

TARIFF ACT OF 1929

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON FINANCE UNITED STATES SENATE

SEVENTY-FIRST CONGRESS

FIRST SESSION

ON

H. R. 2667

AN ACT TO PROVIDE REVENUE, TO REGULATE
COMMERCE WITH FOREIGN COUNTRIES, TO
ENCOURAGE THE INDUSTRIES OF THE UNITED
STATES, TO PROTECT AMERICAN LABOR, AND
FOR OTHER PURPOSES

VOLUME XI

SCHEDULE 11

WOOL AND MANUFACTURES OF

JUNE 24, 25, 26, and 27, 1929

(With Supplement)

I N D E X E D

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COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-FIRST CONGRESS, FIRST SESSION

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SUBCOMMITTEE OF THE COMMITTEE ON FINANCE

SCHEDULE 11—WOOL AND MANUFACTURES OF

HIRAM BINGHAM, Connecticut, *Chairman*

FRANK L. GREENE, Vermont.	FURNIFOLD McL. SIMMONS, North Carolina.
FREDERIC M. SACKETT, Kentucky.	WALTER F. GEORGE, Georgia.

FOREWORD

Under authority of Senate Resolution 335, Seventieth Congress, second session, the United States Senate Finance Committee, for the purpose of investigating the effects of the operation of the tariff act of 1922 and the proposed readjustments as set out in House bill 2667, commenced general tariff hearings on June 13, 1929, pursuant to the following public notice authorized by the committee on June 7, 1929:

Dates of hearings and tariff subcommittees

Schedules	Date to commence	Subcommittees
		<i>Subcommittee No. 1, room 212, Senate Office Building</i>
1. Chemicals, oils, and paints.	June 14.....	Smoot, chairman, Reed, Edge, King, and Barkley.
2. Earths, earthenware, and glassware.	June 19.....	Edge, chairman, Smoot, Reed, King, and Barkley.
3. Metals and manufactures of.	June 26.....	Reed, chairman, Smoot, Edge, King, and Barkley.
		<i>Subcommittee No. 2, room 312, Senate Office Building</i>
6. Tobacco and manufactures of.	June 13.....	Shortridge, chairman, Smoot, Watson, Harrison, and Connally.
8. Spirits, wines, and other beverages.	June 14.....	Shortridge, chairman, Smoot, Watson, Harrison, and Connally.
7. Agricultural products and provisions.	June 17.....	Watson, chairman, Smoot, Shortridge, Harrison, and Connally.
5. Sugar, molasses, and manufactures of.	June 28.....	Smoot, chairman, Watson, Shortridge, Harrison, and Connally.
		<i>Subcommittee No. 3, room 301, Senate Office Building</i>
9. Cotton manufactures.....	June 14.....	Bingham, chairman, Greene, Sackett, Simmons, and George.
10. Flax, hemp, jute, and manufactures of.	June 19.....	Greene, chairman, Bingham, Sackett, Simmons, and George.
11. Wool and manufactures of.	June 24.....	Bingham, chairman, Greene, Sackett, Simmons, and George.
12. Silk and silk goods.....	July 1 (2 p. m.)....	Sackett, chairman, Greene, Bingham, Simmons, and George.
13. Rayon manufactures.....	July 8.....	Sackett, chairman, Greene, Bingham, Simmons, and George.
		<i>Subcommittee No. 4, room 412, Senate Office Building</i>
14. Papers and books.....	June 13.....	Deneen, chairman, Couzens, Keyes, Walsh (Mass.), and Thomas (Okla.).
4. Wood and manufactures of.	June 17.....	Couzens, chairman, Deneen, Keyes, Walsh (Mass.), and Thomas (Okla.).
15. Sundries.....	June 25.....	Keyes, chairman, Couzens, Deneen, Walsh (Mass.), and Thomas (Okla.).

NOTE.—Hearings on "Valuation" will be conducted before the full committee June 12. All meetings will commence at 9.30 a. m. unless otherwise noted. Hearings on free list, administrative and miscellaneous provisions will be conducted before full committee at the conclusion of the subcommittee hearings.

Stenographic reports were taken of all testimony presented to the committee. By direction of the committee all witnesses who appeared after the conclusion of the hearings on valuation were to be sworn.

The testimony presented, together with the briefs and other exhibits submitted, is grouped together as far as practical in the numerical order of the House bill, which has made necessary the abandoning of the sequence of the statements and the order of appearance.

In this consolidated volume, which includes briefs and data filed since the publication of the original print, the arrangement of the testimony has largely been preserved, while the new matter has been arranged by paragraphs in the supplement at the end. The index has necessarily been revised to include this new matter.

ISAAC M. STEWART, *Clerk.*

TARIFF ACT OF 1929

SCHEDULE 11—WOOL AND MANUFACTURES OF

MONDAY, JUNE 24, 1929

UNITED STATES SENATE,
SUBCOMMITTEE OF THE
COMMITTEE ON FINANCE,
Washington, D. C.

The subcommittee met at 9.40 o'clock a. m., pursuant to adjournment, in room 301, Senate Office Building, Senator Hiram Bingham (chairman of the subcommittee) presiding.

Senator BINGHAM. The committee will be in order.

GENERAL STATEMENTS

STATEMENT OF FRANKLIN W. HOBBS, BOSTON, MASS., REPRESENTING THE NATIONAL ASSOCIATION OF WOOL MANUFACTURERS

(The witness was duly sworn by the chairman of the subcommittee.)
Senator BINGHAM. Mr. Hobbs, you represent whom?

Mr. HOBBS. I am president of the National Association of Wool Manufacturers.

Senator BINGHAM. That includes about how many concerns?

Mr. HOBBS. The brief we file represents a branch of the wool industry of employees, a pay roll of about \$220,000,000, and a product of about \$950,000,000. The capital involved is something over \$800,000,000, of those that I speak for.

Senator BINGHAM. For those 200,000 workers, how much time would you like?

Senator SIMMONS. That enters into all branches of the wool industry?

Mr. HOBBS. The woolen and worsted industry; not the carpets and not the felt goods and not the knit goods division.

Senator BINGHAM. Do you cover both woolen and worsted manufacturing?

Mr. HOBBS. Yes, sir.

Senator BINGHAM. How much time would you like?

Mr. HOBBS. I should think, not over three quarters of an hour, or possibly less. I will try to be brief.

In addition to that of our association we have a joint tariff committee which has worked in cooperation with carpet manufacturers,

felt manufacturers, knit goods, and blanket manufacturers. They are all represented upon this joint tariff committee. You have the brief here that we have filed, and I am not going to attempt to read that brief.

Senator SIMMONS. You speak of a joint tariff committee of manufacturers?

Mr. HOBBS. Yes, sir.

Senator SIMMONS. The reason I ask that is that we have a joint tariff commission here.

Mr. HOBBS. This association which I represent was formed in 1864, and I think it is the oldest national trade organization in the country. I only mention that to show the background of it.

I want to briefly speak of some few matters that we have referred to in our brief. Some of them have come up in the testimony submitted to your committee.

The wool manufacturing industry has suffered very adversely on account of the conditions of the market, and employment has decreased during the past few years as compared with the general manufacturing industry of the whole country.

You have a look at our brief, just handed to you, a chart which shows very markedly that, as compared with the general employment of all manufacturing industries in the whole country, that of woolen and worsted manufacturing has declined during the past few years.

The only object in showing the second sheet of a similar nature is to show that this is an industry in accordance with the President's message to Congress, in comparison with the general industry of the country, is in a very unfortunate position. I further show that by two other charts before you showing the unfortunate situation, from the public point of view, at any rate, that our industry has brought about, as regards the financial value of our capital stock as compared with that of the general industries of the country, from which you will see that in 1923 our textile stocks and other industrial stocks, were about \$1,000,000,000, whereas the value of the industrial stocks of the country as a whole, at that time, whereas our stocks have gone down to about \$500,000,000.

Senator SACKETT. Does not that depend a great deal upon whether your manufacturing stocks are in pools and boosted up on the market in a speculative way?

Mr. HOBBS. That may be. There is nothing of that sort in wool manufacturing.

Senator SACKETT. Wool manufacturing stocks are not predominant on the board and are not taken hold of by the public, the servant girls, and messenger boys, and you can hardly make a comparison of that kind.

Mr. HOBBS. Only of a general nature, to show that they have gone down, whereas other stocks have gone up.

Senator GREENE. How about style?

Mr. HOBBS. You mean, the effect it has had on business?

Senator GREENE. Yes.

Mr. HOBBS. Style, of course, has an effect on our business. It has in all businesses; there is no question about that. But it is lack of dividends and of profits that has brought down the value of our capital.

I only mention that to show, Mr. Chairman, that we are clearly in the class of industries referred to by the President.

Furthermore, of course wool is an agricultural product, and if the duty should be raised on our raw material we feel we would be entitled to a corresponding advance in the duties on manufactures of wool; and also, as the woolgrowers have stated, the American wool manufacturer is the only customer that the American woolgrower has for his product, and unless the manufacturer is successful there is no market for their wool.

Senator GEORGE. What expansion did your industry experience during the war?

Mr. HOBBS. There was some expansion; I have not the exact figures on that. There was some expansion during the war to meet the emergencies, but there has been a recession since the war. We have not had as much machinery operating as we had at the end of the war. I can not give you exact figures at this time. I can obtain them for you.

One of the general subjects is the question of the basic rate on which ad valorem duties are to be levied, and our association has favored a change from the foreign basis of valuation to some basis in this country, either the American value or the United States value, as a basis for levying ad valorem duties in the tariff, as we believe that would be more satisfactory and a safer method.

That question has been presented before your full committee by one of our members, Mr. Scheel, and he will speak with reference to a plan of specific rates based on a percentage of the American manufacturing cost—that is, the American conversion cost—so that I shall not attempt to discuss that in detail now, but he will at another time.

We believe that principle is correct. We hope you will give it your most careful consideration and, if possible, embody it in this bill. If that is not a practical matter, we hope it will be put in under the provisions of section 642 of the House bill, so that it will receive consideration there.

We have made no recommendations with reference to the basic duty on wool, as we feel and have always felt in our association that the basic duty on wool was a matter to be determined by the Congress after considering the needs and requirements of the woolgrowers and that they should receive whatever protection the Congress thinks they are entitled to. There are some few items in connection with that, though, assuming that that basic rate is determined, that we would like to have you consider.

In the first place, the woolgrowers themselves have favored the 24-cent clause on 44s and below. Yesterday the mohair people asked that that be done away with. We feel very strongly that that 24-cent clause on the lower wools should be retained.

With reference to the question of the tolerance on the exact definition of the 44s, we think that should be retained as it is now in the House bill. Wool is one of the most variable articles of commerce. It is not like pig iron or some definite substance. There is a great deal of variation in the lots, and no lot of wool can run exactly 44s. There will be a small percentage of it run a little finer; there will be some run lower; and although the statement was made that the United States standard wools show some slight variation, if it is a fact, and I think it is, we believe that it would be just as well, in fact

better, to state that there should be that tolerance so that there will be no question of the intent of the bill.

In the description in paragraphs 1101 and 1102 of sorted wool, we feel that unconsciously and unintentionally there has been an error or an oversight in the description which refers to wools where the identity of the fleece has not been lost or destroyed. That is all right as far as it goes, but the duty, as you will recall, is increased 2 cents a pound on sorted wool, put in to protect the American wool sorter. We have no quarrel with that, but as the description is written in the bill it would mean that on pieces and bellies which are dropped off, in Australia, for instance, where we all buy more or less of these descriptions—

Senator BINGHAM. What are pieces and bellies?

Mr. HOBBS. In handling the fleeces, pieces drop off of the fleece. They are not sorted. They drop off. The bellies are the under part, and that comes off or is pulled off. There is no regular sorting about it at all, and those are gathered up in the room where the wools are put together, at the stations in Australia. The pieces sell anywhere from 3 to 5 cents a pound less in the clean value than the fleece, and the bellies perhaps 8 or 10 cents less, and without modifying that phraseology those particular lower parts would pay a higher duty than the fleece itself.

Senator BINGHAM. What are they used for?

Mr. HOBBS. They are blended with the regular fleece wool, but they sell in the market at a lower price. There is no protection involved to the American wool sorter.

We would like to have that carefully written so that pieces, bellies and necks are excluded from that extra cost. They are not sorts, and there is no question of American labor protection involved.

The only other general question on these two paragraphs is with reference to these requests which were put before the committee in the House and are answered in a brief that we filed with the House at page 9846, volume 16 of their hearings, with reference to the scouring and testing of all samples of all wools brought into this country.

Senator BINGHAM. Is this an administrative provision?

Mr. HOBBS. Yes, sir. The plea was made yesterday that instead of estimating by the Government experts and wool examiners at the port of entry and determining the number of pounds of clean content there is in a lot of wool, that testing plants be established by the Government and that these wools be actually scoured—they did not add "and carbonized," which would be essential as well as scouring—to get at, as it was expressed, the actual clean content of the wool.

I think it worth while to take just a little of your time to explain how this wool business is handled.

The wools of the world are bought on the human estimate and not on the scoured test. For instance, in our own business, in the Arlington Mills, we buy wool in London, in Melbourne, in Sydney, in Brisbane, in Montevideo, South America, in Buenos Aires, where we have our representatives cable us that the wool can be bought at such and such a price landed in Boston.

Senator SACKETT. Are they your representatives, or are they wool brokers?

Mr. HOBBS. We have representatives.

Senator SACKETT. Your own people?

Mr. HOBBS. Yes. By "representatives" I mean men who buy for us and no one else, or maybe for one or two other concerns only. All of the larger mills do that. The small mills buy from dealers or brokers in this country. We cable direct from our own office in Boston to wherever we wish to buy, and we must buy those wools on the buyers' judgment.

Senator BINGHAM. Your point is that the wool buyer out in the field can not take the carbonizing and scouring machinery along with him, and he has to use his judgment?

Mr. HOBBS. That is correct; and on his judgment we pay for the wool. We are willing to pay on the judgment of the men, and that is the way all wool in the world is bought.

The statement was made in error and not intentionally yesterday—or I so understood; it is very hard to hear, here—that all wool bought in London was sent to the Bradford conditioning house to be tested. That is not a fact. Very little of it goes near the Bradford conditioning house. In London wool is sold at auction. It is stored in great warehouses or lofts. Every morning our representative at London goes through those lofts where the wool is that is to be sold that afternoon at auction. He goes through a whole great warehouse there and looks over the different lots, a great number of marks, and marks in his catalogue of the auction, "That will yield 49 per cent; this lot 51 per cent," and so on through the whole list. He goes back to the auction that afternoon and makes his bid as to what he will pay on the lot in accordance with his estimate of the clean cost.

Senator BINGHAM. When you say it will yield 49 to 51 per cent, you mean after it is cleaned and scoured, and so on?

Mr. HOBBS. Yes, sir. That is the way the wool buying of the world is done. There are no scouring tests. They could not be carried on; they would clog the whole business.

I just wanted to explain that that is the method by which it is done.

Senator SIMMONS. That same method applies to your purchases of domestic wool?

Mr. HOBBS. Yes, sir. Some few mills I think may buy sample bags and have them tested, but in general the wool dealer in this country sends men who look over the wool and make up their minds what it is going to shrink, and bid on it accordingly.

Senator SIMMONS. There was something said here yesterday about the lack of expert knowledge on the part of the appraisers. Have you discovered anything along that line?

Mr. HOBBS. I think the work is very satisfactorily done, in general. I was going to come later to that, if I may, Senator.

On the invoice as it comes into this country the shipper under the law puts his estimate of the yield. When the wools come into the port the examiner, that Senator Simmons just asked about, examines those wools, either on the dock or in the warehouse—in our own case they come direct to Lawrence, Mass. The Government weigher unlocks the cars, takes out the wool, weighs it and puts it into our sorting room, and then the examiner comes from Boston, takes off the whole top of the bale and examines that bale and puts on his estimate of the yield. If there is any discrepancy between those

estimates and the estimates of the invoice, of course the estimate of the examiner is the final word; but we do have, as pointed out yesterday, the right to appeal if we think it is not right, and have a test made. The number of those tests made is trivial in the past seven years. They have been very, very few.

It sounds simple to say, take out a little wool and test it. It might interest you to know that every mark, every station, every ranch from which wool comes, is a little different. We have had an invoice of 900 bales of wool from Australia made up of 300 different marks. In order to have that lot of wool come through the customhouse, if this plan of testing every lot that came in should be put in operation, it would be necessary to have 300 tests made of that one lot of wool. We frequently get in 50 lots of one bale to a lot. That is not at all uncommon.

So that you can see if you bring in a couple of hundred thousand pounds of wool, instead of just picking out a few samples of it here and there and testing it, as you might infer if you are not familiar with the business, there would be thousands and thousands of tests required; and it is not at all infrequent to have five thousand or ten thousand or twenty thousand bales come into the port of Boston in a week. They come in in great quantities in one ship. In our judgment, as a practical matter it would be impossible, or practically impossible, to carry on business if you are going to test out every mark of wool that came into this country. It would clog up the whole thing. Not only have they got to be scoured, but these samples would have to be carbonized, because the duty is not levied, under the provisions of the present law or the House Bill, on the scoured content but on the clean content, and you have to take out all the vegetable and extraneous matter as well in order to get the clean content. This wool from which the Government would pick out these samples to scour and carbonize the Government would have to buy. It would be of no use to the worsted mills. It might be sold to woolen mills; but by putting that provision in the law you would put the Government into the wool business.

