the Department of Justice were to unearth a conspiracy to fix absurdly low prices for the growers' crops and then throw a few of the conspirators into jail.

The manufacturing group not only cooperates, but conspires also.

Senator REED. You would be a trust in absolute control of this particular tobacco if you could shut the foreign tobacco out and compel the consumers or manufacturers of tobacco to look alone to your single association. You would have every element of a monopoly, wouldn't you?

Senator McLEAN. The American Tobacco Co. made 20 per cent on its common stock last year. That was pretty good considering business conditions. It is your idea, is it, that the farmer should have 10 or 15 per cent profit?

Mr. ARAM. Fifteen per cent above the actual cost of production, or whatever will be a fair profit to compensate the farmer for his work.

Senator REED. I do not hold a brief for the American Tobacco Co. I have said some mean things about them. I shall probably have some more mean things to say in the future. I am not in favor of enabling one monopoly to build itself up because an old one exists. You have said that you intend to draw into your association these men and—

Mr. ARAM. We have them now.

Senator REED. And you have a single selling agency?

Mr. ARAM. Yes.

Senator REED. You want to put up the tariff so that the manufacturer of tobacco has to buy your tobacco?

Mr. ARAM. We want the tariff so that when the imported product is laid down in New York and the American product is laid down in New York they will both have an equal chance, then let the two fight. Now we have no show. But, if you want to know what the farmers are thinking about, let me say that I have already taken some action in getting in touch with other growers of tobacco and if we can bring it about it is our intention to have the farmers' cooperatives sell direct to the consumer. As to the kind of literature we send out and what we are trying to do I will pass a letter into the record which will show our attitude on that subject:

AUGUST 19, 1921.

Hon. FRANK PARK, M. C.,

House of Representatives, Washington D. C.

MY DEAR JUDGE PARK: A few days ago you spoke of the problems confronting the tobacco growers of the United States. I agree with you that the situation is intolerable both from the standpoint of producer and consumer. However, if we are to apply the proper remedy, we must know the exact causes responsible for the present condition.

The tobacco grower is the starting point of the entire tobacco industry from field to consumer. He is the king pin. Without him there would be no tobacco industry. This being true, it follows that no branch of the industry has any right to exact a profit unless the man who produced the tobacco has received fair compensation for his labor and a fair profit on his product. In other words, if there is any profit in the tobacco industry, the farmer has first lien on it to the extent of his just share.

The manufacturers deny this fundamental proposition of sound economics. Instead, they have constituted themselves into an autocracy of this great industry. And this is just what ails the industry to-day.

Democracy is the antidote for autocracy. And the remedy for the present situation is more democracy in the industry all along the line from producer to consumer.

We have tried investigations, and we have had dissolution. You can not legislate the spirit of fair play and honorable dealing into a man trained in the school of avarice. Perhaps this was what Mr. Justice Harlan of the Supreme Court had in mind when he said:

"I confess my inability to find, in the history of this combination [the Tobacco Trust] anything to justify the wish that a new condition should be 'recreated' out of the mischievous elements that compose the present combination, which, together with its component parts, have, without ceasing, pursued the vicious methods pointed out by the court."

I am not a lawyer. To what extent the letter and spirit of the dissolution order is being obeyed I can not say. I don't know that it is important. The thing that interests me is this: The man who produces the tobacco is not getting fair returns. The man who consumes the tobacco is being exploited and is not getting quality.

The farmers and the consumers may not be able to explain the chemistry of rain, but it is a dead-sure shot they all know when they get wet. Why not come in out of the rain?

Why go on with a system that has been tried and found wanting and is getting worse every year?

We have the tobacco and we have the capital. Why not follow our product from field to the factory and to the consumer? There is not a smoker in the country who does not know that he is not getting what he pays for.

If the farmers will manufacture their tobacco, giving the consumer fair goods at fair prices and tell the public why it was necessary for them to do this, they can forget the tobacco barons.

This is the only solution I can see and I agree with you that the first step toward this cooperative effort of the farmers is to call a meeting of representatives of the various tobacco growers of the country.

Let us forget the manufacturers and do some constructive thinking of our own. It may be that for the present the manufacturers have a monopoly of this industry. I am willing to concede that point to them. But they have no monopoly on brains, energy, vision, and capital. And since we produce the tobacco that is all we need.

As to our fight for a fair tariff on Turkish-type tobacco, the manufacturers know that the tariff we got from the Ways and Means Committee does not mean an increase on the imported leaf to them. However, they are now in Washington, the entire tribe of them, with a few high-priced lobby lawyers, trying to have the tariff taken off the bill. They do this because they know that this tariff will promote the home production of this leaf, and since it is necessary for blending purposes they don't mean to let any competition develop in the manufacturing field, as you know they control the available supply on the other side. And that is all there is to this fight.

Please feel that you can call on me whenever I can be of service in this matter.

Very sincerely, yours,

ALFRED ARAM,

President Associated Tobacco Growers of California.

There is no reason, so far as I can see, why a man in England should smoke a cigarette for which he pays the same price that an American who smokes the same cigarette pays after considering the 100 per cent higher tax that they pay in England and the fact that in the United States the cigarette is made where the tobacco grows at the doorstep of the factories.

Senator REED. I want to ask you a question about this. I hope you can give a direct answer. You say that the cigarette retails in England at the same price as in the United States, although the English tax, the import tax, is heavier than the aggregate of the domestic taxes on the cigarettes in this country. You say that that applies to the retail cigarette. I want to know about the wholesale price.

Mr. ARAM. I know nothing of the wholesale price. We had a man go around in England, stop at a store, ask for a cigarette, and pay for it.

Senator REED. Of course, the American retailer may be charging one price and the British retailer another. What you say about the cigarettes—and I am not trying to argue this point with you—is true of many things made in this country and sold abroad. I think it is generally true that the foreign price is less than the domestic price here on nearly everything exported from this country. Isn't that your understanding?

Mr. ARAM. I do not know about the other commodities. I have been so busy with tobacco that I have not had the opportunity to study the others. But the reason it is so in the case of tobacco products is that the manufacturers have a high tariff in this country on cigarettes, so they have a tariff wall around the country so high that the foreign manufacturer's cigarettes can not get in, and, there being no competition within the country, they can charge what they please. But when they go to England or other countries they have to meet competition. And when it comes to protection, I have a photograph here which I will pass to the committee. It shows a port on the Black Sea where tobacco is being loaded for shipment to America. Out in the distance you can see an American destroyer. So the manufacturers are not only getting all the protection they want against foreign competition, they get some unusual protection

in obtaining raw materials wherever they can get it cheapest, even if it takes American destroyers to protect them in troubled countries, so that they may bring this tobacco and compete against the American farmer. I will also pass a report for the record which bears the date of September 12, 1921. It is from Rear Admiral Bristol, United States high commissioner at Constantinople, to the Secretary of State. It says in part:

The Samsoun offices of the American tobacco companies have been able to keep in touch with their Constantinople and New York offices owing to the presence of our destroyers at Samsoun and our permission to send mail by these destroyers and to transmit urgent messages by radio.

I am sorry Admiral Bristol neglected to mention that the representatives of the American tobacco companies have been also riding back and forth on our destroyers between Constantinople and Samsoun, all of which is very proper and commendable, but how about some protection for the American farmer?

Senator REED. Don't you think it would be well to find the wholesale prices of these cigarettes as well as the retail prices?

Mr. ARAM. When the manufacturers come down to Congress and say, "If you raise the price of the blended cigarette thirty-two one-hundredths of a cent per package of 20, we will be ruined," I want to know how they do it in England. Here, for instance, is a cigarette made of pure Virginia tobacco. It is the highest grade. It sells 10 for 10 cents in England. I got my information from the manufacturer himself. It is made by the British-American Tobacco Co., either the parent or the child of the American Tobacco Co., I don't know which.

Senator REED. That is made in England?

Mr. ARAM. Made in England.

Senator REED. What does it sell for?

Mr. ARAM. Ten for 10 cents.

Senator WATSON. Is that made of pure Virginia tobacco?

Mr. ARAM. It is made of pure Virginia tobacco.

Senator LA FOLLETTE. What does it sell for in this country?

Mr. ARAM. Ten for 10 cents also. The taxes run like this: In England this cigarette pays a tax of \$4.90 to the British Government. In America it pays \$3, to say nothing about the cost of transportation and insurance.

Let me say that the British taxes, income taxes, etc., are much heavier in England than in the United States, yet an Englishman smokes better cigarettes—I think it is a better cigarette; it does not contain "57" varieties of artificial flavorings—for the same price that we pay in the United States where tobacco is grown at the factory doors. Now the American manufacturers say, "If you raise this duty, you are going to ruin us," that the smoke will never again rise out of their factory chimneys.

Senator REED. What was the labor cost in that English cigarette?

Mr. ARAM. The labor cost?

Senator REED. Yes.

Mr. ARAM. I do not know. I discussed that matter with Mr. Dushkind, secretary of the Tobacco Merchants Association. He is here in this room now. I called his attention to the fact that the manufacturers had a very high duty, almost a prohibitive duty on cigarettes, and that they were very well protected, but that when you come to protecting the farmer they do not believe in protection,

and he stated to me that no country can compete with the United States in the manufacturing of cigarettes.

Senator REED. We have to pay more for our labor here, do we not?

Mr. ARAM. I do not know about that.

Senator REED. Well, I want to get back to this tax phase. You say the direct tax is \$3 and the English tax is \$4.

Mr. ARAM. There are two classes of tax in England. I do not know which one they did pay. I am going to give the American manufacturers the benefit of the doubt. If the tobacco contains less than 10 per cent moisture they paid a rate of \$5.62. If the tobacco they use contains more than 10 per cent moisture they pay \$4.90. Now I am taking the \$4.90 rate.

Senator REED. Very well, we will take \$4.90. Are there any other taxes to be paid in this country by the manufacturers?

Mr. ARAM. The license tax, the same as in England. It is heavier there.

Senator REED. Is there any other? Do they pay county and State taxes?

Mr. ARAM. They pay the same thing in England and more.

Senator REED. I am speaking now of the price of the cigarettes.

Mr. ARAM. Yes. So far as the selling cost is concerned, it ought to be less in the United States because it is practically under one head. Because it is under one head the business ought to be done more cheaply over here. And the consumer should be given some of the saving.

Senator REED. Your theory is that they can raise tobacco as cheaply here as they can abroad.

Mr. ARAM. I do not know what is going to happen.

Senator REED. Until they change their living conditions in this country and in Turkey, where they raise Turkish tobacco, you can not compete, can you?

Mr. ARAM. No, sir.

Senator REED. That is a permanent condition until the whole world changes, is it not?

Mr. ARAM. Yes; unless the other countries growing tobacco change to our standard of living.

Senator REED. I will ask you this: Under those conditions, can we compete?

Mr. ARAM. No, sir. We can not compete under the present conditions.

Senator REED. Some gentlemen raise peanuts. They say they can not compete. Other gentlemen raise long-staple cotton, and they say they can not compete. Do you believe in putting a tariff on them?

Mr. ARAM. Absolutely. We are better off in the long run. Everybody in the United States is better off under the protective tariff principle.

Senator REED. Therefore, we ought not to buy anything abroad that we can produce here, no matter how much it costs to produce it here?

Mr. ARAM. Well, I am not an economist. The question is not in my line. I can answer questions about tobacco. I want to come back to this cost and tax business. This morning something was said about the Pall Mall cigarette. It is considered the highest class

of Turkish tobacco cigarette. Until recently it was retailing for 30 cents; that is, \$30 per thousand.

Senator WATSON. That is all Turkish tobacco?

Mr. ARAM. I think it is. It is a good cigarette. That is \$30 per thousand. They sell it here now for \$25 per thousand and in England for \$24. The total taxes on this cigarette in this country are \$4.31 per thousand, in England—I don't know just what class of tobacco they use, as to the moisture content, but giving them the benefit of the lower rate, it is \$7.35 per thousand. Now, they come here and say, "You are going to ruin us by putting so many mills on a package of cigarettes." I will say this, if this protective duty on this Turkish type of tobacco causes the manufacturers to raise the price to the consumers, there are quite a number of gentlemen in this country that nothing would suit them better, because they will then go to manufacturing. The Fordney tariff on this tobacco will do more toward bringing competition in the cigarette business than all the investigations and dissolutions have or can accomplish. Manufacturers know this and that accounts for their frantic efforts to take it off the bill.

Senator McLEAN. Did you get those figures right?

Mr. ARAM. \$25 per thousand in this country and \$24 per thousand in England.

Senator LA FOLLETTE. Is that the wholesale price?

Mr. ARAM. No, sir; it is the retail price at the store.

Senator McLEAN. What is the difference in the tax here?

Mr. ARAM. In America it is \$4.31; in England, \$7.35. Besides they have to pay the same price on the other side for tobacco that goes both to the factory in England and here.

Gentlemen of the committee, this industry can not go any further unless there is a protective tariff. It will protect our industry and it will be added revenue to the Government without putting any additional burden on the consumer.

Senator SIMMONS. There is a protective tariff. You mean a tariff of a dollar?

Mr. ARAM. The tariff is like a pair of shoes. If the shoes are not big enough you can not wear them, and if it isn't big enough it is of no possible use to you regardless of what the size may be; 35 cents does not protect; 80 cents doesn't protect; \$1 a pound is the minimum that can do us any good at all.

Senator SIMMONS. There is nothing in that sort of stuff. I want to ask you this question. You say that the present cost of our production of this tobacco, that is, the production in your State, is \$1.25.

Mr. ARAM. We have an exact statement, item by item, which can be furnished to the committee. I think it comes to \$1.32. I believe it averages that. We have an itemized statement there in our memorandum.

Senator SIMMONS. And you want 15 per cent profit on that?

Mr. ARAM. I do not know what profit we want. We want a fair profit and we are entitled to it.

Senator SIMMONS. You said that was the profit you sought to get through your association.

Mr. ARAM. About that; yes, sir.

Senator SIMMONS. Then you would want \$1.32 plus 15 per cent. Have you calculated what that would be?

Mr. ARAM. \$1.47.

Senator SIMMONS. That is what you want? That would get you out, would it?

Mr. ARAM. Yes; on some grades of tobaccos.

Senator SIMMONS. Will you be able in the future to reduce the cost of producing that tobacco in California?

Mr. ARAM. Yes. I made that statement to the Ways and Means Committee.

Senator SIMMONS. What is the price to which you hope to get the cost of production reduced?

Mr. ARAM. I can not make a definite statement in regard to that. Once the industry gets on its feet, we shall be glad to pass on to the manufacturer any reduction in production cost.

Senator SIMMONS. We will assume that the industry is on its feet. What will you be able to get the cost of production down to?

Mr. ARAM. I believe that we will be able to reduce the cost of production.

Senator SIMMONS. How much?

Mr. ARAM. I could not state. I do not know what the conditions will be a year or two years from now.

Senator SIMMONS. You said that Turkish tobacco sold in this country now from 15 to 30 cents a pound.

Mr. ARAM. That is in bond. Some of it is more.

Senator SIMMONS. You put the maximum at 30 cents and the minimum at 15.

Mr. ARAM. That is not the regular price.

Senator SIMMONS. Then the average could not be over 30 cents.

Mr. ARAM. That is not the regular price. That was following the slump.

Senator SIMMONS. I am not talking about the period before the war. What is the average price now of the Turkish tobacco in this country?

Mr. ARAM. I do not know what the manufacturers are paying. We only know our own production.

Senator SIMMONS. I thought you undertook to tell the committee that the Turkish tobacco was sold in bond between 15 and 30 cents.

Mr. ARAM. That is their statement. They said they could not pay a higher price to us, because they can get the imported leaf for that price.

Senator SIMMONS. Assume that you get down to a dollar. That is about as low as you could hope to get, is it not?

Mr. ARAM. I do not know—probably.

Senator SIMMONS. You would never hope to get it down to the Turkish price of 30 cents?

Mr. ARAM. The cost of production on the other side?

Senator SIMMONS. Yes.

Mr. ARAM. We can never do that unless we and our wives and children learn to subsist on salt fish and onions as they do on the other side and we trust this Congress will not pass such a sentence on us.

Senator SIMMONS. So that this is one case where we have notice in advance that we will never be able to produce that article in this

country for less than two or three times as much as it can be bought for abroad?

Mr. ARAM. What is that statement, Senator?

Senator SIMMONS. I say that we have notice now that in order to build up an industry—

Mr. ARAM (interposing). Not to build up an industry, but in order to help the industry that exists and to keep it from dying.

Senator SIMMONS. We will say in order to keep afloat an infant industry that produces 700,000 pounds.

Mr. ARAM. We produced over 1,500,000 pounds in 1919.

Senator SIMMONS. Out of the total production in this country of a billion and a half.

Mr. ARAM. Our tobacco is not compared with southern tobacco. There is no demand for that much tobacco of Turkish type.

Senator SIMMONS. You are asking a duty of \$1 per pound.

Mr. ARAM. Yes. We ask that there be no change in the Fordney rate.

Senator SIMMONS. In order to keep that industry, that little industry, alive, and to enable it to expand?

Mr. ARAM. Yes. In order that the money American smokers pay may go to American farmers and cultivate American acres instead of going to foreign countries.

Senator SIMMONS. But at the same time you are giving us notice that when it gets on its feet and when it has expanded to its utmost limits you will not be able to produce this article in this country for less than three times as much as it costs to produce it abroad?

Mr. ARAM. I do not say how much the cost of production will be brought down, but it will not be the same as on the other side.

Senator SIMMONS. I understood you to say that it would not be below a dollar per pound.

Mr. ARAM. I did not say that. I do not know how much we can reduce our cost of production. We can not predict what the cost of production will be several years from now. That is determined by numerous elements not within our control.

Senator SIMMONS. Ordinarily, the contention is made that if we will give a struggling industry adequate protection in a short time it will grow and expand and the cost of production will be reduced to such a point that ultimately we will be able to buy the American product at a lower price than we can buy the foreign product for, but you tell this committee, as I understand it, that there is no hope of ever reaching the point where you can supply this country with this product at anything like the price we have to pay abroad.

Mr. ARAM. The Fordney rate does not justify any increase to the consumer. The American manufacturers seem to have found the way to sell cigarettes to Englishmen at less than what they charge you and I, in spite of 100 per cent differential in taxes in favor of the American consumer. It is very clear what we need is competition and the American production of this tobacco will have that tendency. The price of smoke is determined not by Government taxes, but by the degree of competition and the manufacturing and distribution. If taxes determined prices, in England they would have to pay double what we pay here, but they don't. They pay the same as over here or less. I know intimately the conditions existing in this country and those existing abroad and the difference between the

living standards of producers of Turkish tobacco in this country and abroad. If our farmers and their families and our employees must live at the same level as they do over there and under the same conditions, we do not want the industry. I do say, as I have said before, that we will never be able to reduce our cost of production here to the same level as over there unless they change their standards of living.

Senator SIMMONS. Then, the reduction in this case can never equal the cost of the Turkish tobacco abroad; that is to say, it will never come to the point where it is sold as cheaply here as in other countries?

Mr. ARAM. It can not be, unless conditions over there change.

Senator SHORTRIDGE. Mr. Aram, you have answered the Senators by stating that the average cost per pound of producing the Egyptian tobacco is about \$1.25.

Mr. ARAM. About \$1.32 average.

Senator SHORTRIDGE. Senator Simmons very properly, I thought, asked you whether you think that hereafter you can produce that tobacco more cheaply. Now, you are now taking into consideration the various elements that go to make up that sum total, are you not?

Mr. ARAM. Yes, sir.

Senator SHORTRIDGE. Such as the cost of labor, taxes, and all the incidental expenses that would occur?

Mr. ARAM. Yes.

Senator SHORTRIDGE. If the cost of labor shall come down; if taxes shall be reduced; and the various other elements of cost are reduced, you would ultimately be able to produce the tobacco, of course, at a less price, would you not?

Mr. ARAM. At a less price; yes.

Senator SHORTRIDGE. But you do not hold out the hope that the American farmers—men and women engaged in this industry—will ever be able to produce the tobacco at as low a cost as this tobacco is produced in some of these other countries?

Mr. ARAM. I am positive that will never be done unless they adopt higher standards of living over on the other side. But it must be remembered that while the cost of production abroad is very low and the manufacturers get it very cheap, so far as the consumers' prices of cigarettes are concerned, they might just as well support the American-grown leaf. In other words, the low cost of production over there has been of no benefit to the consumer because the manufacturer has never shared it with them.

Senator SMOOT. If a smoker can not tell the difference between the blended and the straight tobacco, why in the name of common sense don't you manufacture it for cigarettes?

Mr. ARAM. Our tobacco costs us more than the imported tobacco costs. We can not put it on the market and compete with them. Our tobacco costs us more money.

Senator SMOOT. It does not cost more than the English tobacco costs them.

Mr. ARAM. We will have to sell it in this country. We can not export our tobacco or the manufactured cigarettes from our tobacco because we can not meet competition abroad. However, we can put on the American market as good a cigarette and better than the manufacturers have ever given to the public, and even with the high cost of our leaf to us we can market it at the present prices to the con-

sumer and make a fair profit. But with the cost of the imported leaf so much lower to the manufacturer as soon as we have invested in factories, etc., and get started in distribution they will come along with a fighting brand and sell it at a price where they can still make a profit, while it would be below our cost of production. They have done this sort of thing before.

Senator SMOOT. You have millions and even billions of cigarettes that are sold in this country.

Mr. ARAM. No. We can not find a market for these cigarettes because our tobacco costs us more money.

Senator REED. I thought a moment ago you said these men were profiteering.

Mr. ARAM. I made no such statement. I simply compared prices here and in England. The committee and the public can draw their own conclusions.

(Mr. Aram submitted the following resolutions, charts,¹ and other documents:)

SACRAMENTO CHAMBER OF COMMERCE,
June 2, 1921.

Hon. SAMUEL M. SHORTRIDGE,
United States Senator, Washington, D. C.

My DEAR SENATOR SHORTRIDGE: The board of directors of the Sacramento Chamber of Commerce has given most careful consideration to the tobacco industry of California, and unanimously urge that you use your effort to the end that Congress place tariff of \$1.80 per pound on Turkish tobacco, as requested by the Associated Tobacco Growers of California. It is vitally important that this be done if the tobacco industry in California is to be developed free from the competition of the imported leaf.

There is no comparison in labor costs between America and the Orient. At the same time the tariff requested will make no material increase in the price to the consumer of the finished product.

We will appreciate your putting forth every effort possible, and if there is any further assistance we can render to you, please feel free to call upon us.

Very truly, yours,

A. S. DUDLEY, *Secretary-Manager.*

[Telegram.]

WOODLAND, CALIF., March 17, 1921.

HON. CHAS. F. CURRY, *Washington, D. C.:*

Yolo County vitally interested in tariff on tobacco. Industry here could be made very successful and profitable if protected. We have half million pounds here now and no market. Question indeed vital one.

YOLO COUNTY BOARD OF TRADE,
FRED. SHAFFER, *Secretary.*

RESOLUTION BY THE YOLO COUNTY BOARD OF TRADE.

Whereas dependable advice indicates to us that the tobacco industry of Yolo County and the entire State is jeopardized by the conduct of interests opposed to California production and favorable to the importation of the product grown and prepared by the cheap labor of the Orient; and

Whereas Yolo County growers now have on hand a production estimated in value at a half million dollars and find it impossible to compete with the product of foreign countries, where cheap labor and a deplorable living condition exists: Therefore be it

Resolved by the Yolo County Board of Trade, called in special session to act in this emergency, That we ask our Senators and Representatives in Washington to exert every possible effort and encouragement to the end that an adequate protection may

¹Omitted in printing.

be laid by Congress so that our people may no longer remain the victims of this unjust and unfair proposition; and, further, that a copy of this resolution be forwarded by the secretary of this board to our Senators and Representatives.

Adopted May 27, 1921.

RESOLUTION BY THE WOODLAND AD CLUB.

Whereas it has come to the knowledge of this organization that influences inimical to the agricultural interests of the county are at work in Washington; and Whereas the tobacco industry has been developed in Yolo County to the extent that it is a potent factor in the economic well being of this community; and Whereas this organization is fully cognizant of the vital interdependence of the agricultural and commercial interests of the community: Therefore be it

Resolved, That the Woodland Ad Club, representing the business interests of the community, heartily indorses the efforts being made to procure adequate protection for this industry and urges its Representatives in Congress to do all in their power to the end that proper protection may be had; and be it further

Resolved, That copies of this resolution be forwarded by the secretary of the club to our Senators and Representatives in Congress.

Adopted and approved unanimously, May 25, 1921.

SAN DIEGO CHAMBER OF COMMERCE,
San Diego, Calif., July 26, 1921.

Mr. ALFRED ABAM,
President Associated Tobacco Growers of California,
Care of Hon. C. F. Curry, House Office Building, Washington, D. C.

MY DEAR MR. ABAM: We have your letter of July 19, stating that the tobacco manufacturers in New York had stated to the Ways and Means Committee that they have a statement from the San Diego County Chamber of Commerce that this organization is not in favor of the development of the tobacco industry, and that it considers this industry is a failure in San Diego County.

For your information will state that the writer has been in this office for the past nine years and can not learn from our records that this organization has at any time taken such action. On the contrary, we wish to assure you that the San Diego Chamber of Commerce is heartily in favor of the development of the tobacco industry in California, and considers that it has made a good showing in this State, and that they believe it to be susceptible of great development in this region, which has been proven by the success of the industry in various parts of California.

Please be assured that we are most heartily in sympathy with this work and that we greatly appreciate the efforts of our good Congressman, Judge Swing, in expressing himself as very much in doubt as to any such expression having gone out from the San Diego Chamber. Mistakes of this kind seem bound to occur, and we are very happy to have the privilege of refuting this one and trust that our explanation is ample.

Very truly, yours,

WM. TOMKINS,
Executive Secretary.

Copy to Congressman Phil D. Swing.

[Telegram.]

APRIL 26, 1921.

Representative BARBOUR, *Washington, D. C.:*

At a meeting of the directors Exeter Chamber of Commerce to-day tariff on Turkish tobacco was indorsed. We would like you to do everything in your power to have Ways and Means Committee pass this tariff.

THE EXETER CHAMBER OF COMMERCE,
ROBT. N. RICHARDSON, *Secretary.*

[Editorial in the Sacramento Bee, May 28, 1921.]

CALIFORNIA TURKISH TOBACCO NEEDS TARIFF PROTECTION.

California and southern Oregon are the only districts in the United States suitable for growing Turkish tobacco, from which the cigarettes which millions smoke are made.

Not only are the climate and soil favorable, but the tobacco has been successfully grown, 1,200,000 pounds having been raised in 1919.

But, as with many other products, importation from countries where lower standards of living provide cheaper labor so shattered the market price that the 1919 domestic crop is still warehoused for lack of offers that would meet production costs.

To overcome this, the Association of Tobacco Growers of California, composed of the producers in this State, is asking a tariff on foreign-grown Turkish tobacco with hope of success from the present Congress.

A duty of 35 cents a pound has been imposed on tobacco imported into this country for many years. That amount is sufficient to protect the burley tobacco, grown throughout the South, where conditions are especially favorable to its production.

According to the Tobacco Growers' Association, however, 35 cents is not enough to protect the domestic production of Turkish tobacco.

A precedent is cited in the tariff duty placed on wrapper-leaf tobacco, grown in the Eastern States. Shortly after the first experiments on a commercial scale it was realized the ordinary tariff rate was insufficient, and a special rate of \$1.85 a pound was secured.

In the emergency tariff bill that amount has been raised to \$3.

The Tobacco Growers are asking a tariff duty of \$1.80 a pound.

Exactly what the tariff duty should be to protect American growers against the humilcap of cheap foreign labor, without giving such a differential as would be unfair to American consumers, the Bee does not know.

A just amount of protection, however, determinable by Congress would give the industry a chance to grow, as there are hundreds of thousands of acres in California suitable for tobacco culture.

The 1,500 acres planted in 1919, a large part in Yolo County, does not even foreshadow the extent to which the tobacco industry might grow in this State if properly protected.

Unlike most other crops, Turkish tobacco does not demand the rich lowlands for its culture. It thrives best on the hillsides that fringe the Sacramento Valley and the smaller valleys.

Irrigation is not needed, for the tobacco matures in the short space of 43 days after being transplanted from the seed beds as soon as danger of heavy frosts has passed.

Such a crop as this, for the annual importation is worth \$40,000,000, would be a valuable addition in large acreage to California's products.

California should lend her efforts to securing a just tariff rate which will equalize the difference in cost between labor in foreign countries and in this country.

RESOLUTION FROM THE NORTHERN CALIFORNIA TURKISH TOBACCO GROWERS' ASSOCIATION.

Whereas it has come to the attention of the Northern California Turkish Tobacco Growers' Association that influences are at work in Washington to defeat the efforts of the Associated Tobacco Growers of California toward the securing of an adequate tariff for this industry; and

Whereas these same influences have in the past, and do now, maintained an arbitrary and stifling control over the tobacco industry, which has not only persistently deprived us of the fruits of our labors, but through various methods has prevented the industry from attaining its legitimate development in the Pacific Coast States; and

Whereas we seriously object to the enrichment of manufacturers and importers from the Orient at our expense, and the cultivation of foreign fields while our fields are rendered unprofitable, because it better serves the selfish purposes of a powerful group whose activities and methods do violence to our conception of democracy and equality of opportunity; and

Whereas, through the great difference in the cost of production in the Orient and in America, over \$40,000,000 are paid annually to the foreign growers while the American product is forced from the market; and

Whereas under similar conditions Congress gave aid to the growers of wrapper-leaf tobacco of the Eastern States by levying a tariff of \$1.85 per pound, and recently granted them further protection: Therefore be it

Resolved, That we respectfully request Congress to grant the growers of Turkish tobacco of California the protection necessary to free the industry from the unequal competition against the low production cost of foreign tobacco, and thereby remove the chief obstacle against expansion of this industry: And be it further

Resolved, That copies of this resolution be forwarded to our Senators and Representatives in Congress with the request that they do whatever is in their power to secure the necessary protection asked for by the Associated Tobacco Growers of California.

Unanimously approved and adopted at a special meeting, held in the rooms of Yolo County Board of Trade, Woodland, Calif., this 27th day of May, 1921.

[News Item.]

FRESNO FIGHTS FOR TARIFF—TOBACCO GROWERS BUCKING "TRUST" IN WASHINGTON.

EXETER, August 6.

Alfred Aram, of Fresno, president of the California Association of Tobacco Growers, who is in Washington, D. C., fighting for a tariff on tobacco sufficiently large to allow the California grower to raise tobacco, has sent out a call for affidavits showing that the tobacco raised in the Exeter district, when the "trust" had a farm here, was considered of a very good quality. The secretary of the local chamber of commerce during the last few days has gathered some of the documents from residents who raised the tobacco at that time. At the present time the "trust" discredits the California product.

THE AMERICAN PROTECTIVE LEAGUE,
New York, April 28, 1921.

Hon. WILLIS C. HAWLEY, M. C.,
Washington, D. C.

DEAR MR. HAWLEY: In connection with the agricultural schedule, which has been referred to your subcommittee, we are inclined to think that you will find some peculiarly powerful influences opposed to an adequate protective tariff on American Turkish tobacco which has been developed on the Pacific coast.

As you know, we never recommend a rate of duty, but feel that if the American-grown Turkish tobacco is equal to the foreign, it should be classified at a higher rate than filler tobacco.

Very truly, yours,

WILBUR F. WAKEMAN,
Treasurer and General Secretary.

[United Chambers of Commerce of the Sacramento Valley, representing the chambers of the following counties: Amador, Butte, Colusa, El Dorado, Glenn, Lassen, Modoc, Nevada, Placer, Plumas, Sacramento, Shasta, Sierra, Siskiyou, Solano, Sutter, Tehama, Trinity, Yolo, and Yuba.]

BENICIA, CALIF., June 29, 1921.

Hon. CHAS. F. CURRY,
House of Representatives, Washington, D. C.

DEAR MR. CURRY: At the monthly meeting of the United Chambers of Commerce of the Sacramento Valley held at Oroville, Calif., on June 11, 1921, a resolution was unanimously adopted expressing the view that the California growers of Turkish tobacco should be given adequate tariff protection for their product and requesting that the United States Senators and Members of Con-

gress from the State of California be asked to use their best efforts toward securing such protection in the pending tariff bill.

The above action was based on the showing that there has been developed within the State of California, on a scale of considerable importance, the growing of tobacco of the type under consideration. This development has been especially great along the foothills of the Sacramento Valley in the territory covered by this organization. It is claimed by the officials of the California Tobacco Growers' Association that, with the existing tariff rates on this class of tobacco, the California growers find themselves unable to compete with tobacco of similar quality being imported from China, Turkey, Greece, Japan, and other countries in which the rates for labor are much lower than those in the United States.