Senator SACKETT. You have a number of these testing machines in Boston, have you not?

Mr. HOBBS. In the customhouse?

Senator SACKETT. In Boston.

Mr. HOBBS. Yes; there are some.

Senator SACKETT. What do they use them for?

Mr. HOBBS. I think they are more for experimental use on small samples. The Government has one here at Washington.

Senator SACKETT. But those are commercial ones in Boston, are they not?

Mr. HOBBS. They are in one or two private laboratories where they have made tests for special purposes.

Senator SACKETT. They are not usually used on the wool sold on the street?

Mr. HOBBS. Oh, no; not at all. I have never heard of their being used in a big business way at all.

Assuming that the Government could do this business quickly and efficiently, which it can not, we go further than that and say the tests are not as accurate; they are not as reliable in these small sample lots as the individual judgment of the buyer or of the United States

examiner at the port on the lot as a whole or the bale as a whole. We have to try these things out. This has nothing to do with the tariff at all, but for our own business we have taken large lots of wool, sorted them, laid them across big bins crosswise, say that deep [illustrating], laid it across in layers out of a large lot of wool, and then cut it down in half, taking one half and then the other half, and those two halves will vary more than 1 per cent, sometimes 2 per cent.

Senator SACKETT. What has been your experience in buying your wools in London by your man and then having the Government appraiser estimate them?

Mr. HOBBS. We have very few changes made by the Government. I think that the estimates of weights put on by the foreign buyers are reasonably accurate, with very few exceptions. There have been very few complaints of errors that anybody has made. In general I think it has been handled with very great efficiency and honesty by the buyer as well as by the examiner in the employ of the Government; and the results that have come out of the large bulk tests, which are of course reliable, have been very, very close. They come out within 1 per cent at the outside, of the estimates.

So that we feel very strongly indeed that, in the first place, tests can not be made as a practical matter of business. It would block up everything. If you did do it, we feel that the test would not be as accurate, really, in the big bulk of the wool as the present method. And supposing you did find an error of 1 per cent: it is a comparatively small matter in contrast with the expense you would have to go to in going through the whole thing to find that out. I think it is a question of practical common sense. If the wool duty is twenty million dollars or twenty-five million dollars, 1 per cent of that would be \$200,000 or \$250,000, if you found every invoice was 1 per cent out by such testing and assuming the tests were right. They are just as likely to be below as they are above, and the result would be that you would have to set up the Government in the wool scouring and carbonizing business; you would have to establish plants and you would have to employ great numbers of men to do the work, and the cost would be away in excess of any possible amount that you might collect on account of these tests.

Senator SACKETT. What is the capacity of one of those testing machines per day, in the number of samples?

Mr. HOBBS. I think the one that the Government has here in Washington can handle fifty samples a day, but it takes about three days to carry the test through. They have to dry it and condition it and all that.

Senator SACKETT. That one importation that you spoke of as coming from Australia, 900 bales with 300 numbers on it, would take a testing plant a week?

Mr. HOBBS. At least. It would take longer than that, because I think it takes them three days from the time they get the wool to scour it—they do not carbonize it—and they have got to dry it all out and bring it back to the right condition.

Senator SACKETT. Would not that testing delay the imports of wool for weeks?

Mr. HOBBS. Yes; it would block up our whole business. We would not know how much it would cost us for weeks—I think it would be months. Knowing how these things work, I think it would be months.

Senator SACKETT. Of course yours would not be the only lots imported.

Mr. HOBBS. There would be thousands of them some in some days, and it would block up the whole thing.

Furthermore, it was suggested yesterday that these scouring plants could be established near the ports of entry. You probably know, but assuming that perhaps you do not, wool is examined at the present time in a great many places in the country outside of New York, Boston, and Philadelphia which were spoken of, for instance.

Senator BINGHAM. You mean, it comes in to many other custom-houses?

Mr. HOBBS. By special customs regulation wool going to the Arlington mills is taken off at Lawrence and examined there by the government.

Senator BINGHAM. Does it come through in bond?

Mr. HOBBS. In sealed cars, opened by the government.

At Cleveland, Ohio, they have bonded warehouses. They have a bonded warehouse of the American Woolen Co. at the next town to Lawrence—

Senator BINGHAM. The same thing applies to the importation of materials used in the manufacturing of tobacco. Every large town where tobacco is manufactured is made, upon application, a port of entry in order that the work may be done quickly.

Senator SIMMONS. Now, I want to ask you a question. Is there any serious difficulty in an expert—and I am assuming that when you send agents abroad to buy, you only send men who are experts in estimating—

Mr. HOBBS. Yes, sir.

Senator SIMMONS. To determine just such questions as you are raising now?

Mr. HOBBS. Yes, sir.

Senator SIMMONS. Is it difficult for a real expert by a casual examination of a package of wool to determine with reasonable accuracy the clean content?

Mr. HOBBS. That word "casual" I might question. My only answer to that is that we are buying and paying out hundreds of thousands of dollars all the time for property bought on just that basis, and it comes out about right.

Senator SIMMONS. When wool is sold in this country it is sold at the warehouse, on the floor of the warehouse, at auction?

Mr. HOBBS. Not in this country. In London it is sold at auction, and in Melbourne, Australia, it is sold at auction.

Senator SIMMONS. To illustrate again with the tobacco business, live tobacco is sold in the same way on the auction floor. The purchasers of the product have their agents there. There will be thousands of piles of tobacco. The agent who is to buy has an opportunity to examine just for a few minutes the various lots, and he must determine in those few minutes the quality of the tobacco. There may be two piles in juxtaposition and they may look the same and yet be very decidedly different. That he has to determine in a few minutes. If he is an expert—and of course they only employ high-class experts to do that buying—he can very quickly determine the exact quality of that merchandise.

Mr. HOBBS. Wool is bought in identically the same way, I should say.

Senator BINGHAM. I think you have made your case on that.

Mr. HOBBS. I wanted to have the minds of the committee clear.

Senator BINGHAM. I have occasionally met wool buyers in my travels in different parts of the world, and I realize that they are men who have very great ability and who receive very good wages, as a rule.

Mr. HOBBS. In answer to a previous question, some criticism was made here yesterday with reference to the—I do not know whether they used the word “honesty”, but at least the efficiency of the United States examiners.

Senator BINGHAM. It was claimed that they were not experienced.

Mr. HOBBS. I think from my own experience in the port of Boston we have a man of very excellent ability and of the highest integrity and who is doing the work as it should be done. I think that general statement is true of all the ports. The government has recently made an investigation, and I understand they have found practically no cause whatever or any justification for such a claim.

I am not familiar with the details, but mention was made yesterday of a case in Philadelphia. As I understand that matter, that was wools that came in on the skin. They were not in the bale, and there was some part of the wool that was not properly looked at, or there was a misunderstanding or an intentional or deliberate error. Of course that can happen, even if you take samples of it, if the importer is crooked. You can not frame any law that is going to make people honest. I think, myself, that the number of cases is extremely limited and negligible, in my judgment, and the law is being honestly administered now; and the wool manufacturer is just as anxious to see the law enforced in accordance with its provisions as the wool grower is, and we believe it is.

Senator SIMMONS. You have the same thing in the cotton trade. Cotton is brought to market in 500-pound bales. There are nine grades of cotton, each selling at a different price. The cotton buyer opens the bagging and pulls out a handful of that cotton for inspection, and by that inspection he determines which one of the nine grades it is.

Mr. HOBBS. We filed quite a complete brief on this whole subject, and the House did not insert this provision in the bill.

Senator BINGHAM. I think you have made your case before the committee.

Mr. HOBBS. Paragraph 1105 is one as to which there has been considerable discussion, and that is the by-product. As our association looks at it, in the House bill, in the 1922 law and in other bills, the duty levied on the by-product has been proportional to the market value that those by-products bear to the clean wool. That is the present law. We believe that is reasonable and fair, and we hope that that provision will be continued along those general lines.

Senator BINGHAM. Do you recommend any changes in the House rates under 1105?

Mr. HOBBS. Not in detail. On general principles, we think it should be maintained.

About 45 per cent of the members of our association are woolen manufacturers and 55 per cent are worsted manufacturers. Mr.

Stevens, who is one of the vice presidents of the association, is a large woolen manufacturer, and I think he can give you more detailed specific information on the use of wastes than I can, as he is familiar with that business. I would like to say, however, that if you do make any change such as suggested, then we would like the privilege of submitting to your attention the fact that the compensatory rates must be changed accordingly on the woven goods, because they now have lower rates.

The statement was made yesterday that the same rate was made on all classes of fabrics. Of course that was an unintentional error, because the compensatory rates run all the way from 26 cents to 50 cents a pound in the present law and in the House bill.

Senator BINGHAM. We have had several people ask us with reference to 1105, to raise the rate on wool rags from 8 cents a pound to 29 cents a pound, or an increase of approximately 250 per cent. How much would the compensatory duty have to be increased to net such an increase as that in the duty on wool rags?

Mr. HOBBS. I should say that under the present law and under the proposed House bill, probably the lowest bracket is 26 cents compensatory, then the 40-cent bracket, and then 50 cents. I think they all ought to be 50 cents a pound, if you did such a thing as that, to make certain of the compensatory rates.

Senator SACKETT. When that tariff was adopted the importation of those wool rags was very small, was it not?

Mr. HOBBS. You mean, in 1922?

Senator SACKETT. Yes; compared with what it is to-day.

Mr. HOBBS. Yes; I think they were.

Senator SACKETT. Then the compensatory duties were based practically upon pure wool, were they not?

Mr. HOBBS. No.

Senator SACKETT. If there were not any of those, or a very small amount of those, importations it must have had more reference to the pure wool than it does to-day.

Mr. HOBBS. My impression of that—but, as I say, Mr. Stevens knows more about it than I do—my impression is that it was understood in all of those tariffs that very low woolen goods never were made of 100 per cent virgin wool; they never have been, and therefore on that account these lower compensatory rates were made. In the cotton-warp schedule we have a lower compensatory rate than in the all-wool schedule. I think that principle had been figured on through all the tariffs.

Senator SACKETT. You know that the importation of those things at the time the tariff bill was adopted was less than one fourth of what it is to-day.

Mr. HOBBS. I understand.

Senator SACKETT. And it would necessarily mean that if those cheaper substitutes had been imported in increasing amounts during the life of that tariff bill, compensatory duties on manufactures are much more favorable now for those that use those rags and other shoddies than they were at the time the bill was adopted. Would not that be a fact? If they have a compensatory duty of 40 per cent now and had a 40 per cent compensatory duty when there were very small imports of those materials, and they are using more of them now, the compensatory duty is relatively higher to-day?

Mr. HOBBS. The compensatory duty, of course, is to offset the duty on wool.

Senator SACKETT. Yes; to offset the duty on pure wool.

Mr. HOBBS. Yes. Knowing that if you brought in those by-products you did not pay the full duty on such goods, the compensatory rate had been figured slightly lower than it is on those of a value that would indicate they were made of pure wool.

Senator SACKETT. That was true at the time the bill was written; but now there has been a large increase in the amount of those cheaper materials, and that would have the effect of raising the compensatory duty to the people who are using those cheaper materials.

Mr. HOBBS. I am afraid I do not understand you. After all, the compensatory rate is put on to keep out the manufactured product. The compensatory rate does not apply to anything manufactured here. It is put on the foreign goods coming in to offset the duty on wool so that the manufacturer of those goods here will not be driven out of business by having to compete with foreign wool manufacturers who have free wool.

Senator SACKETT. Does not the manufacturer get the benefit on that basis of the cheaper materials that he uses in the manufacture of the goods?

Mr. HOBBS. He gets those materials cheaper, and the foreign producer of the fabric gets them cheaper and has a lower rate on those goods if he tries to bring them in here than he would if he used pure wool.

Senator SIMMONS. Where the wool is adulterated, mixed with something else, in this country, it is likewise the same character of goods adulterated and mixed?

Mr. HOBBS. Yes, sir; that is what I was trying to explain.

Senator BINGHAM. Do I get this correctly? The case presents itself to my mind in these words, that if the rates are greatly raised on those wastes and rags and other things which enter into the production of the cheaper grades of wool, it will be necessary to increase the compensatory duty so that the manufacturers abroad will not be able to use these and make their products still cheaper than you can make them, and that will result in the people who buy the cheaper grades of wool and the cheaper grades of overcoating, particularly, having to pay considerably more for their product. Is that correct?

Mr. HOBBS. That is my judgment; yes.

Senator GEORGE. Are the compensatory duties on the ad valorem basis?

Mr. HOBBS. No, sir; they are in cents per pound, the same as the duty on wool is in cents per pound. They are specific rates.

Senator SACKETT. I have been asked to ask you two or three questions to get your answers.

Your association appeared here in 1921 in hearings on Schedule 11?

Mr. HOBBS. Yes.

Senator SACKETT. In that testimony, page 3527 of the hearings before the Senate Finance Committee, Mr. John P. Wood, who was the president of the American Woolen Co.—

Mr. HOBBS. President of the association.

Senator SACKETT. Yes—made the following statement:

The rates on shoddy, wool extract, mungo, rags and flocks are not designated for either protection or revenue, but to prevent the importation of these materials. We approve the continuance of this policy.

In your statement before the committee you have not indorsed the rates on these materials which appear in that suggestion that was made?

Mr. HOBBS. I think if you will read what he said in his whole statement, with the exception of what you have just read now, you will see that it is in accordance absolutely with what I have stated. He stated that all of these by-products, in the whole statement he made—the rates on the various by-products should be levied in accordance with their respective market values compared with wool. Is not that in the statement that you have before you?

Senator SACKETT. It is quite a long statement.

Mr. HOBBS. In everything except rags you will find that he said exactly what I have stated here to-day.

On the question of rags it may be that it was wise at that time—I do not question that it is what he said, but apparently the Congress did not agree with that point of view, because they did not put a prohibitive duty on rags. We believe that that is a matter that should be worked out carefully at the present time.

I am not prepared to say what the exact duty ought to be on rags. It ought to be at a price that would safeguard, within reason, the wool growers if they are to be affected by it, but at the same time I think that while we are protectionists and want to see our business protected, I think there also must be some consideration given as to the effect of this on the ultimate consumer, and whether we want to have those goods made in this country at all or imported in the form of goods; and I can not state at the moment what I feel is the right duty on these rags. I do not think it should be a prohibitive duty.

Senator SACKETT. Of course those rags that are imported and manufactured here take the place of pure wool that would otherwise be used?

Mr. HOBBS. That is quite a problem, Senator.

Senator SACKETT. That is what I want to get at. I want to get your reaction to that.

Mr. HOBBS. In talking to one of my good friends, a woolgrower, on that matter, he made the statement that 25,000,000 pounds of rags displaced 100,000,000 pounds of wool. I doubt the exact arithmetic; but admitting that is true, I said to him, "If we had an embargo where would we get the 100,000,000 pounds of wool? You can not sell it to us. Every pound of the American clip is used, and we have to import from 80,000,000 to 100,000,000 pounds besides. What good is it going to do the American wool grower when he is selling every pound he has got and could not possibly supply the demand?"

"Well," he said, "you would have to buy it abroad, and that would lift the prices of wool all over the world and we would get the benefit on the American clip."

That, it seems to me, is a long way around.

Senator SACKETT. Do you not think it would have that effect?

Mr. HOBBS. It would take more than that amount of wool to lift the price for the whole world, in my judgment. But I do not know

where a hundred million pounds would come from. Of course it might be that in 10 or 15 years we would increase the clip enough to take care of it. The real answer is that if the rags were embargoed, so to speak, the price abroad would drop and our foreign competitor would be able to bring these goods in cheaper than he can today. He would get the goods in, neither the wool nor the rags would come.

Senator SACKETT. Yes; but of course that could be taken care of by a duty on the goods, could it not?

Mr. HOBBS. Possibly.

Senator SACKETT. Is your position in advocating rates in the pending House bill under paragraph 1105 consistent with the attitude in 1922 when you urged that rates of duty should be made to prevent the importation of these materials?

Mr. HOBBS. You mean, on the question of the rags?

Senator SACKETT. Rags, wool extract, mungo, flocks and shoddy. Is it consistent?

Mr. HOBBS. I do not know that it is consistent, but there has been a great change in the whole situation, I think. It may not have been advisable at that time to let them in at all. I think changes of fashion, changes in the conditions have brought about a situation where our association would not favor the embargo on those products.

Senator SACKETT. There is one other question. Has your association ever, before any committee of Congress, advocated rates of duty which would permit the importation of materials comprehended in paragraph 1105 at such rates of duty as would permit them to be competitive with the American grown wool?

Mr. HOBBS. That is a pretty hard question, to go back for 65 years.

Senator SACKETT. As far as your own knowledge goes, I mean.

Mr. HOBBS. If you will read all that General Wood said in 1922 you will find there that he stated exactly the principle that I have stated, that the duty on the by-products should be proportionate to the duty on wool in accordance with the relative values. The first three quarters of the statement you refer to states that very clearly, and we stand on that principle.