As bearing out this view, the secretary of the Yolo County Board of Trade states that there are at present approximately one-half million dollars worth of Turkish tobacco stored in the warehouses of that county for which no reasonable sale price has been obtainable. He states that similar tobacco from other countries to a value of approximately \$3,000,000, and from China to a value of approximately \$6,000,000, has passed through California eastward since this stock has been in storage in Yolo County. The providing of a higher tariff for the California tobacco would evidently be in line with what has heretofore been done for certain types of tobacco grown in Eastern States.

Sincerely, yours,

E. P. O'HERN,

President United Chambers of Commerce of the Sacramento Valley.

PENRYN, PLACER COUNTY, CALIF., July 26, 1921.

Mr. ALFRED ARAM,

*President Associated Tobacco Growers of California,
Washington, D. C.*

DEAR MR. ARAM: In answer to your letter of July 16, with reference to the sale of my tobacco, I am inclosing herewith all letters I have in this connection. You will note I have italicized a portion of Mr. Wilson's letter, which proves, in my estimation, the manufacturers are willing to pay a fair price under certain conditions.

Yours, very truly,

H. R. OWEN.

NEW YORK, April 21, 1921.

Mr. GEORGE W. BISBEE,

Pioneer Fruit Co., Sacramento, Calif.

DEAR MR. BISBEE: I presume you thought from my silence that I had forgotten to attend to the sale of the tobacco, but for four or five days last week railroad conditions were such that I was unable to even get into New York, but when I did last Friday I started at once to try and interest some one in the proposition.

The United Cigar Stores Co. could not handle it, and sent me to another large corporation. After looking at the sample they told me in the first place they would not buy 9½ tons from such a small sample, and wanted to know if the shipper would send three or four bales as a representative sample of the entire lot; that upon a thorough examination of these bales they might find much better tobacco than the small sample, and then they could offer more money. *That during the war, when it was hard to get from the other side, they had paid as high as \$1.25 per pound, but now they could and were getting plenty from the other side, but they would take a chance at 30 or 35 cents.*

I then went to see the American Tobacco Co., and they said the proposition was too small for them.

Very truly, yours,

J. M. WILSON.

Annual consumption of cigarettes in the United States, 1912-1920 (fiscal years).

1912.....	11, 239, 636, 803	1917.....	35, 000, 000, 000
1913.....	15, 000, 000, 000	1918.....	40, 000, 000, 000
1914.....	20, 000, 000, 000	1919.....	45, 000, 000, 000
1915.....	25, 000, 000, 000	1920.....	50, 448, 544, 680
1916.....	30, 000, 000, 000		

The net earnings of the P. Lorillard Co., of New York, for 1920, after deducting expenses of operation and reserves for excess profits and income taxes, amounted to \$7,770,250.42, compared with \$4,080,377 in 1910.—Tobacco Record of March 10, 1921.

Consumption of Cigarettes in the United States.

[Based on statistics from Commissioner of Internal Revenue.]

1880	408,708,360	1901	2,277,069,818
1881	507,395,083	1902	2,051,618,707
1882	554,544,180	1903	3,041,573,668
1883	640,021,653	1904	3,235,103,868
1884	908,090,723	1905	3,876,633,043
1885	1,058,749,238	1906	3,702,750,903
1886	1,310,961,350	1907	5,107,021,357
1887	1,584,605,200	1908	5,402,330,113
1888	1,862,720,100	1909	6,105,441,178
1889	2,151,450,100	1910	7,844,748,515
1890	2,233,254,680	1911	9,254,351,722
1891	2,634,538,760	1912	11,230,536,803
1892	2,892,082,840	1913	14,204,895,471
1893	3,176,608,700	1914	16,427,089,016
1894	3,183,783,130	1915	16,750,179,973
1895	3,328,477,677	1916	21,037,757,078
1896	4,043,708,737	1917	30,520,193,538
1897	4,153,252,470	1918	36,959,331,804
1898	3,753,697,008	1919	38,104,738,310
1899	2,805,130,737	1920	50,448,541,689
1900	2,639,859,785		

Internal-revenue taxes on cigarettes, 1880-1920: 1880-1883, \$1.75 per thousand; 1884-1893, 50 cents per thousand; 1894-1910, \$1.50 per thousand; 1910-1917, \$1.25 per thousand; 1918, \$1.65 per thousand; 1919-1920, \$3 per thousand.

Marked decline in the consumption of cigarettes, 1898-1902, caused by Spanish-American War.

During the entire period covered by the above statistics the duty on imported cigarette leaf has been 35 cents per pound.

Internal-revenue collections.

1880	\$14,206,819.40	1901	\$21,450,867.78
1881	18,095,724.98	1902	18,722,045.73
1882	18,245,852.37	1903	20,705,041.53
1883	16,895,215.15	1904	20,498,711.84
1884	10,368,805.27	1905	20,976,091.95
1885	10,077,287.50	1906	22,008,184.08
1886	10,532,804.05	1907	23,002,588.43
1887	11,304,916.33	1908	21,259,329.59
1888	11,524,179.95	1909	20,814,317.65
1889	11,602,153.92	1910	22,001,437.91
1890	12,263,669.95	1911	22,673,008.31
1891	18,424,678.30	1912	22,589,467.51
1892	13,646,398.25	1913	23,872,446.25
1893	14,442,691.35	1914	23,790,091.44
1894	12,200,752.30	1915	21,903,564.43
1895	12,491,917.32	1916	22,381,202.53
1896	12,713,267.83	1917	25,512,909.67
1897	12,189,507.29	1918	30,910,204.15
1898	13,626,049.71	1919	37,011,263.77
1899	16,854,523.57	1920	56,415,027.82
1900	10,785,481.64		

Increased duty on wrapper tobacco and the development of American wrapper tobacco has brought about increase in consumption of cigars, in Government revenue, and in imports, because the home-grown tobacco fostered competition in manufacture. Protection to the American Turkish-type tobacco will show similar results in the cigarette industry.

Import duty per pound of dried tobacco

United States	\$0.20
Canada	0.
England	
Class A	1.20
Class B	1.00

Internal revenue per 1,000 cigarettes

United States	\$3.00
Canada	6.00
England	
Class A	6.00
Class B	7.00

Internal revenue per pound of pipe smoking plug cut tobacco

United States	\$0.15
Canada	0.
England	
Class A	1.20
Class B	1.00

THE AMERICAN TURKISH TYPE TOBACCO: ITS RELATION TO THE CIGARETTE INDUSTRY AND THE CONSUMER

THE TERM TURKISH TYPE TOBACCO

The term "Turkish tobacco" is a generic term and used to differentiate between certain members of the tobacco family. Within the term "Turkish type" are included over 20 varieties of tobacco, each possessing its particular characteristic. The term has no geographic significance any more than the term "lady beans," and no country can claim it as its product exclusively.

World production (recent period)

(Authority: Commissioner of Internal Revenue)

	Pounds		Pounds
Hungary	30,000,000	Asia Minor	15,000,000
Greece	22,000,000	Macedonia	75,000,000
Rumania	20,000,000	South Africa	15,000,000
Burma	70,000,000		

Total annual production about 247,000,000 pounds

Not all of the South African production is of the Turkish type

Exports to United States

	1913	1914	1915	1916	1917	1918	1919	1920
	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds
Hungary	20	20,000	21,000			4,071,700		
Greece	1,000,000	1,700,000	1,000,000	2,000,000	2,700,000	57,000,000	20,700,000	12,140,000
Rumania	20,000	17,000	1,000			200,000	200,000	
Malaya	20,000,000	9,000,000	9,000,000	10,000	10,000	2,000,000	2,000,000	2,000,000
China								
Asia Minor	10,000,000	10,000,000	6,714,000			20,000	11,000,000	20,000,000
South Africa	70,000	1,000		21,770	20,000	10,000	100,000	

The 1920 internal revenue per thousand cigarettes shown for England represents duty on 2.75 pounds tobacco necessary to make 1,000 cigarettes. (There is no internal revenue in England.)

No tobacco is grown in England, therefore all taxes on tobacco are collected at the customhouse at the rate of \$2.14 (2.25, normal exchange) per pound of tobacco containing less than 10 per cent moisture (Class A), and \$2.50 (2.50, normal exchange) per pound of tobacco containing 10 per cent or more moisture (Class B).

BEST AVAILABLE COPY

FREIGHTS TO NEW YORK (LEAF TOBACCO)

California packs to New York by railroad 3,843 miles, \$81.70 per ton car lots
 Standard line of August Mes packs to New York, by steamship, 6,072 miles, \$22.427
 per ton

San Francisco to New York by rail American-grown tobacco, \$81.70 per ton
 San Francisco to New York, same railroad, imported tobacco, \$80 per ton

Compensatory duties

Type and number, packages sold in United States	Less to house (\$)	Cigarettes (\$1.50 per package)
Turkish cigarettes		
Package of 10 cigarettes	Equivalent in \$10	Equivalent in \$10
Package of 20 cigarettes	50	50
Package of 40 cigarettes	100	100
Package of 50 cigarettes	125	125
Package of 60 cigarettes	150	150

The duty on cigarettes is \$4.50 per pound plus 75 per cent ad valorem. For
 the years 1916 and 1920 this amounted to \$5.25 per pound.

PROTECTIVE TARIFF AND THE MANUFACTURERS

The ordinary rate for the protection of the homegrown tobacco is \$1 per
 pound. The tariff on manufactured tobacco is \$4.50 per pound plus 25 per cent
 ad valorem. The combination of the two rates on manufactured tobacco gives
 the ad valorem equivalent of 125.84 per cent, or the specific equivalent of \$5.25
 per pound.

It is safe to assume that the manufacturers believe in the protective principle
 as applied to their product.

If they have lodged any vigorous protest against Congress protecting them
 to the extent of 125.84 per cent ad valorem, or \$5.25 per pound, the records fail
 to disclose it.

The following tables, based on statistics from the Bureau of Foreign and
 Domestic Commerce and the Commissioner of Internal Revenue, show the prac-
 tical extent of this protection:

Consumption, exports, and imports of cigarettes

Year	Consumed in United States	Exported from United States	Imported to United States
1912	11,020,000,000	1,220,177,000	1,794,000
1913	14,294,000,000	1,621,240,000	14,274,100
1914	18,427,000,000	2,140,230,000	20,124,000
1915	18,300,170,000	2,150,200,000	18,000,000
1916	20,000,100,000	2,622,077,000	11,120,000
1917	20,000,000,000	4,440,000,000	5,140,100
1918	21,000,000,000	12,140,000,000	1,120,700
1919	22,100,000,000	14,751,000,000	15,000,000
1920	22,000,000,000	14,000,000,000	4,000,000

CLIMATIC AND SOIL REQUIREMENTS.

"Soil mes. favorable for the cultivation of tobacco (Turkish type) should
 contain clay and lime, and must be stony and airy. * * * The land is dry
 with the necessary warm climate for the tobacco to mature properly. There
 would be great danger that the sun would dry up the plants if the sea breeze
 did not freshen them up sufficiently. The best tobaccos are harvested on the
 slopes with southern exposure. Flat lands, rich in nitrogen, which are suitable
 for the cultivation of cereals, are not suitable for the cultivation of tobacco."
 (From Les Annales Franco-Haitiennes, compiled by the Bureau of Foreign
 and Domestic Commerce.)

The foothills surrounding the great Sacramento Valley and the slopes of the Coast Range Mountains bordering the Pacific Ocean contain several hundred thousand acres of land unsurpassed for the production of this leaf. Most of these lands are idle; some are utilized for grazing. Even if these soils were suitable for the production of other crops--which they are not--there would still remain the problem of irrigation. The conditions that make these lands desirable for tobacco culture are such that render them worthless for the production of other crops.

In the tobacco sections of California conditions of rainfall, humidity, temperature, and the absence of excessive variations in temperature between night and day are well adapted for this industry. This has been proved by the quality of the tobacco produced during the past 16 years.

Climatic data for Turkish tobacco producing districts of the State

RAINFALL, INCHES

District	Annual	May	June	July	Aug.	Sept.
San Joaquin	25.0	1.0	0.5	0.5	1.5	1.0
San Bernardino	25.7	1.2	.5	.2	.1	.0
Central	21.5	2.0	1.1	.7	2.0	1.2
Salinas	17.0	1.7	1.0	.5	1.0	1.1

MEAN RELATIVE HUMIDITY, PERCENT.

San Joaquin	71	75	78	71	67	67
San Bernardino	62	60	57	52	37	36
Central	61	61	70	75	75	76
Salinas	60	60	57	51	52	56

MEAN TEMPERATURE

	May	June	July	Aug.	Sept.	Oct.
San Joaquin	56	67	66	73	76	71
San Bernardino	62	60	75	81	80	73
Central	60	64	74	78	79	71
Salinas	61	60	70	61	70	70

Production in California

Year	Pounds	Year	Pounds
1906	7,000	1914	245,000
1907	9,500	1915	500,000
1908	30,000	1916	800,000
1909	37,000	1917	496,000
1910	300,000	1918	670,000
1911	600,000	1919	1,525,000
1912	280,000	1920	700,000
1913	215,000	1921	48,000

The fall in production since 1919 is due to the fact that the 1919 and 1920 crops are not sold and can not be sold for anything over 50 per cent of the actual cost of production.

From the beginning the industry has been a marked success as, given the proper soil, climate, and location, "the growing of tobacco is a common sense proposition with no mystery of any sort attached The growing of tobacco in California is well on its way. In fact, it may now be regarded as an established industry The types that have been attempted with greatest success are such types as are suitable for cigarette manufacture." (From a pamphlet issued in 1910 by the Kreter tobacco ranch, operated by the American Tobacco Co.)

METHOD OF FLOOR GROW.

The production of Turkish-type tobacco requires the maximum of hand work, and barring the shade-grown wrapper tobacco, it is the most expensive.

Method of production in California follows closely that in use in the countries of the Levant, with few improvements. For instance, tractors are used in plowing and disking the larger fields. Fermentation is accomplished in specially constructed rooms where temperature and humidity can be controlled as against the Levantine method of fermenting in "wells" dug in the ground. Winter cover crops are planted to maintain the necessary elements of the soil. Early in the spring the land is plowed and the cover crop put under. The field is then left to "take" the spring rains. The seed beds are prepared and the seed plants grown under glass. About the middle of April the field is disked and cultivated and the plants transplanted in the field. Hoeing and five to eight cultivations are given during the growing period. If pests appear, insecticides are applied. About the 1st of June breaking of sand leaves is in order. Then follows priming of leaves. Every morning before sunrise experienced men go through the field and gather the ripe leaves. As leaves ripen from the bottom of the stalk upward, the period of harvesting the ripe leaves extends over a period of 28 to 40 days, depending on the season and other local conditions. Each morning the ripe leaves are brought from the field to the "barn" and strung on cotton strings of about 6 feet long by piercing the butt of each leaf with a long needle resembling a spear. Care is taken to see that each string carries only tobacco of the same quality. On the string all leaves face in the same direction.

They are then given a preliminary sweating in specially constructed rooms where humidity and temperature can be controlled at will. This operation usually requires about 24 hours. The strings, resembling garlands, are then stretched on bamboo poles of the same length and the poles placed on horizontal racks in the open, allowing the leaves to hang down and be cured by the rays of the sun. Depending on the season, all curing is usually finished by the latter part of August. The garlands are then hung in the barn until the rainy or damp season in winter. When the air is sufficiently humid to make the leaves soft and pliable, they are taken down and put through the process of fermentation in specially constructed rooms. After fermentation the strings are carefully worked over and all unsound or otherwise undesirable leaves plucked from the strings. The strings are then classified according to quality and size of the leaf. When the tobacco is at a point containing the proper amount of moisture it is then placed in uniform rows in specially constructed collapsible box forms which are made to produce bales of the desired size. The full boxes are then placed under specially constructed baling machines and the tobacco subjected to pressure, compressing it to the size of the finished bales desired. The tobacco, which is now a compact mass with stems forming the two outer falls, is removed from the collapsible form and sewn in burlap. It is now ready for shipment to the manufacturers. The period from seed to shipment is about 13 months.

Experience has proved that saving of expenses can be effected by establishing centrally located plants in each district and relieve the individual farmer of all work by taking the tobacco after the completion of sun curing on the farms. This plan has also resulted in better standardization and impartial grading of the crops. It has resulted in more expert fermentation by making it possible to install special equipment and carry the work under the supervision of experts. The central plant also serves as the marketing center of the district. It is the plan of the Associated Tobacco Growers of California to conduct these central plants for the growers on the cooperative principle.

Cost of production in California.

(Based on unit of 20 acres.)

Labor:	
Plowing 20 acres.....	\$35.00
Preparing seed bed.....	30.00
Sowing seed bed.....	3.00
Caring for seed bed.....	42.00
Disking field.....	35.00
Cultivating field.....	28.00
Transplanting.....	117.00
Hoeing plants.....	86.00
Eight cultivations.....	112.00
Two applications of insecticide.....	48.00

Labor—Continued.

Breaking sand leaves.....	\$12.00
Topping.....	16.00
Suckering twice.....	32.00
Gathering ripe leaves.....	60.00
Stringing.....	400.00
Hanging strings on frames and sweating.....	18.00
Sweating and taking to sun sheds.....	112.00
Attending to sun cure.....	48.00
Hanging in barn.....	12.00
Preparation for fermentation.....	12.00
Fermentation.....	360.00
Grading and sorting.....	80.00
Loading and hauling to station.....	20.00
Pulling and burning old stalks.....	18.00
Application of fertilizer.....	82.00
Supervision.....	1,500.00
Total for labor.....	<u>3,858.00</u>

Supplies:

Fertilizer.....	2,535.60
Cover crop.....	9.40
Insecticide material and bran.....	85.76
Fuel for curing and sweating.....	85.00
Twine for stringing and bales.....	41.50
Burlap for bales.....	95.00
Upkeep on two horses.....	\$290.40
Less work paid for in labor cost items.....	117.00
	178.40
Nails.....	3.00
Spears.....	3.50
Incidentals.....	15.00
Total for supplies.....	<u>2,946.16</u>

Depreciation:

Building (\$3,000, at 10 per cent).....	300.00
Equipment (\$1,265, at 15 per cent).....	189.75
Total for depreciation.....	<u>489.75</u>

Insurance:

Building (\$3,000, at \$1.75, 8-year plan).....	85.00
Horses (\$300, at \$0.875).....	2.62
Implements (\$800, at \$1.875).....	11.82
Crop in barn seven months (\$12,000, at \$1.125).....	185.00
Crop in railroad transit two months, at one-quarter per cent.....	30.00
Total for insurance.....	<u>214.44</u>

Interest:

Land (\$8,000, at 7 per cent).....	420.00
Building and equipment (\$4,265, interest charged on 55 per cent of total).....	164.20
Investment in supplies (\$2,946.16 for six months).....	108.11
Outlay for wages (\$2,378 for four months).....	55.48
On insurance premiums for building.....	4.90
Total for interest.....	<u>747.69</u>

Taxes.....	153.00
Freight, 8 tons at \$61.70 per ton.....	185.10

Permanent investment for 20 acres:

Land, 20 acres.....	\$6,000.00
Buildings (curing barn and heating plant).....	3,000.00
Two horses.....	800.00
Agricultural implements.....	350.00
Cold frames for seed beds.....	50.00
Baling machine.....	125.00
Bamboo poles (6,000).....	240.00
Thermometers, seed separator, etc.....	37.00
Canvas shades.....	60.00
Lumber for seed beds.....	80.00
Harness.....	48.00
Leaf baskets (50).....	25.00

Total for permanent investment..... 10,265.00

Cost of producing 1 pound of Turkish-type tobacco on a 20-acre farm producing 6,000 pounds.

(Average for seven years ending 1919.)

	Cost.	Per pound.
Labor.....	\$3,354.00	\$0.56
Supplies.....	2,948.16	.53
Depreciation.....	498.75	.08
Insurance.....	214.44	.04
Interest.....	717.69	.12
Taxes.....	158.03	.03
Freight.....	185.10	.03
Total production cost.....	8,094.14	1.34

COST OF PRODUCTION IN MACEDONIA AND THRACE.

The cost of production in Macedonia and Thrace averages \$0.52 per pound. This is for the war and postwar period and is higher than the prewar cost of production. (U. S. consular report.)

"Wages paid to-day to the Turkish tobacco worker, while low compared to those paid in European and other countries, are on the whole sufficient to meet his needs." (Consular report by Consul Pinkney Tuck, Jr., at Samsoun, Turkey.)

THE EXCHANGE.

Tariff on tobacco being specific per pound, the tobacco growers of the United States will get no relief from the American-valuation clause in the present tariff. How this affects the home product will be seen from the following table of values of currency of the countries now selling us tobacco.

	Turkish pound.	Greek drachma.	Bulgarian leu.	Russian ruble.
Normal exchange.....	\$4.40	\$0.183	\$0.19	\$0.314
Present exchange.....	.80	.064	.009	.....

"Lately the import of tobacco in the United States has increased due to the fact that the comparative high value of the dollar makes America the best market for near eastern growers." (Near East American, p. 8, issue of July 28, 1921.)

MARKETING CONDITIONS—CONTROL ABROAD.

Since December 8, 1881, the tobacco industry in Turkey has been controlled by a monopoly known as the "Regie Co-Interesses des Tabacs de L'Empire Ottoman." The monopoly is controlled by French capital operating by the consent and under the protection of the Government.

"The Regie has the right to define the areas which can be used for tobacco cultivation, the acreage, and where such cultivation is permitted by its license, the crop remains under the absolute control of the Regie until its maturity. A price for its purchase by the Regie is then fixed. If the grower is dissatisfied with this price, and it is generally quite low, he has then the option of exporting his crop through the warehouse organization of the monopoly administration and under payment of various taxes. This regulation of tobacco is strictly enforced by police supervision and offenders are subject to heavy fines." (Official report to United States Department of Commerce, dated Apr. 30, 1921.)

Imports of leaf tobacco into the territory controlled by the monopoly is prohibited. The monopoly collects a heavy duty or tax on all imports of tobacco manufacture in addition to the regular Government tariff. By imposing heavy taxes on imports the Regie has a practical monopoly of the market for its own products.

EXPORT TAXES.

The export tax on leaf tobacco is 5 plaster per kilo, 10 per cent ad valorem crop tax to the government. (Plaster, normal value, \$0.044; plaster, present value, \$0.008. Kilo=2.2 pounds.)

PARTITION OF TURKISH EMPIRE AND EFFECT ON EXPORT TAXES.

In recent years large sections of the Turkish Empire have passed to other countries. The following tobacco-growing districts have been taken from Turkish control: Sections of Caucasus to Russia; Thrace, Macedonia, Aegean Islands, and Smyrna to Greece; island of Cyprus to Great Britain; west Thrace (part) to Bulgaria; west Thrace (part) to Greece; Syria under French mandate; Palestine under British mandate; Cilicia under French control; upper Armenia to Armenian Republic.

Tobacco export taxes in these districts have been repealed, with the exception of west Thrace, pending the settlement of a territorial controversy between Greece, Turkey, and Bulgaria. The present export taxes in west Thrace vary from 100 to 400 leu per quintal, according to the variety of tobacco, and in addition to this 5 leu for each bale as a statistical duty, besides several small fees. (Normal value of leu \$0.193; present value of leu, \$0.009. Quintal=220.46 pounds.) (From a report by His Excellency Van Walderon Baron Rongers, at Constantinople. Submitted to United States Department of Commerce by the American chargé d'affaires at Berne.)

In 1918 the Greek Government repealed tobacco export taxes amounting to 17½ cents per pound plus 8 per cent ad valorem, which had been passed as a war measure. This was applied to all exports from Greece proper, Macedonia, and the Aegean Islands. Most of our present imports are from these districts. The export tax now in force is 1 per cent ad valorem levied on all exports. (Kelley's Tariff Manual of 1921.)

The Samsoun district of Asia Minor is the only tobacco-producing section of importance now remaining under the monopoly. Since the armistice, however, there has been little, if any, exports from this section, due to the suspension of relations with the Kemal Government, which is not recognized by the powers.

POLITICAL CONDITIONS AND THE CONTROL OF SUPPLY.

The unusual political and consequent economic conditions prevailing throughout the countries of the Near East have made it possible for a few large purchasing organizations to exercise a practical control over the tobacco available for export. The exports to the United States are controlled by the five legally constructed fragments of the former Tobacco Trust, convicted and dissolved in 1911 by the United States Supreme Court. As a means of promoting competition in the tobacco industry the benefits of the dissolution order have been theoretical. This was predicted by Mr. Justice Harlan, who delivered the dissenting opinion on May 29, 1911:

"I confess my inability to find, in the history of this combination, anything to justify the wish that a new condition should be 'recreated' out of the mischievous elements that compose the present combination, which, together with its component parts, have, without ceasing, pursued the vicious methods pointed out by the court."

Moreover, through the entente cordiale existing between the combine and the several important European manufacturers, competition in the purchase of the leaf has been eliminated.

In dealing with the natives, commercial bribery and the interference of corrupt Government officials in behalf of the buyers are established institutions.

"There is no very definite time fixed for the purchases made by the richer villagers or brokers. The financial situation of the cultivator and the state of his tobacco regulates the time of such purchases. Nor do any fixed prices exist. The grower, should he owe money, is usually forced to accept the price offered by these two classes of buyers. Thus, tobacco which might fetch the price of 80 cents a pound is often sold at from 60 to 70 cents a pound. This is a result of the fact that the cultivator is frequently in debt to the richer villager or broker and also in need of money. Growers often remain owing large sums on their crops, as the rate of interest demanded is very high, varying from 10 to 25 per cent, with an understanding on the cultivator's part that he will sell the richer villager or broker his crop at a lower price than that demanded, or that he will repay them at an average rate of 5 to 10 cents per 'batman' (1 batman equals 16.92 pounds) when selling to a third party. * * * The village notables play a very considerable part as intermediaries during selling time, and the buyers frequently have recourse to their kind offices in endeavoring to secure a reduction of the prices asked by the growers. As a result these notables often benefit by a substantial increase on the sale of their own crops. * * * Irrespective of the pecuniary advances which the Regele Co. agents are in the habit of making to cultivators, the brokers and commission agents advance funds also. The interest on the advances made by brokers and commission agents is 12 per cent (maximum). Even then, as a result of stipulated conditions between the lender and the borrowers, the rate of interest is usually increased and frequently places the cultivator at the mercy of the buyer. Thus the grower, despite his apparently large benefits, is often barely able to sell his tobacco at even a small profit." (Official report to United States Department of Commerce.)

MARKETING CONDITIONS AT HOME.

Prior to the war there were a few independent importers of Turkish-type tobacco in New York supplying the smaller manufacturers engaged in the making of high-grade cigarettes for clubs and private monogrammed orders exclusively. Due to unusual conditions fostered by the war, both the independent importers and the small manufacturers gained some ground and strengthened their positions. The combine took careful note of this, and at the first opportunity following the armistice proceeded to eliminate all importations by independents. The plan has been entirely successful. It is a matter of common knowledge in the trade circles that the combination now offers more for tobacco at the point of production than it does in New York.

Purchases in New York are made only when it is offered at a price below the invoice value brought about by forced liquidations by the banks, which in turn have been brought about by the stagnation of the market artificially created by the combination.

This condition, together with the exchange situation, has forced the prices of tobacco, delivered in New York, to about 40 per cent below prewar prices. In many instances the sale price is below actual cost of production.

The result of this new policy of eliminating the independent importer has been reflected in the market of the Levant.

"Information just received in this bureau is to the effect that the tobacco crisis in Greece is a serious one. Thousands of okes, representing the production of 1918, 1919, and 1920, remain unsold, and unless the Government succeeds in working out its plan of exchanging tobacco for the products of other countries, the industry, which has been one of the most lucrative in the country, will be almost entirely ruined. The production of tobacco in old Greece and the Aegean Islands amounted to 15,270,000 okes (an oke equals 2.8 pounds) in 1919 and 14,105,000 okes in 1920, making a total of 29,375,000 okes. At the end of 1919 the amount which remained unsold, either in the hands of producers or merchants or lying on consignment abroad, amounted to 18,478,000 okes. This last figure includes the unsold tobacco of the 1918 crop. Of the 1920 crop, 11,668,000 okes remain unsold. These figures do not include Macedonian tobacco, very little of which remains unsold." (From unofficial report to United States Bureau of Foreign and Domestic Commerce.)

In this connection it should be mentioned that it has long been the policy of these manufacturers to play one district against another to force a stagnation and consequent slump in prices in any district.

Following the armistice and the importance gained by the Greek premier, M. Venizelos, in the allied councils, a spirit of liberalism swept through the Greek people. Labor unions were formed, and the farmers insisted on receiving fair returns for their products.

To crush this movement, in so far as it affected prices of tobacco, these manufacturers shifted their purchases to other countries. The condition cited in the letter is the direct result of this policy.

THE RELATIVE IMPORTANCE OF TURKISH-TYPE TOBACCO TO THE CIGARETTE INDUSTRY.

The consumption of cigarettes in the United States has constantly increased from 408,708,866 in 1880 to 50,448,541,589 in 1920.

The consumption for the first five months of 1921 is 21,448,403,105, which is a net gain of 6 per cent over the corresponding period in 1920. These figures do not include exports.

Statistics for 1919 show that over 95 per cent of our consumption is manufactured by the combination.

Over 85 per cent of our total consumption is represented by the so-called blended cigarettes made of the domestic burley or Virginia tobacco with a small percentage of Turkish type for aroma and flavor.

All of the blended cigarettes are manufactured by the combination.

It is reasonable to expect that the independent manufacturers, struggling among themselves for their share of the 5 per cent left by the combination, would manufacture the type of cigarettes enjoying the greatest demand if they could.

The explanation is found in the fact that the small manufacturer is forced to make his purchase of the imported leaf in New York, as the volume of his purchases would not justify his engaging in direct importation.

Purchase in New York always placed him in decided disadvantage as to price.

This has contributed toward keeping the small manufacturers chronically small.

The larger manufacturers must necessarily make their purchases in the Levant. There the combination is prepared to accept battle in its carefully prepared positions and choose its own weapon, as in the countries of the Near East there is no Federal Trade Commission, no Clayton Act, and no Sherman law to make the battle irksome or prolong it beyond the point of being interesting.

It will be seen that the importance of Turkish-type tobacco to the cigarette industry is not measured by the relative volume in use.

The manufacturers oppose the tariff on Turkish-type leaf tobacco not because it materially increases the cost of the leaf to them. It has been demonstrated in previous paragraphs that the repeal of export taxes and the exchange situation absorb the tariff increase of 65 cents per pound. Rather, the opposition is inspired, because a tariff which approximates the equalization of costs here and abroad encourages the domestic production and this in turn fosters competition in the manufacturing field.

The development of the domestic wrapper-leaf industry brought about a large number of independent cigar manufacturers. Prior to the development of the home supply, the large manufacturers controlled the cigar industry by virtue of their access to the foreign supply controlled by the Dutch combine.

TARIFFS, TAXES, AND THE SMALL MANUFACTURER.

The statement that increased Government taxes on the tobacco industry have operated against the small manufacturer does not hold. Taxes are levied equally on all manufacturers.

The argument that capital necessary for the payment of taxes places a heavier burden on the small manufacturer of limited capital also fails to be convincing, because the capital necessary for the payment of taxes is in direct ratio to the output of each manufacturer.

WHAT HAS DISCOURAGED THE SMALL MANUFACTURER.

The small manufacturers are forced out of the industry because the primary arteries of the system of distribution are controlled by the large manufacturers.

Prior to the dissolution of the Tobacco Trust competition was eliminated through the control of manufacture. The method of eliminating competition through control of the channels of distribution is of recent development and is the real cause of the retirement of the small manufacturers from the field.

METHOD OF DISPOSING OF THE CALIFORNIA CROP.

From 1906 to 1912 the manufacturers sent their agents to California and made purchases at the various centers of production. This proved unsatisfactory to the growers because the manufacturers applied the same methods of dealing with the farmer as they had practiced in their dealings with the farmers of the Near East.

Prior to 1912 tobacco was largely grown as a side crop on the farms, and for this reason the growers did not know what their crop of tobacco cost them. But when it became generally known that tobacco required land of a type not suited to other crops, the industry was taken up by farmers of the "substantial" type in various parts of the State, and in many cases it was the only crop of the farmer. This class of farmers knew how to keep books and knew what it cost them to raise their tobacco crop.

It was by this type of farmers that cooperative marketing was first resorted to as a measure of defense.

The present method of marketing is along the lines followed by other cooperative associations marketing farm products.

The crops of the farmers are shipped to New York in car lots and negotiations for the sale are conducted by a representative of the association. All selling expenses are levied on the growers pro rata to the quantity owned and the respective amounts deducted from the proceeds of the sale. Each grower is presented with a certified accounting.

No sales have been made since and including the crop of 1919.

POSSIBILITY OF EXPANSION.

Compared with other products of California, the returns from the tobacco crop have been small. Yet the interest manifested in this crop and the demand for the adequate protection of this industry far exceed its present monetary importance.

The governor of the State, the State department of agriculture, newspapers, commercial, civic, and farmer's organizations have gone on record that this industry be given the necessary protection and a fair opportunity to expand.

The chambers of commerce of 25 counties are on record for the protection of this industry because of its peculiar value to the State.

[From an editorial in the Sacramento Bee, May 31, 1921.]

" * * * A just amount of protection, however, determinable by Congress, would give the industry a chance to grow, as there are hundreds of thousands of acres in California suitable for tobacco culture. * * * Unlike most other crops, Turkish tobacco does not demand the rich lowlands for its culture. It thrives best on the hillsides that fringe the Sacramento Valley and the smaller valleys. * * * Such a crop as this, for the annual importation is worth \$40,000,000, would be a valuable addition in large acreage to California's products. California should lend her efforts to securing a just tariff rate which will equalize the difference in cost between labor in foreign countries and in this country."

The land available for the culture of tobacco is far in excess of the acreage necessary for the production of the entire present domestic consumption of this tobacco.

Within seven years California's annual production will equal our present annual imports.

The development of the domestic wrapper-leaf industry brought about the increased consumption of that leaf, while the imports also increased. The protective tariff on Turkish-type tobacco will show the same results.

The Turkish-type tobacco industry has been developed in California under a handicap of comparative production cost here and abroad that might have proved discouraging were it not for the fact that this crop is peculiarly valuable to the State.

First. It requires land that is now largely idle and of no value for the production of other crops. In certain sections, specially along the Coast Range,

most of the land available is of this type, and agricultural development in these sections does not at all compare with development in other sections of the State. The extension of the tobacco industry will mean much to these sections and give them a "money crop."

Second. The culture of this tobacco requires all-year-round labor. The peak of labor demand comes at a period when other crops require a minimum of labor. It furnishes employment in the winter months.

Only real dirt farmers understand what it means to employ seasonal labor, and that at a time when all other crops require that same seasonal labor at that same period.

Third. Tobacco is an annual plant. Unlike fruit crops, which form the bulk of California's production, it requires no heavy initial investment, nor is it necessary for the farmers to wait three to eight years to harvest a crop.

Fourth. All-year employment makes for permanent residents and increases the economic and social value of these residents. The comparatively small investment necessary and the quick returns from the culture of tobacco promotes good citizenship by providing opportunity whereby the sober, industrious farm hand of to-day invests the earnings of his all-year employment and becomes the farm owner of to-morrow.

The ownership of a piece of land is the antidote for the various "isms" of social and economic nonsense.

All of these benefits have been demonstrated during the 16 years of tobacco culture in California.

California needs this crop and is eager to extend the industry. An adequate protective tariff will remove the only obstacle to expansion.

REPLY TO STATEMENT OF CHARLES DUSHKIND, REPRESENTING THE TOBACCO MERCHANTS' ASSOCIATION.¹

The Associated Tobacco Growers of California beg to submit to your honorable committee the following answer to the "memorial" submitted by the Tobacco Merchants' Association:

The tobacco merchants' memorial cites the \$40,000,000 drop in revenue from tobacco in the last fiscal year.

The cigarette branch of the tobacco industry has shown great increase both in production and in internal-revenue tax returns to the Treasury. The drop in internal revenue has nothing to do with cigarettes, which from 1917 to date, the period of heaviest taxation on cigarettes, has shown phenomenal increase in consumption.

The report referred to by the memorial is beyond the point. British taxes on tobacco were increased as a part of extreme war-revenue measures resorted to by the British Government. The normal tobacco taxes in England have always been and are now nearly 100 per cent higher than they are in the United States, in spite of the fact that Great Britain has no tobacco-growing industry to protect.

The memorial compares the present United States production of Turkish-type tobacco with the magnitude of the cigarette industry.

We seek protection not to protect our present production but to enable us to continue and expand the industry to the full extent of the home demand for this product. If the manufacturers or anyone else can show the way to larger production without protection we shall be happy to examine the method suggested.

Did wrapper-leaf protection follow large production, or did dignity of production follow adequate protection. If production can be expanded or the industry maintained, even at its present status, without protection where then is the need of protection.

But the manufacturers reject their own theory when applied to their product. They enjoy tariff protection of \$16.05 per thousand cigarettes as against \$3 protection asked by the farmers on the leaf necessary to produce 1,000 cigarettes of the "all-Turkish" type and only a small fraction of that on the "blended" type. The protection given us by the House committee amounts to \$0.005 per package of 20 blended cigarettes.

The manufacturers' protection on that same package is \$0.267. In other words, they are protected to the extent of \$0.267, but when the producers of

¹ See p. 2499.

the raw material are given a compensatory protection of \$0.005 they are no longer willing to be counted among protectionists.

The memorial compares our production with the production of tobacco in our Southern States. These tobaccos have no place in the discussion of tariff on Turkish-type tobacco. They are not involved. If the blending of Turkish-type tobacco is essential in the manufacture of southern tobaccos, as the manufacturers claim, American farmers claim their right, as against foreign farmers, to supply that tobacco. The greatest need of the tobacco farmers of the South is open and competitive markets in which to sell their tobacco. The home production of Turkish-type tobacco will foster competition in manufacturing, and to that extent the southern farmers will be benefited.

THE EFFECT OF THE FORDNEY RATE ON THE CIGARETTE INDUSTRY.

The memorial predicts dire consequences of the Fordney rate on the cigarette industry. But their contention can not stand in the light of cold facts. The manufacturers make no attempt to explain the consumer's prices here and in England, in spite of nearly 100 per cent differential in taxes in favor of the American consumer. If they mean that the protection needed by the American farmers will be a blow to their present control of the supply and thereby reduce their monopolistic profits, there is no cause for alarm; it would be very salutary.

In their discussion of foreign export taxes the manufacturers neglect to state the export taxes in the Samsoun and Smyrna districts of Asia Minor, where since the war there have been substantial reductions. Neither do they mention the fact that the post-war purchasing power of the dollar has automatically reduced the price of the foreign tobacco by at least 50 per cent.

RATIO OF IMPORTED TOBACCO USED IN BLENDED CIGARETTES.

The manufacturers claim their blends "secret" and "therefore no official data available." It is difficult for us to understand their unwillingness to put the facts before a committee of Congress. However, they claim the average "appears to be 23 per cent Turkish."

Applying their 23 per cent average to the two of the most popular and largest selling blended brands, namely, "Camel" and "Lucky Strike," we find that with their combined daily output of 120,000,000 cigarettes these two brands alone would require annually over 30,222,000 pounds of Turkish-type tobacco. With our average annual imports of this tobacco of 35,000,000 pounds it is not clear where and how the numerous other blended and "all Turkish" brands get their supply.

WHY HAVE NOT THE SOUTHERN FARMERS ASKED FOR THIS TARIFF?

The memorial calls attention to the fact that southern farmers, producing 1,000,000,000 pounds of tobacco annually, have not asked for higher duties on Turkish tobacco. This is as logical as to state that Maine potatoes have not requested protection for Jersey pottery.

Beyond the common name "tobacco" there is no similarity between the two types of tobacco in the consideration of classification and protection. There is vast difference in type, yield, and method of preparation and consequent cost of production. For purposes of protection the difference in the two tobaccos is even greater than that existing between clean wool and grease wool, common rice and hard rice, long-staple cotton and short-staple cotton, shelled almonds and unshelled almonds. This the manufacturers themselves admit.

VARIETIES OF TURKISH-TYPE TOBACCO.

The manufacturers state that Turkish-type tobacco is of many varieties and give a list of names. They also state that the "Fall Mail" brand contains about "42 varieties of tobacco."

The names given by the manufacturers are nothing more than names of small villages comprising the district of Samsoun. These villages have more or less uncertain production of tobacco. The manufacturers gather their tobacco from any number of villages they can. These villages use the same type seed, and distances between villages are so short that it would be impossible for any village to produce a distinct type due to natural cross-pollination.

During and since the war the production of the Samsoun district has fallen to 25 per cent of normal. Nearly all of the villages named by the manufacturers have produced no tobacco since the war. If the production of all of these villages is essential to the manufacturers' blends, as they state to the committee, the consumers of the various brands have been given no explanation, much less a rebate, due to a deterioration of quality.

The statement about the "42 varieties" of tobacco in the "Pall Mall" brand may do well for advertising purposes, but it has no place in the records of a committee of Congress.

VARIETIES PRODUCED IN THE UNITED STATES.

The United States consumption of Turkish tobacco is confined to the four main varieties of Samsoun, Cavala, Smyrna, and Island. All of these are produced here.

STATEMENT OF DR. GARNER, OF THE DEPARTMENT OF AGRICULTURE.

The memorial's reference to Dr. Garner's statement is misleading. At no time has Dr. Garner made any pretense of possessing any usable knowledge on Turkish-type tobacco. We have discussed the subject with him and know his attitude. His statement that "California tobacco is California tobacco and nothing else," is correct and is in keeping with the department's policy of referring to American wrapper tobacco as "Connecticut or Florida shade grown," while in trade circles it is referred to and bought as "American Sumatra." California tobacco is California tobacco just as "Macedonian" or "Greek" tobaccos are Macedonian or Greek tobaccos and nothing else. The manufacturers refer to all tobaccos coming from the Near East as "Turkish," irrespective of the country of production. In the Near Eastern countries, however, they are known as "Turkish tobacco," "Greek tobacco," "Balkan tobacco," or "Russian tobacco," according to the country of production. They are all of the *Nicotinum rusticum* type, and the manufacturers accept them all as "Turkish."

During the early days of the wrapper-leaf development in Connecticut Dr. Whitney, of the Bureau of Soils, invited two prominent cigar-leaf dealers to examine two bales of tobacco. After careful examination both of these experts pronounced the bales to be good imported Sumatra wrappers. Upon being informed that one of the bales was tobacco produced in Connecticut they became very enthusiastic and congratulated Dr. Whitney on the department's success. Yet one of these gentlemen has appeared before committees of the Senate and the House during every hearing of tariff on wrapper tobacco insisting always that the American wrapper is not a competing article with the imported wrapper.

American-grown Turkish tobacco has had the same experience. We have tried our tobaccos on the manufacturers, including Mr. Herbert, president of the Philip Morris Cigarette Co., and Mr. Dixon, of the Tobacco Products Corporation. As early as 1913 Mr. Keeney, of the Keeney Bros., and one of the keenest judges of tobacco, pronounced the American-grown Turkish-type tobacco "every bit as good as the imported." Yet during the hearings before your committee Mr. Dixon was present to repeat the old tariff chant of "not a competing article."

It is not long since Macedonia, the largest producer of *Nicotinum rusticum*, took up the industry, starting with seed taken from Asia Minor. Long before the Macedonian production "Turkish cigarettes" were famous. Yet most of the Turkish tobacco consumed in the United States is not Turkish tobacco; it is Macedonian tobacco.

In the British Cape Colony of South Africa the industry began a few years ago by the accidental dropping of a few Macedonian seeds in the garden of a farmer named Stella. The seed had been sent to him by a friend in Macedonia as a curiosity. They now have an established industry, with production increasing every year. The colonial government has established demonstration farms in several localities and is giving every assistance within its power, including preferential tariff.

In southern Italy the industry was initiated by the Government tobacco monopoly. A recent report of the Italian director of agriculture states that it is aimed to be independent of the Macedonian imports in a few years.

In Palestine the industry was recently begun at the instance of the Government. Sir Herbert Samuel, British high commissioner of Palestine, recently reported that the cultivation of Turkish-type tobacco is expected to ultimately make large contributions to the revenues of Palestine.

"EXPERIMENT" OF THE AMERICAN TOBACCO CO.

The manufacturers speak of their "experiments" in California. That they know nothing about the growing of this tobacco is evidenced by the location of their farm and the quality of its soil.

Their "experiment farm" was a 20-acre ground located on the eastern edge of the middle San Joaquin Valley, 2 miles southeast of Exeter, Tulare County. It was conducted by the American Tobacco Co., not to experiment with the growing of this tobacco but to develop some method of curing and packing which would reduce, if possible, the cost of production. But they knew nothing of the problems involved.

Nothing short of utter ignorance of the conditions necessary for the raising of this tobacco could have led them to their 20 acres. Had the manufacturers known the conditions necessary for the production of this tobacco and the great diversity of soil and climate within the 700-mile stretch of California, they could not have failed to observe that on the lower slopes of the Coast Range Mountains from Ukiah to San Diego there is sufficient diversity of climate and the most unexcelled conditions to produce the entire world's supply of every variety of this tobacco.

A scientific discussion of the problems of Turkish-tobacco growing is not within the proper scope of this statement. The quality of the various grades of the tobacco grown in California is our answer to the manufacturer. There is no problem of quality. Our efforts must now be directed toward larger production and standardization of grading and packing. This could not be done in the face of an unprofitable and uncertain market brought about by lack of protection.

CONSUMER AND THE "BLENDS."

The memorial quotes from Mr. Aram's statement before your committee: "I do not think the buying public can tell the difference between third-rate and first-rate Turkish tobacco," but it leaves out the last part of the sentence, "to say nothing about tobacco of the same quality." We will overlook the fact that this is not a fair method of quoting. But the manufacturers know that statement to be true. Had they believed otherwise they would have hesitated to substitute during the war Chinese and Korean grown Turkish seed tobacco for some of the "42 varieties" so essential to their "secret blends."

The memorial suggests that the American farmers producing this tobacco have their normal and natural opportunity with the various new brands. It is not clear to us why a new brand of any manufacturer should begin with the handicap of higher-priced raw material when the imported leaf can be had for less.

Under abnormal conditions any commodity may be forced on the market at prices below cost. But no industry can continue under such conditions made permanent by inadequate tariff.

CALIFORNIA PRODUCTION DATA.

The California production data given to the Ways and Means Committee was prepared within a short time in order that our brief might be included in the printed record. We had not anticipated such haste and did not have our papers with us. We consulted our Congressmen, and they advised that in the absence of correct data we must be very conservative and allow our opponents every benefit of doubt. The information submitted to your committee was prepared later and after careful checking of all production data.

However, if the manufacturers doubt our production data they can verify same by offering to purchase the crops of 1919, 1920, and 1921. The Associated Tobacco Growers will be happy to convince them by giving them physical possession of the tobacco.

The memorial attempts to question our production costs. It is not necessary for the manufacturers to consider our data. They have in their files com-

plete data covering their own production costs in California through a period of several years. Although their data covers the low-cost prewar period only, it will serve its purpose. Why not submit this data to the committee?

Our valuation of land is correct. Our statement before your committee is also correct, and one does not contradict the other, as the memorial suggests. Much of this tobacco and all of the best tobacco is grown on slopes where there are gullies, ravines, steep banks, and other areas not practical to cultivate. The purchase price of a parcel of land must be charged against the productive area only.

The gentlemen who wrote the memorial know how it came about that in spite of the fact that the farmers lost money on the 1918 crop the production in 1919 almost doubled. The manufacturers wanted the 1918 crop but had no intention of paying a fair price for it. But they also wanted to insure that there would be a larger production in 1919, so that should the war continue there would be available to them as much of this tobacco as possible to make up their depleted stocks. Their method of accomplishing the two ends with one stroke was a masterpiece worthy of their peculiar genius.

When the 1918 crop was ready for them in January, 1919, they professed to be ready to pay good prices for it but that their organization was so arranged that they could not take delivery until summer. Meanwhile they encouraged the farmers to go on with larger production. When, in June and July, 1919, the farmers learned the prices offered for the 1918 crop, it was too late to curtail the 1919 crop, which was already being harvested.

The only farmers who covered their cost of production during the war were those who produced the large-leaf, lower-grade types, as the differential between costs here and abroad is less in the case of these types.

There is no good Turkish-type tobacco grown anywhere in the world producing 941 pounds per acre, as the memorial states, citing a telegram from the College of Agriculture. The yield is from 250 to 600 pounds of cured tobacco per acre, according to variety. The average yield is between 350 and 400 pounds. But, like the tobacco grown in the Southern States and other products of the soil, this tobacco is subject to all the climatic and insect pest hazards incident to agriculture. The visible yield per acre is not the deliverable yield. Like other industries, the farmers must distribute the average loss or damage to crop for a given period of years and arrive at the average deliverable yield for that same period.

There are a few farmers in California who produced the Virginia-type tobacco, which yields high. Finding Turkish-type growing unprofitable, they turned their attention to this type. But conditions in California are not favorable to this variety. There is also produced a special variety for the manufacture of chemicals and insecticides exclusively. This yields unusually high. Our association is interested in Turkish-type tobacco only.

The telegram from the agricultural college makes no distinction in types. Some of the letters and telegrams from California submitted by the manufacturers are also explained by this fact. There is no usable knowledge on Turkish tobacco in the agricultural college or any other State agency. These agencies advised us to abandon the industry because "It can not succeed unless the Tobacco Trust wishes it."

The value of our tobacco given by the agricultural college telegram is the liquid value of the commodity. The gentlemen who wrote the memorial are the gentlemen who set the liquid value of any tobacco in the United States and also in the Levant.

Our testimony before your committee was clear on this point. Mr. Aram did not and could not give the equivalent of periodic employment in terms of permanent employment.

AVERAGE VALUE OF THE IMPORTED LEAF.

The average value of the imported leaf is not 91 cents per pound, as the memorial states. The United States Tariff Commission has the official data, and it shows it to be about 50 cents per pound.

The differential in production cost of this tobacco here and in the Levant is no greater than that of a great many products of American factories and farms enjoying protection. Neither do the manufacturers make any attempt to prove that the benefits of the low cost of the imported leaf are passed on to the consumer.

CAN THE CIGARETTE INDUSTRY "SURVIVE" THIS TAX??

It may be, as the memorial states, "perfectly apparent, even to a layman, that no manufacturer can afford to use tobacco costing about \$2 per pound . . . in cigarettes that he sells at \$4.00 per thousand, and which take on the average 3.75 pounds of tobacco, even though only 20 per cent of it is of the imported type." But the above is not at all clear to anyone knowing tobacco and the manufacture of cigarettes. The facts are:

(a) There are no blended cigarettes sold in the United States using imported tobacco at the average cost of \$1 per pound.

United States official figures show the average value of the imported tobacco to be about 50 cents per pound. Moreover, the better grades of tobacco are used in the making of "all Turkish" cigarettes, and only the lower grades are utilized in the blended cigarettes.

(b) There are no blended cigarettes sold in the United States requiring 3.75 pounds of tobacco per thousand cigarettes.

All blended cigarettes are made in the "small size," having a consumers' weight of 2.5 pounds of tobacco per thousand. Allowing for waste in manufacturing process, these cigarettes require an average of 2.75 pounds and never more than 3 pounds of tobacco per thousand cigarettes.

The 3.75-pound average given by the memorial is the manufacturers' weight per thousand cigarettes of the "regular" size, which have a consumers' weight of 3 pounds per thousand. Only the high-priced all Turkish cigarettes are made in the regular size.

COMPARISON OF PRICES HERE AND IN ENGLAND.

The memorial states: "It is true that in this country some pure domestic cigarettes are sold as high as 10 for 10 cents, but it is equally true that we are also selling in this country blended cigarettes containing an average of over 20 per cent of Turkish tobacco at 20 for 20 cents."

The point is not that pure domestic cigarettes sell here as high as 10 for 10 cents. The memorial makes no effort to explain how it is possible for the British manufacturer to sell cigarettes at the same price to the consumer as that paid by the consumers here if it is true that prices here are reasonable. There is about 100 per cent differential in taxes against the British manufacturer, aside from other extra expenses, such as ocean transportation, etc. It is also worthy of note that the majority of cigarettes sold in England are sold either by the American manufacturers through their factories in England or by companies having close relations with or subsidiaries of the American companies.

The 20-for-15-cents cigarettes referred to by the memorial and also held out to the committee by Mr. Parker as a shining example of the manufacturers' concern for the consumers' welfare are explained by the fact that these cigarettes do not constitute a lowering of cost to the consumer. They are cheap cigarettes, made of cheaper tobaccos, and sell for a cheaper price. They are 20-for-15-cent cigarettes and nothing more. And we doubt the existence of a single manufacturer who will deny this fact under oath.

The following facts are worthy of consideration:

All blended cigarettes sold in the United States are artificially flavored.

In England none of our blended cigarettes or the 20-for-15-cents cigarettes could be sold, because there is a law against artificial flavoring and adulteration of tobacco.

In the United States all domestic-tobacco cigarettes when artificially flavored sell for less than the blended cigarettes. But all domestic-tobacco cigarettes not artificially flavored sell for the same price or more than the blended cigarettes.

If the memorial is correct as to the average value of the imported type at \$1 per pound and the blended cigarettes, containing on the average 20 per cent of this tobacco, how is it that all domestic-tobacco cigarettes when not artificially flavored must be sold for the same price or more than the blended cigarettes, considering that the average value of domestic tobacco is about 30 cents per pound?

In view of this fact we can not escape the logical conclusion that one or several of the following must be true: The manufacturers are purposely putting the pure domestic-tobacco cigarettes beyond the reach of the average smoker to stimulate the sale of blended cigarettes artificially flavored, or the blended

cigarettes do not contain domestic tobacco of a tolerable quality, or there is something about this apparently innocent practice of artificial flavoring persisted in by the manufacturers that brings the cost of blended cigarettes to the same level or below the cost of the pure domestic-tobacco cigarettes.

When the full facts about this apparently innocent practice of artificial flavoring are appreciated, it will be seen that it is the manufacturers' strong and cruel weapon to defeat the law of supply and demand in purchasing their domestic tobacco. And this weapon is used against the American farmer at the expense of the American consumer.

ABOUT PRICES IN ENGLAND.

The memorial admits that the "Pall Mall" cigarettes sell for a shilling in England and a quarter here. It neglects to comment on the "Phillip Morris" cigarettes. While in the case of "Melachrino" those sold in England it claims to be smaller in size.

Also, upon examination of the manufacturers' statement, we find that the shilling is taken at par value in the sale price, but at current exchange in computing British taxes on tobacco.

The memorial goes on with a general and vague statement about the American cigarettes sold in England being smaller in size and different in quality. They should be more definite: Are the "Pall Mall," "Melachrino," "Phillip Morris," and all other American cigarettes sold in England in identical boxes and labels different in quantity (size of cigarette) and in quality? If so, the manufacturers are guilty of misrepresentation to the consumer.

We repeat that all American cigarettes manufactured in their factories in England and sold there sell for the same price or less than they are sold in the United States. And in no instance are they sold at a price to equalize the consumers' price here and in England, considering the nearly 100 per cent differential in taxes in favor of the American consumer, a difference by no means accounted for by a possible lower cost of manufacture in England. Also all cigarette prices in England are about the same as those charged here for the same quality tobacco used.

As to difference in taxes here and in England, no further comment is necessary. Your committee can, no doubt, get at the facts through the experts at its command.

The memorial does not believe "that any American manufacturer is 'consciously' selling his product in foreign countries at a lower rate of profit than in this country."

The following example shows the facts: The "Herbert Tareyton" is a blended cigarette enjoying large sales. Until a few weeks ago the retail price in the United States was 20 for 30 cents everywhere. Recently it has been sold 20 for 25 cents at some stores.

Following is a comparison of prices and taxes here and in Canada on 1,000 cigarettes of this brand:

United States:		Canada:	
Retail price-----	\$15.00	Retail price-----	\$17.50
Internal revenue....	\$3.00	Internal revenue....	\$8.00
Import duty-----	.21	Import duty-----	1.20
Total taxes-----	3.21	Total taxes-----	7.20
After taxes-----	11.79	After taxes-----	10.30

Differential against the American consumer, \$1.49 per 1,000 cigarettes, or about 3 cents per package. Can it be that the manufacturer of this brand is not "conscious" of the facts?

CONCLUSION.

The arguments of the manufacturers against an adequate protection to our industry are the arguments of a powerful group maintaining a practical monopoly of the tobacco industry. The entire history of this group shows that it has always fought bitterly, and with no fine distinction in its choice of weapons, against any measure threatening its hold on the supply of raw material or the market for the manufactured product.

The American farmers engaged in the production of tobacco refuse to be impressed with the power of this or any other selfish group so long as the Consti-

tution of the United States, guaranteeing her citizens equality of opportunity, is a living force.

We rest our case with your honorable committee, confident that the sound and accepted principle of protection to American industry will prevail.

ALFRED ARAM,
President Associated Tobacco Growers of California.

Dr. M. O. WYATT,
President Northern California Turkish Tobacco Growers' Association.

STATEMENT OF CHARLES DUSHKIND, NEW YORK CITY, REPRESENTING THE TOBACCO MERCHANTS' ASSOCIATION OF THE UNITED STATES.

The Tobacco Merchants' Association of the United States is a national organization, with a membership of more than 1,480, full paid and in good standing, of the leading tobacco concerns in the United States, consisting of cigar, cigarette, and tobacco manufacturers, leaf-tobacco growers and dealers, wholesale tobacconists, tobacco importers and exporters, related trades, and supply houses, files this memorial protesting against any proposed increase in the tariff rates on Turkish tobacco.

The House bill now being considered would increase the rates on filler tobacco from 35 cents per pound, the rate which has obtained since 1882, to 45 cents per pound, unstemmed, and from 50 to 60 cents per pound, stemmed, with a new proviso that filler tobacco "commonly used without removing the stem," as all Turkish tobacco is used, shall be treated as stemmed tobacco; that is, shall bear a rate of 60 cents per pound, and that "filler tobacco of the kind known as Turkish" shall bear a rate of \$1 per pound. This protest is against any and all increase, and is in insistence that the present rate of 35 cents per pound on Turkish tobacco is adequate.

PROPOSED INCREASE IS NOT INTENDED FOR REVENUE PURPOSES—ANY INCREASE WOULD BE UNWISE.

At the outset, we assume, Congress having but recently passed a tax bill without adding to the heavy taxes already paid on cigarettes, that the proposed increase in the tariff on Turkish tobacco is not intended to produce additional revenue, but rather to protect some tobacco-growing interest.

However, if the tariffs referred to are intended to increase revenue, then we respectfully urge that the taxes on the tobacco industry have already reached the "point of diminishing returns," as is evidenced by a \$40,000,000 drop in revenue from tobacco in the last fiscal year.

We understand that the Treasury Department's experts so advised the Committee on Finance when the new tax measure was under consideration.

In this connection we cite the case of England, where, in 1920, the tariff on cigars was raised to secure \$500,000 additional revenue. One year later the chancellor of the exchequer, in submitting the 1921 budget, made this significant statement:

"Last year my budget proposal included an ad valorem surtax of 50 per cent on sparkling wines and cigars. * * *

"I have now to admit that I was wrong. * * * These duties have failed wholly to answer my expectations, and as levied at their present rate they are unremunerative. There is nothing at first sight more reasonable and nothing more universally popular than a luxury tax. But the trouble is * * * if you put heavy taxation upon a luxury people cease to indulge in it, and you lose revenue instead of gaining it. * * *

"I estimated that the total receipts would be £1,860,000. The actual receipts have been only £825,000. It is clear that the surtax lowered revenue instead of raising it and has entirely failed to justify itself."

The \$325,000 collected under the additional surtax was about \$475,000 less than the amount collected during the preceding year under the old tax rate.

The surtax was promptly repealed, but not until the industry had been practically destroyed.

THE INTERESTS INVOLVED.

Manifestly, if one industry is to be protected at the expense of another, it is only reasonable that we get a fair appraisalment of the benefit accruing to the one and the damage done to the other. The interests involved are:

California interests that seek prohibitive tariffs.

Number of farmers raising tobacco.....	300
Number of acres under cultivation.....	8,000
Maximum production of tobacco in peak year..... pounds..	1,500,000
Tobacco on hand..... do.....	2,200,000
Alleged value of annual crop at \$1.50 per pound.....	\$2,250,000
Profits looked for at 25 cents per pound.....	\$375,000

NOTE.—The above are the maximum figures taken from Mr. Aram's testimony, which figures we believe to be grossly exaggerated.

The American cigarette industry that seeks to be saved from a ruinous tariff on an essential raw material.

Domestic tobacco used annually in cigarettes ¹ pounds..	150,000,000
Value of annual consumption of domestic tobacco (150,000,000 pounds at 41.4 cents per pound 1919 prices).....	\$62,100,000
Tobacco on hand, 3 years' supply..... pounds..	450,000,000
Value of tobacco on hand (at 41.4 cents per pound).....	\$183,800,000
Acreage needed for cigarette tobacco (at 676 pounds per acre)....	221,893
Imported tobacco used annually..... pounds..	40,000,000
Value (before duty payment) of imported tobacco used at 91 cents per pound.....	\$36,400,000
Duties on annual importations of cigarette tobacco.....	\$14,000,000
Internal-revenue taxes paid annually on cigarettes.....	\$150,000,000
Annual volume of business (consumers' prices) over.....	\$500,000,000

The additional duties sought to be imposed at the rate of \$1 per pound would amount to \$26,000,000; and at the rate of 60 cents a pound would amount to \$10,000,000, if we are to assume the continued importation of 40,000,000 pounds of Turkish tobacco per annum under the increased rate.

To protect what Mr. Aram claims to be a possible industry with a possible income of \$375,000 a year he seeks further to tax the cigarette industry to the extent of \$26,000,000 a year; that is, to add that amount to the \$150,000,000 of internal-revenue tax, and \$14,000,000 of customs duties that the industry now yields.

The fact is, of course, that the cigarette industry could not pay these additional duties; that there would be disorganization of the industry and that the \$150,000,000 of internal revenue now being collected would be reduced by an amount greater than the proposed tariff would produce.

WAR-TIME GREEK EXPORT DUTIES WERE NO FACTORS IN AMERICAN IMPORTS.

It is not true that there have been burdens heretofore imposed on the exportation of tobacco by the Grecian or Turkish Government, which have latterly been lifted, so that the American cigarette manufacturers are able to bear the heavier duties proposed by the House bill. It is true that for awhile during the war the Grecian Government imposed some export duties. These were imposed during the time when it was almost impossible on account of a lack of shipping facilities to secure Turkish tobacco from Greece at all. They were imposed in the spring of 1917, and were repealed in the fall of 1918. They formed a part of the price paid by American manufacturers for their tobacco brought in from Greece. They were included in the average bond value of the Grecian tobacco landed at the port of entry in this country—and yet the average bond value of all the tobacco landed in 1917, during a part of which the said export duty obtained, was 45.8 cents per pound. In 1918 it was \$1.01 per pound; whereas in 1919, when there was no such duty, the average bond value of all the Turkish and Grecian tobacco imported was \$1.077 per pound, and in 1920 it averaged 91.5 cents per pound. We are informed that when, in 1918, the Grecian Government determined to repeal this small export duty, it refunded to the exporters the amount theretofore collected.

¹ The whole cigarette industry is involved in this matter, because if the proposed rates be adopted, the industry would be disorganized by the shifting of blends and brand entitles. It is true that of the 150,000,000 pounds of domestic tobacco annually used in cigarettes about 104,000,000 pounds are used in the Turkish blended cigarettes; and, if only such would be affected, these figures should be revised accordingly.

RATIO OF IMPORTED TOBACCO USED IN BLENDED CIGARETTES.

The blends of the various brands of cigarettes are necessarily secret formulæ of the respective manufacturers. Hence there is no official data available showing the percentage of imported tobacco used in the various brands of cigarettes.

An official report of the War Industries Board entitled "History of Prices During the War—Prices of Tobacco and Tobacco Products," contains (on p. 8) official figures of the production of the various types of cigarettes in 1917. This report divides the three general types of cigarettes approximately as follows:

	Per cent.
Pure Turkish.....	7
Turkish blends.....	71
Pure domestic.....	22

The growth of the Turkish-blend brands of cigarettes has been principally during the last 10 years. The war seriously interrupted importations. But before the war there had accumulated considerable stocks of Turkish tobacco in this country. In the year 1918, for example, there was an importation of 31,000,000 pounds of Turkish tobacco as against a total cigarette consumption of only 15,500,000,000. The importation of Turkish tobacco in 1919 was 46,000,000, and in 1920, 89,000,000 pounds. Taking all in all, with shipping unimpeded and with no accumulated stocks, it is fair to estimate the present rate of consumption of Turkish tobacco at 40,000,000 pounds.

Taking the percentages of the War Industries Board, based upon a questionnaire issued by the board, and applying these percentages to the 40,000,000 pounds, our estimate of the consumption of Turkish tobacco, it appears that the Turkish tobacco in the Turkish-blend cigarettes is approximately 23 per cent of the whole. Of course, some blends contain less than 23 per cent and others more, but the average appears to be 23 per cent.

MR. ARAM'S CONTENTIONS AND THE REAL FACTS IN THE CALIFORNIA TOBACCO-GROWING SITUATION.

The imported types of cigarette tobacco are essential to the production of at least 78 per cent of the cigarettes consumed in the United States.

The imported tobaccos have greatly stimulated the cigarette business and vastly enlarged the demand for domestic tobacco. While importations of cigarette types of tobacco have increased from about 14,000,000 pounds in 1911 to 46,000,000 pounds in 1919, an increase of but 32,000,000 pounds, the aggregate quantity of tobacco used for cigarettes has grown from approximately 33,000,000 pounds in 1911 to 198,000,000 pounds in 1919, or an increase of 160,000,000 pounds (the complete figures for 1920 not being yet available).