As to the exact amount that should be applied, on that theory, to rags, I am not prepared to state. We hope it can be worked out on some basis that will allow their use and at the same time reasonably satisfy our friends the wool growers.

Senator SACKETT. Are you speaking as a woolen manufacturer or as a worsted manufacturer?

Mr. HOBBS. As president of the National Association, which is about 50-50.

Senator SACKETT. Do you as a worsted manufacturer approve of the statement of Mr. Brooks?

Mr. HOBBS. No, sir.

Senator SACKETT. As a worsted manufacturer you do not?

Mr. HOBBS. Oh, I think it is a bigger question than whether I am a worsted or a woolen manufacturer. It is the whole industry, the wool manufacturer, the wool grower and the whole United States public. I am trying to look at it that way, and not particularly how it affects any one individual business.

Senator BINGHAM. In view of the current attitude reported in the press between the woolen and the worsted manufacturers, it seems to

me, Mr. Hobbs, that your position must be one of the most difficult ones in the country at the present time.

Mr. HOBBS. No, I do not think so. We are all good friends still. We are a united industry, Senator.

Senator GEORGE. The worsted manufacturers do not use the rags?

Mr. HOBBS. No, sir.

Senator SACKETT. It would injure the worsted manufacturer if the rags were cut out, would it not?

Mr. HOBBS. I don't see it.

Senator SACKETT. Would it not require a woolen manufacturer to buy pure wool in order to carry on its business?

Mr. HOBBS. I personally believe those goods would come in. That is a matter of judgment—

Senator SACKETT. The manufactured goods, but not the material that is used in the manufacture in this country?

Mr. HOBBS. We want to make the goods here and employ these 200,000 people that we talked about.

Senator SACKETT. Yes, that is true; but by putting a duty sufficiently high upon the manufactured goods abroad, would it not require the use of more wool here?

Mr. HOBBS. If you put it sufficiently high. That is something we never have been able to get yet on most things. "Sufficiently high" is pretty hard to answer.

Senator SACKETT. I am just trying to develop your thought on it; that is all. These materials that come in under 1105 have been increasing quite materially in the last seven years, have they not?

Mr. HOBBS. Yes.

Senator SACKETT. Would it not seem reasonable that in order to protect American products, if the imports are increasing materially, that the duty should be raised sufficiently high to keep them out to a point at least where they were before?

Mr. HOBBS. If they are really seriously interfering with the American woolgrower.

Senator SACKETT. If 21,000,000 pounds were imported last year, that represents a mere mathematical calculation of the amount of pure wool that they take the place of, whether it is a hundred million pounds or whether it is 75,000,000 pounds?

Mr. HOBBS. Yes.

Senator SACKETT. Is it not a fact that if those imports came in to the extent of 21,000,000 pounds and have been increasing, it covers exactly the position which the President has taken, that increasing imports injuring the business of the country are a proper matter for the tariff to take hold of?

Mr. HOBBS. I think that is true, with the exception of the question that I do not feel as clear on as you apparently do, that it is injuring American industry. The question of fashion I think enters into that a great deal, and the question of the conditions in this country has entered into it a great deal. The worsted mills have not, up to comparatively very recent times, been operating as well perhaps as the woolen mills. There has been a tremendous demand, a sudden fashion for certain classes of goods that have required some of these by-products that have not been made in this country. I think that has had something to do with it. I am not able to say how much.

Possibly Mr. Stevens will be able to answer that question better than I can. That is his business.

Senator SACKETT. Is it not a fact that woolen cloths as distinguished from worsted cloths are being sold in this country considerably cheaper than they were two or three years ago?

Mr. HOBBS. They are all being sold rather cheaper, both woolens and worsteds.

Senator SACKETT. Have not the woolens reduced in price more than the worsteds?

Mr. HOBBS. I should not have said so. The sad thing is that we have all had to reduce on account of the depressed condition of both the woolen and worsted business.

Senator SACKETT. Information has come to me that that is a fact I do not know whether it is true or not, and I am asking you for an opinion.

Mr. HOBBS. A year ago I think the fancy woolen mills were the ones that were getting the great bulk of the business. Today there is a very distinct trend developing toward worsteds again.

Senator SACKETT. Is that fashion or price?

Mr. HOBBS. Fashion.

Senator SACKETT. I am trying to talk about price entirely.

Mr. HOBBS. Of course the fashion helps price. If a thing is fashionable you can get a price on it. If nobody wants it, you can not get it, either woolen or worsted. You might have the finest thing in the world, but if people do not want it you can not sell it. Price and fashion are pretty closely related, both in woolens and in worsteds.

Senator SACKETT. Has not the price reduction been greater in the woolen cloth than in the worsted cloth?

Mr. HOBBS. I should not have said so. I think they have both been reduced considerably and they have both had a hard time.

Senator BINGHAM. Senator, you do not seem to get the witness to change his mind on that point.

Senator SACKETT. Not yet. I am not trying to; I am trying to get him to detail the business so that we will understand it. I want to get the facts.

Mr. HOBBS. Paragraph 1106. Just briefly—I think there is no controversy about any of these other items. The protective duty in the House bill was what we requested. The compensatory rate, and this remark applies to all compensatory rates, is figured on the formula that was adopted by the old Tariff Board. The formula gives a duty of 37.4 cents on tops, to be exact, and we got 37 cents. Every time there was a fraction it was taken away from us and the compensatory rate was put at the lower instead of the higher figure.

And in addition to that, we think there should be some slight tolerance in addition to the arithmetical formula that the old Tariff Board adopted, and we ought to have an additional amount of 2 cents a pound.

1107, yarn. We wish to renew the recommendation we made to the House that on the finer yarns we have a higher ad valorem protective rate. As I said a minute ago, the trend at the present time, and I think it will continue, has been toward finer, higher priced, greater labor cost goods, and in order to foresee, and believing that the trend will continue for some time to come—we should have a tariff with a protective rate on yarns and on goods at a slightly higher

ad valorem percentage, so that we may manufacture those finer goods in this country. We can do it, as far as the capacity, the ability and the skill are concerned. All we need is not to have the foreign goods come in.

Senator BINGHAM. The House raised it from 40 per cent ad valorem to 45?

Mr. HOBBS. Yes; but where we asked on yarns valued at 50 cents to \$1, for 40 per cent, they put it 35 per cent. In that one bracket they did not go up to the 40 per cent we asked for.

Senator BINGHAM. Why do you ask for increased rates on the higher brackets?

Mr. HOBBS. Because those are the finer qualities. The greater amount of labor is involved and we need more protection.

Senator BINGHAM. Do those yarns come in goods that are worn by the great majority of people?

Mr. HOBBS. I think they are coming in in increasing amounts.

Senator BINGHAM. Is that going to bear heavily on the farmer and the laboring man or on the white collar class?

Mr. HOBBS. Oh, no. It is on the finest goods that we would like the protection. It will not bear on the average men's or women's clothing.

Senator BINGHAM. It will not increase the cost of their clothing?

Mr. HOBBS. No. It would be the finer quality which we would like to have the opportunity to make, and of course the finer the goods the more labor it employs to make a pound of it.

Senator SIMMONS. What class goods is subjected to the higher invoice?

Mr. HOBBS. I think it is on the higher grade goods, above the average price. It would seem so from all the reports we can get.

Senator SIMMONS. The finer the type of goods the larger is the proportion of imports?

Mr. HOBBS. That is my impression. We would like to keep those goods out.

Senator SIMMONS. I think that is a very important element in this problem.

Mr. HOBBS. It might interest you to learn that a very able style woman in New York, on women's styles, made the statement a week ago—I think this is right—that seven out of eight fabrics coming in were of light weight worsted-woolens, seven of those fabrics to one of silk. The trend is away from the silk back to wool, and we would like to have these higher brackets put where, if the trend becomes an established fact, we can have that market.

With reference to the compensatory duty, we have 40 cents. That should be 40.8. We would like to have a slight leeway on that of 3 cents a pound.

Practically the same remark would apply with reference to 1108 and 1109.

We renew the recommendation made to the House committee, which they did not quite give, on the protective rates. There, again, on the compensatory rates they made it 50 cents. We should have at least 51 cents. We think there should be some slight additional leeway.

Senator SACKETT. If the committee should adopt the wool-growers' suggestions as to these rags and other shoddies, or whatever

you may call them, and place those on a basis of practical exclusion, would not the ad valorem rates on manufactured products have to be materially changed to meet foreign competition?

Mr. HOBBS. I should not think the ad valorem rates would be changed; I should think the compensatory rates should be changed.

Senator SACKETT. Over and above what the present bill shows?

Mr. HOBBS. Oh, no. I would say, 50 cents. There would be no lower rate for the cheaper fabrics—just one flat rate.

Senator SACKETT. Yes; but if those rags were excluded there would be more to be used in foreign articles and would go into foreign goods and have the effect of reducing the price of foreign goods somewhat?

Mr. HOBBS. Some.

Senator SACKETT. Would you not have to be protected against that by a different scale of rates from what are now in the bill?

Mr. HOBBS. If the compensatory rate was properly increased it ought to take care of that. It might be that we would need a little more than that, and I think the compensatory rate should be put up to the highest bracket.

Senator SACKETT. If the committee should adopt that plan in view of the demand of the wool growers, have you any studies to show what the specific rates and the ad valorem rates ought to be to make the manufacturer safe in his business?

Mr. HOBBS. We did not know, really, until Monday that the demand was to be made.

Senator BINGHAM. I understood you to say a little earlier in response to a similar question that these lower rates ought to be raised to 50 cents.

Mr. HOBBS. I think I stated that I thought we should have a higher protective duty besides, but I told him I was not prepared to say. I answered on the specific rate very definitely, but with reference to on the ad valorem, I think that is something that I would like to study.

Senator BINGHAM. Would it warrant an increase in ad valorem?

Mr. HOBBS. I had not so supposed, but if it does we want to be sure to get it.

Senator SACKETT. I did not want you to be in the position of being left out if the Committee made that change.

Mr. HOBBS. I think we can give it careful study and submit further information to you.

Senator SACKETT. I think they ought to be permitted to submit those two rates, both the specific and the ad valorem, as a result of what would happen if we adopted the wool growers' recommendations as to the practical exclusion of the rags and shoddies.

Senator BINGHAM. How long do you think that would take?

Mr. HOBBS. I think we could submit the information very shortly.

Senator BINGHAM. Two or three days?

Mr. HOBBS. I think rather more than that, probably. Within a week—would that be time enough?

Senator SACKETT. I think we can allow that. We are asking you to prepare a brief on that subject.

Mr. HOBBS. All right, sir; we will do that.

Senator BINGHAM. Please remember that it will have to be in form of an affidavit.

Mr. HOBBS. Sworn to before a notary?

Senator BINGHAM. Yes.

Mr. HOBBS. All right, sir.

Only just a few other items:

Mixed fabrics made of wool and cotton or other fiber. Those have been coming in in quite large quantities. In the House bill they are specifically mentioned in paragraph 906 of the cotton schedule, with a protective duty of 60 per cent ad valorem, without any compensatory duty whatever to offset the duty on the wool content. We recommend that paragraph 1109 of the wool schedule be changed to cover these fabrics; or if that for any reason can not be done, that a specific rate of 0.8 of the clean content duty on wool be added to paragraph 906 of the cotton schedule.

That is explained in detail on pages 9 and 10 of the brief. In other words, if those goods are coming in with a percentage of wool, it is not sufficient simply by an ad valorem rate on those fabrics to let them come through the cotton schedule on ad valorem, whereas if they were on the wool schedule they would have a compensatory duty on the wool content.

Senator SACKETT. Do they amount to much in importation now?

Mr. HOBBS. About \$600,000 worth from Italy. They are cheap goods. The trouble is that the fiber of chief value in Italy is cotton; it is higher than the wool, and of course there is no duty on it. We asked for this action in the House, but it is in paragraph 906 of the cotton schedule. We would like to have it in 1109 of the wool schedule. It is now in paragraph 906 of the cotton schedule at 60 per cent ad valorem.

Senator SIMMONS. Do I understand you to say that if there is a certain proportion of wool and a certain proportion of cotton in the fabrics, the duty should be levied upon the wool content at the rate fixed in the wool schedule, and upon the cotton content at the rate fixed in the cotton schedule? Would that be the practical result?

Mr. HOBBS. The practical result would be like a cotton warp fabric now. We have a compensatory duty on the estimated amount of wool in the cotton warp fabric to compensate for the duty American manufacturers pay on the wool content. We think there should be a compensatory duty on the wool content of those goods in addition to the protection of the ad valorem rate.

Senator BINGHAM. With what do these inexpensive cloths classified as cotton compete?

Mr. HOBBS. With cloths made for boys suits, caps and mens wear. The remaining paragraph is 1120, the so-called "basket clause." We feel very strongly, indeed, that in this paragraph there should be a compensatory duty, the same as for woven fabrics, and that the protective rate should be advanced to 60 per cent. That is the highest protective rate there is.

Senator BINGHAM. You recommend a specific in there of what?

Mr. HOBBS. Of 50 cents a pound and 60 per cent ad valorem.

Senator SIMMONS. What is the designation of that class of goods?

Mr. HOBBS. That is the "basket clause" for manufactures not specifically provided for. If you do not have that "basket clause" have the highest rate you leave a loophole through which goods will come in that ought not to come. It should have the highest rate. Otherwise it will not work.

Now, there is just one other matter. Since I came into the room this morning my attention has been called to paragraph 1529, subsection (c).

Senator BINGHAM. This subcommittee does not hear anything on that.

Mr. HOBBS. I know you do not, but it comes into this wool matter. You will find it is with reference to body supports, corsets, brassières, and all that sort of thing. It goes on to say that these different things and the fabrics to which they are attached shall come in at an ad valorem rate. We raised the question whether that would mean that you can take a dollar cotton support and attach it to a one hundred dollar wool dress and bring the dress in at a lower ad valorem rate.

Senator BINGHAM. We have no jurisdiction over that. You will have to present that to the subcommittee handling that schedule. I would rather not take up the time of this subcommittee with a schedule with which we have no business.

(Mr. Hobbs submitted the following brief:)

BRIEF OF THE NATIONAL ASSOCIATION OF WOOL MANUFACTURERS

COMMITTEE ON FINANCE,
United States Senate.

GENTLEMEN: The National Association of Wool Manufacturers, for which I have the honor to speak as its president, has presented the tariff needs of wool manufacture before committees of Congress during the enactment of each tariff law since its organization in 1864. At that time the association was representative of all branches of wool manufacture, and during the sixty-five years of its existence its membership has continued to be representative of all divisions.

Prior to presenting a brief to the House Committee on Ways and Means, in February 1929, we invited delegates of other associations of manufacturers of numerous wool products, including blankets, carpets, felts, knit goods, yarns, and the local comprehensive Philadelphia Textile Manufacturers Association, to meet with our tariff committee in order that each separate interest might know the needs of all. We were joined in our brief by the several groups of manufacturers not appearing separately, and thus our brief represented a considerable of the machinery of wool manufacture.

Former presidents of the National Association of Wool Manufacturers have dwelt at length upon the economic factors of protective tariffs, in particular as they concern wool manufacture. It seems, however, needless at this time to dwell upon these topics, but for your information we refer to records of the Committee on Ways and Means of the House of Representatives of the Sixty-second Congress, second session, 1913, upon Tariff Hearings, pages 4151-4191, to records of the hearings of January 31, 1921, of the Committee on Ways and Means, pages 2551-2583, and to those upon Tariff Readjustment, 1929, before the Committee on Ways and Means, Volume XI, pages 6098-6137, 6394-6395, and Volume XVI, page 9846. In the records of your own committee statements are recorded beginning on page 67 in the records of hearings upon the emergency tariff, in 1921, and on pages 3525-3570 of the hearings on the wool schedule of the House bill (H. R. 7456) in 1921. We repeat, herewith, certain statements without deeming it of sufficient importance to note in each case where they have previously been reported.

WHY PROTECTION IS NEEDED

We believe that the wool schedule of the current tariff law needs readjustment and that it is one of those industries referred to in President Hoover's message of April 16, 1929, to the Seventy-first Congress, recorded on page 26 of the Congressional Record for April 16, 1929, when he stated:

"In considering the tariff for other industries than agriculture, we find that there have been economic shifts necessitating a readjustment of some of the tariff schedules. Seven years of experience under the tariff bill enacted in 1922 have

demonstrated the wisdom of Congress in the enactment of that measure. On the whole it has worked well. In the main our wages have been maintained at high levels; our exports and imports have steadily increased; with some exceptions our manufacturing industries have been prosperous. Nevertheless, economic changes have taken place during that time, which have placed certain domestic products at a disadvantage and new industries have come into being, all of which creates the necessity for some limited changes in the schedules and in the administrative clauses of the laws as written in 1922.

"It would seem to me that the test of necessity for revision is in the main whether there has been a substantial slackening of activity in an industry during the past few years, and a consequent decrease of employment due to insurmountable competition in the products of that industry. It is not as if we were setting up a new basis of protective duties. We did that seven years ago. What we need to remedy now is whatever substantial loss of employment may have resulted from shifts since that time."