American farmers, other than Mr. Aram and his alleged California "association," fully appreciate the benefit of the imported tobaccos as a means of increasing the demand for their home-grown products. Not one of the 300,000 farmers producing annually over 1,000,000,000 pounds of tobacco (exclusive of cigar types) has demanded, asked for, or even suggested any higher duties on Turkish tobacco.

But Mr. Aram claims that the tobacco raised in California is Turkish tobacco.

Assuming, though it isn't true, that the California tobacco is as good as some of the types of Turkish tobacco, what about the great variety of types that they can not produce?

Supposing that a Pennsylvania tobacco grower should find a suitable spot in England where he could raise the Pennsylvania type of fillers, and upon the strength of that demand a prohibitory duty, not alone on the Pennsylvania type of tobacco but on all of the 20 or more distinctive types of American tobacco, what would be the answer to such a demand?

Turkish tobaccos, like American tobaccos, are divided into a number of distinctive types and each type is again divided into various distinctive grades. To make a satisfactory blend a variety of types and grades must be used. For example, the Pall Mall brand contains as many as 42 different types or grades of Turkish tobacco.

For an illustration of this point, we refer to the "Samsoun type" of tobacco and submit a list of the various classes or grades of tobacco raised under that one general type, to wit: Tsarchamba, Kavak, Amassia, Hadjikeuy, Khayzu, Ladik, Mudjideuzu, Merzifoun, Vizis Kupru, Alatsaw, Baffra, Erbaou, Karahissar.

Endress, Messoudie, Sinope, Guerze, Ayandik, Boyadad, Yent Khan, Gurun, Char Kichia, Tokat, Nixar, Zele, Unia, Therme, and Fatza.

Each of the above is a distinct grade of tobacco, although they belong to the same general type known as "Samsoun." Similarly, other general types that are imported into this country, such as Smyrna, Cavalla, Xanthy, Salonicas, Thessall, Agrinion, all have a variety of grades or classes.

California growers may be able to produce good tobacco. If so, it will be distinctly California tobacco, and no other type. As Dr. W. W. Garner, of the Department of Agriculture, who is conceded the best expert on tobacco growing in this country, has put it, "California tobacco is California tobacco and nothing else."

Dr. Garner's opinion is borne out by world-wide experience. Very rarely do countries, widely separated geographically, produce the same type of tobacco, although they may seem to superficial or even careful observers to be strikingly alike in their soil or climate. The fact is, as testified by those familiar with much of the territory where Turkish tobacco is grown, and the California territory, that there are marked or vital differences. California has an abundant yet an irregular rainfall, whereas the rainfall in the Orient is frequent and gentle, seasonal and reliable. California has quick changes and wide extremes in temperature, whereas in the Orient such is not the case.

The American Tobacco Co. in 1908, 1909, and 1910, experimented in California, and the Liggett & Myers Tobacco Co. having in 1911 acquired the San Francisco factory of the American Tobacco Co., continued to experiment for several years thereafter in an effort to produce some sort of substitute for Turkish tobacco. From Mr. Aram's statements, in 1909 the American Tobacco Co., or some local California representative of that company, by circular encouraged California landowners themselves to continue the work. But these experiments absolutely failed.

The tobacco business in all its branches illustrates and proves the fallacy of the contention that identity of seeds means identity of product. Tobacco grown in the Southern States, from the same seed and in the same territory, varies from 65 cents a pound to 10 cents a pound; American shade-grown wrappers, grown by the same company in Connecticut, bring twice as much per pound as those grown from the same seed and by the same method in Florida or Georgia. Yet Mr. Aram desires us to believe that he can bring seed over from the Orient and produce in California every type and every grade of tobacco grown in Greece or Turkey, and that, with tariff protection, they could be easily and readily substituted by cigarette manufacturers for Turkish tobacco.

Mr. Aram's point of view in this regard is shown by a sentence in his testimony before the Finance Committee:

"I do not think the buying public can tell the difference between third rate and first rate Turkish tobacco."

Apparently he builds his whole case upon this supposition, which requires no comment. Surely the cigarette manufacturers, who have developed a business of 50,000,000,000 cigarettes a year, must have learned that the consuming public can tell the difference or they would have put into their cigarettes nothing but domestic tobacco instead of using high-priced imported tobacco and paying a duty thereon besides.

The suggestion by Mr. Aram that large cigarette manufacturers have some sinister motive in not using California grown tobacco in substitution for Turkish tobacco is absurd. None of the cigarette manufacturers owns an acre of Turkish ground; none of them is enamored of doing business in Turkey; none of them has any interest other than the securing, without embarrassment and at fair cost to it, of raw material for its product. Most of the large manufacturers have well-established brands whose sales amount to billions of cigarettes annually. Some of the large manufacturers have experimented at some time with California tobacco, and none of them has found it satisfactory. None of them dare substitute it for the Turkish tobacco in any of their valuable and well-known brands.

California tobacco growers, if they have a product that is usable in cigarettes, have always their normal and natural opportunity to establish their tobacco with the numerous new brands being constantly gotten out by small manufacturers. In the last year or two they have had an unusual opportunity, if their tobacco had merit, because in the last year or two many of the strong, well-known tobacco manufacturers, such as The Bloch Bros. Tobacco Co., of Wheeling, W. Va.; Larus & Brother Co., of Richmond, Va.; John J. Bagley Co., of Detroit, Mich.; Scotten Dillon Co., of Detroit, Mich., have

gone into the cigarette business with ample capital, and with experienced tobacco men. Undoubtedly every one of them is making a blended cigarette. Undoubtedly also they could have bought the 1919 and 1920 crop of California tobacco, which Mr. Aram says none of the large dealers would buy, at substantially less than they had to pay for their Turkish tobacco. Why didn't they in making new blends for their new cigarettes try the California tobacco?

OUR REQUIREMENTS OF TURKISH TOBACCO AND THE PRODUCTION OF CALIFORNIA TOBACCO.

As against our average requirements of about 40,000,000 pounds of Turkish tobacco per annum, the largest crop, according to Mr. Aram's latest figures, ever produced in California, was that of 1919, which amounted to 1,525,000 pounds. Surely 1,500,000 pounds can not meet a requirement of 40,000,000 pounds. But we have reason to doubt Mr. Aram's figures. We rather believe that the figures that he submitted to the Committee on Ways and Means are less wide of the mark than those he now presents. Here are the two sets of figures:

	Mr. Aram's figures submitted to the Senate committee.	Mr. Aram's figures submitted to the House committee.		Mr. Aram's figures submitted to the Senate committee.	Mr. Aram's figures submitted to the House committee.
	Pounds.	Pounds.		Pounds.	Pounds.
1906.....	500	500	1914.....	245,000	
1907.....	9,500		1915.....	500,000	
1908.....	30,000		1916.....	800,000	
1909.....	37,000		1917.....	498,000	
1910.....	300,000	300,000	1918.....	870,000	
1911.....	490,000		1919.....	1,525,000	1,000,000
1912.....	250,000		1920.....	700,000	200,000
1913.....	215,000		1921.....	48,000	

However, both of these statements seem to be wrong. On August 24 last we wired the College of Agriculture, Agricultural Experiment Station of California, as follows:

"May we not ask you to furnish us with such data, information, or statistics as you may have in regard to tobacco growing in your State?"

The following is the reply:

"California tobacco acreage 1919 was 700 acres. Quantity harvested, 489 to 941 pounds. Value, \$284 to \$166.

"EDWIN C. VOOBIES."

It will thus be seen that in 1919, instead of raising 1,000,000 pounds, according to Mr. Aram's first statement, or 1,525,000 pounds, according to his most recent statement, there were cultivated only 700 acres, producing between 489 to 941 pounds per acre, or a total of 658,700 pounds, according to the maximum yield. Taking the mean figure, the yield would only amount to 500,500 pounds.

Since Mr. Aram has failed to give the source of his information, we must, of course, accept the official figures from the authoritative source referred to.

The insignificance of the industry is further shown by letters and records quoted in the appendix hereto.

PRESENT DUTY ON TURKISH TOBACCO AFFORDS MORE THAN A SUFFICIENT DIFFERENTIAL TO PROTECT CALIFORNIA TOBACCO.

Notwithstanding Mr. Aram's varying statements as to the prices paid for Turkish tobacco, which at one point of his testimony he mentioned as 15 to 30 cents per pound, contradicting himself with equal emphasis in the latter part of this testimony, where he stated that what he meant was that the cost of producing tobacco on the other side was 50 cents per pound, the official records of the customhouse department (Foreign Commerce and Navigation Reports) show that the average price paid for Greek-Turkish tobacco, even under the declining prices in 1920, was 01.5 cents per pound, besides a duty of 35 cents, which brings it up to \$1.265 per pound.

But Mr. Aram claims that it cost \$1.34 per pound to produce tobacco in California, and he submits pages of detailed figures purporting to show the itemized cost of production in substantiation of his assertion.

Mr. Aram does not give the source of these figures. However, it is entirely unnecessary to enter upon a discussion of the figures submitted by him except to refer briefly to one or two outstanding facts which throw much light on the subject.

For instance, among the items of "Permanent investments" he gives the value of 20 acres of land at \$0,000, which equals \$300 per acre. In his testimony before the committee, in response to Senator Reed's question, he stated that the tobacco land in California is worth "from \$100 to \$250 an acre"; also that the land "is not good for anything else except grazing."

Apparently when Mr. Aram prepared that statement he overlooked the fact that Californians sold their 1918 crop at a time when, according to his own statements, the manufacturers bought everything they could get at prices ranging between 25 cents and \$1.25 per pound. The farmers were seemingly so happy over it that the following year, to wit, 1919, as appears from his own figures, they nearly doubled their crop. Surely, if the farmers had lost money on the 1918 crop at \$1.25 per pound (maximum price), they would have held back in raising tobacco again in 1919, instead of doubling their crops.

Yet Mr. Aram desires to make us believe that it cost \$1.34 per pound to produce tobacco.

His cost statement is based on a production of 302 pounds per acre, and here again Mr. Aram seems to be in error, for it appears from the telegram of the California Agricultural College herein above quoted that the yield is from 480 to 941 pounds per acre, and that the value of the crop is from \$168 to \$284 per acre, which makes from 30 to 34 cents per pound.

Mr. Aram is careless in his figures. This was clearly demonstrated in his testimony before the committee when, in response to Senator Reed's questions, he testified that there are employed an average of 9,000 laborers for a whole year to cultivate and produce the California tobacco crop. But when he was asked how 9,000 laborers can be paid from the proceeds of a crop the entire cost of which, even at \$1.25 per pound, would be about \$875,000, he explained: "I do not know what these men will get, but our association is conducted in this way," following it with a recital of the methods of his association. This was the only explanation he could give for his statement. To pay 9,000 laborers involves a cost of \$2,700,000, figuring at the rate of \$1 per day.

With the average price paid for Turkish tobacco at 91 cents per pound, plus a duty thereon of 35 cents per pound, the California tobacco, whatever it may be, is more than sufficiently protected.

The highest average price paid for cigarette tobacco grown in the United States during war days was 41.3 cents per pound; while the average price for tobacco imported from Greece and Turkey, even under the present declining market, is 91 cents per pound, and to that must be added the duty of 35 cents per pound, making an average price for the imported tobacco, \$1.26 per pound.

Manifestly, if they can not produce tobacco in California to compete with Turkish tobacco costing \$1.26 a pound, while the average highest price that domestic cigarette tobacco was ever sold for was only 41.3 cents per pound, they can not produce any tobacco on a commercial basis, for it must be self-evident that if the cost to produce such tobacco is prohibitive it can not be used as a commercial article.

Producing an article is one thing, and producing it on a commercial basis is quite another thing.

The great bulk of Turkish tobacco is used, not in the manufacture of pure Turkish cigarettes, but in the Turkish-blend cigarettes, i. e., the cigarettes that retail to the consumer at 20 for 20 cents and are sold by the manufacturer at \$7.06 per thousand, which includes the internal-revenue taxes, or \$4.06, which excludes the internal-revenue taxes.

It must be perfectly apparent even to a layman that no manufacturer can afford to use tobacco costing about \$2 per pound (which would necessarily be the approximate cost under the proposed increased tariff), in cigarettes that he sells at \$4.06 per thousand and which take on the average 3.75 pounds of tobacco, even though only 23 per cent of it is of the imported type.

Inference has been made at the hearing to "Pall Mall" and "Egyptian Dettles." These are the most expensive and the highest type of Turkish cigarettes made in this country. Their sales are, however, comparatively so small that they practically form no factor in the business on pure Turkish cigarettes,

which amounts, approximately, to three and one-half billion per annum, or 7 per cent of the whole.

The great bulk of the pure Turkish business is done on such brands as "Lord Salisbury," which retail at 15 for 16 cents; "Turkish Trophies" (cork tips), "Helmars," and "Egyptian Prettiest," the retail price of which is 20 for 25 cents; "Melachrinos (No. 9)," "Moguls," and "Murads," which are sold to the consumer at 20 for 35 cents, but not "Pall Mall" or "Egyptian Deltics."

The average manufacturer's price for pure Turkish is about \$11 per thousand, which includes \$3 internal-revenue taxes and about \$1.20 per thousand in duties on imported tobacco used therein, or \$6.80 minus the taxes and duties, which, as will be seen, figure at about 62 per cent of the manufacturer's net price.

MR. ARAM'S COMPARISON OF ENGLISH AND AMERICAN PRICES.

Mr. Aram repeatedly claims that American cigarettes are sold in England at lower prices than they are sold for in this country, although the taxes in England are higher than in the United States.

To substantiate his statement, he tells us that a cigarette made of pure Virginia tobacco sells in England at 10 for 10 cents. It is true that in this country some pure domestic cigarettes are sold as high as 10 for 10 cents, but it is equally true that we are also selling in this country blended cigarettes containing an average of over 20 per cent of Turkish tobacco at 20 for 20 cents, the maximum price, the same cigarettes being sold in some stores as low as 20 for 15 cents.

But Mr. Aram has overlooked the fact that there are not less than three national brands on the market now, such as "One-Eleven," "Beechnut," and "Sunshine," that are retailed at 20 for 15 cents, for which the manufacturers receive a net price, minus the taxes, of but \$2.30 per thousand.

Laying special emphasis on his assertion that the American brand "Melachrinno" cigarettes are sold in England for 1 cent a package less than they are sold for in this country, he has ignored the important fact that the "Melachrinno" cigarettes that are sold in England are made in England and not in this country.

Another most significant fact that he did not seem to recognize is that the cigarettes made in England or those made in the United States for the English market are substantially smaller in size and take nearly a pound of tobacco less per thousand than those sold in the United States. This means a difference not only in the cost of tobacco, but as the English taxes are levied at so much per pound, whether on raw tobacco or on the finished product, a difference of 1 pound of tobacco or thereabouts means a difference of about one-third of the taxes on a thousand cigarettes.

As a matter of fact, the tax on Melachrinno cigarettes, plus the duty on the Turkish tobacco used therein, made in this country, amounts to about \$4.10 per thousand, while the duty on the tobacco in the same cigarettes made in England amounts to 21 shillings, or about \$4.20 in American money. There is no tax on the cigarettes, other than the duty paid on the tobacco, in England.

Furthermore, the price of Melachrinno in this country is not higher than the price in England, for they sell in the United States at from 15 to 20 cents a package, whereas in England they sell at a minimum of 1 shilling per package.

Pall Mall cigarettes are a high-class pure Turkish cigarette of insignificant volume as compared with the whole cigarette business in this country. In this country the brand belongs to the American Tobacco Co. In England the same brand belongs to the Imperial Tobacco Co. It so happens that a good many cigarette brands well known in this country are owned by an entirely different proprietor in England and certain other foreign countries. Naturally the manufacturer in England uses such blends and formula as he sees fit, and the English cigarette is habitually of lighter weight and generally of different blend than the American cigarette of the same name.

The American Tobacco Co. furnishes a few—not exceeding one-half million a year—Pall Mall cigarettes to the Imperial Tobacco Co. for sale at places frequented by Americans in London, simply and only for advertising purposes. The prices obtained by the English company, who takes them from the American Tobacco Co. at cost, is entirely unimportant to the American Tobacco Co.

We do not believe that any American manufacturer is consciously selling his product in foreign countries at a lower rate of profit than in this country. Normally and because of the high tariffs in foreign countries on imported manufactured goods there is no considerable export business on American-made cigarettes. There are two temporary situations that should be taken

into account; one is that during and just after the war there was a large exportation from America of cigarettes of well-known American brands, and on a basis of profits entirely satisfactory. The American Tobacco Co., for instance, states to us that it exported in the calendar year 1920, 1,404,000,000 cigarettes and that its total exportations in the calendar year 1921 up to December 1 was only 68,737,000. A second consideration is that if Mr. Aram, or even a more reliable investigator, made inquiry as to brands in London and other European cities to-day he would be likely to find Pall Mall selling as low as 6d. and other cigarettes on a proportionate basis. This is due to the sale at auction by foreign Governments of the surplus stocks of depreciated goods on hand as the result of overpurchases for war purposes.

The increased duties were inserted in the House bill without hearing the cigarette manufacturers and without affording them an opportunity to present the real facts in the situation to the committee.

As stated by Mr. Parker before your honorable committee, and as admitted by Mr. Aram in his testimony, Mr. Aram did not appear at the public hearing before the Ways and Means Committee when the tobacco section was scheduled to be heard, nor had the cigarette industry received any intimation of Mr. Aram's activities until his memorandum was accidentally discovered by the writer printed in the miscellaneous appendix, Part VI of the hearings (p. 4439).

It is our firm belief that had the cigarette industry had an opportunity to present the real facts in the situation before the Committee on Ways and Means or its subcommittee in charge of the tobacco schedule the fallacy of Mr. Aram's contentions would have been conclusively established and the old tariff rates on imported cigarette tobacco would have remained unchanged.

CONCLUSION.

We believe that it has been clearly demonstrated:

That Turkish tobacco has been of great benefit, not only to the cigarette industry, but to the domestic tobacco-growing industry.

That no substitute for the Turkish types of tobacco can be raised in California, or in any part of this country.

That the increased duties passed by the House can not but spell disaster to our cigarette industry.

That aside from Mr. Aram, who claims to speak for an alleged California Tobacco Growers' Association, no American tobacco grower has asked for additional protective duties on Turkish tobacco, or on any other filler tobacco.

And we respectfully urge with all possible emphasis at our command that the great American cigarette industry, with investments of many millions of dollars, using about 150,000,000 pounds of domestic tobacco grown by American farmers, and contributing \$150,000,000 a year in internal-revenue taxes alone, should not be jeopardized, and that its immensely valuable trademarks and property rights should not be destroyed simply for the purpose of affording protection to a few farmers who have been unsuccessfully experimenting in raising a substitute for Turkish tobacco in the State of California.

On behalf of the more than 1,480 members that we represent, and on behalf of 200 smaller cigarette manufacturers who manufacture practically nothing but pure Turkish cigarettes, we most earnestly protest against the increased duties provided in the House bill.

APPENDIX TO STATEMENT OF TOBACCO MERCHANTS' ASSOCIATION.

QUOTATIONS FROM LETTERS.

From a letter of Mr. W. H. Alston, president of the Alston Tobacco Co., who has been engaged in the Turkish leaf tobacco business for the past 21 years, both as an importer and as a buyer of Turkish tobacco for some of the largest American manufacturers:

"Shortly after the purchase and manufacture of Turkish tobacco was inaugurated, experiments were started in various States of the Union in an endeavor to produce similar types. To this end, Turkish tobacco seed was brought to the States and I was instrumental in having experienced tobacco farmers cultivate tobacco grown from this seed in Pennsylvania, Ohio, Maryland, Kentucky, North Carolina, and Virginia. I was particularly interested in these experiments, being a native-born North Carolinian. The results, however, were

very disappointing and may be summed up without exaggerations thus: In no instances did the highest grade of tobacco produced in this manner in any of these States equal in quality the lowest grades of tobacco grown in Turkey.

"At this point, it should be emphasized that the lower grades of Turkish tobacco are not imported into the States, being themselves quite unsuitable for American manufacturers.

"The proportion of tobacco grown in Turkey entirely unsuitable for American usage is at least 40 per cent, but we consider even these qualities as being very much superior to any substitute Turkish tobacco capable of being produced in this country.

"In 1908 I was instrumental in carrying out experiments for a similar purpose in California. An attempt was made to reproduce Turkish tobacco grown from Turkish seed in California, a farm having been leased in Exeter, Calif., with the idea of producing a quantity of about 40,000,000 pounds. I was then associated with the American Tobacco Co., and the latter company spent a considerable amount of money on this experiment, and personally I superintended the execution of this plan. It was our idea to spare neither expense nor trouble in the endeavor to produce 'Turkish' tobacco in the States, thereby to avoid the necessity of establishing a large and necessarily expensive organization in the Near East.

"The result of the experiment was certainly more fortunate than those conducted in the other States mentioned heretofore, but the fact still remained that the highest quality produced in California was not equal to the lowest grades of Turkish, which themselves are considered of too inferior a quality for the American market.

"The climate of California is unsuitable for the cultivation of Turkish tobacco because, briefly, the extremes are too pronounced.

"When it is dry, it is too dry, and resort has been had to irrigation, which is itself unnatural, and is unsuited to tobacco cultivation. After the tobacco is cured and in storage, the rainy season is so pronounced that the tobacco is in continual 'soft' order with the result that mold develops.

"It may be pertinent at this point to introduce a few facts regarding Turkish tobacco and the California substitute. There are at least 25 different types and grades of the so-called Turkish tobacco imported into the United States not to mention quite as many more which do not come to this country, but are consumed in Greece and Turkey and in different countries in Europe and elsewhere. The 25 grades imported to the United States are each distinctive and when blended together make the finished Turkish cigarette. When the blend of Turkish tobacco is itself blended with domestic tobacco, then you have what is known as the Turkish blend cigarette. Substitute Turkish tobacco grown in various parts of the United States, California included, grades, I should say, into about three qualities only. Even these three qualities are very similar. Is it not obvious therefore that one can not make as satisfactory a blend with three grades (all more or less a sameness) as is possible with no less than 25 types, each one quite distinctive?"

In a recent letter of the Liggett & Myers Tobacco Co., one of the largest users of Turkish tobacco in this country, the company has made the following statement:

"In the year 1911, the American Tobacco Co. furnished Turkish tobacco seed to a few farmers, Armenians or Greeks, as I recall, residing in the hill section of California between Sacramento and San Francisco, and gave them instructions as to the cultivation and curing of the tobacco. A percentage of the tobacco raised from that seed, although of coarse texture, had a Turkish flavor. It was decided therefore to continue the experiment and this was undertaken by the John Bollman Co., a branch of Liggett & Myers Tobacco Co., located at San Francisco. From 1912 to 1918 we purchased a total of approximately 150,000 pounds of this tobacco. We became convinced that the soil there was not adapted to the cultivation of Turkish leaf; that the variation in temperature falling as much as 30 or 40° at night as compared with the temperature in the middle of the day prevented the tobacco from ripening and curing properly. Its texture was coarse, it was lacking in Turkish flavor, was of poor burning quality and in many instances of decided rankness. We could use with some risk only about 1 per cent in a cigarette in which several different varieties of tobacco were blended. Experts do not believe that Turkish tobacco can be grown successfully in that climate. After the tobacco was supposed to have been air cured, it had to be dried in a machine in order to prevent its

complete damage. The experiment was costly to us and we decided that under all the circumstances, it was best to discontinue it."

The Genstor Tobacco Co., another concern for many years engaged in the business of importing Turkish tobacco on a large scale, has this to say in a letter recently written to us, to wit:

"We purchased several thousand pounds of this tobacco at 30 cents a pound for one late large cigarette company in this country who decided to try this tobacco with Turkish for the same reason of saving the duty, and found same to be unsatisfactory, leaving them with most of this tobacco on hand at the present time.

"We were offered about a million pounds or more of this tobacco at 50 cents, which we rejected, and which is now still lying in New York in the hands of one Armenian by the name of Aram, who has since approached us several times to make him any kind of a reasonable offer to try to work this off for them on any basis that we might suggest, and we have declined this also, because there is no demand for this character of an inferior substitute for Turkish tobacco at any price. With all of this so-called Turkish California lying in New York and the scarcity of good Turkish tobacco, we can not dispose of this California tobacco.

"Some of the Armenians who raised this California Turkish came here and persuaded some little manufacturers, leading them to believe that Turkish California can be mixed with the genuine and thus save the duty and make a 100 per cent Turkish cigarette. This leads to the public being misled and fooled into a mixed Turkish for pure Turkish and charging the price as if it were all Turkish, which is, of course, wrong. Turkish tobacco at any price could never be substituted by California tobacco."

Mr. Aram, in attempting to magnify the extent of what he calls the tobacco-raising industry in California, mentions the following counties where tobacco has been produced, to wit: Yolo, Fresno, Tulare, Santa Clara, San Joaquin, Kings, Sacramento, Los Angeles, and San Diego.

In 1917 we made extensive inquiries as to the production of tobacco in California, and we quote herein from letters received from the Department of Agriculture and chambers of commerce in the various counties where Mr. Aram claims that tobacco is being raised, which speak for themselves:

SANTA CLARA COUNTY.

[From the Consolidated Chamber of Commerce of the city and county of Sacramento, Nov. 15, 1917.]

"This tobacco was grown in the counties of Tulare, Santa Clara, and Fresno, also Los Angeles, but at the present writing it has not been of sufficient commercial value to continue.

"The county of Sacramento raises absolutely no tobacco, not because of the adaptability of the soil but owing to the fact that other crops of a commercial value can be raised instead of the tobacco."

TULARE COUNTY.

[From the United States Department of Agriculture, Bureau of Plant Industry, Washington, D. C., Nov. 5, 1917.]

"In reply I may say that considerable interest was aroused by experiments carried out a few years ago in Tulare County, Calif., looking to the production of Turkish tobacco. We understand that these experiments were furthered by the John Bollman Co., of San Francisco. More recently tests have been made in the States of Washington and Oregon and also in California, with a view to growing tobacco merely as the source of spraying material required by orchardists in combating destructive insects."

[From the United States Department of Agriculture, Bureau of Crop Estimates, San Francisco, Calif., Nov. 15, 1917.]

"A few years ago considerable Turkish tobacco was grown in the San Joaquin Valley, Calif., I think largely in Fresno and Tulare Counties, but so much trouble was experienced in marketing the same that its cultivation was discontinued."

KERN COUNTY.

[From the Kern County Board of Trade, Bakersfield, Calif., Dec. 4, 1917.]

"Replying to your recent communication, I wish to advise that there are a number of places in Kern County where they are raising tobacco in an experimental way or for their own use. There is no tobacco raised here commercially."

SAN DIEGO COUNTY.

[From the San Diego Chamber of Commerce, San Diego, Calif., Dec. 27, 1917.]

"Answering your favor of December 14, in reference to the raising of Turkish tobacco in this section, will state that three years ago a gentleman from Turkey, interested in growing Turkish tobacco in this section, brought some Turkish tobacco seed to this chamber. The seed was distributed to interested farmers in the back country. Endeavoring to promote the production of the tobacco a prize was offered for the best sample submitted. A few experimented that year, and of the samples submitted one won a prize of \$10.

"Since that time the matter seems to have gone by default, as we have been unable to learn of any parties who are growing the tobacco in this section now."

LOS ANGELES COUNTY.

[From the United States Department of Agriculture, Bureau of Crop Estimates, San Francisco, Calif., Jan. 12, 1918.]

"I inclose herewith copy of letter from Mr. J. D. Culp, which is self-explanatory."

[Letter of J. D. Culp, Pacific Grove, Calif., Jan. 11, 1918.]

"There are only two parties that I know of that grew any. Mr. J. M. Goode, whose address is Redondo, Los Angeles County, raised a small quantity, and Mr. Leshner, Thirty-eighth and Moneta Streets, Los Angeles, has raised a small quantity for the past two years, and he has it on hand now. He sent samples of it to the different tobacco markets back East, and couldn't obtain any offer for it at all. It is not fit for commercial use. It is like all other tobacco that ever has been grown in California, that has been cured by the same methods that are used in other tobacco-growing States of the Union."

KINGS COUNTY.

[From the Kings County Chamber of Commerce, Hanford, Calif., Nov. 19, 1917.]

"It was raised a few years ago, but for the lack of a market it was only raised one year."

STANISLAUS COUNTY.

[From the Modesto Chamber of Commerce, Modesto, Calif., Nov. 23, 1917.]

"* * * beg to advise that several years ago there were experiments carried on in the raising of tobacco in the city of Turlock, this county, but the same did not prove successful on account of the flavor of the tobacco."

FRESNO COUNTY.

[From the California Development Board, San Francisco, Calif., Nov. 27, 1917.]

"* * * a few years ago an attempt was made to grow Turkish tobacco in San Joaquin Valley, particularly in Fresno County, but for some reason the activity has greatly decreased and we do not believe at this time that it is being grown commercially."

WRAPPER, FILLER, AND SCRAP TOBACCO.

[Paragraphs 601-603, 605.]

STATEMENT OF HON. DUNCAN U. FLETCHER, UNITED STATES SENATOR FROM FLORIDA.

Senator FLETCHER. Mr. Chairman and gentlemen, I have only a short statement to make in connection with this matter. I am satisfied that I shall not unnecessarily take the time of the committee by reading a short letter which will supplement the statement of Mr. Pendas, whom I will introduce in a moment and who will discuss the subject in greater detail, based on his extensive experience and knowledge.

I wish to direct your attention to paragraph 601, Schedule 6—Tobacco and manufactures of.

I hope the committee will allow me to refresh their memories as to the existing law and to compare that with the proposed law in H. R. 7456.

Under the act of 1909, Schedule F, paragraph 220, we find the following:

Wrapper tobacco, and filler tobacco when mixed or packed with more than 15 per centum of wrapper tobacco, and all leaf tobacco the product of two or more countries or dependencies when mixed or packed together, if unstemmed, \$1.85 per pound; if stemmed, \$2.50 per pound.

Filler tobacco, not specially provided for in this section, if unstemmed, 35 cents per pound; if stemmed, 50 cents per pound.

Then paragraph 224 reads:

Cigars, cigarettes, cheroots of all kinds, \$4.50 per pound and 25 per cent ad valorem, and paper cigars and cigarettes, including wrappers, shall be subject to the same duties as are herein imposed upon cigars.

That is the act of 1909. The act of 1913 is the same. No change is made in either act in respect to these matters I have mentioned.

The emergency tariff act of March 27, 1921, did make a change with reference to wrapper tobacco and filler, so that the wrapper tobacco and filler tobacco when mixed or packed with more than 15 per cent of wrapper tobacco, and all leaf tobacco, the product of two or more countries or dependencies when mixed or packed together, if unstemmed, \$2.35 per pound; if stemmed, \$3 per pound. Under the act of 1913 the duty if unstemmed was \$1.85 per pound and if stemmed \$2.50 per pound, but under the emergency tariff act the duties now are \$2.35 per pound if unstemmed and \$3 per pound if stemmed.

There were no changes as to the duty on cigarettes, cigars, and cheroots in the act of 1909 and none proposed in the bill now before you, paragraph 605. It is practically the same as paragraph 224 under the act of 1909 and paragraph 185 under the act of 1913.

In H. R. 7456 it is proposed to make the duty on wrapper tobacco and filler tobacco when mixed or packed with more than 50 per cent of wrapper tobacco, and all leaf tobacco the product of two or more countries or dependencies when mixed or packed together, if unstemmed, \$2.10 per pound; if stemmed, \$2.75 per pound; instead of \$1.85 per pound and \$2.50 per pound, respectively, as carried in the act of 1909 and the act of 1913, and \$2.35 per pound and \$3 per pound, respectively, as carried in the emergency tariff act.

The item known as Turkish tobacco has no corresponding provision in the acts of 1909 and 1913.

Also, the emergency tariff bill makes no change with reference to "filler tobacco, not specially provided for in this section," and it is still carried in the emergency tariff bill, as in the acts of 1909 and 1913. The bill now before you proposes to make a change in that item so that it will read:

Filler tobacco not specially provided for, if unstemmed, 45 cents per pound; if stemmed, 60 cents per pound: *Provided*, That filler tobacco, not specifically provided for, commonly used without removing the stem shall be subject to the same duty as stemmed.

Manufacturers of Havana cigars in Tampa, especially, are insisting that these duties ought not to be raised beyond the acts of 1909 and 1913. Concretely, they contend this, and urge it upon the committee: First, that such duties as are carried in the emergency act of 1921, or the House bill now before you, will cause a decrease of importation and a consequent loss of revenue; secondly, that it will cause at least a partial shutting down of factories and the throwing of people out of employment. There are engaged in this work, in the cigar industry in Tampa, some 15,000 people, while in Key West there are some 5,000 so engaged. They feel sure that this will make the Havana cigars so costly that the consumers will be limited in number, the demand diminished, and the industry seriously injured, if not ruined. They point to an experience which Mr. Cuesta informs me about. I have not seen the law, but my information is that in 1920 England added a 50 per cent ad valorem tax on the existing taxes, with the result that whereas 50,000,000 cigars had been imported from Cuba to England the year before, following this additional 50 per cent ad valorem tax only 2,000,000 cigars were imported that year or the year after, so that England has been obliged since then to repeal that additional tax. That is one experience which I think perhaps ought to have some weight with this committee.