Statistics collected and compiled by the Government, as shown by charts made therefrom and submitted herewith, show a substantial slackening of activity during the past few years and show a decrease of employment in wool manufacture. Government figures, likewise, show a lessening in domestic production and an increase in importations of wool manufacture.

That the public appreciates that wool manufacture is depressed is demonstrated by its estimate of the value of wool textile stocks in comparison with those of other industries. This is set forth by another graph made by comparing the combined records of sales of wool textile shares through the New York exchanges and public auctions with the Dow-Jones averages of industrial stocks for the same period. The discrepancy between these quotations is shown to be increasingly great to the end of 1928.

In our brief of last February we asked for but few changes and these were primarily for the higher brackets of several paragraphs where they apply to wool manufacturers in which the conversion cost is high due to a relatively greater amount of labor than for less expensive products.

Increases were requested in an instance where apparently the importations have diminished recently but this seeming lack of competition is not due to excessive protective rates but to current wool prices, conditions in foreign wool manufacture, and style changes. Believing that we were justified in asking for the rates named in our brief before the House committee, we shall make similar requests at this time.

FORM OF TARIFF RATES AND METHODS OF ASSESSMENT

Protective rates in the wool schedule are in the ad valorem form. Hence, when the price level of wool is high, since it is a considerable part of the cost of wool manufactures, ad valorem rates afford greater protection. During the past eight weeks the price of some grades of wool has fallen to such an extent that the advances in the protective rates contained in the House bill, although only a part of those requested, are, because of the drop in the cost of raw material, forfeited. The additional cents per pound of protection are consequently lost and a portion of the intended protection of the present law.

In the present tariff law duties are based, in the case of ad valorem rates, upon the foreign valuation of imports. Since our brief was presented to the House committee the National Association of Wool Manufacturers has voted to request in the wool schedule, a change from the plan of assessing ad valorem rates upon the foreign valuation to the assessment of such duties upon the basis of valuation in this country.

This association is on record as being opposed, in general, to ad valorem rates of duties. It was suggested by a former president that specific rates could be assessed upon tops and yarns and definite rates were named. Concerning specific rates in general for wool manufacture, during the enactment of the tariff law of 1922, the following statement was made:

"In concluding my statement I would like to direct the attention of the Committee to a plan for levying the duties on cloth in specific form which was proposed to the Committee on Ways and Means by Mr. Julius Forstmann of Passaic, N. J. While it would not be possible to work out the details of this plan in time for incorporation in the pending bill, the principle which it embodies seems so sound that it might well be made the subject of study by the Tariff Commission, to determine whether it could not later be substituted for the method which may

be adopted now. Briefly stated, Mr. Forstmann's proposal is that the rate of duty shall be based upon the American conversion cost, the Congress shall legislate that rate in the tariff act, and provide that the Tariff Commission shall determine what the conversion costs are, classify the goods into groups having approximately the same conversion cost, and prepare tables showing in specific form the amount of duty for each group computed on the ascertained conversion cost, at the rate prescribed in the act. This method would provide for each class of goods the amount of protection needed therefor, would afford all the advantages of the specific form of duty, without having to make the rates higher than necessary for some articles in order to have them sufficiently high to be protective for others. Congress would retain its legislative control over the basic ad valorem rate, without having to encumber the law with elaborate tables of specific rates, the preparation of which, and their amendment from time to time, would be entrusted to the Tariff Commission.

"An extensive study of the subject will be necessary to determine the practicability of the plan, and if adopted an interval of a year or more would be required before it could be put in effect, to enable the commission to compile the information necessary for the preparation of the tables or rates. Theoretically, the proposal is sound in principle, and I offer the suggestion that the Tariff Commission be requested to investigate its practicability."

A vice-president of one of the member mills of the National Association of Wool Manufacturers, Mr. H. V. R. Scheel, has made a further study of specific rates and has already appeared before your committee. His proposal is believed by members of our Association to be scientifically correct in principle and with continued study should provide a means of protecting the American textile worker from loss of employment because of the importation of wool manufactures from countries where wages and the standards of living are low and the foreign valuation is correspondingly small.

We commend it to your most serious consideration and trust that at least your committee will include a study of specific rates of protection on wool manufactures as a project of Section 642 of the present House bill now providing for an investigation of methods of valuation.

SPECIFIC RECOMMENDATIONS

We advocate wool duties adequate to protect the domestic industry of sheep husbandry, and, in accordance with our long continued policy, we express no opinion as to the amount of duty necessary for that purpose, believing that that is to be determined by the Congress after wool growers have had the opportunity of presenting facts concerning domestic wool growing.

Without challenging the principle or the rate we note in the House tariff bill, in paragraph 1102, applying to wools generally used by members of this association, that an additional two cents is applied to sorted wools or matchings. We respect the protection this grants wool sorters against foreign labor but we believe that section (4) of paragraph 1101, defining sorted wools and matchings, may lead, in litigation, to the inclusion of pieces and bellies which, we are of the opinion, is not the intent of the law. Section (4) reads:

"Sorted wools or hair, or matchings, shall be wools and hair wherein the identity of individual fleeces has been destroyed, except that fleeces classed or skirted, or both, shall not be considered sorted wools or hair, or matchings unless the backs have been removed."

We recommend that the last clause in section (b) of paragraph 1102, which now reads: "* * * sorted, or matchings, 36 cents per pound of clean content," read: "* * * sorted, or matchings, but not including pieces and bellies, — cents per pound of clean content" (2 cents more than the scoured-wool rate).

While it is and has been our principle that the wool duty is a matter between the woolgrower and Congress, nevertheless, when once that duty is established, it is of importance to us that the rates upon noils, wastes, rags, and other by-products be properly proportioned.

And in that connection we venture to state to your committee that the proportional rates expressed in the tariff act of 1922 and followed in the House bill now before you are reasonable and properly proportional and should be maintained.

RATES UPON MANUFACTURES OF WOOL

We submit herewith our recommendations to the House Committee on Ways and Means for rates together with the corresponding ones passed by the House. We note again that the compensatory rates in the wool schedule are a cent or more less than those proposed by the United States Tariff Board after its deliberate and comprehensive study of the subject upon such rates. In the calculation of these rates when a fraction of a cent appears, the domestic manufacturer loses by the adoption of the smaller amount and, conversely, the foreign manufacturer gains thereby. After seven years of experience under the current law, the first in which compensatory rates were determined by use of the principle set forth by the Tariff Board, we urge that, rather than to set the amount of compensatory duty below the calculated amount, your committee grant a tolerance in favor of the domestic manufacturer. For tops, we recommend 2 cents per pound; for yarns, 3 cents per pound, and for fabrics, 5 cents per pound.

Tops, etc.—Paragraph 1106 in the bill under consideration stands as originally recommended by this association. We have no further suggestion to make other than to emphasize the compensatory duty need, which should be at least one and one-tenth times the scoured-wool rate, following the principle set forth by the former United States Tariff Board, and a tolerance of 2 cents per pound.

Yarns	Rates recommended	Rates of House bill
Value:		
Not over 50 cents (30 cents in 1922) per pound.	0.8W and 30 per cent.....	27 cents and 30 per cent.
30-80 cents per pound.....	1.2W and 35 per cent.....	
50 cents (80 cents in 1922)-\$1 per pound.....	1.2W and 40 per cent.....	40 cents and 35 per cent.
\$1-\$1.25 per pound.....	1.2W and 40 per cent.....	40 cents and 40 per cent.
\$1.25-\$1.50 per pound.....	1.2W and 50 per cent.....	40 cents and 40 per cent.
Over \$1.50 per pound.....	1.2W and 60 per cent.....	40 cents and 45 per cent.

"W" means rate on scoured-wool content.

Before the House Committee on Ways and Means no changes were suggested for yarns of lower values except that the compensatory duty should, likewise, follow the principle set forth by the United States Tariff Board, namely, that it be one and two-tenths times the scoured wool rate, except for the lowest bracket. For such yarns, valued at not over 50 cents a pound, it should be eight-tenths times the scoured wool rate, as in the current law. We now recommend a tolerance of 3 cents per pound in each bracket.

It may be noted that the House has seen fit to raise the limit of the lowest bracket and make it applicable to yarns valued at not over 50 cents per pound, whereas in the 1922 tariff act the rates for the lowest bracket apply to yarns valued at not over 30 cents per pound. We respectfully call your attention to the fact that, if the price level of wool drops to the low points in 1921 and 1914, there will again be insufficient protection for the manufacturers of these low-cost yarns. For the protection of the industry the brackets of the current law should be continued.

It also may be noted that the rates asked for in the higher brackets have not been granted and we, therefore, respectfully ask at this time that they be included in the recommendations of your committee. The reasons for these higher rates are set forth in the brief placed before the House, a copy of which we submit herewith.

Woven fabrics.—As in the case of yarns, the compensatory rates are less than they should be in accordance with the recommendations of the former United States Tariff Board and we not only urge that the advantage of a fraction of a cent in computation be given to the manufacturer rather than to the importer but that a tolerance of 5 cents per pound be added except in the case of cotton warps where it should be 4 cents. We recommend again that the rates upon the upper brackets be raised in accordance with our original request.

Paragraph 1108, applying to woven fabrics not over 4 ounces per square yard. We submit our recommendations together with the rates in the House bill.

Woven fabrics (dres goods), not over 4 ounces per square yard

	Rates recommended	Rates of House bill
Not cotton warp:		
Value—		
Not over 80 cents per pound.....	1.2W and 50 per cent.....	40 cents and 50 per cent.
80 cents-\$1.25 per pound.....	1.5W and 55 per cent.....	50 cents and 50 per cent.
\$1.25-\$2 per pound.....	1.5W and 60 per cent.....	50 cents and 55 per cent.
Over \$2 per pound.....	1.5W and 60 per cent.....	50 cents and 60 per cent.
Cotton warp:		
Value—		
Not over 80 cents per pound.....	1.6W and 50 per cent ¹	
80 cents-\$1.25 per pound.....	1.6W and 55 per cent ¹	
\$1.25-\$2 per pound.....	1.6W and 60 per cent ¹	
Over \$2 per pound.....	1.6W and 60 per cent ¹	
Not over \$1 per pound.....		40 cents and 50 per cent.
Over \$1 per pound.....		40 cents and 55 per cent.

¹ And in addition suitable compensation for any duty upon the cotton warp.

“W” means rate on scoured wool content.

Here, again, the rates of the House bill are less than those recommended by wool manufacturers. We submit our former explanation by filing that part of our House brief and respectfully request that these higher rates be included in the recommendations of your committee.

Paragraph 1109, applying to woven fabrics weighing over four ounces per square yard. Here, also, are submitted our recommendations together with the rates in the House bill.

Woven fabrics (cloth), over 4 ounces per square yard

	Rates recommended	Rates of House bill
Value:		
Not over 60 cents per pound.....	0.8W and 40 per cent.....	26 cents and 40 per cent.
60 cents-80 cents per pound.....	1.2W and 50 per cent.....	40 cents and 50 per cent.
80 cents-\$1.50 per pound.....	1.5W and 55 per cent.....	50 cents and 50 per cent.
\$1.50-\$2 per pound.....	1.5W and 60 per cent.....	50 cents and 55 per cent.
Over \$2 per pound.....	1.5W and 65 per cent.....	50 cents and 60 per cent.

“W” means rate on scoured wool content.

In this paragraph the rates requested by manufacturers were not granted in full by the House bill and we renew our recommendations, presenting the explanation as it appeared in our brief before the House.

In order to protect the industry from the increasingly large quantities of woven fabrics now assessed under the cotton schedule, although they contain wool and compete seriously with a type of cloth manufactured in this country for suitings for men and boys, we recommended that paragraphs 1108 and 1109 be applicable to all fabrics, wholly or in part of wool, however small, including those in the piece, in lengths, as swatches or as samples.

We understand that this recommendation was found to be contrary to the practice of those concerned in tariff legislation and that provision for these low cost mixed fabrics was made in paragraph 906 of the cotton schedule, applicable to “cloth, in chief value of cotton, containing wool.” These cloths were being admitted at the rate of 40 per cent ad valorem but this paragraph now provides for 60 per cent ad valorem.

Our association recommends, if paragraph 1109 may not apply to fabrics wholly, or in part, of wool, or to fabrics containing not less than 10 per cent wool, for example, that paragraph 906, in the cotton schedule, applying to cloths, in chief value of cotton, containing wool, include a specific rate compensating for the wool content of these cloths. If such cloths were admitted under paragraph 1109 they would, in accordance with the House bill, be assessed a duty of 50 cents made up of a compensatory specific rate of 26 cents a pound and an ad valorem protective rate of 24 cents. In the case of cloths referred to in the House committee's report upon paragraph 906, they were stated to average, in value, 60 cents per pound. Under paragraph 906 they would be assessed at 60 per cent

of the value, or 36 cents for the cloth valued at 60 cents per pound. Domestic manufacturers thus lose 14 cents per pound of protection. To protect the woolen mills which are suffering to such a great extent from the importation of these inexpensive fabrics from countries where labor is paid so much less than the American worker as shown by tables quoted below, we ask that either these fabrics be included under paragraph 1109 or that an appropriate specific duty, for example, the lowest of paragraph 1109, be added in paragraph 906.

The association has previously recommended and continues to recommend that paragraph 1119 of the tariff act of 1922, or paragraph 1120, as this paragraph is renumbered in the House bill, applying to all manufactures, wholly or in chief value of wool, not specially provided for, contain a compensatory duty and a higher protective ad valorem rate. This paragraph is the so-called "basket clause," or "catch all" paragraph, of the wool schedule and should not, by its lower rates, invite having manufactures so designed that they would be assessed at a lower rate under this paragraph than they would normally be taxed under any other paragraph applying to wool manufactures. The protection against articles not specially provided for should not be less but rather it should be greater than for those named in a schedule. By the omission of the specific compensatory rate in the current law and in the House bill the duties afforded wool manufacturers by this paragraph are not protective.

Manufacturers of blankets, felts and knit goods will submit their own briefs. We have been in conference with representatives of these associations.

In addition to the tables concerning wages included in our brief to the House, we respectfully call attention to quotations submitted herewith from the Ministry of Labour Gazette, of October, 1928, setting forth, as it does, the great disparity between wages paid in Italy and in America. These facts emphasize the need of protection in wool manufacture. Such other facts and figures as our Association may possess, we shall be pleased to place at the disposal of your committee.

Respectfully submitted.

NATIONAL ASSOCIATION OF WOOL MANUFACTURERS.
FRANKLIN W. HOBBS, *President.*

General index of employment for all manufacturing industries (noted in columns "A" in table below) and the index of employment in woolen and worsted manufacture (noted in columns "B" in table below)

[Monthly average 1923: 100]

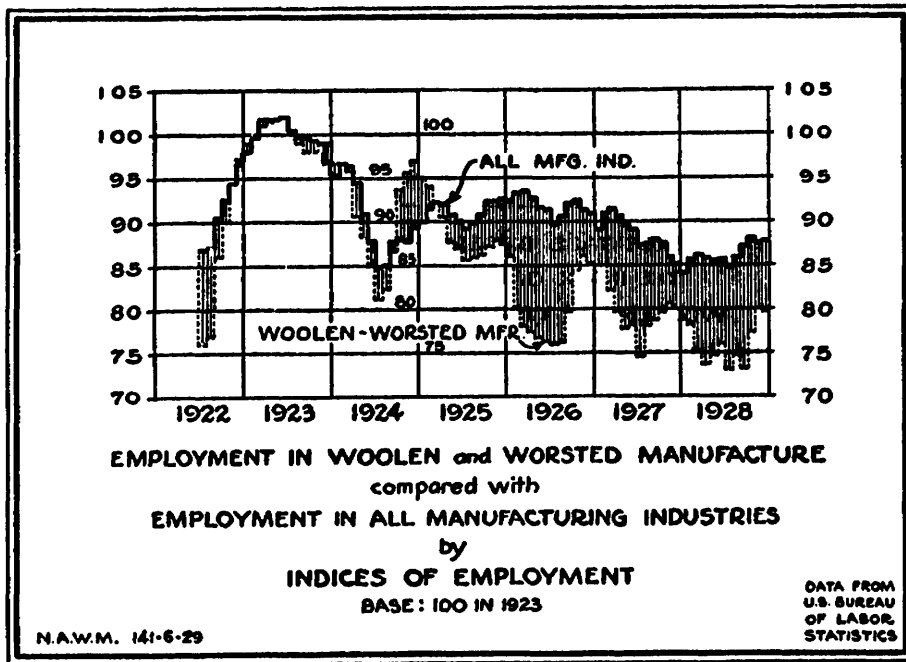
	1922		1923		1924		1925	
	A	B	A	B	A	B	A	B
January.....	87.0	85.0	98.0	98.0	95.3	96.8	90.0	95.1
February.....	87.6	86.1	99.6	100.1	96.7	96.7	91.7	94.1
March.....	83.1	73.1	101.9	101.2	96.3	95.8	92.3	91.9
April.....	82.3	73.1	101.9	102.2	94.4	90.9	92.1	90.6
May.....	84.2	74.1	101.9	102.5	90.7	88.5	90.9	87.8
June.....	87.1	76.0	102.0	101.5	87.8	85.3	90.0	87.0
July.....	86.8	76.4	100.4	100.4	84.8	81.2	89.4	85.7
August.....	88.0	77.4	99.8	99.4	85.0	82.3	89.9	86.1
September.....	90.6	86.0	99.9	97.9	86.6	87.8	90.8	86.3
October.....	92.6	90.1	99.4	98.2	87.8	93.7	92.2	87.3
November.....	94.5	95.0	98.7	99.4	87.7	95.8	92.6	88.1
December.....	96.6	96.5	96.9	98.5	89.4	97.1	92.6	87.4

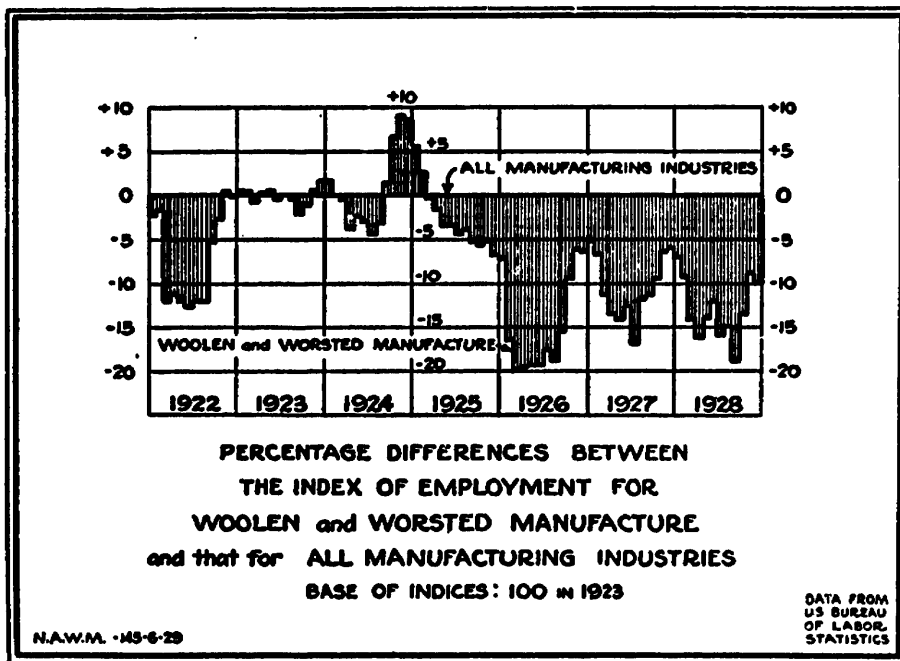
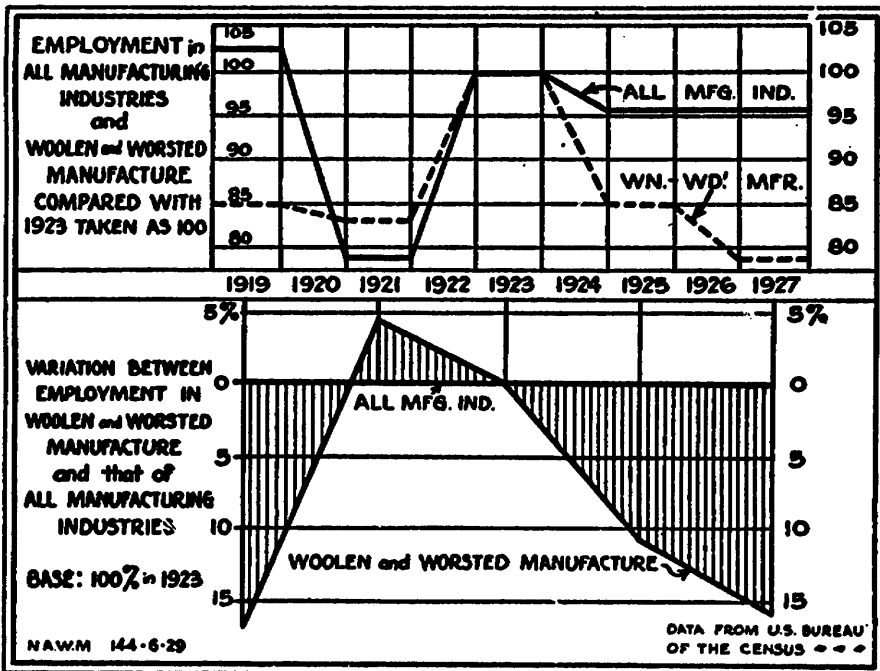
	1926		1927		1928	
	A	B	A	B	A	B
January.....	92.2	86.1	89.4	85.0	84.2	78.7
February.....	93.3	80.1	91.0	85.3	85.5	78.1
March.....	93.7	78.2	91.4	82.1	86.1	75.4
April.....	92.8	77.5	90.6	79.8	85.7	73.8
May.....	91.7	76.8	89.6	77.9	85.4	74.9
June.....	91.2	76.4	88.1	78.2	85.5	76.2
July.....	89.8	76.3	87.3	74.7	84.8	73.1
August.....	90.7	76.3	87.4	78.2	86.0	74.8
September.....	92.2	79.9	88.0	79.0	87.2	73.3
October.....	92.6	84.7	87.6	79.9	88.1	77.5
November.....	91.4	86.1	85.9	80.7	87.7	80.3
December.....	90.9	85.5	85.0	80.2	87.8	79.9

Difference between index of employment for all manufacturing industries and that for woolen and worsted manufacture (noted in columns C in table below) and percentage which the index for woolen and worsted manufacture is above or below the general index (noted as + for above and - for below in columns D in table below)

	1922		1923		1924		1925	
	C	D	C	D	C	D	C	D
January.....	-2.0	-2.3	+0.6	+0.6	+1.5	+1.6	+5.1	+5.7
February.....	-1.5	-1.7	+0.5	+0.5	±0.0	±0.0	+2.4	+2.6
March.....	-10.0	-12.0	-0.7	-0.7	-0.5	-0.5	-0.3	-0.3
April.....	-9.2	-11.2	+0.3	+0.3	-3.5	-3.7	-1.5	-1.6
May.....	-10.1	-12.0	+0.6	+0.6	-2.2	-2.4	-3.1	-3.4
June.....	-11.1	-12.7	-0.5	-0.5	-2.5	-2.9	-3.0	-3.3
July.....	-10.4	-12.0	±0.0	±0.0	-3.6	-4.3	-3.7	-4.3
August.....	-10.6	-12.0	-0.4	-0.4	-2.7	-3.2	-3.8	-3.9
September.....	-4.6	-5.1	-2.0	-2.0	+1.1	+1.3	-4.5	-5.2
October.....	-2.5	-2.7	-1.2	-1.2	+5.9	+6.7	-4.9	-5.6
November.....	+0.5	+0.5	+0.7	+0.7	+8.1	+9.2	-4.5	-5.1
December.....	-0.1	-0.1	+1.6	+1.7	+7.7	+8.6	-5.2	-6.9

	1926		1927		1928	
	C	D	C	D	C	D
January.....	-0.1	-7.1	-4.4	-5.2	-5.5	-7.0
February.....	-13.2	-16.3	-5.7	-6.7	-7.4	-9.4
March.....	-15.5	-19.8	-9.3	-11.3	-10.7	-14.2
April.....	-15.3	-19.7	-10.8	-13.5	-11.9	-16.1
May.....	-14.9	-19.4	-11.7	-14.2	-10.5	-14.0
June.....	-14.8	-19.4	-9.9	-12.7	-9.3	-12.2
July.....	-13.5	-17.7	-12.6	-16.9	-11.7	-16.0
August.....	-14.4	-18.8	-9.2	-11.8	-11.2	-15.0
September.....	-12.3	-15.4	-9.0	-11.4	-13.9	-19.0
October.....	-7.9	-9.4	-7.7	-9.5	-10.6	-13.7
November.....	-5.3	-6.2	-5.2	-6.4	-7.4	-8.9
December.....	-5.4	-6.3	-4.8	-6.0	-7.9	-9.9





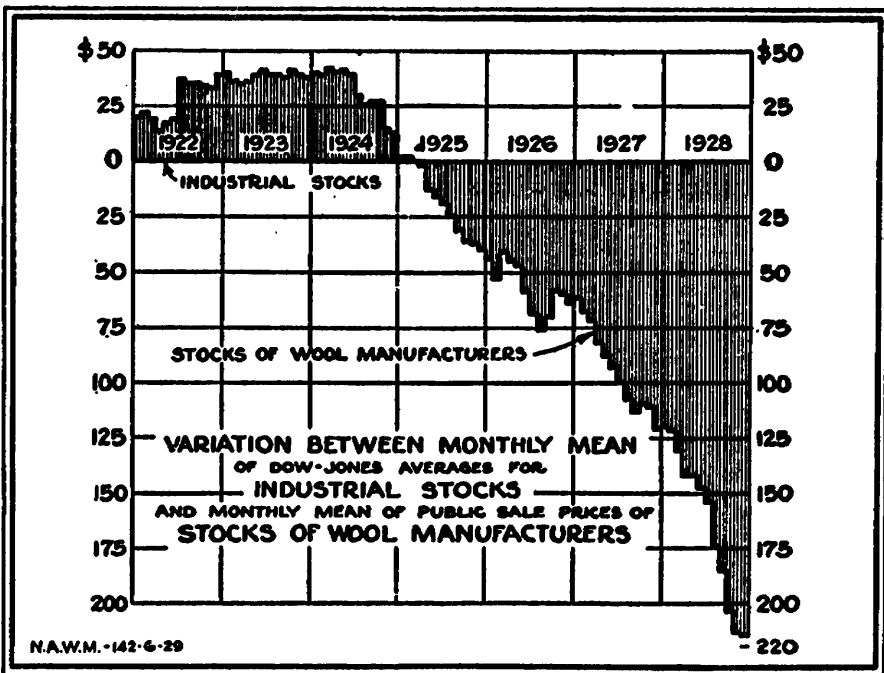
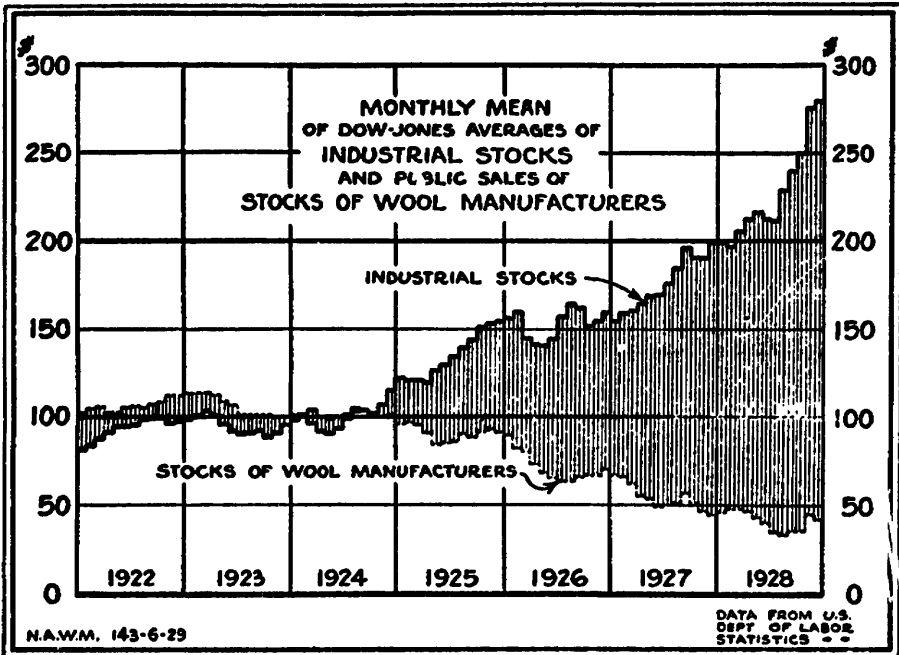
Employment in all manufacturing industries and in woolen and worsted manufacture (yearly averages) as reported by United States Bureau of the Census

[In thousands, 000 omitted]

	1914	1919	1921	1923	1925	1927
All industries.....	7,015	9,031	6,944	8,777	8,382	8,354
Woolen and worsted manufacture.....	159	157	162	195	165	154
Indexes with 1923 as 100:						
All industries.....	79.9	103	79.1	100	95.5	95.2
Woolen and worsted manufacture.....	81.5	85.6	83.1	100	84.6	7.90

Per cent that index for woollen and worsted manufacture is above (+) or below (-) index for all manufacturing industries

1914.....	+2.0
1919.....	-16.8
1921.....	+5.0
1923.....	0
1925.....	-11.4
1927.....	-17.0



Differences between monthly mean of Dow-Jones average prices of industrial stocks and that of stocks of wool manufacture sold through the New York exchanges and public auctions, 1922-1928, inclusive

	1922			1923		
	Dow-Jones averages	Wool-mill stocks	Difference	Dow-Jones averages	Wool-mill stocks	Difference
January.....	\$81	\$102	+\$21	\$98	\$113	+\$15
February.....	83	104	+21	101	113	+12
March.....	87	105	+18	103	113	+10
April.....	91	102	+11	101	112	+11
May.....	94	102	+8	96	108	+12
June.....	94	105	+11	92	106	+14
July.....	95	106	+11	90	101	+11
August.....	98	105	+7	91	101	+10
September.....	99	107	+8	92	101	+9
October.....	99	108	+9	88	101	+13
November.....	96	112	+16	91	100	+9
December.....	97	112	+15	95	100	+5

	1924			1925		
	Dow-Jones averages	Wool-mill stocks	Difference	Dow-Jones averages	Wool-mill stocks	Difference
January.....	\$98	\$101	+\$3	\$122	\$96	-\$26
February.....	99	101	+2	121	97	-24
March.....	96	103	+7	121	95	-26
April.....	92	100	+8	119	91	-28
May.....	90	99	+9	126	84	-42
June.....	93	100	+7	129	85	-44
July.....	99	101	+2	134	86	-48
August.....	104	103	-1	138	90	-48
September.....	103	103	±0	143	88	-55
October.....	102	101	-1	151	92	-59
November.....	107	100	-7	153	93	-60
December.....	115	101	-14	134	91	-63

	1926			1927			1928		
	Dow-Jones averages	Wool-mill stocks	Difference	Dow-Jones averages	Wool-mill stocks	Difference	Dow-Jones averages	Wool-mill stocks	Difference
January.....	\$156	\$89	-\$67	\$154	\$67	-\$87	\$198	\$46	-\$152
February.....	158	82	-76	158	66	-92	196	48	-148
March.....	144	80	-64	160	62	-98	205	48	-157
April.....	142	73	-69	164	55	-109	212	47	-165
May.....	140	68	-72	168	53	-115	216	43	-173
June.....	148	65	-83	169	49	-120	212	40	-172
July.....	157	63	-94	176	50	-126	211	35	-176
August.....	164	63	-101	184	51	-133	228	33	-195
September.....	162	66	-96	196	57	-139	239	36	-203
October.....	152	67	-85	190	51	-139	248	36	-212
November.....	154	67	-87	190	47	-143	275	45	-230
December.....	159	70	-89	198	44	-154	279	42	-237

INDUSTRIAL EARNINGS IN ITALY IN MARCH, 1928¹

A recent supplement to the *Gazetta Ufficiale*, the official organ of the Italian Government, gives the results of an inquiry into the hourly earnings of 868,794 workpeople employed in 24 important industries throughout Italy in March, 1928. The figures relate to all workpeople in each group of establishments, without distinction of occupation, sex, or age, and are obtained by dividing the total

¹Source: Ministry of Labor Gazette, October, 1928.

amount of the pay roll in each industrial group of establishments by the total number of hours (including overtime) worked by that group of workers.

The following table shows the average hourly earnings in each industrial group covered by the inquiry, with the corresponding figure for May, 1925, where comparable:

Industrial group	Average hourly earnings		Industrial group	Average hourly earnings	
	March, 1928	May, 1925		March, 1928	May, 1925
Textiles:	<i>Cents</i>	<i>Cents</i>	Metal and engineering—Contd.	<i>Cents</i>	<i>Cents</i>
Silk throwing.....	15.20	14.49	Specialized engineering.....	15.01	.....
Silk weaving.....	9.31	7.43	General engineering.....	12.88	9.89
Artificial silk.....	9.73	7.55	Shipbuilding.....	13.88	10.68
Cotton weaving.....	8.46	7.02	Leather:		
Wool.....	9.78	8.24	Boots and shoes.....	7.15	.....
Flax and hemp.....	7.11	.....	Tanning.....	13.40	.....
Jute.....	7.52	.....	Other:		
Hosiery.....	8.20	.....	Hats and caps.....	13.99	.....
Metal and engineering:			Rubber.....	14.51	.....
Iron and steel.....	15.09	13.13	Phosphate.....	13.20	11.23
Metal founding.....	11.30	11.51	Paper.....	10.09	8.03
Motor cars.....	18.30	.....	Cement.....	11.94	.....
Construction and repair of railway rolling stock.....	13.62	11.47	Food paste (macaroni, etc.).....	9.04	.....
Construction of electrical machines and material.....	14.09	11.19	All industries.....	10.57	8.36

1 Italian currency converted at following official rates of Federal Reserve Board:
 March, 1928..... 1 lira=5.26 cents
 May, 1925..... 1 lira=4.04 cents

The source also gives the variations in the average hourly earnings by Provinces in March, 1928. Compared with the general average earnings of 10.57 cents an hour for the kingdom as a whole, the highest averages are shown for Liguria 13.67 cents an hour where the chief industries are iron and steel, shipbuilding and engineering, and for Venetia Giulia 13.52 cents an hour, where shipbuilding is the most important industry. In Piedmont and Lombardy, where the bulk of the workers covered by the inquiry are found, the averages are 11.30 cents and 10.31 cent, an hour, respectively. Other provincial averages are: Tuscany 10.68 cents an hour, Lazio 11.73 cents an hour, Campagna 9.89 cents in hour, and Sicily 8.89 cents an hour; the lowest average is in Calabria, 3.73 cents an hour.