Senator McLEAN. That was the duty on the imported Havana?

Senator FLETCHER. Havana; yes, sir.

I am speaking not from the standpoint of a representative of the manufacturers or the dealers or the producers, but from the standpoint of the public generally and as a citizen.

Mr. Peter O. Knight has written me a letter which I wish to submit to the committee as coming from a citizen thoroughly informed on the subject. He says:

I regret exceedingly that I shall be unable to be present at the hearing of the tariff schedule before the Senate Finance Committee December 7.

Mr. Pendas and I last summer were requested by the Clear Havana Cigar Manufacturers' Association and the Tampa Board of Trade, of this city, to be present at the hearing when it should be held; and, as you know, I held myself in readiness for two months during the summer to attend the hearing; but this particular schedule did not come up for consideration and the matter was then deferred, and it will now be impossible for me to go.

I am quite sure that when the members of the Finance Committee thoroughly understand this situation, instead of increasing the duties on the raw material they will decrease the same.

As you know, the manufacturing of clear Havana cigars in the United States is of comparatively recent growth. Years ago all of the clear Havana cigars were manufactured in Cuba, and there were not consumed in this country over 40 or 50 million of clear Havana cigars annually. Finally, by reason of a tariff bill passed, such a duty

was fixed on the raw material as compared to the duty on the manufactured article as that the manufacturer could import into this country from Cuba Cuban tobacco, manufacture it into cigars, thus making a clear Havana cigar in this country, and sell the same cigar for 10 cents that could not be made in Cuba and sold in this country for 15 cents. And so on. The result was the building up of the clear Havana industry in Tampa and in Key West, particularly. To such an extent has this industry grown as that there is now manufactured in Key West approximately 60 or 70 million cigars annually, and there has been manufactured in Tampa as high as 400,000,000 clear Havana cigars annually; whereas the province of Habana in Cuba has never exceeded in production 220,000,000 clear Havana cigars annually. And there are imported into this country now from Cuba not very many more clear Havana cigars than were imported into this country before the clear Havana industry in the United States started. So the passing of this particular tariff bill was a magnificent piece of constructive work.

During the last few years, however, because of conditions existing, the internal revenue tax has been increased enormously, the tariff has been increased on the raw material to such an extent as that the clear Havana manufacturer in this country is unable now, with the present internal revenue and customs taxes, to manufacture clear Havana cigars that can be sold by the retailer at two for 25 cents.

Now, during the last few years, when the laboring man received \$40 a minute and business men of very ordinary capacity made several hundred thousand dollars per annum, it was an easy matter for the manufacturer to pay the tax and to sell their cigars for 20 and 25 cents a piece, because the people were on a magnificent drunk and cared not what they spent and paid for their cigars. But now that we are getting back to sane conditions, they are unwilling and unable to pay such prices for cigars. And the result is that, with the present tariff and internal revenue taxes, the clear Havana industry is moving along in this city at only about 50 per cent production, and even though, commencing April, 1920, there was a 10 months' strike and the manufacturers here were unable to produce any cigars scarcely, and the shelves of the retailers of the United States were absolutely clear of Tampa cigars when the industry resumed operations the beginning of this year. Unless the tariff on the raw material and internal revenue taxes are reduced so as to place the clear Havana manufacturing industry in this country on the same basis that it existed prior to the war, it is my opinion that the production of clear Havana cigars in this country will be reduced by half, for the reasons above stated. The people, as a rule, can not pay 15 cents for a cigar; and that is what they must do at the present time if they are going to buy clear Havana cigars made in Tampa or Key West—from 15 cents up.

If the tariff is increased, as proposed in the bill, the effect will be most disastrous. It will probably place the manufacturer in this country where he will be unable to make a clear Habana cigar that the retailer will be able to sell for less than 20 cents. How many people in the United States will spend 20 cents for a cigar? With the tariff increased as proposed in the pending bill, you will put the manufacturer in Cuba and the manufacturer in this country on such a parity as that the manufacturer in Cuba will be able to sell his cigars in this country at probably the same price that the manufacturers in this country will have to sell their cigars for. And you know that smokers of clear Havana cigars have an idea that a Havana cigar can only be made in Habana; and if, therefore, they can buy a cigar made in Habana for the same price as a cigar made in Tampa, they will buy the cigar made in Habana.

Now, this industry has paid enormous taxes to the Government annually, the taxes in Tampa alone amounting to several million dollars a year, and the industry here has gone under full steam for about 20 years.

For what purpose is this measure passed? Is it to aid the manufacturer and enable him to continue in business? And is it to enable the Government to raise increased revenue? If that is the purpose of the bill, then, as above stated, the tariff should be decreased and not increased.

The present tariff on filler is 28 cents a pound net; and on wrapper, \$1.88 a pound net. It is perfectly absurd to say that the grower of domestic tobacco should receive more protection than this. As a matter of fact, domestic-grown tobacco, as a rule, is not worth 28 cents a pound for filler or \$1.88 a pound for wrapper. The manufacturer here must pay not only 28 cents duty for filler and \$1.88 for wrapper, but in addition thereto, the price that he pays to the grower in Cuba for the tobacco, plus the amount of freight from Cuba to the United States. So, from any standpoint, proper protection to the domestic grower of tobacco, protection to the clear Havana manufacturer to enable him to continue his business in this country, and necessary revenue to the Government, the present Federal taxes, internal revenue, and customs on the raw material, should be reduced. If it is not reduced, the tax on the manufactured article should be increased.

Tampa is now a thriving city of seventy-odd thousand people, built up by this cigar industry. You, of course, may know the consequences to the city and its in-

nabitants if the industry is destroyed or seriously affected. The people here are much concerned with reference to this matter; but I have full confidence that, when the honorable members of the Finance Committee understand this situation, they will take no action that will injuriously affect any industry in this country.

Mr. Knight is well acquainted with all the details of this industry and has been in touch with it for some 20 and odd years. He is a gentleman of the highest standing.

Senator SMOOT. Do you think that 10 cents a pound increase is going to destroy that business?

Senator FLETCHER. Do you mean as proposed by this bill on "filler tobacco, not otherwise provided for"?

Senator SMOOT. Yes. It is such a small amount.

Senator FLETCHER. That it is the smallest increase proposed and the least serious but that amounts to a very considerable sum, Senator, and the manufacturers are running now on about half time.

Senator SMOOT. But that is better than a good many of the other businesses of the country are doing.

Senator FLETCHER. Well, it is a pretty serious thing for them, and they claim that they can not continue. Certainly they can not continue anything approaching their normal capacity because the people will not pay the increased price that will be necessary. That increase would add \$2.10 per thousand to the cost of the cigars.

Senator SMOOT. The emergency tariff bill is 50 cents.

Senator FLETCHER. Yes; I realize that.

Senator SMOOT. This is taking off 10 cents from the emergency tariff.

Senator FLETCHER. It is less than the emergency tariff, but the emergency tariff bill is too severe.

Senator McLEAN. You are addressing yourself to the filler?

Senator FLETCHER. To the filler—"not otherwise provided for."

With reference to the wrapper, Florida has a very important industry in the growing of wrappers. This wrapper and the Connecticut wrapper compete with Sumatra and Java but very slightly with the Havana. The duty on the Havana wrapper, one way or the other, does not affect them so much, because the importation of Havanas is negligible as compared with the wrapper generally. The real competitors are the wrappers from Sumatra and Java. Our people in Florida feel that their competitors are Sumatra and Java and not Havana, as far as the wrapper is concerned, so that there is no conflict in the claim that the duty should not be raised on "wrapper tobacco and filler tobacco when mixed or packed with more than 15 per cent of wrapper tobacco," coming from Cuba, but should be continued as in 1909 and 1913. Whatever the duties which may be imposed upon Sumatra and Java wrappers, the duties on Cuban wrappers and fillers ought not to be increased over 1913, but lowered. Sumatra and Java alone are the real competitors of our growers—not Havana.

Senator McLEAN. I understand you have no objection to the rate on the wrapper as contained in the emergency bill if confined to Java or Sumatra?

Senator FLETCHER. If it can be separated so that it will not cover the Havana wrapper.

Senator McLEAN. Of course, the Havana wrapper gets 20 per cent.

Senator FLETCHER. I see no reason why the bill should not specify Sumatra and Java wrappers and eliminate the Havana wrapper entirely. It should be eliminated from that classification.

Senator McLEAN. Isn't the Sumatra wrapper also grown in the Southern States—Georgia?

Senator FLETCHER. Yes; in Florida and Georgia.

Senator McLEAN. Isn't it used to wrap the high-grade cigars filled with Havana?

Senator FLETCHER. Yes; that is true, and the increased importation of the Havana filler will help the producer of the domestic wrapper, because the more Havana cigars are made the more demand there will be for the wrapper.

Senator McLEAN. Provided he can raise the tobacco at a profit.

Senator FLETCHER. Yes. One of the best informed men, I assume, in the country is Mr. Pendas, of Tampa, who has been for 40 years engaged in this industry. He is present, and I shall ask Mr. Pendas to come forward and present his view to the committee. Mr. Pendas, will you proceed with your statement in regard to this matter?

I want to ask the committee to let me file a brief, furnished by Mr. K. I. McKay, a distinguished attorney, for the manufacturers in Tampa, who is here to be heard if you have time, but is willing to have his argument incorporated in the hearings.

The CHAIRMAN. It will be so ordered.

BRIEF OF K. I. MCKAY, REPRESENTING THE CIGAR MANUFACTURERS' ASSOCIATION OF TAMPA, FLA.

The tendency of Congress always has been to impose a higher rate of taxation on luxuries than on necessities. No one can justly complain of the propriety of the disposition of Congress in this respect. However, there are certain commodities which, while in their true sense they are not absolute necessities of life, yet by reason of their constant use by a large proportion of the people, are to a great extent regarded as necessities. This class of commodities, no doubt, for the purpose of raising revenue to defray the necessary expenses of government, should be taxed at a higher rate than those commodities that are in a strict sense recognized as necessities of life, but it is manifestly wrong to tax a commodity that is universally used and contributes to the comfort and happiness of the people, even if it is not strictly a necessity of life, to such an extent as to place it beyond the means of the average citizen. It is also manifestly unfair for the Government, after following for many years a policy of taxation upon an industry that has made it profitable for men to invest their money in it and devote their time to it, to radically change the policy in such manner as to render the further conduct of the industry unprofitable and thereby cause serious loss to those who have invested their capital in it and made it a lifework, so that if it now becomes unprofitable to continue it they will not only suffer loss of their investment but will be deprived of the only occupation they are especially trained to follow.

Prior to the year 1885, the manufacture in the United States of cigars from imported Cuban tobacco was an industry not very extensively engaged in. The factories making this class of cigars in the United States were principally located at Key West, Fla., and New York City. Due to constantly recurring labor troubles encouraged and made possible by the concentration of a large number of workers in the industry at a single place at great distance from any other place where the industry was extensively engaged in, it became evident that it would be necessary to remove at least a part of it from Key West. With that end in view, certain manufacturers who had previously operated their factories at Key West investigated various locations and finally decided to establish their factories at Tampa, which was at the time a small village of not over 2,500 population. In course of time other factories came to Tampa from Key West, others that had been established in various cities of the North, realizing the advantage of Tampa's climatic conditions, nearness to the source of production of raw material and to the available supply of skilled labor in making this particular class of goods removed to Tampa, and in course of time other factories were established, until, within a few years, Tampa became the chief center in the United States for the manu-

facturo of clear Havana cigars by the Spanish hand method. The industry is largely responsible for the development and growth of Tampa in commercial importance. It has now become a city of 75,000 to 80,000 inhabitants, and is one of the most important southern ports of the United States.

The growth of the industry, both in quantity of production and in importance as a producer of revenue to the Government, is shown by the following table of figures taken from the official records of the internal-revenue office and customhouse at Tampa, covering the years 1901 to 1920, inclusive:

Years.	Internal revenue.	Customs receipts.	Cigars manufactured.	Years.	Internal revenue.	Customs receipts.	Cigars manufactured.
1901.....	\$498,110	\$865,409	147,330,000	1911.....	\$910,439	\$2,299,472	293,360,000
1902.....	442,751	1,250,984	141,905,000	1912.....	854,726	1,856,038	273,485,000
1903.....	510,068	1,318,531	167,630,000	1913.....	894,879	1,810,159	286,148,000
1904.....	598,212	1,501,189	196,961,500	1914.....	856,565	1,780,515	267,866,000
1905.....	689,124	1,504,826	220,430,000	1915.....	939,223	1,801,086	285,836,000
1906.....	851,450	1,764,467	277,662,000	1916.....	1,011,988	1,887,946	312,454,376
1907.....	865,316	1,687,609	235,660,000	1917.....	1,314,076	1,959,663	352,690,194
1908.....	731,043	1,581,390	236,681,000	1918.....	1,984,856	1,582,770	368,072,628
1909.....	801,578	1,891,836	267,059,000	1919.....	3,408,821	1,800,870	422,795,819
1910.....	638,535	1,377,262	201,435,000	1920.....	2,028,469	957,071	226,042,323

The years 1910 and 1920 were subnormal, owing to protracted strikes which materially reduced the production of cigars in the factories, and correspondingly reduced the revenue paid the Government.

Substantially all of the internal revenue and customs receipts shown in the above tabulation were paid by the cigar industry on importation and manufacture of tobacco. It is impracticable to separate the internal revenue and duty paid by other commodities, but if it should be done, the amount would be found negligible in comparison. It will therefore be seen that the Government revenue collected at Tampa during the past 20 years, almost exclusively from tobacco importation and cigar manufacture, has amounted in internal revenue to \$20,828,232, and customs duties to \$32,582,093, a total of \$53,410,325. The enormous increase in internal revenue paid in proportion to the number of cigars manufactured during the years 1918, 1919, and 1920 should be noted. This feature will be commented upon later in this brief. It is safe to say that if the tobacco industry of Tampa is not handicapped by adverse legislation, but is given reasonable encouragement and fair treatment by the Government, as soon as normal trade conditions are restored throughout the country, the Government may safely count upon the cigar industry of Tampa to produce an average annual revenue for it of approximately \$6,000,000. On the contrary, if the industry is seriously handicapped by unwise legislation, as is threatened, not only will the manufacturers suffer personally, and not only will many of the 15,000 highly skilled employees, who are customarily given profitable employment in the Tampa factories, be without the means of earning a livelihood, but the Government itself will suffer a very substantial decrease in revenue, and the proposed increase in duty, instead of producing additional revenue to the Government, will be the means of depriving the Government of a very substantial part of the revenue it now enjoys from the industry.

During the years 1917, 1918, 1919, and part of 1920, conditions in the tobacco industry were, as in all other industries, very abnormal. The price of raw material advanced on certain grades of Cuban tobacco as much as 400 per cent. The cost of boxes, lithographing, and every other item of material going into the production of the finished statutory package correspondingly increased. Labor in this industry had to be treated no differently from labor in all other industries. The result was that all, and substantially more, than the profit the manufacturers had, prior to these abnormal times, been accustomed to make in their operations, was absorbed in the cost of production, and it became necessary for certain advances to be made in the price of the goods. Cigars being a luxury, however, it was not practicable to advance the prices upon them in keeping with the advanced cost of production, and while it is difficult to estimate, it is safe to say that the average advance made by the Tampa manufacturers on the list prices of their goods during the period of excessive prices that until recently had prevailed in this country, did not exceed 35 to 40 per cent on the prewar prices.

Inability of the manufacturers to sell their product at these increased prices under present conditions has forced them to largely discontinue these advances and in many instances they are now forced to make a price to their customers substantially the same as it was before these increases were put into effect.

Prior to the beginning of the conditions that have so disturbed the industry, cigars were subject to an internal-revenue tax of \$3 per thousand, which was paid by affixing internal-revenue stamps to the statutory package. Under the present revenue law this tax has been very substantially increased. The existing internal-revenue law requires the manufacturer to attach classification stamps to the boxes in which the cigars are packed according to the price at which the cigars are to be ultimately retailed, as follows:

- Class A. Cigars retailed at 5 cents or under, \$3 per 1,000.
- Class B. Cigars retailed at 5 cents to 8 cents, \$6 per 1,000.
- Class C. Cigars retailed at 8 cents to 15 cents, \$9 per 1,000.
- Class D. Cigars retailed at 15 cents to 20 cents, \$12 per 1,000.
- Class 3. Cigars retailed at 20 cents and up, \$15 per 1,000.

The present internal-revenue law is a serious handicap to the cigar manufacturer over and above the amount of revenue tax he is required to pay. If he finds that he is losing money upon a certain size or kind of cigar that he is producing, and in order to continue its manufacture he is compelled to raise the price \$2 or \$3 a thousand, which increase is passed on by the jobber to the retailer, the retailer finds that in order to handle the cigar at a profit he must raise the retail price at which it is sold to his customers. This raise in retail price forces the cigar into a higher classification under the internal-revenue law and subjects it to an additional tax of \$3 per 1,000, which tax the manufacturer is required to pay. The result is if the manufacturer raises his price \$2 a thousand, and because of the same the cigar is forced into a higher retail-priced class, he is required to place an additional \$3 per 1,000 revenue stamp on the cigars, his increase of \$2 per 1,000 results in an actual loss to him of \$1 per 1,000; or, in other words, in order to raise the price \$2 per 1,000 to cover added cost of production he is compelled to increase the price \$5 per 1,000, which increase in many instances renders the cigar unsalable because of prohibitive price.

The average retail prices of cigars throughout the United States have become fixed by long-established custom, and it is extremely difficult for a retailer to make any substantial advance in the retail price of any well-established brand of cigars. If he does so, he drives away his trade on that particular brand. If he can not sell the cigar at an advance in price and his margin of profits on the previously prevailing price is only fair, as it must of necessity be in order to enable him to meet competition, he can not stand an increase in price from the manufacturer under such conditions. The result will be that as the manufacturer can not continue to make cigars and sell them to his trade without a profit or at a loss, his factory will be shut down, he will lose his investment, his employees will be out of employment, and the Government, by prohibitive taxation, will have killed the goose that has been laying for it the golden egg.

Prior to the abnormal conditions that disturbed the cigar industry in common with other industries, approximately 80 per cent of the cigars manufactured in the Tampa factories were of the kind that retailed at 10 cents and two for 25 cents. The present cost of material and labor and other supplies, as well as the advanced internal-revenue taxes, the manufacturer is now required to pay, have made it impossible for any cigar manufacturer in the United States to produce a clear Havana cigar that can be sold at retail for 10 cents, but the manufacturers realize that in order to continue in business and stimulate the sales of their higher-priced goods, upon which they can make some profit, they must make a cigar that can be sold at a price within the means of the average smoker, or in other words a cigar that will retail at not exceeding two for 25 cents. After a most careful calculation the clear Havana manufacturers of Tampa have determined to put such a cigar on the market and they have been supplying it to the trade for the past several months.

The cigar so made costs \$90.50 per 1,000 to produce, including revenue taxes and other incidental expenses leading up to the production of the completed package. They have found it impossible to obtain from the jobbers a higher price than \$83.50 per 1,000 for this cigar. In other words, the jobbers can not pay more than this price for this cigar and sell it to the retailers at a price which will enable them to retail it at two for 25 cents. This being the cheapest clear Havana cigar produced by the manufacturers, it necessarily follows that the bulk of the production of the factories will be cigars of this class. The manufacturers are therefore confronted with an absolute loss of \$7 per 1,000 on the largest part of their production under present conditions. They are prepared to meet this loss at this time and continue in business, hoping for a better day, and trusting that they may, by charging reasonable prices for the higher sizes that will be consumed by people who are able to pay for them, to a certain extent minimize this loss. Any increase in duty on the raw material that will add an average of \$2.60 per 1,000 to the cost of this cigar will preclude the manufacturers from producing it. The result will be that the proposed increase

in tariff will make it necessary for the clear Havana manufacturers of Tampa to discontinue the production of a class of merchandise that now constitutes the larger part of their output. If these cigars are not produced, the manufacturers will not require the raw material. It will not be imported, and the expected revenue from the duty on tobacco to this extent at least will not materialize.

Proof that the retail price of cigars can not be substantially raised during normal times without destroying the trade is found in the fact that for the first five months of the year 1921, during which time the advanced prices made necessary by abnormal conditions have prevailed, the production and sale of cigars in the United States has fallen off 22 per cent, as against the corresponding period for the year 1920. This may be due in part to the fact that many people who formerly consumed cigars are out of employment, and therefore unable to buy them at any price, but it is undoubtedly true that a large percentage of this loss of trade is due to the fact that because of the reduction of income of the average citizen in this period of readjustment he is unable or unwilling to pay the price which the manufacturer is compelled under existing conditions to ask for his cigars, whereas the readjusted income of the average citizen would enable him to continue buying and using his favorite brand of cigars if he could purchase the same at the price prevailing prior to the increase in cost of production that has been forced upon the manufacturer by abnormal conditions and increased taxation prevailing during the past several years.

It must also be remembered that the cigar industry of Tampa is in a very depressed condition, caused by a strike that closed practically all the factories from April 14, 1920, to February 5, 1921, during which time the trade connections of the Tampa factories were broken and substitute merchandise found its way in large quantities into the hands of dealers. It is now necessary for the trade of the Tampa factories to be rehabilitated, and under conditions that are peculiarly adverse, for not only is the present cost of raw material and other elements of production, including taxation, substantially more than when the trade of these factories was first built up, but many Tampa factories have on hand hundreds of thousands of dollars' worth of material heretofore purchased at abnormal prices, which they were unable to use up during 1920 on account of the strike, and which because of present conditions they will have to manufacture and dispose of at heavy loss. This condition alone may mean bankruptcy for some.

An illustration of the working of the tariff and internal revenue laws as they affect the clear Havana cigar industry may at this point be aptly given. Cuesta, Rey & Co. operates one of the largest and best established clear Havana cigar factories in the United States. It is located at Tampa. This factory maintains a scientific cost accounting system, the accuracy of which has been proven by the test of years of use. This factory makes a certain size of cigar which is known in its system as size 36. The following are the figures furnished on the production of this cigar, according to the cost-accounting system above referred to:

Filler (21.6 pounds of stemmed filler, at \$1.60 per pound).....	\$34.56
Less credit for scrap.....	.70
	<hr/>
Wrapper.....	33.86
Wages to cigarmaker.....	12.60
Internal-revenue stamps (class C).....	21.00
Boxes (to hold 50 cigars each).....	9.00
Labels and bands.....	3.10
Packing.....	1.15
Banding.....	1.90
Salesmen's commission, customer's discount, and 1 per cent for advertising....	.50
Executives, office salaries and expenses, factory foremen, and expenses including repairs, insurance, trucking, etc.....	10.50
	<hr/>
Total.....	8.85
List selling price.....	102.46
	<hr/>
Estimated net profit.....	105.00
	<hr/>
	2.54

The cost of filler and wrapper tobacco shown on the above tabulation includes the duty under the Underwood Tariff Act of 1913, after giving credit for 20 per cent Cuban reciprocity; the existing emergency tariff act, inasmuch, as it is only a temporary measure, being disregarded in this brief. Neither are the figures in the foregoing tabulation based on the cost of tobacco purchased at the high market. They are based on the cost of this year's crop of tobacco, which is substantially less. They

are also based on the minimum of wages according to a reduced schedule that the manufacturers have recently been forced to put into effect, and which the workers, recognizing the necessity, have accepted as just. The highest price at which any jobber will or can purchase cigars and resell them to the retailer, at a price that will enable the retailer to retail them for 15 cents each, is \$105 per thousand. Any increase over that price forces the jobber to add to his price, which in turn forces the retailer to make an addition to the price that will cause the cigar to be sold for above 15 cents. The proposed increase of 25 cents a pound on wrapper and 10 cents a pound on filler above the tobacco schedule in the act of 1913, is in effect an increase of 20 cents a pound on wrapper from Cuba and 8 cents a pound on filler from Cuba, because of the Cuban reciprocity treaty. This increase of duty, as applied to the cost of the production of this particular cigar, will result as follows:

Additional duty of 20 cents per pound on 5 pounds of wrapper..... \$1.00
 Additional duty of 8 cents per pound on 21.6 pounds of filler..... 1.73

Net increase of duty..... 2.73

This is 19 cents more than the \$2.54 net profit as shown by the above tabulation. The cigar being one that is designed for sale at 15 cents, and the price of \$105 per thousand being the maximum at which a manufacturer can sell that class of cigars, an addition to the manufacturer's price of sufficient to take care of this increased duty will force the jobber to raise the price to the retailer and the retailer to raise the price to his trade, but the moment the retailer raises the price on this cigar above 15 cents it is thrown in class D under the internal-revenue law, and is forced to pay \$3 additional revenue tax, and therefore this increase of \$2.73 in duty on the tobacco that goes into the making of a thousand of these cigars in reality imposes an additional tax of \$5.73 per thousand on the manufacturer. The trade will not stand this increase. The result will be that if this increase goes into effect, the manufacturer will be forced to discontinue the production of this cigar.

The following tables show the average amount of duty and internal revenue paid on a thousand cigars manufactured during the years 1917, 1918, 1919, 1920, and the first six months of 1921 by Cuesta, Rey & Co. and the Habana-American Co. branch of the American Cigar Co., and during the years 1919 and 1920 by Celestino Vega & Co., three of the principal clear Habana factories of Tampa:

Cigars produced, average amount of duty, and internal revenue paid.

CUESTA, REY & CO., TAMPA, FLA.

Year.	Cigars produced.	Duty paid.	Internal revenue.	Total per 1,000.
1917.....	10,403,582	\$99,415.26	\$30,510.13	\$12.10
1918.....	9,343,695	90,263.00	54,093.69	15.45
1919.....	8,537,407	90,307.21	72,449.64	19.06
1920.....	3,019,349	21,731.87	35,125.00	19.49
1921.....	2,612,715	14,713.29	29,503.71	26.39

HABANA-AMERICAN CO., BRANCH AMERICAN CIGAR CO., TAMPA, FLA.

Year.	Cigars produced.	Duty paid.	Internal revenue.	Total per 1,000.
1917.....	11,543,293	\$103,947.52	\$11,968.28	\$12.90
1918.....	10,110,176	83,896.40	60,178.82	14.20
1919.....	9,185,293	81,753.63	83,017.93	18.15
1920.....	4,592,731	36,001.31	38,277.23	16.17
1921.....	4,313,959	50,281.67	47,444.40	22.61

CELESTINO VEGA & CO., TAMPA, FLA.

Year.	Cigars produced.	Duty paid.	Internal revenue.	Total per 1,000.
1919.....	6,830,765	\$14,422.74	\$20,032.71	\$15.54
1920.....	2,073,245	15,483.13	21,113.54	19.10

The proposed increase in tariff, with its attendant forcing the cigars produced into a higher classification under the existing internal revenue law, will impose aggregate Federal taxes on cigars produced by the clear Havana factories at Tampa of approximately 30 per cent of the gross price at which the cigars are sold by the manufacturer,

a rate of taxation that is probably not imposed upon any other industry of any size in the country, whether it is engaged in the production of necessities or luxuries.

It requires, and by existing internal-revenue regulations the Government allows, 25 pounds of unstemmed tobacco to produce 1,000 cigars of the average size, although many manufacturers in Tampa find at the end of the year that the cigars produced by them have consumed substantially more than that average of tobacco per thousand, and they are annually required to pay additional revenue tax on an apparent shortage of cigars produced and accounted for as compared with the tobacco consumed, or furnish evidence to the Government that the cigars produced consumed more than 25 pounds per thousand. To produce the average size cigar requires approximately 5 pounds of unstemmed wrapper and 20 pounds of unstemmed filler. The duty on this tobacco, under the tariff act of 1913 was as follows:

5 pounds of wrapper at \$1.85.....	\$9.25
20 pounds of filler at 35 cents.....	7.00
	16.25
Less 20 per cent reciprocity.....	3.25
	13.00

Under the tariff proposed in schedule 6 this duty would be as follows:

5 pounds of wrapper at \$2.10.....	\$10.50
20 pounds of filler at 45 cents.....	9.00
	19.50
Less 20 per cent reciprocity.....	3.90
	15.60

This would be an increase of \$2.60 duty on the raw material that goes into making each thousand of clear Havana cigars. This is substantially more than the average profit now made by clear Havana cigar manufacturers of Tampa, and, in fact, it is more than the average profit that was made by these factories per thousand cigars made by them prior to the disturbed trade conditions that have resulted from the war, and as shown, if the manufacturers are forced to increase their selling prices sufficiently to take care of this increased duty on raw material, they automatically force their goods into a classification under the internal revenue law that imposes an additional increase in taxation of \$3 a thousand, which results in placing the manufactured article at a price at which it becomes unsalable.

This statement has practical proof in the experience of Great Britain. Prior to April, 1920, Great Britain imposed a duty of a shilling an ounce on cigars. In April, 1920 that country increased the duty on imported cigars by adding an ad valorem tax of 50 per cent. The consumers could not or would not pay the price the dealers were forced to charge after paying this increased duty, and the importers found it necessary to immediately cancel all orders they had placed with the Habana factories. It is history in the cigar industry that shortly after April, 1920, many of the cigar factories in Habana and other parts of Cuba were practically shut down and have since been producing almost entirely for local consumption, and that exports of manufactured cigars from Cuba since that time have been negligible. Previous to the imposition of this heavy additional duty, Great Britain was the chief importer of cigars manufactured in Cuba, but during the period from July 1 to December 31, 1920, the importation of cigars from Cuba to England was only 2,000,000. The Government recognized that the tax imposed had resulted in the destruction of a substantial source of revenue, and repealed it, but the trade has become disorganized and it will probably be many years before it can be rehabilitated to the proportions existing prior to April, 1920.

The same proportionate loss of revenue from duty on tobacco from Cuba may be expected if any further duty is imposed upon the raw material, for the reason that the manufacturers can not pay for the material and the cost of production and the additional taxes and sell their cigars at a price that will enable the retailer to sell them to the consumer at a price within his reach, or that he is willing to pay.

Moreover, the country owes a very real duty to Cuba, especially in its present financial distress. The finest tobacco grown anywhere is raised in Cuba. This is due to soil and climatic conditions. To protect the integrity of the crop, Cuba prohibits the importation to the island of any other tobacco or seed of tobacco. It is the second product of Cuba in importance. Any advance in duty that will reduce the consumption of this raw material in the United States will do great injury to the Cuban tobacco growers, and will add to the distress and chaotic conditions now existing in that country.

EFFECT ON DOMESTIC TOBACCO GROWERS.

Owing to the high cost of Cuban wrapper, many manufacturers have of late years been producing what is known as the Connecticut shade-grown wrapped cigar. Some of the best established brands in the country are of this kind. This cigar is produced by placing a wrapper of Connecticut shade-grown tobacco on a clear Havana filler. The growing of tobacco in Connecticut is a large industry. It represents an extensive investment of American capital and affords employment to many American citizens. If the manufacturer can not afford, on account of excessive tariff on Cuban filler tobacco, to continue making cigars of this class, a distinctive branch of the cigar industry will be destroyed, and the Connecticut tobacco grower will suffer. Connecticut shade-grown wrapper tobacco on account of the development of the Havana filled Connecticut shade grown wrapped cigar as a branch of the cigar industry, has advanced in price during the past five or six years from as low as \$1.75 to as high as \$5.50 a pound. During all the years that tobacco has been grown in Connecticut, the demand for it was so limited that the price was kept at about the low level indicated.

Since the enormous development of the Havana-filled, Connecticut-shade-grown, wrapped branch of the cigar industry, the demand for Connecticut wrapper tobacco has become so great as to increase the prevailing price as above stated. It necessarily follows that if the manufacturer of this grade of cigars can not profitably continue its manufacture because of the prohibitive cost of the filler that goes into it, the demand for the Connecticut wrapper will fall off and the price of Connecticut wrapper to the trade will recede in keeping with the demand for it.

Cuban tobacco is used not alone in clear Havana and shade-grown wrapped cigars, and this is especially true of filler. Many manufacturers, due to the present high rate of taxation, are forced to use a substantial quantity of domestic tobacco in the production of their cigars. This is done by blending the Cuban filler with domestic filler and wrapping the cigar with Connecticut shade-grown, Florida shade-grown, or imported Sumatra or Java wrappers. The cigar so produced satisfies many smokers, although it is not as fine in quality as the cigar made entirely from Cuban tobacco. A cigar produced entirely from domestic-grown tobacco is usually unpalatable and will not satisfy the average American smoker.

Over 670,000,000 cigars are manufactured in Ohio annually and 40,000,000 pounds of cigar leaf are annually grown in that State and marketed all over the country. This leaf tobacco is used largely for filler. A good share of it is blended with Cuban filler, and a large portion of it is used in Sumatra or Java wrapped cigars. Ohio tobacco is regarded as a very good domestic filler, but it is only because of the smoother taste and sweeter aroma and better appearance acquired by the finished cigar through the judicious admixture of foreign-grown leaf tobacco that the production of Ohio cigar leaf has reached the figure of 40,000,000 pounds annually, and that the production of Ohio cigars has extended itself to 670,000,000.

Wisconsin binders are almost invariably used in the manufacture of what is known as cigars of the seed and Havana or blended type. The less foreign-grown filler and wrapper tobacco we use, the less Wisconsin binder tobacco we use. No informed person will claim that the present production of Wisconsin tobacco of 60,000,000 pounds per annum would ever have reached half that figure or will ever again approximate that quantity under taxation that will render the use of imported tobaccos for blending therewith unprofitable.

Pennsylvania produces annually approximately 2,100,000,000 cigars, or about 25 per cent of the production of the entire Nation. This State also produces 55,000,000 pounds, or 25 per cent, of all the cigar leaf annually raised in the United States. A cigar made entirely of Pennsylvania tobacco is not the kind that satisfies the taste and requirements of the average smoker, but when blended with Habana tobacco and wrapped with a Sumatra or Java wrapper is in large demand. Pennsylvania tobacco does not make fine wrapper. It is chiefly suitable for filler and binder. If a certain percentage of Cuban filler is not available to blend with Pennsylvania tobacco, the demand for Pennsylvania cigars will be materially affected and the Pennsylvania tobacco grower will correspondingly suffer.

PROPOSED INCREASE IN DUTY ON SCRAP FROM 35 CENTS TO 55 CENTS PER POUND.

Tobacco known to the trade as "scrap" is the cuttings, trimmings, and small particles of the leaf that accumulate from working up the leaf into the long-filler cigars. This scrap is used to blend with domestic leaves in making up filler for the cheaper grades of cigars. It would seem illogical to impose a tariff of 45 cents a pound on filler tobacco and 55 cents a pound on scrap, which is merely the by-product salvaged from working up the filler and wrapper leaf. As above stated, this scrap is used

largely in the manufacture of cigars from domestic tobacco blended with imported Cuban tobacco, and the same argument advanced with respect to the effect on domestic tobacco growers of an increase of the tariff on filler tobacco applies with equal force in opposition to this increase in duty on scrap.

The experiment of raising the duty on scrap tobacco was tried in the Payne-Aldrich Tariff Act of 1909. Under that law the duty on scrap tobacco was fixed at 55 cents a pound, with the result that the importation of scrap tobacco was speedily reduced to negligible proportions. Should this experiment again be attempted at this time, there can be no doubt whatever that it would operate merely to curtail revenue now derived from the scrap tobacco, reduce the quality of the moderate-priced cigar of good flavor, and substantially decrease consumption and production, thus decreasing the internal revenue from this class of goods, as well as the aggregate duty collected on scrap tobacco under the present tariff law.

The figures given in this brief as to internal revenue and customs duties paid at Tampa, the average aggregate of internal revenue and customs duties per thousand cigars paid by manufacturers, the cost of production of cigars of the class designed for retail sale at 15 cents each, and the application of the existing internal-revenue law to the selling price of cigars generally are accurate. Other figures herein given have been obtained from sources that are believed to be reliable, and it is believed these figures can be fully substantiated by facts.

Tariff is levied for two purposes:

- (a) The production of revenue.
- (b) The protection of home industries.

The clear Havana manufacturer of this country is fully protected by existing law against competition from foreign manufacturers. Therefore, the measure now under consideration must be dealt with solely upon its merits as a producer of revenue. It has been well said by Mr. Cooley in his work on taxation "that the power to tax is the power to destroy." Surely Congress has no desire to destroy the clear Havana cigar industry of this country. It must, therefore, realize that in order for any system of taxation upon this industry to be effective as a producer of revenue, it must be so arranged as to enable the manufacturer to operate his business at a reasonable profit. The industry is now in a most precarious condition. If the Government expects it to produce revenue, it must be fostered, not hampered by additional burdens that will make its expansion or even further conduct impossible.

Considering the question in this light, there would seem, in view of the facts presented, to be only one course for Congress to pursue, and that is to leave the duty on leaf and scrap tobacco as it was under the act of 1913 or reduce it.

STATEMENT OF E. PENDAS, TAMPA, FLA.

Senator SMOOR. Mr. Pendas, before you begin your statement I want to ask you a question for my information.

In the tariff act of 1909, and also in the tariff act of 1913, wrapper tobacco and filler tobacco when mixed or packed with more than 15 per cent of this wrapper tobacco, then the duty was imposed. The House bill now pending here provides that wrapper tobacco and filler tobacco when mixed or packed with more than 50 per cent of wrapper tobacco, then the duty is imposed. Is not that a protection for you?

Mr. PENDAS. We do not believe that is fair. We do not believe that is fair to the Government, and we do not believe the Government will receive full value in wrapper tobacco, on account of the packing of wrappers in Cuba, that a full bale of wrapper tobacco will ever come into the United States.

Senator SMOOR. Under the 50 per cent provision?

Mr. PENDAS. Yes, sir.

Senator SMOOR. Explain that. I can not see the reason why. Nobody has touched that question. I wish you would explain it, because I understand you are a tobacco man.

Mr. PENDAS. The island of Cuba does not produce wrappers quite as uniform as those that are used in this country or some other parts

of the world from which wrappers are imported. The people who pack the tobacco in Cuba have never in my experience packed a bale of wrappers that contained 100 per cent.

Senator SMOOT. The provision in the House bill is 50 per cent.

Mr. PENDAS. The farmer as a rule packs the tobacco himself. Practically every farmer in Cuba has a pretense of growing wrappers, and he gets out so-called wrappers whether they are wrappers or not. Many of them are not wrappers. The packing is most deficient.

I have seen a very considerable portion of almost all of the imported Havana tobacco of the 1920 crop. A good deal of it contained over 25 or 30 per cent at least of wrappers that, if put in cigars, would be unmarketable.

Senator SMOOT. The provision here allows you 50 per cent, and you say 30 per cent.

Mr. PENDAS. Yes, sir. I say even the best bales would have that much thrown out.

Senator SMOOT. This allows you 50 per cent.

Mr. PENDAS. Yes, sir; this allows us 50 per cent, but my ideas on the subject may not be in accord with manufacturers and importers, who are even far apart themselves on this, but everyone getting a bale of tobacco has in mind the use that he can put it to. Consequently, very few people agree on the same percentage in a bale. It would be very difficult to arrive at that.

But, as I stated before, there is not a bale of Havana wrappers that does not contain a great portion of tobacco unfit for use as wrappers to be sold on cigars.

Senator McCUMBER. What percentage would you say?

Mr. PENDAS. It varies very much.

Senator McCUMBER. But can you not give a general average?

Mr. PENDAS. As I said before, the best bales in Cuba that I have seen in the last few crops—and I have seen some of the best—contained not less than 25 to 30 per cent that was unfit for wrappers.

Senator McCUMBER. What would the average bale contain that would be unfit for wrappers?

Mr. PENDAS. I could not figure that.

Senator McCUMBER. Would it be more than 50 per cent, in your judgment?

Mr. PENDAS. Many of them; yes, sir.

Senator McCUMBER. Would it average more than 50?

Mr. PENDAS. The majority would.

Senator McCUMBER. Then you mean it would average more than 50 per cent?

Mr. PENDAS. The majority would.

Senator McCUMBER. Very well.

Senator SMOOT. Thank you for your statement.

Senator McLEAN. Is not this tobacco assorted and the wrapper duty assessed upon the wrapper portion and the filler duty upon the filler portion?

Mr. PENDAS. It has been so far.

Senator McLEAN. It has been so far? What would be the result under the new law? Would it not be assorted under the operation of the new law?

Mr. PENDAS. I expect so; but, as I stated before, I do not believe that a full bale of wrappers would be imported from Cuba—a 100 per cent bale.

Senator McLEAN. I understood you to say at the opening of your remarks that you disapprove of the change because it would not be fair to the Government?

Mr. PENDAS. I don't think it would.

Senator McLEAN. Why?

Mr. PENDAS. Because my opinion is that a good many of these bales would not be uniform throughout the United States, with the different climates and the different views.

Senator McLEAN. Let me ask you a plain question: Is it your idea that wrapper tobacco would be brought in under the filler duty?

Mr. PENDAS. I don't know.

Senator McLEAN. Is not that what you mean?

Mr. PENDAS. I can not make that assertion.

Senator SMOOT. I do not agree with you that the 15 per cent in the existing law is unfair to the Government.

Mr. PENDAS. To a certain extent it might be.

Senator SMOOT. I do not see that to raise that percentage would be unfair to the manufacturer of tobacco. That is why I wanted you to tell me why the 50 per cent is too high—if it is too high, and I think you have stated it is too high. I rather think so, too, but not that the 15 per cent is too low.

Mr. PENDAS. In my individual opinion, 50 per cent is too high, because I believe it will leave the door open to return too many bales.

Senator SMOOT. I think we understand your position on that.

Senator FLETCHER. You think 15 per cent is too low?

Mr. PENDAS. I think that is rather low.

Senator FLETCHER. What would you make it?

Mr. PENDAS. My candid opinion, Senator, is that 35 per cent would be high enough.

Senator SMOOT. Thirty-five per cent?

Mr. PENDAS. That is my opinion.

Senator SMOOT. I wanted to get your opinion on it.

Mr. PENDAS. Gentlemen, our purpose as manufacturers in appearing before the Senate committee is to, if possible, demonstrate to you the situation with which we are confronted. We will confine our remarks to Schedule 6, paragraphs 601 and 602. We believe that this schedule, with these paragraphs, adopted as it now reads, would result in serious loss to the Government of revenue and would do considerable harm to the industry as we know it.

We do not know and are not entirely familiar with all classes of cigars manufactured in the United States, but we are thoroughly familiar with the conditions existing in our section of the country; that is, the State of Florida. We see the cigar industry to-day with the radical changes that have taken place in the last two years, and it is a sick patient. It is a very sick patient.

We have at the present time no means of ascertaining what the conditions are going to be, for no man can tell what the future has in store, much less in business with these changed conditions.

Up to 1917 the production in our section of the country was about 80 per cent, between 80 and 85 per cent, of cigars that retailed at 10

cents or two for a quarter, leaving little more if any than 15 per cent of cigars to retail at a higher price than two for a quarter. With the changed conditions since 1917, the enormous cost of material, as I stated it before, with the additional cost of everything that goes to place a cigar on the market, with the raise in taxes from \$3, that was the general revenue for all kinds of cigars manufactured, to cigars selling up to 10 cents, \$9 a thousand, as you know; from 10 to 15 cents, \$12 a thousand, and from 20 cents up at \$15 a thousand. This change alone has brought this condition about so that the cigars that are manufactured, even in the clear Havana—and that is what I am referring to particularly—the cigar that sold at 10 cents has disappeared, and since 1918 the two for a quarter has been negligible. The public accepted but very few, a negligible quantity of them. They were not worth the money, from the consumers' standpoint, and we believe they were not worth the money, so little could we give for that amount.

Under the changed conditions and under the abnormal circumstances, the prosperity of the country, with the workmen making the money they were making for a year and a half, at least, the manufacturers did not miss the 15-cent or the two-for-a-quarter production very much, because for the 15-cent size sufficient demand prevailed to make us forget for the time being those conditions.

But, unfortunately, on the 14th day of April, 1920, the 12,000 or 13,000 employees in the cigar factories struck. They were not well enough and wanted to be worse, and struck, demanding a recognition of the union. That strike lasted 10 months. In these 10 months the economic conditions of the world unfortunately reached the United States, and when the workers came back to our factories they thought, as we had not changed the prices, as we had promised to maintain the same wages as those with which they went out, they came back hoping the world was the same, at least.

It appeared to be so for a few weeks, but having been out of the market for 10 long months, the conditions in the meantime having changed, automatically our orders began to be canceled. Sixty days after the doors were opened we found we could not keep on employing the same number of men. A reduction took place in great numbers, and all throughout the summer and early fall, as Senator Fletcher has stated, we were not working in the clear Havana factories 50 per cent, not 40, of normal.

In the last part of July we had to offer the workmen a reduction in wages, which they accepted, although it did not leave a very good feeling. They claimed it was as high as 40 per cent, and as we figured it out it was 17 per cent, approximately. That is as near as figures would make it, about 17 per cent.

That 17 per cent reduction, gentlemen, we found that we had to impose, conditions being as they were in the country, to reduce the price of our cigars. We were not making a 10-cent cigar clear Havana, and no manufacturer can produce it with the present conditions, because we have bought tobacco at the highest prices I have ever known for the 1920 crop. Having had a strike during 1920, practically since the 14th of April, we did not use that tobacco.

In 1920, when we started to work and business fell off so materially, the manufacturers had a whole lot of that tobacco on hand. It is not possible for any man that I know of—and I wish if there

is anyone he would controvert it—that can manufacture the clear Havana cigars to retail at 10 cents.

We found other conditions. We cut out 80 per cent of our normal business before 1917, when we cut out the 10-cent and two-for-a-quarter sizes that constituted the 80 per cent. Without these two priced cigars that were the popular cigars with the masses and with the middle classes, we found ourselves situated so that our factories would soon be for rent. We tried to arrive at some way of giving the public some size. The 10-cent size had to be absolutely discontinued. I don't know of anybody that could produce a long-filler clear Havana cigar to retail for 10 cents.

With no idea that we might sell the 10-cent cigar, if we wanted to show a semblance of staying in business, we had to do something with the two for a quarter. We studied that proposition as best we could, and we found that to produce a standard clear Havana cigar, made the same in the first-class cigar factories in the United States as it is made in Cuba—and we claim we make as good cigars in this country as they make in Cuba, and sometimes the American public found it out by their patronage of the reputable clear Havana factories in this country—we found on close examination that with the cost of material, with the cost of labor—because we didn't bring labor down to the prewar prices—labor was cut about one-half of the raise we had made. We didn't want to take the whole hog, because the cost of living had not come down to that level, and we were as reasonable as we possibly could be.

Senator McLEAN. What did you pay during war times by the week or by the thousand, so the committee can get some idea what your reduction in wages amounted to?

Mr. PENDAS. I stated about 17 per cent.

Senator McLEAN. That does not mean anything to us. Seventeen per cent of what? What did you pay in 1918 and 1919, when the wages were high, per thousand or per week, and what do you pay now?

Mr. PENDAS. I wish I could answer the question as the Senator desires, but we have piecework mostly in the factories.

Senator McLEAN. How much per thousand?

Mr. PENDAS. It varies anywhere from \$21.35, the lowest, up to \$300 per thousand for the cigar maker alone.

Senator McLEAN. Take a 10-cent cigar; what do you pay per thousand?

Mr. PENDAS. We do not manufacture that cigar, Senator.

Senator McLEAN. Take a cigar that you do manufacture; take a 15-cent cigar?

Mr. PENDAS. For a 15-cent cigar we paid before the war \$17.

Senator McLEAN. Per thousand?

Mr. PENDAS. Yes, sir.

Senator McLEAN. And what do you pay now?

Mr. PENDAS. \$21.

Senator McLEAN. What did you pay at the highest point?

Mr. PENDAS. \$24. I don't want to make a mistake or make a statement that is misleading. For a 15-cent cigar we paid the cigar maker before the war, before the abnormal conditions set in, \$17. During the high prices that was raised to \$24, and when we made a cut on that

particular cigar it came down to \$21. Consequently, we have still \$1 above normal on that cigar, and so on the others, because the reduction on the cigars was made uniform.

Senator McLEAN. About how much would that amount to per week on the 15-cent cigar?

Mr. PENDAS. To the cigar maker?

Senator McLEAN. Yes.

Mr. PENDAS. A cigar maker makes an average of 1,000 cigars a week.

Senator McLEAN. That would be \$24 a week?

Mr. PENDAS. No, sir; do you mean the reduction?

Senator McLEAN. Before the reduction.

Mr. PENDAS. Before the reduction for that cigar maker; yes. It is now \$21.

Senator CALDER. Men or women?

Mr. PENDAS. Both. We pay the same price to men or women.

Senator CALDER. Are most of your laborers men or women?

Mr. PENDAS. Men.

Senator McLEAN. Are they mostly Cubans?

Mr. PENDAS. Yes; there are Italians, Spaniards, Cubans, and Americans.

Senator McLEAN. What percentage are Cubans?

Mr. PENDAS. The larger percentage; probably 40 per cent.

Senator McLEAN. How will the wages you pay compare with the wages paid in Cuba?

Mr. PENDAS. Our wages are always higher, Senator.

Senator McLEAN. How much higher?

Mr. PENDAS. For example, I have seen sizes that we pay \$26 for in this country, and the same cigar in Cuba they only paid \$17.

Senator McLEAN. And you pay as high as \$300 to \$400 per thousand for some cigars?

Mr. PENDAS. For the sizes that are sold in this country for 10 cents or two for a quarter or 15 cents, we pay better wages in that proportion than the Cubans do. We always did.

Senator McLEAN. But take the high-priced cigar that you pay \$300 or \$400 a thousand for.

Mr. PENDAS. There are very few made of that kind. I just suggested those because that was the limit.

Senator McLEAN. What would you pay for a 25-cent cigar?

Mr. PENDAS. We paid usually before the war for a 25-cent cigar about \$33 per thousand. We paid more than the Cubans did for that size.

Senator McLEAN. How much would the filler of that cigar cost you?

Mr. PENDAS. Per thousand?

Senator McLEAN. Yes.

Mr. PENDAS. I don't quite understand the question. Do you mean the cost of buying the filler?

Senator McLEAN. To you. How much would the filler cost per thousand?

Senator FLETCHER. How many pounds of filler make a thousand cigars?

Mr. PENDAS. Of that size it takes about 23 pounds, Senator.

Senator FLETCHER. To make 1,000 cigars?

Mr. PENDAS. Of that size.

Senator McLEAN. How much per pound?

Mr. PENDAS. You mean the value in Cuba?

Senator McLEAN. That is what I mean.

Mr. PENDAS. We can not estimate the value in Cuba, because it has changed. Fillers, as a rule, in the island of Cuba could be bought previous to the 1918 crop, good average fillers that grew in the best section of Cuba that made Cuba famous—

Senator McLEAN (interposing). Never mind that. Take a 25-cent cigar. What would the filler cost you?

Mr. PENDAS. Not everybody uses the same type of filler.

Senator McLEAN. What does it cost you?

Mr. PENDAS. \$1.50 or \$1.60 before the war.

Senator McLEAN. Per pound?

Mr. PENDAS. Yes, sir.

Senator McLEAN. And it is 20 pounds to the thousand?

Mr. PENDAS. No, sir. It is more than 20. It is about 23.

Senator McLEAN. Twenty-three?

Mr. PENDAS. Yes, sir.

Senator McLEAN. What would the wrapper cost you?

Mr. PENDAS. The wrapper in normal times?

Senator McLEAN. Take it now.

Mr. PENDAS. Now?

Senator McLEAN. Yes.

Mr. PENDAS. I am ashamed to give it to you, but it would cost us \$24 or \$25.

Senator McLEAN. Per pound?

Mr. PENDAS. No; per thousand. I will give you the pounds per thousand if you wish.

Senator McLEAN. I would like to have you state that. It is the 25-cent cigar.

Mr. PENDAS. Yes. I will give it to you. It would take about 6 pounds.

Senator McLEAN. Do you use any of the Sumatra?

Mr. PENDAS. No, sir.

Senator McLEAN. That is all.

Mr. PENDAS. Now, then, gentlemen, I believe I was talking about the two-for-a-quarter cigar. I had reached that far, if I do not make a mistake.

We found if we did not produce a two-for-a-quarter cigar we might as well make up our minds to go out of business, because while our production had increased so materially during the time that so many ships were being made and so many other things, and everybody was making six or eight or ten dollars a day, people bought 15 and 20 and 25 cent cigars; but that was not a normal condition, and we doubted very much, and the last few months have demonstrated to us, that condition is not going to continue. So we had to decide to look for a two-for-a-quarter cigar.

A two-for-a-quarter cigar, in order to give some value, we decided on a certain cigar, that it was necessary, and we figured out the cost of that cigar. The cost of the two-for-a-quarter cigar in the clear Habana factories, to the best of the ability of the bookkeepers—I

don't know how to make figures very well these days—is \$90.50 per thousand, for a thousand clear Havana cigars that will go onto the market, and we figured that we would have to sell them at \$85.

Senator McLEAN. What size would that be?

Mr. PENDAS. That would be a 4½-inch cigar, with a diameter of about 41 ring. The cigars are measured in order to get them uniform. We have a length, and we have rims made of rubber, and they go in the factory by length and rim. Those are about 4½ inches by 41 ring.

As I stated, we found to produce that cigar would cost the manufacturer \$90.50, and they would have to be sold for \$85 per thousand. The idea did not look very good, but we found the majority of the jobbers of the United States telling us they could not do business with the \$85 cigar selling to the retailers, and the retailers could not live on the margin and they could not pay \$85 for the cigar that would actually cost under present conditions to produce \$90.50. The great majority of these jobbers are paying only \$83.50 per thousand.

Senator McLEAN. What do they retail that cigar for?

Mr. PENDAS. Two for a quarter.

Senator CALDER. How long has that been going on?

Mr. PENDAS. It has been going on since the 1st day of September with almost all the manufacturers of clear Havana cigars, and those making cigars at Tampa. We have no rule established, and some men probably would lower weeks before, but it was sometime about September 1.

Senator McLEAN. The 20-cent cigar went to 30 cents, and the 25-cent cigar went to 35 cents, as sold by the retailers. Those are the imported cigars. I do not know about the cigars you make.

Mr. PENDAS. The imported cigars went very high. I am not very familiar with the retail prices, because I never sold cigars directly myself. I am giving you the facts from the importers' and manufacturers' standpoint. I know little about the retail business. I happen to know about this, because it has been so much discussed that I know something about it. When you are losing money it impresses itself very strongly on you.

Now, these are the conditions with which the cigar industry in the part of the country that I am familiar with, as I stated before, is confronted with. We believe that a tariff for revenue is necessary for the support of the Government and all of us must contribute, but we hope these abnormal conditions will not continue much longer. How long it will exist no man can tell, but everybody will agree that is too adventurous to do business at a loss, and nobody can tell what the future has in store for us. However, we are hoping for better days and are not willing to abandon our plants, but will lose some money for the time being.

That is the actual condition of the cigar industry, and particularly the clear Havana cigar industry. While Senator Fletcher was speaking I believe some Senator said something about a moderate raise of 10 cents a pound on fillers. It is very moderate, but we must understand this: Our impression is that we can not very well stand the increase in duty, and we believe that the Government, as I stated at the beginning, is not going to get more revenue. That is our belief, as could be demonstrated by figures, but I will not attempt to do so.

The only thing I want to do is to impress as strongly as I can on those who have made the law and those who will continue to do so that we believe it would be a mistake to raise the duty at this particular time on a business that is in a very precarious condition.

Now, 10 cents a pound on filler tobacco, we would allow 25 pounds to the thousand, and as far as I know, and I have been making cigars 40 years, no manufacturer ever has had enough material allowed him with 25 pounds, because I know that manufacturers have at the end of the year to pay the difference between the tobacco used on the basis of 25 pounds or explain the reason why he has less tobacco than he ought to have at the end of the year. Consequently, 25 pounds for a thousand, as a rule, does not cover it.

In the normal production of a thousand cigars the average thousand cigars that is being made to-day, since the 10-cent cigar has disappeared, is 21 pounds and over per thousand, and that 21 pounds or over per thousand, if it comes to that, is \$2.10 on fillers on every thousand cigars increase.

Senator McLEAN. \$2.10 on the fillers?

Mr. PENDAS. On the fillers alone per thousand, the proposed increase.

Senator FLETCHER. That is at 10 cents?

Mr. PENDAS. Ten cents a pound.

Now, then, as the revenue regulations are to-day, we have the cigars classified. The cigar that sells for 5 cents must carry a \$4 stamp; the cigar that sells for not over 8 cents must carry a \$6 stamp—\$6 per thousand; the cigar that sells from 8 to 15 cents must carry a stamp of \$12 per thousand, and so on. Under those conditions the manufacturer either loses more money or he must raise the price. If he is going to raise \$2.10 on the fillers, and whatever the amount is on the wrappers, then that will throw the cigar into the next classification and we must add the \$3 difference in the stamp. Under those conditions we have found that we can not and will not be able to continue under present conditions, and we will not be able to raise prices. That is the situation in the cigar industry.

Another reason why I believe that these filler rates of duty ought to be cared for is that it is not in competition with any kind of tobacco used by anybody in the United States. On the contrary, it favors, it helps, it increases the value of the large interests represented by growers and a number of producers in this country.

Only a few years ago, as the gentlemen here know, Connecticut shade-grown wrapper tobacco was very little known, but it was found to blend well with Cuban fillers, and as a consequence the value of each was enhanced by using in combination. So for the reason that the importation of Cuban fillers helps rather than hurts the domestic product the duty should not be increased.

Besides, some manufacturers, if they are going to produce cigars at a loss, will find a substitute for tobacco imported from Cuba, and the Government will lose additional revenue on that account as well.

Gentlemen, I do not wish to take up your time. I could give you many statistics. I haven't got them here, but we can get them. I believe the Senator will be kind enough to interest himself to present the statistics.

Senator McCUMBER. Any statistics you desire to present will be made part of your testimony.

Mr. PENDAS. I believe that unless the committee desires to put some questions I am through.

Senator McCUMBER. The committee is very much obliged to you.

Senator McLEAN. I understand you are addressing yourself mostly to the filler.

Mr. PENDAS. I am addressing myself generally, but principally to the filler.

STATEMENT OF CHARLES FOX, NEW YORK CITY, REPRESENTING NATIONAL CIGAR LEAF TOBACCO ASSOCIATION.

Mr. Fox. Mr. Chairman and Senators, in deference to the wishes of the committee, we who are of one mind as to the proposed new tariff had selected Mr. Cullman to present our side of the case. I would not have spoken had no objection been raised to the proposed increase of the so-called 15 per cent clause to 50, not believing that there was any opposition to that proposed increase.

However, as Mr. Pendas seems to think the 50 per cent clause is too high, I feel it incumbent upon me to state to you why I believe it is not too high. I might further say that Mr. Cullman's speech or statement includes nothing in reference to the 50 per cent clause, for the very reason that I stated, that we did not believe there would be any opposition to it.

I agree fully with all that Mr. Pendas said as to the growing of wrapper tobaccos in Cuba and methods of packing. I further believe that the average, as Senator McLean asked, of wrapper tobaccos in so-called wrapper bales is not over 50 per cent.

I do not know whether you gentlemen understand the 15 per cent clause. Under the present tariff with the 15 per cent clause, if a bale of tobacco imported from Cuba is found to contain over 15 per cent of wrapper tobacco, the entire bale is assessed at the wrapper rate. Our contention is that that is very unfair to the importer of Havana tobacco.

We further contend that by increasing the percentage to 50 we can bring into this country certain grades of wrapper tobacco which we could not bring in now by reason of the fact, as I have just explained, of being assessed wrapper duty on filler tobacco. So with the 50 per cent clause inserted in the new bill the manufacturer imports such grades of wrapper tobacco from Cuba as he can use in cigars that are made in this country, he would then be assessed wrapper duty on the wrappers it contained and filler duty on the balance.

I believe, gentlemen, it would not be an unfair request for us to make. It is a feature of the new tariff bill with which the Treasury Department is in harmony with us. As I understand it, it was recommended by the Treasury Department to the Ways and Means Committee.

I can not agree with Mr. Pendas in his statement that 50 per cent would be too high and that 35 per cent would be fair.

That is all I wish to say on this subject, but I will further ask permission of the committee to file, after Mr. Cullman has made his remarks, certain resolutions and briefs from various tobacco organizations and cigar-manufacturing organizations from other sections of the country.

Senator McCUMBER. That may be done.

**STATEMENT OF JOSEPH F. CULLMAN, SR., REPRESENTING THE
NATIONAL CIGAR LEAF TOBACCO ASSOCIATION.**

Mr. CULLMAN. Mr. Chairman and gentlemen, in order to economize time, may I request that I be permitted to present my argument, at the conclusion of which I would be delighted to answer any questions that may be asked?

Senator McCUMBER: I hope that request will be adhered to.

Mr. CULLMAN. On behalf of the National Cigar Leaf Tobacco Association, which is composed of the great majority of importers of Havana, Sumatra, and Java tobaccos, packers and dealers in leaf tobacco, many of whom are interested in the growing of tobacco, as well as the cigar-manufacturing branch of the industry generally, I desire to urge upon your honorable committee the vital importance of amending the tobacco schedule of House bill 7456 in several particulars in order to avoid serious injury to the cigar industry of the United States and to the growers and distributors of cigar leaf.

I have been requested to present the arguments by reason of having been engaged in the industry for over 50 years as a dealer and packer of cigar leaf in the States of Pennsylvania, Ohio, Wisconsin, New York, Connecticut, and Massachusetts, and as a grower in Connecticut, as well as an importer of Sumatra, Java, and Havana tobaccos.

The amendments which will be suggested are absolutely necessary to avoid further acceleration of the present downward tendency of cigar production, which is rapidly reducing the Federal revenues from the internal tax on cigars and customs duties on imported cigar leaf.

Only the most cursory examination of the statistics of production of the cigar industry during the past 20 years is necessary to convince any intelligent person that the present situation is most critical and that only the wisest and most farsighted policy in the way of tax readjustment can rescue it from impending ruin. The table following, showing the output of cigars and cigarettes since 1900, is incontrovertible evidence that the cigar manufacturers can carry no further burdens but, indeed, must have substantial relief if the industry is not to become moribund. These figures show that while the output of cigarettes in 1901 was but little more than one-third that of cigars, it has now risen to nearly six times the cigar industry, which has practically stood still for 20 years, despite the enormous increase in population.

Year.	Cigars.	Cigarettes.	Year.	Cigars.	Cigarettes.
1901.....	6,914,639,012	2,728,153,697	1911.....	8,282,337,873	10,426,379,819
1902.....	6,907,830,553	2,971,360,447	1912.....	8,099,448,730	13,183,693,899
1903.....	7,398,424,150	3,366,496,715	1913.....	8,530,916,995	15,570,798,437
1904.....	7,376,669,742	3,433,993,422	1914.....	8,248,891,047	16,868,720,463
1905.....	7,651,610,893	3,673,727,411	1915.....	7,665,328,265	17,960,184,482
1906.....	8,137,299,683	4,511,997,137	1916.....	7,932,610,191	25,312,436,611
1907.....	8,376,119,787	5,270,556,633	1917.....	8,527,119,269	35,356,860,177
1908.....	7,561,419,809	6,730,601,236	1918.....	7,901,015,823	46,680,317,061
1909.....	7,710,798,474	8,836,652,435	1919.....	7,785,592,891	53,151,673,142
1910.....	7,928,324,051	8,663,709,494	1920.....	8,519,980,895	47,458,143,607

The table below shows the production for the first nine months of the calendar year 1921, as compared with the corresponding months

of 1920. It will be noted that the production of cigars for the first nine months of 1921 has been at the rate of but 6,839,623,000 for the calendar year—a much smaller total than in any year since 1900:

	Cigars.	Cigarettes.
January-September, 1921.....	5, 120, 719, 750	43, 771, 605, 983
January-September, 1920.....	6, 132, 717, 200	39, 392, 568, 852

The new tariff imposes heavy additional burdens upon the cigar industry, which is already staggering under adverse conditions, that have prevented any increase in production during the past 20 years and that are now restricting the output at a rate which promises smaller production for 1921 than in any other year since 1900. Wrapper tobacco is raised by the new bill from \$1.85 to \$2.10 per pound, an increase of 25 cents; filler tobacco from 35 cents to 45 cents per pound. It goes without saying that these duties will be added to the cost of imported Sumatra wrappers and to Cuban fillers and scrap and will materially increase the cost of producing cigars. Domestic growers of cigar leaf tobacco, however, will receive little or no benefit, but in the main will be adversely affected, for the reason that both Sumatra wrappers and Havana fillers are used in combination with cigar leaf of domestic production and are necessary to sustain the demand for domestic leaf. If their price is raised because of the increased duty, the cigar manufacturers will have no alternative but to reduce the price he can pay for domestic wrappers, binders, and fillers, unless he can cut the wages of his workmen, which is inadvisable.

To increase the price of any grade of cigars under existing conditions is an absolute impossibility; on the contrary, the demand for lower prices for merchandise of every kind is being accentuated in the case of cigars, and in the effort to maintain quantity production on a scale that will continue to afford employment for workers in the industry many factories are now operating on a dangerously narrow margin, where, indeed, they are making any money at all.

It has been demonstrated beyond question that war prices for cigars can no longer be maintained, and the general price tendency throughout the industry is materially downward.

Nearly one-half of the cigars manufactured in the United States are wrapped with Sumatra leaf tobacco, which, although high in price and burdened with a heavy duty, is so peculiarly suited to the wrapping of cigars and can be so favorably worked in the factory as to make it practicable to employ it in the production of medium as well as high priced goods. An increase of 25 cents per pound in the duty on wrapper leaf tobacco will raise the cost of the 2 pounds of Sumatra wrappers required to cover 1,000 cigars by 50 cents, an amount which can not be absorbed by manufacturer, jobber, or retailer under existing conditions.