[Extracts from brief on wool manufacture presented to House Committee on Ways and Means, February, 1929, by National Association of Wool Manufacturers]

Yarns.—No changes are suggested for yarns of lower values but for those of higher cost per pound, where labor becomes a greater part of the conversion cost, an additional protective rate is requested. It is true that the current importations of these yarns are not great, but tariffs are not written for the day of enactment but for a considerable period of time. There are trade conditions to-day, which are, it must be noted, only temporary, operating to prevent foreign importations of these grades of yarn in volume. The growing demand for certain types of light dress goods of wool has already prompted foreign manufacturers to compete with domestic spinners. Additional brackets for yarns of higher value are requested and the paragraph, with the proper compensatory duties based upon the rate upon the raw wool, is recommended to read:

“PAR. 1107. Yarn, made wholly or in chief value of wool, valued at not more than 30 cents per pound, _____ cents per pound (0.8 times the scoured wool rate) and 30 per centum ad valorem; valued at more than 30 cents but not more than 80 cents per pound, _____ cents per pound (1.2 times the scoured wool rate) and 35 per centum ad valorem; valued at more than 80 cents but not more than \$1.25 per pound, _____ cents per pound (1.2 times the scoured wool rate) and 40 per centum ad valorem; valued at more than \$1.25 but not more than \$1.50 per pound, _____ cents per pound (1.2 times the scoured wool rate) and 50 per centum ad valorem; valued at more than \$1.50 per pound, _____ cents per pound (1.2 times the scoured wool rate) and 60 per centum ad valorem.”

Woven fabrics.—Large quantities of woven fabrics have been imported and assessed under the cotton schedule although they contain wool and compete seriously with a type of cloth manufactured in this country used for suitings for men and boys. They fall under the cotton schedule because at the place of exportation the fiber of chief value is cotton rather than wool. In foreign countries the price of low grades of wool being distinctly less than here permits other fibers, such as cotton, to be that of chief value in these mixed goods. To afford the protection that manufacturers of such fabrics need, we repeat the recommendation, previously made by this association, that paragraphs 1108 and 1109 apply to woven fabrics of wool even though the amount of wool is small.

That the foreign manufactures should dominate the fine goods markets in this country and that the name "English" and "French" should carry so much more good will than the name "American," is an unsatisfactory state of affairs. There is no doubt that domestic manufacturers can make as fine, as delicate, as beautiful and as fashionable fabrics as any manufacturers in the world, but under the present rates of duty they are largely precluded from that field. It is obvious that as goods increase in fineness and cost, the percentage of conversion cost increases. Therefore, there should be a correspondingly higher rate of duty to provide for the higher conversion costs of these finer and more expensive fabrics unless this market is to be surrendered to the foreigner and domestic manufacturers content themselves with the production of medium and low priced goods. This is a matter of policy for the Congress to decide. It has seemed to the association, however, that it is its duty to call the attention of the Congress to this situation and it, therefore, suggests higher brackets and increased rates of duty for these higher brackets in order to enable American manufacturers to compete in this important field.

The proper classification and appraisalment of samples has been the source of almost constant litigation; hence adequate legislation is necessary to prevent a continuance of such litigation. The common practice, both in this country and abroad, among large buyers and consumers of fabrics of wool is to purchase a number of bolts, or pieces of cloth, from the manufacturer and send one or more to a concern which cuts cloth into samples of given sizes. Sometimes the samples are pasted onto sheets of cardboard, and at other times put into booklets or bound in bunches. This work adds an additional cost to that portion of the fabric so treated. However, under the ruling of the court (see *United States v. Milbank, Leaman & Co.*, T. D. 41693) such samples cease to be classed as fabrics and are classified as manufacturers of wool and become subject to a much lower rate of duty. They not only fail to pay duty upon increased value due to additional labor costs but avoid any compensatory duty. In fact, because of court decisions, since the fabric has been cut up the assessment of duty is based upon a value of 20 per cent less than that of the cloth in the bolt.

For example, if a purchaser of foreign cloth buys 5 bolts of a pattern of 50 yards each, at \$2 per yard, 4 of these bolts would cost \$100 each and would be subject to a duty of 45 cents per pound and 50 per cent ad valorem. The other bolt, however, being cut up into samples at a cost of, say, 10 per cent, would actually cost \$110. When these samples enter our ports they are, according to the court's ruling, no longer a fabric of wool bearing duty as above, but are manufactures of wool. As such, under the act of 1922, they would bear no specific duty, being assessed, under paragraph 1119, at the rate of 50 per cent ad valorem only and upon the value of the goods in the bolt less 20 per cent. Thus a great advantage is extended to the foreign manufacturer since the purchaser of a like quantity of American goods must pay the full price of the 5 bolts and, in addition thereto, the cost of making samples from the 1 bolt.

The claim has been made that such samples are of no value inasmuch as they can not be used in the making of a garment. While that may be true, they are of greater value than the goods in the piece because they take the place of a salesman in the distribution of the other four bolts. No importer would thus destroy the usefulness of his merchandise except to his advantage. There have been numerous attempts to import such samples under various classifications, such as waste, under paragraph 1457, at 10 per cent ad valorem; as woolen rags, under paragraph 1105, at 7½ cents per pound, with the claim that the ultimate destination of these samples is the rag bag; or under paragraph 1651, free of duty, as "all other waste not specially provided for." Since samples are a necessary element in the expense of selling, the distributor of foreign goods should not benefit by a lower cost than that which the domestic manufacturer has to incur for his samples of domestic goods. It is, therefore, recommended that all

samples of imported textiles be made subject to the rate of duty applicable to the goods they represent.

Therefore, in order to provide for the proper duty upon mixed fabrics, to promote the domestic production of fine fabrics, and to prevent the importation of samples with lesser duties than those assessed upon the fabrics which they represent, it seems necessary to ask for a change in the phraseology and rates of paragraphs 1108 and 1109. We recommend that they read as follows:

"PAR. 1108. Woven fabrics, in any form (except materials and articles provided for in paragraphs 1110, 1111, 1112, 1113, 1116, 1117, 1118, of this act), including those in the piece, in lengths, as swatches, or as samples, weighing not more than four ounces per square yard, wholly or in part of wool, however small, whether or not more specifically provided for in this act, valued at not more than 80 cents per pound, ——— cents per pound (1.2 times the scoured wool rate) and 50 per centum ad valorem; valued at more than 80 cents but not more than \$1.25 per pound, ——— cents per pound (1.5 times the scoured wool rate) and 55 per centum ad valorem; valued at more than \$1.25 per pound, ——— cents per pound (1.5 times the scoured wool rate) and 60 per cent ad valorem: *Provided*, That if the warp of any of the foregoing is wholly of cotton or other vegetable fiber, the specific duty shall be ——— cents per pound ($1\frac{1}{4}$ times the scoured wool duty plus suitable compensation for any duty upon the cotton warp) and in addition thereto, if the fabric is valued at not more than 80 cents per pound, 50 per centum ad valorem; if valued at more than 80 cents but not more than \$1.25 per pound, 55 per centum ad valorem; if valued at more than \$1.25 per pound, 60 per centum ad valorem.

"PAR. 1109. Woven fabrics, in any form (except materials and articles provided for in paragraphs 1110, 1111, 1112, 1113, 1116, 1117, and 1118 of this act), including those in the piece, in lengths, as swatches, or as samples, weighing more than four ounces per square yard, wholly or in part of wool, however small, whether or not more specifically provided for in this act, valued at not more than 60 cents per pound, ——— cents per pound (0.8 times the scoured wool rate) and 40 per centum ad valorem; valued at more than 60 cents but not more than 80 cents per pound, ——— cents per pound (1.2 times the scoured wool rate) and 50 per centum ad valorem; valued at more than 80 cents but not more than \$1.50 per pound, ——— cents per pound (1.5 times the scoured wool rate) and 55 per centum ad valorem; valued at more than \$1.50 but not more than \$2 per pound, ——— cents per pound (1.5 times the scoured wool rate) and 60 per centum ad valorem; valued at more than \$2 per pound, ——— cents per pound (1.5 times the scoured wool rate) and 65 per centum ad valorem."

* * * * *

"Basket" or "catch all" paragraph.—In the current tariff law this paragraph is intended as a so-called "basket" or "catch all" paragraph of the schedule, but it provides no compensatory or wool duty and the protective rate is no greater than in the paragraphs applying to specific items of wool manufacture whereas it should provide the maximum rate of the schedule.

We recommend that this paragraph pertaining to articles n. s. p. f. read:

"PAR. 1119. All manufactures not specially provided for, wholly or in chief value of wool, ——— cents per pound (1.5 times the scoured wool rate) and 60 per centum ad valorem."

SUPPLEMENTAL BRIEF OF THE NATIONAL ASSOCIATION OF WOOL MANUFACTURERS

COMMITTEE ON FINANCE, *United States Senate.*

GENTLEMEN: While testifying at the hearing before Subcommittee No. 3 of the Committee on Finance of the United States Senate on June 26, 1929, I was requested to file an additional brief in the form of an affidavit. This is noted on page 1238 of the stenographic report for Wednesday, June 26, 1929, as prepared by Hart, Dice & Carlson, of Washington, D. C.

In this brief I was asked to submit specific compensatory rates and ad valorem protective rates upon wool manufactures which would be required if the rates upon wool by-products, wastes, and rags recommended by the woolgrowers were adopted. The discussion concerning this supplementary brief continues on page 1239 of the stenographic report.

In compliance with this request I respectfully submit herewith, under the conditions named, that is, in the form of an affidavit, the following statement:

We recommend, if the rates proposed by the woolgrowers June 24, 1929, which are higher than those in the House tariff bill under consideration, be

adopted, that in paragraphs 1106, 1107, 1108, 1109, 1111, 1112, 1114, 1115, and 1120 there be no compensatory rate less than one and one-half times the rate upon scoured wool with the exception of the provision in paragraph 1108 for cotton warps; and that the lowest protective rate now associated with the compensatory rate of one and one-half times the rate upon scoured wool apply also to manufactures of wool of lower value, at present covered by lower compensatory and lower protective rates.

The rates upon manufactures of wool in Schedule 11, the Wool Schedule, are for two purposes: To compensate for a wool duty and to protect against the lower cost of manufacture in foreign countries. The duties to accomplish this are commonly called the compensatory and protective rates.

What really is the compensatory rate? It is important that there be no misunderstanding about it. Briefly stated, it is a duty for the benefit of the wool grower, collected by the manufacturer and paid over through the United States Customs Service to the United States Treasury. It is the "duty on wool in wool manufactures."

The Tariff Board appointed by President Taft made report to him, in December, 1911, upon "Wool and Manufactures of Wool." As a message of the President of the United States transmitting a report of the Tariff Board on Schedule K of the Tariff Law, this report was printed for use of the Committee on Finance, in 1912. This United States Tariff Board made an exhaustive and disinterested study of the wool industry and defined the compensatory rates in two ways: First, as noted on page 101 of the report:

§ "The compensatory duties appear first in the act of 1909¹ in the paragraph which provides for the duty on combed wool (375), and they continue to the end of the schedule. All specific duties—i. e., duties on weight in paragraph 375 and thereafter in Schedule K are in theory intended simply to compensate the manufacturer for the increased price which he must pay for his raw wool, the increased being measured by the duty on raw wool. These duties, if adjusted perfectly, would put the domestic manufacturer on the same basis as his foreign competitor who has free wool. They are intended to be arranged on the basis of the quantity and quality of raw material used by the domestic manufacturer in making the specific goods to which the duty applies and in theory they contain no protection, but all processes and skill are protected by the ad valorem duty which in each paragraph follows the specific duty."

But more significant is the following, which appears in the same report, on page 104:

"The compensatory duties may be explained in still another way: They are the payment of the duty on raw wool imported in the manufactured form."

This association has continually contended that the so-called compensatory rates should be written as a part of the wool schedule pertaining to the wool growers' needs rather than to that part applying to wool manufactures. In any consideration of the wool duties it is necessary to understand that to make the duty effective it must be applied to the wool in imported manufactures. As was stated in our brief presented to the Committee on Ways and Means of the House of Representatives, in February, 1929, and recorded in the report of these hearings on pages 6124, 6125, and 6126, no matter how high a duty is placed on raw wool it will afford no benefit to wool growers unless the duty on the wool contained in manufactured products is fully sufficient to equal the duty which would have been charged on the identical wool required for such goods if it had been brought into the United States in its natural condition. Since the wool content of a finished product of wool manufacture is less than the original quantity required to begin the production of such an article, the compensatory duty, to offset the wool duty, must be more than the actual wool duty. That is, the shrinkage must be taken into consideration which the original quantity of wool in its natural state suffers in each successive process of manufacture, such as carding, combing, spinning, weaving, and finishing. The duty, therefore, must be in proportion to such shrinkage. Hence, in order to give the wool grower the same relative protection for his wool in the successive states, that is, in top, in yarn and in the finished fabric and garment, the rates must advance as the shrinkage increases.

As noted in our brief before the House Committee, if the duty on the wool in top is no higher than that on scoured wool, scoured wool would not be imported because it would be more advantageous to the importers to have their wool converted into top before it is brought into this country. If the duty per pound on the wool in yarn is no higher than the duty on wool in top, neither raw wool nor

¹ Not quoted. They had appeared in previous tariff acts.

top would be brought in because the importers would have less wool duty to pay if they had all their wool made into yarn before importing it. If the duty on the wool in cloth is no higher per pound than the duty on yarn, then neither raw wool, top, nor yarn would be brought into the United States because the importers would have to pay less wool duty for a given amount of wool if they had it manufactured into fabric abroad and then imported it in the form of cloth. Thus it may be seen that for each successive process of manufacture the compensatory rate upon the wool must advance as the shrinkage from raw wool to a manufactured product increases. The ratio of these rates to the wool rate, necessitated by these respective shrinkages, as found by the former United States Tariff Board, are reported in the Report of the Tariff Board of 1911, published in 1912, on pages 625 and 626. The compensatory rate for top is 1.1 the duty on the scoured content of wool; for yarn, 1.2 and for cloths, 1.5, at least.

The protective rate upon wool manufactures, in the ad valorem form, is to protect the manufacturer in this country from the lower foreign costs of converting wool into manufactures of wool. The protective duties vary from lower to higher rates as the labor costs increase; and, conversely, as the raw material cost diminishes, relatively. Beginning with the tariff of 1890, when the duty upon the wool was independent of its value and wholly in specific rates and the basic rate was upon the grease pound, there were two or more compensatory rates upon manufactures of wool in paragraphs applying to a considerable range of values. For the less costly products the specific compensatory rate was lower. In the tariff act of 1922, the first one to contain specific rates determined upon the basis of the formulas of the Tariff Board's Report of 1911, for fabrics of values permitting the use of new wool the compensatory rates were planned to be one and one-half times the rate upon scoured wool. For fabrics of values less than would permit the use of all new wool, the compensatory rates were less, because, as it states on page 78 of the "Tariff Information Surveys (K-2) on the articles in paragraphs 1108, 1109, 1110, and 1111 of the tariff act of 1922, Woven Fabrics of Wool."

"It was assumed that fabrics entered at low values necessarily contain cotton, shoddy, wool waste or other materials which were free or else dutiable at rates lower than 31 cents a pound and, therefore, that on such goods the full compensatory duty of 45 cents a pound was too much. On woven fabrics of wool weighing not more than four ounces per square yard and valued at not more than 80 cents a pound the compensatory duty was fixed at 37 cents a pound, and on those made with warp wholly of cotton or other vegetable fiber at 36 cents a pound. On woven fabrics of wool weighing more than 4 ounces per square yard the compensatory duty was fixed at 24 cents when the value of the fabric did not exceed 60 cents per pound and at 37 cents a pound when the value of the fabric exceeded 60 but did not exceed 80 cents per pound. These reduced compensatory duties apply to the total weight of the fabric and not to the wool content only."

The compensatory rates in paragraph 1109, for example, are, according to the value of the fabric eight-tenths, one and two-tenths, and one and five-tenths times the rate on the scoured wool.

For paragraph 1105 it is understood that the rates suggested by the wool growers are for the several items covered—namely, 39 cents per pound for top waste, slubbing waste, roving waste and ring waste; 36 cents per pound for garnetted waste; 38 cents per pound for noils; 29 cents per pound for thread or yarn waste and other wool waste not specially provided for; 36 cents per pound for shoddy and 29 cents per pound for wool rags. These amounts will make the tax upon the effective wool content of these noils, wastes, and rags as great as, or even greater than, that upon the clean content of wool imported in its natural state. Hence the cost of domestic fabrics made from such imported raw material will, of necessity, be greatly increased.

With practically an embargo levied upon them, these foreign by-products will enter this country in manufactures, unless a change is made in the rates upon articles containing them. Their importation in this form will be stimulated since yarns and fabrics made therefrom will cost less in foreign countries because without the outlet to this country the foreign wastes, noils, and rags, due to a lesser demand, will tend to command lower prices. The differentials in the compensatory rates which now provide for fabrics of cheaper raw material will, therefore, no longer protect.

To provide the protection against the importation of these by-products in manufactures of wool, as well as in their unmanufactured form, it will be necessary to make the compensatory rates in all paragraphs applying to wool manufactures not less than that compensating for the use of new wool. In fact, to

complete the embargo of the items of paragraph 1105, for the brackets in the Wool Schedule applying to wool manufactures a greater compensatory rate than that calculated by the Tariff Board formula should be established to offset the increase in the cost of raw material resulting in the adoption of the suggested rates for paragraph 1105.

We recommend, if these higher rates of duty for paragraph 1105 be adopted, that in paragraphs 1106, 1107, 1108, 1109, 1111, 1112, 1114, 1115, and 1120 no compensatory duty be less than one and one-half times the rate on scoured wool with the exception of the provision in paragraph 1108 for cotton warps.

Since these raw materials covered by paragraph 1105 will not be available except at a greater cost than new wool, the lower brackets for paragraphs 1107, 1108, and 1109 will be needless. Therefore, in the event of the adoption of the higher rates in paragraph 1105, we further suggest that the bracket with the lowest protection now associated with the compensatory rate to offset the use of new wool apply to articles of less value now covered by brackets with less compensatory duty and lower protection.

The second bracket of paragraph 1107 of the House bill would thus embrace the items cared for by the first and, similarly, in paragraph 1108. The third bracket in paragraph 1109 would embrace all fabrics provided for by the first two brackets of this paragraph. In succeeding paragraphs similar adjustments should be made.

For example, in the present House bill paragraphs 1107, 1108, and 1109 would read:

PAR. 1107. Yarn, (made) wholly or in chief value of wool, valued at not more than [(30) 50 cents per pound, (24) 27 cents per pound and 30 per centum ad valorem; valued at more than (30) 50 cents but not more than] \$1 per pound, (36) 40 cents per pound and 35 per centum ad valorem; valued at more than \$1 but not more than \$1.50 per pound, (36) 40 cents per pound and 40 per centum ad (valorem) valorem; valued at more than \$1.50 per pound, 40 cents per pound and 45 per centum ad valorem.

PAR. 1108. Woven fabrics, weighing not more than four ounces per square yard, wholly or in chief value of wool, valued at not more than [80 cents per pound, (37) 40 cents per pound and 50 per centum ad valorem; valued at more than 80 cents but not more than] \$1.25 per pound, (45) 50 cents per pound (upon the wool content thereof) and 50 per centum ad (valorem:) valorem; valued at more than \$1.25 but not more than \$2 per pound, 50 cents per pound and 55 per centum ad valorem; valued at more than \$2 per pound, 50 cents per pound and 60 per centum ad valorem: Provided, That if the warp of any of the foregoing is wholly of (cotton) cotton, or other vegetable fiber, the duty on the fabric, valued at not more than \$1 per pound, shall be (36) 40 cents per pound and 50 per centum ad (valorem) valorem; valued at more than \$1 per pound, 40 cents per pound and 55 per centum ad valorem.

PAR. 1109. (a) Woven fabrics, weighing more than four ounces per square yard, wholly or in chief value of wool, valued at not more than [60 cents per pound, (24) 26 cents per pound and 40 per centum ad valorem; valued at more than 60 cents but not more than 80 cents per pound, (37) 40 cents per pound and 50 per centum ad valorem; valued at more than 80 cents but not more than] \$1.50 per pound, (45) 50 cents per pound (upon the wool content thereof) and 50 per centum ad valorem; valued at more than \$1.50 but not more than \$2 per pound, (45) 50 cents per pound (upon the wool content thereof) and (50) 55 per centum ad (valorem) valorem; valued at more than \$2 per pound, 50 cents per pound and 60 per centum ad valorem.

(b) Woven felts and articles made thereof (including belts and belting, endless or otherwise), finished or unfinished, wholly or in chief value of wool, shall be dutiable at the rates provided in subparagraph (a).

In using these illustrations we in no way waive or modify our request for other and higher ad valorem protective duties in the higher brackets set out in our original brief, presented in February, 1929, to the Committee on Ways and Means of the House of Representatives and renewed in our brief submitted, on June 26, 1929, before Subcommittee 3 of the Committee on Finance of the United States Senate.

With any advance in the duties upon wool by-products and wool rags there is an increased need for a compensatory duty in paragraph 906 of the cotton schedule, applying to "cloths, in chief value of cotton, containing wool." Instead of the minimum rate which we have previously urged, here, too, the compensatory rate should be at least one and one-half times the rate upon scoured wool if the rates proposed by the wool growers be enacted.

CONCERNING A DIFFERENTIAL RATE FOR 44S WOOL AND LOWER GRADES

At the hearing before your committee representatives of the mohair growers objected to the duty of 24 cents per clean pound placed by the House bill upon 44s wool and lower. This duty of 24 cents was the exact amount asked by the wool growers themselves and at the hearing before the Committee on Ways and Means it met with no opposition. We had no reason to apprehend any opposition before your committee.

It must be assumed that the wool growers consulted their interests when they recommended a differential in the rates of duty upon wool using 44s as the dividing line.

This association has already stated in its brief that this differential will be advantageous to the woolen and worsted manufacturing industry. We urge that in the present depressed condition of the manufacturing industry, this consideration is not to be ignored. The use of wool in low-priced fabrics is threatened by various substitutes tending to cheapen the cost of the cloths. A duty upon these low-grade wools, not needed to protect the wool grower, either results in uselessly increasing the cost of the fabric to the public, or compels the manufacturer to use substitutes in order to produce fabrics at a price the public is willing and can afford to pay. In either event the result is injurious alike to the wool grower, the manufacturer, and the public.

We respectfully suggest that as a matter of principle, the duty upon wool should not be increased beyond the request of the wool growers themselves, at the demand of another industry. If that principle is ignored, it is difficult to see where the matter will end. It should be observed that both of these industries—wool and mohair—are domestic industries.

But we believe that the mohair growers are entirely mistaken. We do not think that the lowering of the duty upon these low-priced, low-shrinking wools will injure their business. On the contrary, as manufacturers, we believe it will increase the use of mohair.

It must be borne in mind that mohairs are much more expensive than these low-grade wools. At the present market in the United States, mohair is selling around 56 to 67 cents per grease pound, while Lincolns, Braids, and Commons are selling from 38 to 40 cents a grease pound.

There is, in fact, no real competition between mohair and the wools in question. There are many fabrics made to-day, under present price conditions where no mohair is or can be used because of its cost. There are other fabrics where mohair is used, irrespective of cost, at the behest of style or fashion. Obviously, in neither of these circumstances will the lowering of the duty upon 44's wool and under injure the mohair grower.

There is, however, another class of goods where some of these low-grade wools are combined with mohair. This is done for the purpose of obtaining some of the effect and finish that mohair gives, in goods manufactured at a price that the public is willing and can afford to pay. The fact that these wools exist and can be thus used is a distinct advantage to the mohair growers and has opened to them opportunities for use not otherwise available. It seems fairly obvious that the lower the cost of these wools, the greater will be the amount of mohair that can and will be used in them without increasing the cost.

Under all these circumstances, we urge that this differential be allowed to stand.

Respectfully submitted.

NATIONAL ASSOCIATION OF WOOL MANUFACTURERS,
By FRANKLIN W. HOBBS, *President*.

Subscribed and sworn to before me, this 9th day of July, 1929.

WARREN R. SYMONDS, *Notary Public*.

My commission expires May 8, 1932.

WOOLS

[Pars. 1101-1106]

STATEMENT OF F. J. HAGENBARTH, SPENCER, IDAHO, REPRESENTING THE NATIONAL WOOL GROWERS ASSOCIATION AND OTHERS

(The witness was sworn by the chairman of the subcommittee.)

Mr. HAGENBARTH. I am testifying on behalf of the National Wool Growers Association and the affiliated State associations which comprise the national association. Mr. Chairman, it is not our purpose to go into the question in detail or to duplicate the testimony that the national association gave in its hearings before the Ways and Means Committee. We propose only to touch on matters that have developed since that time in connection principally with the writing of the House bill now before the Senate, H. R. 2667, and to develop particularly in our brief and to state very briefly here this morning new matters that have been developed in that connection. It will be necessary in order to establish a proper premise, however, to briefly state the wool growers' position and understanding of the principle underlying the writing of the protective tariffs ever since they were inaugurated, probably 150 years ago, and particularly since 1867, when Senator Justin Morrill, of Vermont, laid down the proposition in the most forcible manner, giving the principles which have underlain the writing of every protective tariff since that date, and establishing the proper relations between the raw product, wool, and the manufactures thereof, and the incidental by-products or wastes that were developed both here and abroad in connection with the manufacture.

Unfortunately, in 1883 there was a revision of the tariff, taking effect in 1884, which very plainly indicates the course that we are now pursuing, and the possible consequences of that course. In our judgment as woolgrowers, the course we have now set is leading us to the shoals and, possibly, onto the rocks. We remember that the tariff of 1883 provided for 10 cents on wool waste and allowed carpet wools to come into this country at that time, and I am not aiming to say anything adverse to the carpet-wool interests now, but simply reciting historical facts, that they started in Europe taking out the finer grades and clothing wools were brought into this country at a very low rate of duty to compete against domestic grown wool.

In a word, the result of that policy showed that from 1884 to 1888 or 1889 the sheep population of the United States decreased from 50,500,000 head in 1884, within five years, to 40,400,000 head, a loss of 20 per cent, brought about solely by the fact that competitive wools and wastes were allowed to enter this country at rates which destroyed the protection granted to the woolgrowers. This error, we remember, was corrected by what was known as the McKinley law, which was passed in 1890, when wools and wool products at home and abroad were put on a relatively fair basis, with the principle of protection to domestic woolgrowers and domestic wool manufacturers always in view.

The principles enunciated in and laid down by the McKinley law carried on until 1909, with a brief intermission in 1893 when the

so-called Wilson-Gorman law was enacted, which placed wool on a free basis and manufactures relatively lower.

However, in those earlier tariffs the basis of the wool tariff or duty was on the grease pound, and the estimate was made that it required—that this wool shrank 66% pounds to the hundred, or 66% per cent; in other words, that it required 100 pounds of wool to make 33 pounds of clean wool, 100 pounds of grease wool to make 33 pounds of clean wool. However, the facts were that those shrinkages were not 66% per cent. As a matter of fact, they were nearer 45 to 48 per cent, and in many instances much less than that, or as low as 35 per cent. So that the net effect, instead of giving the grower a protection of 11 cents per pound as written in the law, was to give him a protection varying with the grade of wool, from 5½ to 7½ cents per grease pound instead of 11 cents, and when reduced to the clean basis, instead of receiving 33 cents, the tariff of the law, he receives as the tariff board computes, 17½ cents on the clean pound, and as we have computed it ourselves, which is the figure we have used, 18 cents the clean pound.

In 1922 the Fordney-McCumber Tariff Act created what we call the waste and rag injustice; they wrote the tariff on the clean-contents basis, so that whatever tariff was retained for the grower was affected or measurably so, as it wrote it on the basis of 31 cents instead of 33 cents, a reduction of itself of 2 cents under the tariff that had prevailed for protection for the woolgrower, which rags and wastes further reduced.

However, a serious error or miscalculation, no doubt wholly unintentional, crept into the law in 1922, in the respect that the relative relation between wool, protected wool, supposed to receive 31 cents, and certain wastes which we will define later briefly, and particularly shoddy and rags, was changed, and these were allowed to come in as computed by the figures of the Tariff Commission, at a rate, a weighted average of 12.4 cents per pound, as against rates presumed to be 31 cents on protected wool. Therefore, these wastes and shoddies and other substitutes used for wool, although they were wool, reduced the tariff in just so far as those wastes come in competitively against wool, to the amount 18.6 cents per pound.

The serious part of this is that we are now facing the same condition that we faced in 1883, when sheep decreased 20 per cent. I will refer to the increase in sheep that has actually taken place a little later, but the same condition is there. We are having wool waste equivalent to wool or better than wool, in some instances, coming in at less than half the wool tariff, and increasing in progressive quantities so that last year there were over 35,000,000 pounds of rags and wool waste coming in. That would not seem very serious to us, gentlemen, until we figure what it means to the thing we are striving to protect; that is, the wool on the sheep's back grown on the American ranges and farms. Convert those wastes into raw wool and we find one-third of the American production of wool displaced by the use of these wastes. Be it meritorious or otherwise, the fact is there, that they are the equivalent of 100,000,000 pounds of American wool brought into this market at less than half the wool rate.

The argument has been made that it is a good thing for the people, the consumer, the one who has to be considered, and we grant that, that he should have those cheaper wastes and substitutes for wool—instead of using the word cheaper, I would use inferior, because in

most instances on rags, shoddies, and certain lower grades of waste they are inferior. But most of those wastes go into what are known as woolen clothes as distinguished from worsted fabrics. You buy a suit made from these and, as a rule, the suit bags at the elbow and the knee. It is cheaper theoretically, but is it practically? You buy a suit that is serviceable and presentable for two or three or four or five months, then you can run your hand down the inside of the lining and take out a handfull of trash that has dropped out, that has been pulled into these inferior wastes and weighted these goods.

I am not trying to draw any comparison between worsted and woolen manufacturers. I am simply trying to show that when these goods are used, made from the inferior wastes, and you think you are buying cheaper cloths you have a big interrogation mark—are you buying cheaper when the goods are made out of shoddy?

Senator SIMMONS. Do you use American wastes in the same way?

Mr. HAGENBARTH. We do with the exception of hard twisted worsteds, and those, I understand, are in a large measure sent abroad, worked up abroad, and I presume that some of the pieces of that waste are sent back to us in the shape of shoddy. The majority of them are used, as I understand, in Europe for manufacture there.

Senator SIMMONS. I understand you as making a distinction between the condition of the foreign waste coming in competition with American waste, and insisting that it does more than that, that it comes in competition with American made goods that are not made of waste.

Mr. HAGENBARTH. It does.

Senator SIMMONS. Is not that the basis of your argument?

Mr. HAGENBARTH. Yes; that is correct, and it displaces the American virgin wool, as it has been termed, our new wool grown on our farms, to the extent that I have stated, one-third of the American wool crop that we are now raising.

Senator SIMMONS. The wools grown on your farms are used by the American producer in the same way? They make the same kind of wastes, do they not?

Mr. HAGENBARTH. Yes, they do; and we make the contention as I have followed out logically here, I hope, that for the legitimate purposes that waste can be used, with a thorough-going, successful pure wool manufacturing industry, that we will produce an abundance of waste and short wools in this country for such legitimate uses as we may have.

Senator SIMMONS. Then you would put a duty on foreign waste to protect the domestic waste, would you not?

Mr. HAGENBARTH. It would to a certain extent in so far as we produce them.

Senator SIMMONS. It seems to me you infinitely complicate this when you say you want a duty that would protect American from foreign waste, and then you want some other kind of duty that will protect the use of raw wool.

Mr. HAGENBARTH. No; the same duty serves both purposes.

Senator SIMMONS. You are making that an argument why that duty should be raised.

Mr. HAGENBARTH. Yes; the argument is that the foreign wastes are displacing American virgin wools grown by the farmer. Remem-

ber that the wastes that we produce in this country are part of the American clip.

Senator SIMMONS. Do I not understand you to say that American waste is doing the same thing?

Mr. HAGENBARTH. Yes; but they are from American produced wools and do not injure. We have no objection whatever.

Senator SIMMONS. But are they from American produced wools?

Mr. HAGENBARTH. Mostly wastes from American wools.

Senator SIMMONS. Would they be, if they import the raw wool and then make waste?

Mr. HAGENBARTH. We are trying to reach a point, and we are making rapid strides, if the plan is not disturbed, proper protection given, so that there will be very few imports of foreign wools from which wastes can be derived even in America. I have not the figures at hand, but you will note that last year we brought in about 70,000,000 pounds of foreign wool for cloth purposes, as I recall the figures. You can ascertain the foreign imports of wools replacing the wools grown in America on American farms, and the time will come when we hope that we will fully produce all of the wools required in America, provided the grower is protected and permitted to go on and produce at a reasonably profitable basis the wools so required.

Senator SIMMONS. How long do you think it would be if you were given all the protection that you think you require and need, before you would be able to supply the American market?

Mr. HAGENBARTH. At the rate we are going we should reach that point, with the exception of carpet wools, which we do not produce, and with the exception of very fine specialized wools used for certain purposes in limited quantities—we should reach that period within the next 10 years. I am not a prophet, of course, but that is taking the figures of increase of population, and so forth.