But this is not all. Under the present system of internal-revenue taxation, adopted since the last tariff revision, cigars pay a tax on a sliding scale according to retail price. Thus, for example, the cigar which retails at 8 cents pays an internal-revenue tax of \$6 per thousand. If, however, the retail price of this cigar is raised by the

smallest fraction of a cent, the cigar immediately becomes subject to tax at the higher rate of \$9 per thousand, an increase of \$3.

Thus an increase of 25 cents per pound in the duty on Sumatra leaf would raise the tax-paid production cost of the popular-priced cigar \$3.50 per thousand, making it imperative that the consumer shall pay more for this cigar. It will be noted that these taxes relate solely to cigars containing no imported filler tobacco. The effect of the proposed changes upon cigars manufactured with imported fillers as well as wrappers would be much more pronounced, and will be pointed out later in our discussion of the proposed rates on filler and scrap tobacco.

As it is perfectly apparent that the price of the popular cigar can not be raised under existing conditions, the cigar manufacturer, if the cost of his Sumatra wrappers is increased, would be obliged to choose between two alternatives—equally disastrous to the country at large—of reducing the wages of his employees or cutting the price he pays to the farmers who grow his binders and fillers. It is impossible to escape this conclusion, which is based upon facts demonstrated throughout the entire cigar industry.

The proposed increase in the duty on wrapper tobacco has been urged on behalf of the producers of so-called shade-grown tobacco of New England, Georgia, and Florida. While we do not pose as philanthropists, we are vitally interested in the welfare of the American farmers who grow cigar leaf tobacco other than shade-grown in the States of New England, New York, Pennsylvania, Ohio, and Wisconsin approximating 200,000,000 pounds, as well as those in New England, Georgia, and Florida growing shade approximating 10,000,000 pounds. Any increase in the duty on wrapper tobacco above the former rate of \$1.85 per pound would have disastrous consequences not only for the cigar-making industry of the country but for all cigar-leaf growers.

While we are anxious to avoid any invidious comparisons, it is an undeniable fact that the producers of shade-grown tobacco in New England are to-day the most prosperous raisers of cigar leaf tobacco in the United States and do not need any more protection than they have enjoyed during the past two decades. Consumption of New England shade wrappers has steadily increased in recent years, and there is undeniably an excellent market in this country for all of this tobacco that can be raised. Any increase in the duty, therefore, is unnecessary and would only work a serious injury to the cigar trade and to the farmers who grow filler and binder tobacco. Ultimately the New England growers themselves, of which there are about 5,000 independent growers of tobacco as compared to about 25 corporations or firms raising shade, would be injured because of the reduced prices obtained for their fillers and binders.

The domestic growers of shade wrapper leaf tobacco have steadily increased their output during the past 10 years in the face of the fact that the cigar industry as a whole has remained at a standstill, a fact which shows beyond a question that they do not need more protection. Will Congress destroy a large part of the cigar industry in the hope of still further increasing the profits of a comparatively small number of growers engaged in the production of shade wrapper leaf tobacco, of which there are only about 25 in New England and in Florida?

Studied effort has been made to give Congress the impression that a large number of farmers in New England are in sore need of an increased duty on wrappers. As a matter of fact, the individual grower of leaf tobacco under shade in New England is almost a myth. Approximately 35 per cent of the shade-grown tobacco of the States is raised by a single corporation, which is also reputed to produce more than 50 per cent of the tobacco grown under shade in southern Georgia and northern Florida, the only other shade-grown district in the country.

Between 80 and 85 per cent of the production of shade-grown tobacco in New England is raised by six or eight large concerns, and the business is in no way suited to the operations of the small farmer. From \$750 to \$1,000 capital per acre is required to grow this tobacco, and the tendency, therefore, is to confine its production to rich corporations and firms.

The tendency of the shade-grown industry as conducted in New England is toward corporation domination and absentee landlordism and against individual enterprise and diversification of crops on the part of the farmer. That can be proven by a statement made by Mr. Sheppard, representing the New England tobacco growers, before the Ways and Means Committee last January.¹

The shade-grown industry in New England is less than 20 years old. In the first decade following 1900 its growth under individual initiative was slow, but since 1910, under corporate direction, the acreage has increased from 1,000 to 7,000 acres. During the same decade the market price of this tobacco has risen from \$1.75 to as high as \$5.25 per pound for the best grades.

Mr. FLOYD. Are you sure your figures are correct?

Mr. CULLMAN. I say during that period as high as \$5.25, which was, if I mistake not, the very best grade.

Mr. FLOYD. To be sold at \$1.25?

Mr. CULLMAN. \$1.75. I may be mistaken. I think you sold some at \$1.75. We desire especially to emphasize in this connection the testimony we have on so many occasions given before committees of Congress. The various types of tobacco stand or fall on their own merits. Sumatra tobacco is used for wrappers because of its suitability in both quality and appearance. New England shade wrappers have gained the position of high-priced wrappers used by our cigar manufacturers because they have demonstrated their peculiar fitness for certain types of cigars and because the consumer demands them. Florida wrapper tobacco remains to-day what it has always been—only a poor substitute for Sumatra. It has its place, and even its special value to the industry in the manufacture of a low-priced cigar, but we believe that there is no justification for upsetting established costs and desirable conditions in a great industry in order to stimulate the production of an article which it is claimed needs a protective duty of more than \$1.85 per pound.

An inkling of what may be expected to happen in the event any increase is made in the duty on Sumatra tobacco may be gathered from the fact that as a result of the increase in the price level of the latest inscriptions or auctions of this tobacco recently held in Holland there has been a reduction in the purchases of this tobacco for

¹ See pages 1384-1385, hearings before Ways and Means Committee, Jan. 20, 1921.

shipment to the United States from a normal quantity in excess of 33,000 bales to approximately 18,000 bales. This shrinkage in the amount of Sumatra tobacco to be imported during the coming year, approximating 2,500,000 pounds, caused by the increased prices, reducing consumption of cigars, will represent a loss to the United States Treasury in duties of nearly \$6,000,000. It is obvious that any increase in the duty on wrapper leaf tobacco would have the same effect as an increase in the foreign price, which promises to reduce current revenues so disastrously.

We are finally convinced that if Congress will consider, on the one hand, the present condition of the decreasing cigar industry and that of the tobacco growers of New England, New York, Pennsylvania, Ohio, and Wisconsin, who are facing actual disaster in 1921, and, on the other hand, the corporations engaged in the production of shade-grown wrappers in New England, Georgia, and Florida, it will deny the appeal for any duty on wrapper tobacco above \$1.85 per pound, not only because it is unnecessary, but because it will reduce rather than increase revenue jointly derived from customs duties and internal-revenue taxes on cigars.

The proposed increase from 35 to 45 cents per pound in the duty on filler tobacco promises to be even more serious to the cigar industry than the increase on wrappers. Havana fillers, which constitute the great bulk of the importation of this class of cigar leaf, are used not only in the manufacture of clear Havana cigars, but constitute the most desirable filler employed in cigars wrapped with Sumatra and with practically all domestic wrappers, including the highest grades of New England shade-grown. In the case of those cigars in which Havana fillers exclusively are used, an increase of 10 cents per pound in the duty will raise the cost of production approximately \$2 per thousand, as 20 pounds of fillers per thousand cigars is consumed. Of course, such an addition to the cost of production could not be absorbed by the manufacturer, nor could it possibly be passed on to the consumer, as it would involve a higher internal revenue tax, making a net increase of no less than \$5 per thousand, which, in the case of the Sumatra-wrapped cigar or that covered with New England shade-grown, would be increased 50 cents additional because of the higher duty on the wrappers. Any attempt to secure such an advance in the retail price would meet with disastrous failure and would heavily curtail consumption and production and therefore both internal revenue and customs collection. Thus the proposed increase in the filler rate would force the manufacturer to resort to the same expedient that would be made necessary by a higher wrapper duty, namely, to cut the wages of his employees or reduce the prices paid to the growers of domestic fillers, binders, and wrappers.

Any increase in the duty on filler tobacco would have an immediate and most injurious effect upon the domestic grower of shade-grown wrappers. The demand for a high-grade cigar has been met in recent years by the use of the Havana filler exclusively or a large percentage of Havana blended with the best domestic fillers and wrappers with Connecticut shade-grown leaf. Should manufacturers of these cigars be forced to the expedient of reducing the amount of Havana fillers in these goods, the reputation of the Con-

necticut-wrapped cigar would speedily be destroyed and its consumption materially reduced. This is a consideration of overshadowing importance because of the prominent position which this cigar has come to occupy during the last 10 years, owing to the liberal use of Havana tobacco in its manufacture.

So far as we are advised, there has been no suggestion that the proposed increase in the duty on filler tobacco would be of advantage to any class of domestic cigar-leaf growers. It is a well-known fact that there is absolutely no competition between imported and domestic fillers because of the great difference in the two types of tobacco. On the contrary, the importation of Havana fillers has stimulated the production of domestic leaf not only for wrapper purposes but to make satisfactory blends with imported fillers.

We trust that Congress has not gathered the impression that the duty on imported fillers is a matter of less consequence to the domestic cigar trade than the rate on wrappers, because of the fact that no representations have heretofore been made concerning this item. The trade was led to believe by the action taken on the emergency tariff bill that no increase on filler tobacco was contemplated, a belief which we submit was justified in view of the serious menace to our industry obviously involved in any proposition to increase the cost of Havana fillers.

The proposed increase in the duty on scrap tobacco from 35 cents to 55 cents per pound would also deal a serious blow to the cigar industry and particularly to those manufacturers who employ Havana fillers in the production of their goods. The great bulk of imported scrap tobacco is of Cuban origin and is used in combination with domestic filler leaf in the production of a cigar of excellent quality at a price within the reach of the masses. This cigar could not possibly be made under a higher rate of duty on scrap tobacco.

We would further call your attention to the fact that it is unfair and illogical to raise the duty on scrap tobacco for the reason that the rate of 50 cents per pound, fixed by the present law on stemmed filler, provides a differential of 15 cents per pound, which was specifically designed to take care of the stems and scraps. To illustrate: 100 pounds of unstemmed tobacco, at a duty of 35 cents per pound, would pay the Government \$35 or exactly the same amount of revenue that would be derived from the importation of 70 pounds of stemmed tobacco—the net result of stemming 100 pounds of leaf—at the rate of 50 cents per pound. It will thus be seen that there is no justification for the present rate of duty on scrap tobacco of 35 cents per pound, and that in fairness to all concerned it should be lowered rather than increased. As a matter of fact, if the total revenue derived were the only consideration, it would be to the advantage of the Government to admit scrap tobacco free of duty. Of course, we do not urge this but merely state it as an economic fact.

A consideration of overshadowing importance as to this proposed increase in the duty of scrap tobacco is the incontrovertible fact that the addition of 20 cents per pound would prove prohibitory. The Ways and Means Committee appears to have overlooked the fact that prior to the passage of the Underwood-Simmons Act of 1913 the duty on scrap tobacco was 55 cents and operated to exclude this form of cigar leaf. The act of 1913, however, reduced the scrap rate to 35 cents, with the result that substantial quantities of scrap to-

bacco have been imported and blended with domestic fillers in the production of a very acceptable low-priced cigar, covered with domestic binders and wrappers. Should the 55-cent rate be restored at this time, there can be no doubt whatever that it would operate merely to cut off the customs revenue now derived from scrap tobacco, reduce the quality of the moderate-priced cigar of good flavor, and substantially decrease consumption and production, thus causing a heavy shortage in the internal revenue from this class of goods.

We are fully alive to the necessities of the Government in the way of revenue, but we are confident the present customs duties on cigar-leaf tobacco and the internal revenue taxes on cigars are substantially above the revenue point. No wise business man would follow the policy of unnecessarily adding to the cost of a product, the sale of which he desires to increase, and it is submitted that the Government has much more to gain from a farsighted policy of taxation that will stimulate the cigar industry, increase consumption, and thus increase the internal revenue, while at the same time benefiting the industry and all those dependent upon it, than by adding burdens that only mean serious depression, if not absolute ruin.

The figures we have quoted showing the expansion of the cigarette industry graphically illustrate this point. The internal-revenue tax on cigarettes made during the fiscal year 1900 netted but \$3,069,191, or about one-fifth the amount paid on cigars. During the fiscal year 1920 the cigarette tax produced no less than \$151,494,415, or nearly three times the amount derived from the tax on cigars. It is obvious that if a sounder policy had been adopted in the taxing of cigars and cigar-leaf tobacco during the past 20 years, an increased production would have resulted in much larger aggregate revenue, even though the rate of taxation were more moderate.

It is only necessary to compare the figures for cigar production for the first nine months of the current calendar year with those for the corresponding period of 1920 to show where the real interest of the Government lies with respect to revenue derivable from this industry. The loss to the Government in the internal-revenue tax on cigars, owing to the depression in the industry, promises to exceed \$14,000,000 for the current year, an amount substantially greater than the entire customs duties on the prospective importation on cigar leaf for the coming 12 months, which probably will not exceed \$5,875,000 on wrappers and \$6,480,000 on fillers, or a total of \$12,355,000. These figures do not take into account the almost certain shrinkage due to the increased duties imposed by the so-called farmers' emergency tariff law now in force. The addition of further burdens will unquestionably accentuate the depression now prevailing and will cause further loss of revenue. If, on the other hand, the trade is assured of favorable conditions and reasonable taxation, both customs and internal revenue, it will undoubtedly rally strongly and Congress can confidently look forward to a recovery of the lost ground and to a very substantial increase in output and revenue during the coming year.

We would, therefore, earnestly urge the amendment of the pending bill by the restoration of the rates of the existing law on both filler and scrap tobacco, and by the adoption of a rate not exceeding \$1.85 per pound on wrapper tobacco. Any rates higher than those we suggest will unquestionably prove to be above the scientific

revenue point, and will afford no needed protection to any class of leaf-tobacco growers. They will serve only to further burden an industry now carrying much more than its full share of the tax load.

Mr. Fox. Mr. Chairman, I now ask permission to file for the record the resolutions and documents I referred to.

Senator McCUMBER. That may be done.

(The documents referred to are as follows:)

CINCINNATI, OHIO, December 5, 1921.

CHARLES FOX,

Care W. Z. Crouse, Washington, D. C.:

The Cincinnati Leaf Tobacco Board of Trade unanimously objects to any increase in tariff duty above the old rate on cigar leaf tobacco, as it would cause disaster to the cigar industry. It would also seriously injure the cigar-leaf tobacco farmer owing to a close alliance between the two. If the cigar business is good, it creates a greater demand for tobacco; hence a better price, and vice versa.

GEORGE M. BERGER, *President.*

CINCINNATI, OHIO, December 5, 1921.

CHARLES FOX,

Care W. Z. Crouse, Washington, D. C.:

The Cincinnati Cigar Manufacturers' Association unanimously objects to any additional tariff duties above the old rates on cigar-leaf tobacco, as the industry is taxed at its utmost, and any additional will curtail our business as well as the Government income from same.

FRED W. TREFFOER, *President.*

NEW HAVEN CONN., December 5, 1921.

THE FINANCE COMMITTEE, UNITED STATES SENATE:

Permit me in as few words as possible to present to you the cigar manufacturers' position in regards to the proposed increase in duty on wrapper and filler tobacco.

I wish to consider especially class B and class C cigars in view of the fact that these two classes constitute the greater proportion of the entire cigar output in the United States.

Previous to the war class B and class C cigars were popularly known as the 5 and 10 cent cigars and as such enjoyed at least their normal prosperity. During the war period, because of the increases in raw material, labor, and especially because of the enormous increase of internal revenue, the cost of production forced these former 5 and 10 cent cigars into revised classes, with limitations set at 8 and 15 cents, respectively.

During the first period of readjustment to these conditions it was found that class B, or former 5-cent cigars, increased in demand to the detriment of class C cigars, but after a few months the manufacturer found that in order to maintain the standard quality of his former 5-cent cigar he was compelled to change them into class C. This for a short time gave class C a strong position as to output. The increased sales of class C proved only temporary, however, as the change in classification demoralized standard values. As a result the production of both class B and C have been diminishing, especially during the past nine months.

Here in New England the old popular seed and Havana 10-cent cigar, now in class C selling at 13 to 15 cents, is filled with all-Cuban filler wrapped with either Connecticut or Sumatra, and the former 5-cent cigar, now 8 cents, is filled with domestic filler and wrapped with Sumatra or domestic leaf. It is a fact that the larger proportion of class C cigars here are filled entirely with Cuban tobacco, and it requires from 18 to 20 pounds of filler, subject to shapes and sizes, to produce 1,000 cigars, so that the proposed increase of 10 cents per pound would mean an increased cost of \$1.80 to \$2 per thousand. These cigars are sold to the retail dealer at from \$95 to \$108 per thousand and in

turn sold to the consumer at 18 cents or two for 25 cents. This does seem primarily too small a profit for the retail dealer who, in the face of contemplated increases, is demanding standard goods at less cost.

This condition has caused many manufacturers throughout the cigar industry to blend or mix class C cigars using part Cuban and part domestic filler. But even with all the attempted experiments the output of classes C and B have been and are to-day rapidly diminishing. The cigar industry is laboring under the tremendous cost of production while the consumer has, through economy or other reasons, either chosen the pipe or cigarette. It is evident that the consumption of cigars has not kept pace with the increase of population in the past 20 years.

The unemployment of cigarmakers is another very serious proposition which must be considered. Some local unions realizing the ever lessening demand for workers have voluntarily accepted wage decreases of from two to three dollars per thousand in order to stimulate sales. This fact proves the seriousness of the situation. It is the first time in the history of the Cigarmakers International Union where locals have been permitted to voluntarily reduce their wages. In the event that this proposed increase on Havana filler is accepted the employees' sacrifice has been to no avail.

In summing up conditions as they actually are it seems most unreasonable to revise taxation in a way that will further burden an industry already overburdened. The cigar industry to-day is fighting a noble battle to hold its own in the face of many obstacles. For months past records show that it is a losing fight. Surely there can not be an advantage to either the United States Treasury, the manufacturer or the employees of the industry to cause a further falling off of consumption which will be the inevitable result of the proposed taxation.

Respectfully submitted.

F. D. GRAVE.

LANCASTER, PA., December 7, 1921.

Hon. BOIES PENROSE,

Chairman, and Members of the Senate Finance Committee.

GENTLEMEN: In reference to the rate of duty on Sumatra and Havana tobacco, as it shall be written in the permanent tariff bill: Coming, as I do, from Lancaster County, Pa., where for generations our farmers have been producing tobacco and have gone to great expense to equip their farms with suitable curing barns and dampening cellars and have their land in the highest state of cultivation. Tobacco produced on our farms is used as a filler in a moderate-priced cigar. For this reason our farmers have never received the fancy prices that many other sections of our country have; but they are a hard-working, frugal class of people, and as a rule have prospered. Ninety per cent of our tobacco, or thereabout, goes into cigars that are wrapped with Sumatra tobacco. Should the permanent tariff be written for more than \$2 per pound, and this is even going to work a hardship, but represents the very highest duty that the trade will be able to absorb, it is going to be a mighty burden and a heavy loss to our Lancaster County farmers. The manufacturer must and will have Sumatra. He can not raise the price of his cigars at this time, for he is in a very tight fix at present, with the public demanding cigars at a lower price. What must be the result? Either he must demand a reduction in the price of his filler and binder, reduce the quality of his cigar—and that will kill the brand—or cut down his production, which will happen if he raises his price, for consumption will fall off. This will mean that our manufacturers will use less Sumatra, and our Government will lose the revenue. In the same way would we be affected by a higher duty on Havana tobacco from the island of Cuba. Pennsylvania tobacco, on account of its mildness, is an ideal combination with Havana. Raising the duty would force the manufacturer to get a reduction some place to keep his cigars at a certain price and standard, and our Pennsylvania farmer again would be the loser.

Now, gentlemen, the tobacco and cigar industries are in a very precarious condition, and are in no position to assume additional burdens, and I pray you to give the above facts careful consideration.

Respectfully submitted.

LANCASTER LEAF TOBACCO BOARD OF TRADE,
WILLIAM H. RAUCH, *President.*

RESOLUTIONS OF THE PHILADELPHIA LEAF TOBACCO BOARD OF TRADE, OCTOBER 27, 1921.

Whereas the new tariff bill (H. R. 7450) recently passed by the House of Representatives makes material increases in the rates of import duties on cigar leaf tobacco; and

Whereas the cigar and leaf tobacco industries are now overburdened by import duties and internal revenue taxes to the extent that they have been practically at a standstill for the past 20 years: Therefore be it

Resolved, That the Philadelphia Leaf Tobacco Board of Trade urge the Finance Committee of the United States Senate to amend the tariff bill (H. R. 7450) by the substitution of the rates in force previous to the passage of the emergency tariff bill.

PHILADELPHIA LEAF TOBACCO BOARD OF TRADE,
Philadelphia, Pa., October 27, 1921.

HON. BOIES PENROSE,
United States Senate, Washington, D. C.

DEAR SIR: We, the members of the Philadelphia Leaf Tobacco Board of Trade, respectfully, but most emphatically, wish to protest against any increase in the import duties on cigar leaf tobacco and beg to call your attention to the following facts in support of our contention.

We understand that the purpose of the proposed tariff revision is to stimulate American industry, and ours is an industry which is certainly in most serious need of a stimulus. The leaf tobacco and cigar industries of this country are now overburdened with import duties and internal revenue taxes and as a consequence have been practically at a standstill for the last 20 years, as can be readily verified by the reports of the Internal Revenue Department. What little expansion there has been has not even kept pace with the increase in the population of the country.

Any increase in the duty on cigar leaf tobacco would completely demoralize the entire industry, as the wages of cigar makers, the prices paid for domestic fillers and binders and the retail prices of cigars are all predicated on the present import duties. It follows, therefore, that the industry can hardly hold its own, much less expand, if there should be a substantial increase in the cost of its raw material.

An increase in the duty on cigar leaf tobacco could not be absorbed by the cigar manufacturer, but would result in an increase in the retail prices of cigars. In the case of many brands now selling on a small profit basis it would force them into a higher retail-price classification, thus raising the internal-revenue tax thereon and necessitating a further advance in the price to cover this tax. Naturally these increases would restrict production, cut cigar makers' wages, and reduce the prices paid for cigar leaf tobacco to the farmers of Pennsylvania, Ohio, Wisconsin, New York, and Connecticut.

The former rates of duties on cigar leaf tobacco afford ample protection to the domestic grower. As far as the duties on fillers is concerned, the domestic grower receives no injury at present, because there is really no competition between his product and the imported one. Practically all the imported filler tobacco used in the manufacture of cigars in this country comes from Cuba. It is used principally to blend with domestic fillers and does not compete with the latter in any manner whatsoever. Any decrease in the importation of Cuban fillers would really result in a decrease in the consumption of domestic fillers. We should therefore encourage rather than discourage the importation of Cuban fillers.

Furthermore, Cuban tobacco is such a high-priced article that any increase in duty would result in either a tremendous decrease in its consumption, thus reacting on the consumption of domestic fillers, as stated above, or, if consumed in any quantity, would reduce the price the manufacturer could afford to pay for the domestic filler used to blend with it, as it is impossible for him to increase the price of his cigars.

As for wrappers, the former rate of duty of \$1.85 per pound affords ample protection to the domestic grower of wrapper leaf tobacco, as shown by the fact that the production and consumption of domestic wrappers has increased enormously in recent years, and their prices have advanced out of all proportion to those of other tobaccos. As a matter of fact, it is the only branch of the industry that has steadily expanded and therefore does not need additional protection.

If the above facts are true, it is evident that any increase in duties will so increase the cost of cigars as to necessitate an increase in the retail price of the finished product. Any attempt to raise cigar prices will decrease the output of the industry to such an extent as to cost the Government far more in the reduction in returns from internal-revenue taxes on cigars than it would gain in the increased duties on cigar leaf tobacco. Furthermore, owing to the reduction in the consumption of cigars, the importation of Sumatra and Cuban cigar leaf tobacco would be greatly curtailed, so that in all probabilities there would be an actual loss in revenue to the Government.

We also beg to call your attention to the fact that the cigar and tobacco industry now pays in stamp and import taxes over \$310,000,000 annually, without counting the income and other taxes paid by those engaged in the business. This, we submit, is far more than its fair proportionate share of the taxes now levied by the Government, and it would be manifestly most unjust to further burden it with any increases in duties or taxes.

Is Congress willing, therefore, to reduce the income of the Government, to increase the burden on the consumer, to lower the wages of cigar makers, to demoralize the entire cigar-manufacturing industry, and to injure the growers of domestic cigar leaf tobacco? Would not this be a most glaring instance of taxing an industry out of existence?

In conclusion, therefore, we would most earnestly urge that the pending bill be amended by the substitution of the rates of duties in force before the enactment of the present emergency tariff bill.

Very respectfully, yours,

JOHN R. YOUNG, Jr., *Secretary.*

CIGAR MANUFACTURERS' BRIEF AGAINST INCREASED DUTIES ON WRAPPER, FILLER, AND SCRAP TOBACCO.

Upon the demand of probably less than 100 tobacco growers, raising what is commonly but erroneously known as American Sumatra, and what is in fact, shade-grown wrapper tobacco, the House raised the duties on imported wrappers from \$1.85 per pound to \$2.10 for the unstemmed, and from \$2.50 per pound to \$2.75 for stemmed wrappers.

At the same time, and, apparently, upon no demand or suggestion from any tobacco grower, the House increased the duties on unstemmed filler tobacco from 35 cents per pound to 45 cents, and on stemmed filler from 50 cents to 60 cents per pound; also on scrap tobacco from 35 cents to 55 cents per pound. The present rates on fillers having been in force since 1882 and on scrap since 1913.

It is to be noted that the duty on wrapper tobacco was recently raised by the emergency tariff act without any previous notice or intimation to the cigar manufacturing trade, and without an opportunity to be heard. But as that act is merely of temporary nature, we are referring in this memorandum to the rates in force prior to its enactment and since 1898.

These increases in duties were passed by the House in spite of the facts—

That the whole cigar trade is in the throes of serious depression.

That its business since last December has declined over 20 per cent.

That 5,846 cigar manufacturers have gone out of business since 1914.

That the taxes on cigars have been raised since the war from a fixed rate of \$3 per thousand to a graduated scale from \$4 to \$15 per thousand.

That at not time during the prosperous war days, while leaf tobacco increased from 64.08 per cent on Ohio tobacco, 100 per cent on Wisconsin, to 200 per cent on shade grown, and while the cost of labor, overhead, packing material, and all other items that go into the finished cigars, similarly climbed up to war-time prices, did the maximum increase in retail prices of cigars exceed 60 per cent of the prewar prices.

That the cigar industry has not only failed to keep pace with the growth of all other industries in this country, but that as a matter of fact our withdrawals for consumption in the fiscal year ending June 30, 1907, exactly 15 years ago, amounted to a little more than our withdrawals for consumption during the last fiscal year, as will be seen from the following figures:

Withdraws for consumption during the fiscal year ending—

June 30, 1907.....	7,480,144,793
June 30, 1921.....	7,480,929,880

Decrease

0,215,413

Thus in the last 15 years the cigar industry shows a loss of 9,000,000 cigars.

And moreover not only did the number of cigars consumed in the last fiscal year fall below the consumption of 15 years ago, but the volume of business in dollars and cents has been alarmingly decreasing since last year.

The business on the higher priced cigars—that is, cigars retailing above 5 cents each—has been steadily going down, while those retailing at 5 cents or less, designated as class A, have been going up taking the place of the more expensive types.

A comparison of the withdrawals in October, 1921 (which is the last official report that we have), with the withdrawals in October, 1920, will be sufficient to demonstrate this point.

In October, 1920, class C cigars, retailing at between 8 and 15 cents, amounted to almost 46 per cent of the entire cigar business. In October, 1921, the same class of cigars went down to 39 per cent. Class B, the cigar that sells at between 5 and 8 cents each, constituted 28 per cent of the aggregate volume of business in October, 1920, and in the same month of this year it was down to 25 per cent; while class A cigars, which sell to the consumer at 5 cents and less, climbed up from 23 per cent in October, 1920, to 33 per cent in October last.

Thus cigars selling at 5 cents or less have gained 10 per cent of the whole cigar business, taking the place of the loss of business on grades of cigars that sell between 5 and 15 cents.

Surely these outstanding facts should be sufficiently convincing that the cigar industry can not stand the slightest increase in taxes, whether in the form of tariff duties or internal revenue.

The whole story of the cigar industry is told in the following chart:

DUTIES ON WRAPPERS.

As against the plea on behalf of 11,400 cigar manufacturers, there was a demand of the Connecticut, Florida, and Georgia farmers raising shade-grown tobacco, all told not more than about 100 in number, for an increased duty on imported Sumatra in order, as they claimed, to protect their shade-grown wrappers, which are sometimes erroneously referred to as "American Sumatra."

Do they really need additional protection because imported Sumatra is competing with their product? We emphatically say, "No."

They have raised their tobacco from \$1.75 per pound in 1914 to \$5.25 per pound in 1920. (House tariff hearings, p. 1550), in spite of the steady importation of Sumatra. (The present price being about \$4 per pound.) They have increased production of Connecticut shade-grown wrappers from 1,200,000 pounds in 1910 to 7,407,000 pounds in 1918. the continued use of imported Sumatra notwithstanding (House tariff hearings, p. 1550). Subsequent figures which are not yet available will undoubtedly show a still further increase.

Do these facts show that they need additional protection? Certainly not.

What then is their motive for demanding additional protection?

The answer is found in their own testimony.

Thus, at the House tariff hearing Mr. W. E. Smith, one of the tobacco growers' spokesmen, testified:

"Q. Mr. GARNER. Mr. Smith, really what you want is \$2.85 a pound levied as a tax at the customhouse on foreign importations in order that—"

"A. Mr. SMITH. On wrappers.

"Q. Mr. GARNER. That you may get a better price for your tobacco?"

"A. Mr. SMITH. Yes, sir."

The cigar manufacturers have raised the prices of their products since the prewar times to a maximum of 60 per cent, while the growers have advanced their shade-grown wrappers during the same period from \$1.75 in 1914 to \$5.25, or 200 per cent, in 1920, the price is still maintained at \$4 per pound, which is an increase of 129 per cent, and they ask for increased duties for the conceded purpose of getting still higher prices for their wrappers.

Indeed, this is not the first time that the very same tobacco growers' association demanded increased duties on wrapper tobacco, nor is their present argument in support of their demand altogether new. In 1913 they appeared before the Ways and Means Committee and submitted a similar demand, based upon the same reasoning, as may be seen from the following quotations of their arguments on both occasions:

EXCERPTS FROM THE BRIEF OF THE NEW ENGLAND TOBACCO GROWERS' ASSOCIATION FOR INCREASED DUTIES ON WRAPPERS.

1913.

[House tariff hearings, p. 2531.]

These expensive methods, worked out by the Government at an enormous expenditure of the people's money, have been, under the present customs tariff on wrapper tobacco, adopted to a large extent by many of the agriculturists in the several tobacco-producing States who have invested millions of dollars in proper lands for its growth, buildings, and equipment for its production, that a cigar wrapper leaf tobacco that would represent the most advanced type of wrapper might be produced that would acceptably take the place of the leaf now so largely imported. And we respectfully submit that such a leaf has been developed in this country and is being produced in increasing quantities from year to year and without the rate of customs duty now collected from such imported leaf it would be no longer possible for us to produce this high-grade, expensive cigar leaf, without which the labor and expenditures of this Government for years and the millions already invested by the American people in this industry would be forever lost, and the lands and property used in its production practically valueless.

1921.

[House tariff hearings, p. 1598.]

These expensive methods, worked out by the Government at an enormous expenditure of the people's money, have been, under the present customs tariff on wrapper tobacco, adopted to a large extent by many of the agriculturists in the several tobacco-producing States. The New England and Florida agriculturists have developed a cigar-wrapper leaf of the most advanced type and have invested their money in land, buildings, and equipment for the purpose of growing and marketing the product. Unless sufficient protection is maintained, the millions already invested by the American people in this industry will be forever lost, and the lands and property developed for the growth of tobacco will become practically worthless.

THE UNJUSTNESS OF THEIR CONTENTIONS.

Thus they argued in 1913, as they now contend, that unless the duty on wrapper be raised, the shade-grown industry would be destroyed. The duty was not raised in 1913 or since then, and yet the production of shade-grown wrapper in Connecticut alone has grown from approximately 2,000,000 pounds in 1913 to over 7,000,000 pounds, the present yield, while the prices have, during the same period, advanced from \$1.75 per pound to \$5.25 per pound. It may be noted here that the price has since been reduced to \$4 per pound.

The fact is, as is clearly demonstrated in our brief (House tariff hearings, p. 1555), that imported Sumatra does not compete with shade-grown wrappers, which are sometimes called American Sumatra. The former is used for one type of cigars, while the latter is used for an entirely different type of cigars. Neither is used as a substitute for the other.

These growers raising largely the shade-grown type of wrappers, which, as already stated, are commonly but erroneously known as American Sumatra, still contend as they contended years ago when the development of shade-grown tobacco in this country was first entered upon—that they must have higher tariff duties on Sumatra wrapper in order to protect the shade-grown industry. But their contentions are clearly refuted by the very growth of the shade-grown industry within the last 10 years or so, the importations of Sumatra notwithstanding.

Thus, as will be seen from the following tables covering a period of 10 years, from 1910 to 1920, that while we have continued to import Sumatra at the rate of between six and seven million pounds per annum—which is sufficient to cover between three and three and one-half billions of cigars, or between 40 and 47 per cent of our entire consumption of cigars—the shade-grown industry in the Connecticut district alone, which includes Massachusetts, has grown from

1,000 acres under cultivation in 1910 to 6,150 acres in 1918, and undoubtedly a still larger acreage in 1920 (the figures for 1919 and 1920 not being available), with an increased yield of wrappers from approximately 1,200,000 pounds in 1910 to 7,407,000 pounds in 1918.

We have no official figures showing the production of shade-grown tobacco in Georgia and Florida for the same period, as no official statistics in that respect have been published. But according to the report of the department of agriculture of Florida it appears that in 1917-18 Florida produced 2,123,427 pounds of shade-grown tobacco.

The Federal Department of Agriculture also reports a total production of cigar tobacco in Florida and Georgia in the year 1919 amounting to 5,800,000 pounds, the great bulk of which, as we know, was wrappers; so that, adding the production of wrappers in Georgia and Florida to the 7,000,000 pounds of wrappers produced in Connecticut, it would show a total production of wrappers amounting to over 12,000,000 pounds. And all of that enormous production of a type of wrapper, which it is claimed competes with the imported Sumatra, has developed within the last 10 years, while our importations of Sumatra were kept up almost at a uniform rate of between 6,000,000 and 7,000,000 pounds per annum.

It is thus clearly shown that the importation of Sumatra wrappers has in no way interfered with the development of shade-grown wrappers in this country.

Acreage of shade-grown tobacco in the Connecticut Valley.

Acres grown.		Acres grown.	
1900.....	41	1910.....	1,000
1901.....	720	1911.....	1,005
1902.....	645	1912.....	1,008
1903.....	33	1913.....	1,840
1904.....	40	1914.....	2,574
1905.....	40	1915.....	3,669
1906.....	40	1916.....	4,039
1907.....	70	1917.....	5,854
1908.....	200	1918.....	6,150
1909.....	400		

NOTE.—If it is desired to ascertain the quantity of shade-grown tobacco produced, the desired result can be secured by multiplying the acreage given by about 1,200, which is the average yield per acre.

Fiscal year.	Imports of leaf suitable for cigar wrappers.			Total number of pounds imported.	Total number of cigars manufactured (calendar year).
	Sumatra from the Netherlands and Dutch East Indies.	From Cubs.	All other.		
1910.....	6,383,926	58,798	198,002	6,639,726	6,810,024,416
1911.....	5,721,447	41,391	190,838	5,958,776	7,048,505,033
1912.....	6,220,499	69,003	119,510	6,409,012	7,011,257,235
1913.....	6,163,012	83,914	111,826	6,358,752	7,571,537,834
1914.....	5,846,504	155,139	91,114	6,092,757	7,174,191,944
1915.....	7,031,943	79,706	99,329	7,211,178	6,599,188,078
1916.....	4,903,761	68,641	37,903	5,070,308	7,012,127,401
1917.....	3,617,882	138,751	188,303	3,944,936	7,539,530,349
1918.....	4,243,408	180,739	91,197	4,515,344	7,039,549,402
1919.....	7,553,946	44,234	402,322	8,000,502	7,072,357,021
1920.....	7,041,760	31,301	219,652	7,282,713	18,304,618,762

¹ Figures of production not yet available. This represents the number of cigars withdrawn for consumption during the fiscal years ending June 30. All other figures of production are for the calendar year.

THE DIFFERENTIAL UNDER THE OLD DUTY IS AMPLY SUFFICIENT TO PROTECT HOME-GROWN WRAPPERS.

A great deal has been said about the difference in the cost of producing domestic shade-grown wrappers and imported Sumatra wrappers. It seems to us,

however, that the important question to be considered is not what it costs to produce shade-grown wrappers as against the cost of imported Sumatra, but the difference in the cost of covering a thousand cigars with either of the two types of wrappers, for manifestly the cost of the wrapper on a cigar, like the cost of all other material, must ultimately be reflected in the price of the finished cigar.

At the present prices of both shade-grown and Sumatra a thousand 10 cent or higher-priced cigars can be readily covered with shade grown wrappers at a cost of between \$8 and \$9, while to cover the same grades of cigar selling at the same prices with imported Sumatra, dutiable at \$1.85 per pound, costs between \$10 and \$12 per thousand.

It is entirely immaterial what it costs to produce shade-grown wrappers, for the fact is that manufacturers desiring to use the imported Sumatra on their 10-cent or higher priced cigars must pay between \$2 and \$3 more to cover a thousand cigars than it would cost them to cover the same cigars with the domestic wrappers.

Here, then, is a differential of between \$2 and \$3 in the cost of wrappers for a thousand cigars under the old tariff of \$1.85 per pound, which, I believe, is more than sufficient to protect the shade-grown industry.

In regard to the lower priced cigars—that is, cigars retailing at between 5 and 10 cents—shade-grown wrappers are in no way an important factor, for most of these grades of cigars are and necessarily must be covered with imported Sumatra, because shade-grown wrapper does not mix well with filler tobacco grown in the United States. No manufacturer is known to have ever succeeded in making a combination of shade-grown wrappers with domestic fillers and producing a satisfactory cigar.

Most shade-grown wrappers are used on cigars containing Havana fillers, Porto Rico fillers or a blend of the two—on cigars which can not be sold at less than 10 cents, shade-grown tobacco therefore does not come into serious competition with the imported Sumatra that is used on cigars that are selling below 10 cents.

Surely, as between the comparatively few wrapper growers producing about 10,000,000 pounds of tobacco per annum, out of a total of about 1,500,000,000 pounds raised in this country, and cultivating about 10,000 acres out of a total of 1,000,000 acres of tobacco land under cultivation, on one side, and the 11,490 cigar manufacturers, employing 200,000 laborers and using approximately 154,000,000 pounds of tobacco per annum, on the other side, the interest of the latter are of far greater importance to the country's commerce and industry than that of the former.

DUTIES ON FILLERS.

What we have said in regard to the increased duties on wrappers applies with equal if not more force to the increased duties on filler tobacco, whether in leaves or in scrap.

The increases in duties of 10 cents per pound on the leaf fillers and 20 cents per pound on scrap fillers would add to the cost of production from \$2 to \$2.50 per thousand on cigars containing 100 per cent Havana filler and a proportionately smaller amount on blended cigars mixed with Havana fillers.

We believe that we have already demonstrated that the cigar industry can not possibly absorb these added items to the cost of production.

Surely, in face of the loss of over 20 per cent of cigar business since last December, bringing the cigar industry back to where it was about 15 years ago, there can not be added 1 cent to the selling prices of cigars without bringing disaster to the industry.

These additional duties would only force manufacturers to reduce the quantity of Havana fillers used in their cigars, thus changing the quality of their merchandise and ruining, if not altogether destroying, established brands or trade-marks of immense value.

The Government will surely receive no additional revenue from these increased duties, while the industry would suffer incalculable injury, not speaking of the fact that millions of cigar consumers would necessarily be deprived of the enjoyment of the smokes of the quality that they have been accustomed to.

As far as the records show, no American tobacco grower has asked for any additional protection on filler tobacco. No American farmer has complained that the imported cigar fillers are hurting American tobacco growers.

SCRAP TOBACCO—WHAT IT IS, WHAT IT IS USED FOR, AND THE DUTY THEREON.

The word "scrap" as applied to tobacco is by no means used as an arbitrary or fanciful designation. It is used in its true literary sense to describe the offal, the shorts, the fragments, the scrap, or the left-overs from the tobacco leaves placed in cigars.

Manifestly, the scrap of tobacco, like the scrap of all other substances, can not possibly have the value of the original material that it comes from, nor can an article made up of scrap have as much value as an article made up of the material in its original form. And so in the tobacco industry, imported scrap is used for the cheaper grades of cigars and in little cheroots that sell at about 30 to 35 cents per package of 10.

The pending tariff bill provides for an increase in the duty on scrap tobacco from 35 cents to 55 cents per pound. Using about 12 pounds of scrap in a thousand cigars, the increased duty would add about \$2.40 per thousand to the cost of production of cigars made of imported scraps.

Scrap is also a manufactured tobacco put up in small packages for sale to the consumer for chewing or pipe smoking. But the quantity of imported scraps used for that purpose is indeed insignificant. However, had this provision for increased duty on scrap tobacco been framed to apply only to manufactured tobacco put up in packages ready to be sold to the consumer in competition with domestic manufactured scrap tobacco there would, of course, be no objection. But, according to the language of the paragraph, the increased duty applies to both "manufactured or unmanufactured tobacco." Thus, scrap tobacco imported into this country by cigar manufacturers purely as filler tobacco to be used in the manufacture of cigars would be subject to the additional duty of 20 cents per pound.

No American tobacco grower has asked for additional protection on filler tobacco imported from Cuba, for it is indeed well recognized that the importation of Cuban tobacco is a benefit rather than a detriment to American tobacco, because it is the Cuban tobacco when used as a blend with domestic tobacco that gives the cigar a flavor or aroma that can not be obtained in any other way.

Indeed, we can hardly understand the attitude of the Ways and Means Committee in raising the duty on Sumatra wrapper and on scrap fillers, both of which are used in the poor man's smokes. The great bulk of Sumatra wrapper is used on cigars selling at 8 cents or less, while most of the imported scrap tobacco is used in cheroots or little cigars selling at less than 5 cents each (10 for 35 cents). It is needless to say that the margin of profit on these cheap articles must necessarily be exceedingly small, and that neither the manufacturer nor the jobber or retailer can absorb the least increase in cost or taxes.

Why, then, impose these additional burdens on the cigar industry, when, as it must be clearly apparent, the manufacturer can not possibly absorb them? And to shift them on the consumer would mean a still further decline of business, which must not only result in disaster to the industry, but in diminished revenue to the Government as well.

THE SMALL MANUFACTURER.

There is another phase of the situation to be considered—that is, the condition of the small manufacturer. The big manufacturer, who makes several hundred million cigars a year, may be able to get along with a small profit—although operating on a small margin of profit in the tobacco business, where any change in atmospheric conditions or any slight mistake in the treatment of the tobacco may cause sufficient deterioration of the material to wipe out the entire profit and produce a substantial loss—is like skating on thin ice. But can the little fellow, who makes 10,000 cigars a week or 500,000 cigars a year, exist unless he makes a reasonable profit?

It will be seen from the records of the Internal Revenue Department that while there were 17,137 cigar manufacturers in business in 1914, there were only 11,201 manufacturers in business in 1910. Thus, 5,840 manufacturers have gone out of business since the war. What was the cause of it? The explanation is, indeed, simple. While the big manufacturers were able to withstand the increased cost of production and the higher rates of taxes, with the increased capital necessarily required in the carrying of high-priced material,

because of their large outputs, the small man could not stand it and hence his enforced retirement from business.

Any increase in duties on wrappers, fillers, or scraps would impose a further hardship upon the small man not only because of the curtailment of his already minimized profit, but because of the additional cash investment required in the payment of the increased duties.

This phase of the situation is respectfully brought to your attention not merely as a plea for the small man, but for the purpose of demonstrating the closeness of the margin of profit under which we have been operating since the war. For with a reasonable profit on the business the small man can readly thrive, prosper, and succeed in spite of the competition of the large concern, but with the profits minimized, as they have been minimized since the war, the difficulties of the small man were, indeed, more than he could stand, as is evidenced by the fact that over 33 per cent of the small manufacturers have withdrawn from the business since 1914.

ADDITIONAL DUTIES SHOULD BE ELIMINATED.

In view of the facts and circumstances thus presented, we respectfully urge that any increase in the tariff duties on tobacco would cause disaster to the industry, as well as loss of revenue to the Government, and would in no way benefit the American tobacco growers, whose interests are more than sufficiently protected under the present tariff rates, for the imported tobacco not only does not compete with the domestic tobacco but is indeed essential in order to keep up our present rate of consumption.

All of which is respectfully submitted by Cigar Manufacturers Committee of the Tobacco Merchants' Association of the United States.

CHAS. J. EISENLOHR, *Chairman*.
CHARLES DUSIKIND, *Counsel*.

Committee: Charles J. Eisenlohr, president Otto Eisenlohr & Bros. (Inc.), Philadelphia, chairman; R. J. Plute, secretary Detsel-Wemmer Co., Lima, Ohio; W. H. Fraus, secretary Kraus & Co. (Inc.), Baltimore, Md.; Fred Hirschhorn, president General Cigar Co., New York; Abraham I. Lewis, I. Lewis Cigar Manufacturing Co., Newark, N. J.; Harvey L. Hirst, secretary Bayuk Bros. (Inc.), Philadelphia, Pa.; Leonard Werthelmer, Werthelmer Bros., Baltimore, Md.; A. L. Sylvester, president American Cigar Co., New York, N. Y.; Jacob Mazer, secretary Mazer Cigar Manufacturing Co., Detroit, Mich.; Jacob Loeb Langsdorf, president Antonol Rog & Langsdorf, Philadelphia, Pa.; Joseph Muer, Swift Cigar Co., Detroit, Mich.; George H. Hummel, vice president P. Lorillard Co., New York, N. Y.; John H. Fendrich, H. Fendrich (Inc.), Evansville, Ind.; Julius Klorfeln, Julius Klorfeln, New York, N. Y.; G. W. Van Slyke, president G. W. Van Slyke & Horton, Albany, N. Y.; Moritz Hans, Hans Bros., Cincinnati, Ohio; D. Emil Klein, president Consolidated Cigar Corporation, New York, N. Y.; Milton S. Heineman, Heineman Bros., Baltimore, Md.; Morris D. Neumann, of Morris D. Neumann & Co., Philadelphia, Pa.; Mortimer Regensburg, E. Regensburg & Sons, New York, N. Y.

(For further details we respectfully refer to the brief filed by this committee with the Committee on Ways and Means, House Tariff Hearings, p. 1534.)

STATEMENT OF MARCUS L. FLOYD, REPRESENTING THE NEW ENGLAND TOBACCO GROWERS' ASSOCIATION AND THE FLORIDA AND GEORGIA TOBACCO GROWERS' ASSOCIATION.

Mr. FLOYD. Mr. Chairman and gentlemen, I think in coming here I probably represent one of the most important industries in this country, and that is the production of cigar-leaf tobacco. I want to say to that part of the committee that is here, and I will not make any apology to the part that is not here, that in order to stand well with you gentlemen I am going to tell you that I will not take up more than 10 minutes of your time. There are certain things that I want to call your attention to, but I will be very brief.

There is a letter here addressed to your chairman, with some figures attached to it, that I would like to have inserted in the record at this point.

Senator McCUMBER. That may be done.
(The documents referred to are as follows:)

AUGUST 18, 1921.

Hon. BOIES PENESE,

Chairman Committee on Finance, United States Senate.

MY DEAR SENATOR: I herewith beg to hand you a memorandum showing comparative costs of raw material that enters into the manufacture of cigars. These figures show clearly that all grades of cigars, from the cheapest up to and including the 2-for-25-cents class, can be manufactured for a much less cost than obtained during the years 1919 and 1920.

Of course, the manufacturer does and will claim that he is stocked up with raw material purchased at prevailing high prices of 1919 and 1920, which in many cases is probably true. However, the decrease in cost of labor applies now and far more than offsets the advance in import duty we are asking for. Again, it must be borne in mind, we do not ask advanced import duty on tobaccos they do not own and have in stock, but on tobaccos which they may buy and bring into this country, tobaccos that no doubt will be purchased for much less money than the tobaccos they now have in stock.

Our statement shows that values of domestic leaf, whether wrapper, binder, or filler, have shrunk at least 20 per cent, while Porto Rico and Cuba leaf have shrunk in value from 30 to 40 per cent. Therefore, the claim on the part of the manufacturer, that if the import duty is changed from \$1.85 to \$2.85 per pound, it will force the so-called 8-cent cigar into a 9-cent class. This claim is preposterous and unjustifiable.

In my statement before the Ways and Means Committee of the House I called attention to the fact that a manufactured cigar was purely a fancy article, without intrinsic or fixed value. The making of prices on the part of the manufacturer is largely arbitrary. For example, a cigar that retails for 5 cents to the consumer may have been bought by the jobber from the manufacturer at anywhere from \$28 to \$32 per thousand. This cigar may retail at 5 cents or six for 25 cents. Now, then, the strictly 5-cent cigar the jobber may buy from the manufacturer at from \$34 to \$38 per thousand.

The cigar that retails at three for 25 cents the jobber buys from \$40 to \$55 per thousand, and the strictly 10-cent cigar he pays \$55 to \$65 per thousand for, and the two for 25 cents for \$65 to \$80 per thousand. You will notice as the retail prices advance a large margin between the lowest and highest jobbing price on that particular class of cigars.

I further made the statement before the Ways and Means Committee, at which meeting there were a number of manufacturers and importers, that none of them, be they ever so experienced, could by examination or trial tell the difference between a \$28-per-thousand cigar and a \$32-per-thousand cigar. These cigars to be, of course, without trade-mark or brand. This is absolutely true regarding every class of cigar. I defy any manufacturer or importer to tell me by close examination whether a certain cigar should sell at wholesale for \$34 to \$36 a thousand, or in the high-class cigars, \$80, \$90, or \$100 per thousand.

In concluding I wish to suggest, inasmuch as it seems to be clearly the purpose of the present Congress to obtain further revenue from tobacco, that this be done as far as may be by increasing the import duty; to levy an internal-revenue tax will burden the consumer without benefit to any branch of the tobacco industry; to levy an import duty or tax will place the same burden on the consumer, with positive benefit to farmers who produce similar tobaccos in this country.

Now, it is for you gentlemen to decide which you will choose: A tax that will burden all and benefit none or an import tax that will burden all, at the same time benefiting one of the most important industries of this country.

Very respectfully

M. L. FLOYD.

QUANTITIES OF LEAF TOBACCO REQUIRED FOR THE AVERAGE-SIZED CIGAR.

Wrapper: 1½ to 2 pounds of Sumatra tobacco, or 1½ to 2 pounds of Florida and Georgia tobacco, or 4 to 10 pounds of Connecticut tobacco.

Binders: 5 to 6 pounds of Connecticut tobacco, or 6 to 7 pounds of Wisconsin or New York State tobacco.

Fillers: 18 to 20 pounds of domestic filler, or 16 to 18 pounds of Havana tobacco, or 16 to 18 pounds of Porto Rican tobacco.

PRICES FOR LABOR MANUFACTURING CIGARS IN PENNSYLVANIA.

For cigars known as the 8-cent or 2-for-15-cents grade: 1914, \$7 per thousand; 1919, \$11 per thousand; 1921, \$9 per thousand; decrease since 1919, 18 per cent.

For cigars known as the 5 and 6 cent grade: 1914, \$5.25 per thousand; 1919, \$9 per thousand; 1921, \$6 to \$7 per thousand; decrease since 1919, 22 per cent.

For cigars known as the 10-cent straight or 2-for-25-cents grade: 1914, \$9 per thousand; 1919, \$15 to \$16 per thousand; 1921, \$10 to \$12 per thousand; decrease since 1919, 20 per cent.

In the old ninth district of Pennsylvania, where low-priced cigars are being manufactured, the cost of labor is from \$1 to \$3 per thousand less than above specified. In other section of the country the scale per thousand varies from above schedule, ranging from \$8 to \$12 in 1914, \$10 to \$22 in 1919, and \$12 to \$20 at the present time, depending on the locality, also the size, shape, and general workmanship of the cigars.

The actual cost of labor for manufacturing cigars is about 20 per cent less than in 1919 and 1920, and there is also a decided reduction in the cost of cigar boxes, labor, etc., all of which will be the means of lowering manufacturing costs.

Average values of cigar leaf tobacco.

WRAPPER.

	1911	1919	1921	Decrease from 1919 to 1921.
				<i>Per cent.</i>
Sumatra (in bond).....	\$1.50	\$2.25	\$2.00	11
Florida and Georgia.....	1.75	2.75	2.25	18
Connecticut:				
Broad leaf.....	\$0.65-.75	\$1.25-1.40	\$1.00-1.20	20
Havana seed.....	.50-.60	.60-1.00	.75-.85	16
Prime tobacco.....	1.25	2.25	1.75	22

BINDER.

Connecticut:				
Broad leaf.....	\$0.55-\$0.65	\$0.95-\$1.00	\$0.75-\$0.85	20
Havana seed.....	.45-.50	.70-.75	.55-.65	20
Wisconsin.....	.30-.35	.55-.60	.45-.50	17
New York State.....	.35-.40	.60-.65	.45-.50	25

FILLER.

Pennsylvania.....	\$2.15-\$2.16	\$0.36-\$0.42	\$0.32-\$0.35	10
Geibhardt (Ohio).....	.16	.32	.24	28
Zimmer (Ohio).....	.20	.35	.30	11
Little Dutch (Ohio).....	.16	.30	.25	16
Porto Rico.....	.70-.80	1.60-1.75	.85-.95	
Havana tobacco (in bond).....	.60-.65	1.25-1.40	.90-1.00	28

Average cost of raw material and labor.

8-CENT CIGARS.

	1919-20, at \$1.75 duty.	1921, at \$1.75 duty.	1921, at \$2.35 duty.
2 pounds Sumatra tobacco.....	\$4.20	\$7.70	\$9.70
6 pounds Connecticut (Havana-seed) binders.....	4.50	3.00	3.90
18 pounds Pennsylvania tobacco.....	7.30	6.30	6.30
Labor.....	11.00	9.00	9.00
Total.....	31.23	26.90	28.90

TWO-FOR-A-QUARTER CIGAR, WITH HAVANA FILLERS.

	1919-20, at \$1.75 duty.	1921, at \$1.75 duty.	1921, at \$2.35 duty.
2 pounds Sumatra tobacco.....	\$4.20	\$7.70	\$9.70
6 pounds Connecticut broad-leaf binders.....	5.70	4.50	4.50
18 pounds Havana tobacco.....	27.51	21.24	21.24
Labor.....	30.00	17.00	17.00
Total.....	61.41	50.44	52.44

PORTO RICAN FILLERS, TWO-FOR-A-QUARTER CIGAR.

	1919-20, at \$1.75 duty.	1921, at \$1.75 duty.	1921, at \$2.35 duty.
2 pounds Sumatra tobacco.....	\$4.20	\$7.70	\$9.70
6 pounds Connecticut broad-leaf binders.....	5.70	4.50	4.50
18 pounds Porto Rico fillers.....	24.80	15.30	15.30
Labor.....	20.00	17.00	17.00
Total.....	62.70	44.50	46.50

Mr. FLOYD. I think that covers clearly and concisely our contentions, and I think you will fully understand it.

The gentleman who just preceded me stated that we sold our highest grade of tobacco for \$1.75, but at the high peak at \$5 a pound. I just want to ask the gentleman if he will tell the committee the highest price of Sumatra tobacco in bond.

Mr. CULLMAN. I have sold it for \$5.50 to \$5.70.

Mr. FLOYD. In bond?

Mr. CULLMAN. In bond.

Mr. FLOYD. Tobacco produced in the island of Sumatra with the cheapest labor on earth, and yet in bond they sold it at \$5.50 and have not committed any crime; and we sell it at \$5 a pound at the peak of high costs, and we are charged with being inhuman and unkind.

Mr. CULLMAN. \$5.50 a pound, plus a duty of \$2.35 during the emergency bill.

Mr. FLOYD. If we committed a crime in selling tobacco that cost us the peak of high prices and everything that enters into production, what kind of a crime have these gentlemen committed who sold it at \$5 in bond, produced by the cheapest labor on earth?

That is something to think of, gentlemen. Now, that is a tempest in a teapot. Two and a half—what we hope to get—is just one-half a cent a cigar. You had a gentleman here a while ago who told you he bought bales of tobacco at 50 pounds a bale, for which he paid \$15 a pound. Instead of coming to fight about that little amount, why in God's name does he not go back and try to buy his tobacco cheaper? Did you ever stop to think that that 50 cents the

Ways and Means Committee allowed us would amount to one-fifth of a cent a cigar, on the amount of \$2.35?

You will see in that memorandum all those figures, and I challenge these gentlemen here now to tell me, without seeing the brand of the cigar, whether it would sell at \$32 or \$34. They can not do it unless it is a brand known to them. They can not tell whether it is \$80 or \$85 or \$90. It is purely a fancy article, purely arbitrary on the part of the manufacturer, whether he asks \$80 or \$85, and no one can tell that. I will leave you with that statement. I could go over a lot of these things, but I have stated that I would not take too much of your time.

Senator LA FOLLETTE. You are doing pretty well. Go ahead.

Mr. FLOYD. I do not want to burden you. You have been very patient here to-day, and my little brief will tell you all that we have got to say, possibly. If you will take up the other brief we submitted to the Ways and Means Committee that will tell you our attitude.

Senator McLEAN. If you want opportunity to refute any matters of fact stated here to-day, you ought to have that privilege, because they have made some statements as to acreage, etc., which you might want to speak about.

Mr. FLOYD. Gentlemen, that, after all, is merely a tempest in a teapot. That \$2.50 that we ask would be half a cent a cigar, and the duty we ask as an addition to the \$1.85 would be one-fifth of a cent a cigar. The duty that the Ways and Means Committee saw fit to give us was one-tenth of a cent a cigar. Now, is that a burden? Is that going to kill the industry? Is that going to stop the importation of tobacco—one-tenth of a cigar? When they tell you here the enormous cost of labor and the enormous cost of raw material, I want to tell you right now—and those gentlemen will not deny it—that we can go out with honest cash and buy tobacco to-day cheaper than we ever could in 10 years. Is that true?

Mr. CULLMAN. That is correct.

Mr. FLOYD. Now, then, labor has come down about 20 per cent. You will find that all figured out for you there in that memorandum. Materials have come down enormously. A little over a year ago Porto Rican fillers were selling for \$1.60 that you can buy for 60 cents now.

Mr. CULLMAN. About 70 cents or 75 cents.

Mr. FLOYD. And yet they say if you put this extra duty on they have got to advance the price of cigars. Isn't that funny? [Laughter.] It is a joke, gentlemen. When you add one-tenth of a cent, one of the Senators wants to stand pat. I don't. I want to protect. One Senator wants to stand pat——

Senator LA FOLLETTE. He is not all of the committee.

Senator McLEAN. It has been stated that the importations of Sumatra have greatly decreased in the last month or two.

Mr. FLOYD. Yes. Do you think they are going to bring it in for \$2.35 when they think you are going to let them bring it in at \$1.85? When the whole country is depressed, these men want to put the price up.

That reminds me of a little story. I have got an oil tank out at my place, and a few days ago a Standard Oil man came around and

said: "You had better let me fill that tank, because the price of gasoline is going up 2 cents."

If they are going in these times to advance the price of gasoline 2 cents, I have got no patience with them. I told that man, if you will pardon the expression, that he could go to hell with his advance.

If these Sumatra men in these trying times are advancing prices, I have got no respect for them. We are taking our medicine. We sold fillers at \$3.50 last year in Florida, and I will sell you all you want to-day at \$2.50. These Sumatra men say they have got to ask more, because they have got to pay more. Let me tell you they have a cheap class of labor, and I know something about that labor.

Those people in Sumatra wear about the same amount of clothing that Eve did in the Garden of Eden. They live on 15 to 25 cents a day and eat rice and coconut meal. You gentlemen do not want to reduce our people in this country to that kind of a standard of living. If you do what these people ask, you are going to reduce the standard of living in this country. I have very little patience with a man who in 1921 will stand up here and ask for free trade. I probably would make a poor politician, but I can not help believe that we Americans ought to stand together as Americans.

Senator McLEAN. You are a southern protectionist?

Mr. FLOYD. I was until I was nearly 40 years old, but now I am not, and I will tell you a little story about that. I appeared before the Ways and Means Committee with the Southern Tariff Association, and every gentleman, some 40, I believe, got up and made some sort of an apology such as this: "While I am a Democrat, I do believe we ought to have protection."

I said that reminds me of a man who is a Presbyterian and believes in immersion. Protection is one of the principles of the Republican Party; it is a part of their faith, and when I left the Democratic Party I left it because I changed my faith. I believed in protection then, and I do now, and I do not believe that rice ought to be brought in free, and I do not believe that cotton ought to be brought in free, or lemons, or oranges, or any other products that we can produce in this country, and by reason of bringing them in free put our people in absolute competition with that class of labor. I am preaching, I think, to Republicans, and I wish that the gentlemen from Missouri were here.

Mr. CULLMAN. Do you know what the cost of the last crop of Sumatra averaged?

Mr. FLOYD. Well, if it cost anything like what it cost us, there must be some bad management, because there was no increase in wages.

Mr. CULLMAN. There was.

Mr. FLOYD. What do they pay?

Mr. CULLMAN. They were formerly paid with Mexican dollars, when they were worth 50 cents. To-day they are paid in the same coin, which is worth about a dollar in gold, so their wages have practically doubled. The cost of Sumatra tobacco last year for the entire crop was 75 cents per pound—

Mr. FLOYD. Finished?

Mr. CULLMAN. Finished; and shade-grown tobacco was \$1.25 per pound finished.

Mr. FLOYD. You have got another guess coming on that.

Mr. CULLMAN. I took that statement from your own people.

Mr. FLOYD. Another thing, gentlemen, that you must bear in mind, when we are talking about \$2.50; you must keep in mind all the time that you are only protecting a very small percentage of our production. The Sumatra is over 15 to 20 per cent—

Mr. CULLMAN. There were approximately 5,000,000 pounds of tobacco.

Mr. FLOYD. And that is about what per cent of the crop?

Mr. CULLMAN. Not to exceed 15 per cent.

Mr. FLOYD. You are protecting us on about that per cent of tobacco—about 15 per cent. What per cent do we get out of high-grade Habana seed—

Mr. CULLMAN. Is it not a fact that we raise in the United States about 200,000,000 pounds of cigar leaf?

Mr. FLOYD. Yes.

Mr. CULLMAN. And is it not a fact that you only raise 10,000,000 pounds of shade-grown in Florida?

Mr. FLOYD. Yes; but I want to call your attention to one thing. In 1918 they brought to this country—the importation got down to about 12,000 bales. Is that right?

Mr. CULLMAN. From where?

Mr. FLOYD. From Sumatra.

Mr. CULLMAN. No, sir. During the war, under the provision of the United States Government, there were import licenses granted to import 33,000 bales of tobacco—

Mr. FLOYD. In 1918?

Mr. CULLMAN. In 1919.

Mr. FLOYD. I said in 1918.

Mr. CULLMAN. In 1919, when there was no trading between Holland and the United States, about the same amount was imported direct from India to the United States.

Mr. FLOYD. I think the records show 12,000 to 15,000.

Mr. W. L. CROUNSE. There were about 33,000 bales.

Senator McLEAN. The quantity from the Netherlands in 1920 was 1,512,000 pounds, and in 1921 it was 7,868,000.

Mr. CROUNSE. Those importations were from Holland, whereas these importations were from Sumatra and Java.

Mr. FLOYD. Do you find the figure for 1918?

Senator McLEAN. No; it is not given. But they show a tremendous increase in the importation.

Mr. FLOYD. During that time we made more cigars in this country than we ever made before or since. Now, I will tell you what happened here. We were asked by the Shipping Board to come down and bring them figures to show exactly the status of the tobacco business in this country, whether there were wrappers enough, and whether it was necessary to use American bottoms to bring them in in order to save the industry. At a good deal of expense and trouble we got the statistics—you told me to go on, Mr. Chairman.

Senator McCUMBER. The 10 minutes has grown to about 15 minutes already, but I appreciate the fact that it is very hard for you to cut your statement down.

Senator McLEAN. The other side had all the afternoon.

Senator McCUMBER. I have an engagement at this time, and I will ask you to excuse me, but if some of the other Senators would like to stay, Mr. Floyd can continue his statement.

Mr. FLOYD. I would like you to hear what I have to say, Senator, and then I will be through. It is very short. As I was saying, we brought those figures at great trouble and expense before the Shipping Board, and they gave us a good hearing and cross-questioned us, and in the meantime the boats of the Sumatra tobacco people were at the island of Sumatra being loaded. How they did that I do not know.

Mr. CULLMAN. Is it not a fact that the department in Washington, recognizing the necessity of the manufacturers using the Sumatra tobacco, granted an import license for a certain quantity of that tobacco to be imported?

Mr. FLOYD. Sure; but the farce of it was, why did they have us come down here after they had granted that? That makes a fellow feel a little small when a thing like that happens.

I think that is all, gentlemen. I thank you.

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