Senator SIMMONS. That is just your opinion.

Mr. HAGENBARTH. And the increase in wool production that has taken place since 1922, with the proper protection we should reach that point within 10 years in my judgment.

Senator SIMMONS. As a matter of information, will you please tell the committee where this carpet wool is produced, the particular countries producing that, and the countries that produce this specialized type that you spoke of?

Mr. HAGENBARTH. That is a pretty broad order, but the tariff bill itself as written by the House, contains that information largely, with very few exceptions. I will read it to you.

Senator SIMMONS. I know we do not make the carpet wool, but I would like to know exactly where we get it.

Mr. HAGENBARTH. Just briefly stated without going into details, they come from Persia, China, and Asia generally, certain sections of Asia, certain sections of South America, but most largely from Asia. They are listed by geographic distribution, mainly or very largely derived from Donskoi, Smyrna, Cordova, etc.

Senator SIMMONS. That is enough to give an idea.

Mr. HAGENBARTH. They are listed in Schedule 11, paragraph 1101, in a new statement of carpet wools made in these countries listed, which is different from anything we have had in the 1922 act; it is at page 147 of the bill, H. R. 2667.

Senator BINGHAM. Paragraph 1101-a.

Mr. HAGENBARTH. Yes.

Senator SIMMONS. Are you arguing for any duty on carpet wools?

Mr. HAGENBARTH. No, I am not. The carpet men are using wools that we do not produce and they are not in competition with us, but we have safeguarded where there is a possibility of competition and we are going to ask this committee to safeguard us against such competition. There is no disposition on the part of the carpet manufacturers—

Senator SIMMONS (interposing). Have you any real grounds for believing that this competition will arise? How long has it been a fact that we did not produce carpet wools in this country? Has it always been so?

Mr. HAGENBARTH. Practically so.

Senator SIMMONS. Do you think, in view of the fact that we never have produced any, that we ought to legislate for a remote future contingency?

Mr. HAGENBARTH. The supply of carpet wools is being more or less limited, and the carpet men are now asking, and with entire justice, in our judgment, for the enlargement of the field of wools that may come in under this act, and it looks like, with the percentage of decrease in the world's production of carpet wools, that eventually the carpet men will have to use wools of a much higher grade that are in a measure competitive with our domestic wools. We have no objection to those wools even coming in and going into carpets. It is helpful to us. They enlarge the market for our competitive wools. Provided there is a clause in the law that will protect us from the use of those wools as competitive against wools used for cloth purposes. In other words, we would not want a tariff on domestic wool, to say quarter blood and low quarter blood grade, of 36 cents a pound, and have carpet wools compete against these wools with no tariff, but coming in as carpet wools. So Congress, and wisely, provided that the carpet men must show that it was carpet wool and went into carpets.

Senator SIMMONS. And if it goes into anything else it pays duty?

Mr. HAGENBARTH. Yes.

Senator SIMMONS. That is a different proposition.

Mr. HAGENBARTH. Mr. Chairman and gentlemen of the committee, in order that you may see with your own eyes what this competitive waste business means, we have selected a very few samples here that I want to submit to the committee and show why the wool growers are so concerned with the bringing in of these foreign wastes.

Senator GEORGE. How effective did you say the present tariff was? What percentage of the present tariff of 31 cents on raw wools?

Mr. HAGENBARTH. The weighted average, I would say, roughly, is about 13 per cent. We figure it 15 per cent. The Tariff Board figure—our figures derived from their figures, show 12.4 cents for the lower grades of rags and waste coming in in large quantities. On the higher protected wastes top, roving, slubbing, etc., the tariff is somewhat higher—not very dangerously competitive. For instance, on these wastes I hold in my hands, here is one termed, as in the first line of paragraph 1105 of the bill, "top waste, slubbing waste, roving waste, such as I hold here, which usually pay a fairly protective tariff, if not quite as much as they should be, by reason of the fact that these

wastes, these four wastes, have had the noils taken out of the waste material, and it is ready to go into production. There is a foreign waste that comes in competition with wool. Here are the others. This [indicating] is known as roving waste, prettier than any wool that is grown in this country.

That is what ruined the tariff of 1883. They took top wastes, this protected top waste, in England, and deliberately tore them to pieces, put them in sacks, and sent them to the United States at 10 cents clean duty, and ruined the industry.

That is one of the things we are trying to guard against. There is one sample I notice in here particularly. I do not want to bore the committee by going into this too far, but here is another waste that you would be interested in. This is garnetted waste made from yarns that come into the country, a little lower grade of wool, competing strictly against our quarter bloods, low three-eighths, and high quarter. Take that waste, Senator. In Vermont you do not raise any prettier wool than this, and in Kentucky, with your coarser sheep for mutton purposes, you do not raise any finer wool than that.

Here is a thing that will interest you very much. Noils, recombed noils, are deliberately made up by certain people over there, abroad, and shipped in as wool waste at a lower rate of duty to compete with wool. The fibers in these noils, and these are actually taken from imports, run from 2 to 4 inches, and compete strictly against our staple fine wools. Here is the domestic noils that Senator Simmons asked about a while ago. There is the domestic noil of the same kind. Compare them. You see how much finer the foreign has been prepared for our market.

Senator SIMMONS. Can not this condition that you describe there be protected against by a little closer scrutiny of it on the part of the appraisers?

Mr. HAGENBARTH. No; not as long as the basic rate is lower than the relative rate on wool. The appraiser has to follow the law and that is what we are complaining of. The rate on that wool is not high enough to protect the grower against this competitive article.

Here is the most interesting thing of all, and the thing against which our chief complaint lies, and of which the greatest quantity is gradually being imported from England today, I mean from abroad, and that is rag waste. Here is some taken right from the market imported into this country as rags, nice looking rags; there is part of an old sweater, a new sweater, but it looks like an old one. The first step when those are made is to have what they call stripe-out—taking the coloring out, provided they want a white waste. In other words, in instances where they can use it in its natural colors here, the shoddy made from those rags either here or abroad, is brought over at a very low rate. Those rags are a clean wool product, and after they are garnetted they are in this shape, shoddy, and those rags come in at 7½ cents a pound tariff as against 31 cents on wool.

Where in the world are we going to land as wool growers on a protective tariff with such competition as that? After this shoddy has been run through the stripping processes, as they call it here, you have the stripped shoddy, garnetted and stripped, and ready to go into goods, pure white, or that can be dyed red, blue, or any color

to be used in fabrics, or if wanted for a dingy gray can be used as is. Those are the three steps, and that is what we are complaining of.

Senator SIMMONS. Are those things infected?

Mr. HAGENBARTH. They are disinfected?

Senator SIMMONS. That is what I mean; disinfected.

Mr. HAGENBARTH. I really would not want to say about that; I do not know. Here is one other interesting thing. Here we have what is called the n. s. p. f. clause, not specially provided for, which takes in all the wastes that are not provided for. In this new tariff bill, the House bill, you will find card waste. Here is a card sliver which comes in the process of manufacturing card wool as opposed to worsted wools, broken sliver. It is made out of the shorter fiber wools. It is not as good as noils. It is not anything like top wastes, but do you know what they do with that over here? They get smart. They learn how to beat our tariff one way and another. They take this beautiful white corded sliver and take some of the real carding waste, a few seeds and a few hay stems, and you will see a little of it in here. This has not been carbonized, and they mix just enough of it so that the appraiser will call that carded waste, not specially provided for, at a much lower rate, 20 cents or 11 cents less than wool. Just look at that. All they have to do here is to run that through, take the hay and seeds and stuff out of it, and they have got that back again, manufactured waste, as good or better than a corresponding virgin wool.

Senator SIMMONS. In other words, it is slightly adulterated?

Mr. HAGENBARTH. Yes.

Senator SIMMONS. And it passes for a lower grade?

Mr. HAGENBARTH. Yes.

Senator SIMMONS. Can you remove the adulteration?

Mr. HAGENBARTH. Very easily, by simple processes.

Senator BINGHAM. What do you mean by the term, carbonized, as it occurs in the bill?

Mr. HAGENBARTH. You will notice some little wisps of hay and grass seed?

Senator BINGHAM. Yes.

Mr. HAGENBARTH. They put that through a sulphuric acid process that dissolves out that vegetable matter.

Senator BINGHAM. That dissolves the vegetable fiber?

Mr. HAGENBARTH. Yes, and does not hurt the wool fiber at all. Of course, this could be extended into infinite detail. So I think that unless the committee wants a little further illustration of this, I will stop. I have tried to touch the high spots only. It is a most interesting study. The cure for the whole thing, without going into oppressive details, is to put a tariff on the wastes relatively comparable with the tariff on raw wool, on virgin wool for protective purposes, and we can not do it any other way. You can not give your grower protection with the left hand and take it away in bunches from different grabs with the right hand.

Senator GEORGE. If this work is done, would you want an increase—would it be necessary to increase the duty from 31 to 34 cents?

Mr. HAGENBARTH. Yes; for reasons that we will give you later.

Senator GEORGE. But your basic premise is that importation of these wastes, etc., is the thing that prevents the tariff from being fully effective now.

Mr. HAGENBARTH. It is one of the basic things. It has an influence.

Senator BINGHAM. Before you get to that point, how far does the House bill protect you against this form of competition?

Mr. HAGENBARTH. I have it right here. That is 1105-a. As I said, you will find that these top wastes are put on the same tariff as wool, but it should be higher.

Senator BINGHAM. It should be higher than pure wool?

Mr. HAGENBARTH. Yes; because it has been partly manufactured. It has been carded out, combed, and put in this condition. Look at the farm wool that comes from your State and compare it with that and you will see the reason. That is made the first step. That has been first virgin wool, sorted, beautifully scoured. In order to protect American labor, if the tariff rate on wool was 36 cents, that ought to be 39 cents, in our judgment, to cover sorting, scouring, and so on down that line. These beautiful noils that I show you at 21 cents and these lister noils and recombed wools are worth more than wool, with up to 3 and 4 inch fiber, for manufacturing purposes, yet they are 10 cents lower than under the present wool tariff.

Senator SIMMONS. Have we not some manufacturers in this country that are using these wastes and noils almost exclusively in their operations?

Mr. HAGENBARTH. Yes; I believe we have.

Senator SIMMONS. Are they agreeing with you?

Mr. HAGENBARTH. No, they will not.

Senator SIMMONS. With reference to the increase of duty on noils?

Mr. HAGENBARTH. No; they will not, because they have started out to use those. That broaches a broad subject. The carded wool people, the woolen people, will oppose the growers increase on this, in my judgment, because this is their cheap raw material and they have a very great advantage. I dislike very much to attack another industry, and I do not want to be placed in that light, but to state the facts is not an attack, as I understand it, and this is in response to your question.

In the first place, they will pay a tariff, say, a weighted average on these wastes of 15 cents a pound. They are given a compensatory of 45 cents a pound. The worsted manufacturer pays his full duty of 31 cents when he brings in a foreign wool. The wool man pays, say, 15 cents, to be liberal, and they are both given the same compensatory, so that the wool man not only has the advantage of the cheaper method of manufacture as it is much cheaper to make woolen yarn than it is a fine twisted yarn, but they also have the advantage of a compensatory basis of high tariff though they do not pay. Why should they not object? I would if I were a woolen manufacturer, and I would strive every way I could to retain the present duty on waste because it not only gives me a greater advantage against my only competitor in the worsted line, but it also gives me a greater advantage, say, over the western, Middle West, and the eastern wool farmer's tariff on his wool. They would fight for that, of course. Any man would, and I do not blame them.

Senator BINGHAM. Before you go further in that 1105, I notice that paragraph (b) provides that "wastes of the hair of the Angora goat, Cashmere goat, alpaca, and other like animals, shall be dutiable at the rates provided for similar types of wool wastes."

That refers back to paragraph (a).

Mr. HAGENBARTH. Yes.

Senator BINGHAM. Do you intend to recommend any change in paragraph (b)?

Mr. HAGENBARTH. Yes, in paragraph (b). I have a change a little later, which we intend to ask—no, paragraph (b) is all right as that stands.

Senator BINGHAM. That stands as it is.

Mr. HAGENBARTH. But paragraph (c) is another one. There is a little question as to the wording there, whether it includes wools carbonized, or not. You may consider that as applying to wool wastes. We want it distinctly understood that wool and wool wastes carbonized are.

Senator BINGHAM. How do you suggest changing the wording there?

Mr. HAGENBARTH. We propose submitting to your committee a schedule of rates.

Senator BINGHAM. I would like to have you submit that now so that we would know just what you are talking toward, while listening to your argument.

Mr. HAGENBARTH. It should be wool and wool wastes. It is not inclusive. You could not construe that yourself.

Senator BINGHAM. Do you want it to read, "All the foregoing, and wool and hair of the kinds provided for in this schedule," and wool waste?

Mr. HAGENBARTH. They are speaking of Schedule 1105. There is where the trouble comes. When they say, "All the foregoing, and wool and hair of the kinds provided for in this paragraph," are they only talking of just in this schedule, one kind of wool and hair, or does it go back into Schedule 1102?

Senator BINGHAM. How do you want that to read?

Mr. HAGENBARTH. "All the foregoing, and wool and hair," as provided in Schedules 1101 and 1102.

Senator BINGHAM. The way it reads now, "of the kinds provided for in this schedule," you realize that schedule covers all the paragraphs beginning with No. 1100. Schedule covers everything.

Mr. HAGENBARTH. That is my mistake.

Senator BINGHAM. So you do not really need that.

Mr. HAGENBARTH. We do not need that.

Senator BINGHAM. If it said, in this paragraph, then you would want a change.

Mr. HAGENBARTH. Yes.

Senator BINGHAM. Schedule 11 is the old Schedule K we used to hear about. You really do not need any change there?

Mr. HAGENBARTH. No.

Senator BINGHAM. What is the change in paragraph (a). We want to get these specific changes down so that we may have them.

Mr. HAGENBARTH. On the basis of expanding the effect that the House has given us in the rate of 34 cents, we still feel and will convince this committee that 36 cents is the proper rate. on the basis of wool at 36 cents per clean pound content, "top waste, slubbing waste, roving waste, and ring waste," 39 cents a pound.

Senator BINGHAM. You want it raised from 34 cents to 39 cents?

Mr. HAGENBARTH. Yes. And garnetted waste, 36 cents a pound.

Senator BINGHAM. From 26 cents to 36 cents.

Mr. HAGENBARTH. Yes. Noils, 38 cents per pound.

Senator BINGHAM. Instead of 21.

Mr. HAGENBARTH. Instead of 21.

Senator BINGHAM. That is from 21 to 38.

Mr. HAGENBARTH. That is by reason of those combed and re-combed noils to cover the process of manufacture involved in making these noils.

Senator SIMMONS. That is your protection against raw wool and waste noils?

Mr. HAGENBARTH. Yes, the noils.

Senator SIMMONS. Does that include any protection against the manufactured product?

Mr. HAGENBARTH. No. Up to the point of noils.

Senator SIMMONS. In other words, that is the wool growers' protection, and to that must be added the manufacturers' protection?

Mr. HAGENBARTH. Yes. Thread or yarn waste, 29 cents.

Senator BINGHAM. From 18 to 29.

Mr. HAGENBARTH. Yes, 29 cents, but that does not include any n. s. p. f. It says there, "and all other wool wastes not specially provided for, 18 cents per pound." We want 36. Thread or yarn waste, 29.

Senator BINGHAM. After the comma, thread or yarn waste, 29 cents.

Mr. HAGENBARTH. Yes.

Senator BINGHAM. And all other wool wastes not specially provided for, n. s. p. f., raised from 18 cents per pound to what?

Mr. HAGENBARTH. To 26 cents.

Senator SIMMONS. What is your specific rate?

Mr. HAGENBARTH. That is 39 cents, but that includes some manufactures.

Senator SIMMONS. Did you give us the ad valorem equivalent?

Mr. HAGENBARTH. Based on the foreign price or the delivered American price? You want the foreign price?

Senator SIMMONS. Yes.

Mr. HAGENBARTH. The foreign price on fine carbonized noils?

Senator SIMMONS. The exported price.

Mr. HAGENBARTH. Eighty cents. It would be practically 50 per cent. Forty cents would be 50 per cent.

Senator SIMMONS. Ad valorem.

Mr. HAGENBARTH. Ad valorem.

Senator BINGHAM. Are those all the changes you want?

Mr. HAGENBARTH. No.

Senator BINGHAM. You have only got down to wool waste not specially provided for.

Mr. HAGENBARTH. From 18 to 36.

Senator BINGHAM. What next?

Mr. HAGENBARTH. Shoddy, 36 cents per pound.

Senator BINGHAM. You want that separate. After the word shoddy, line 10, in paragraph 1105, page 151, of H. R. 2667, you want 36 cents per pound.

Mr. HAGENBARTH. And mungo, 12 cents.

Senator BINGHAM. Shoddy is changed from 18 to 36 cents per pound.

Mr. HAGENBARTH. Thirty-six.

Senator BINGHAM. And mungo from 10 cents to 12 cents per pound.

Mr. HAGENBARTH. Yes; 12 cents. Now, wool rags, 29 cents.

Senator BINGHAM. From 8 cents to 29 cents?

Mr. HAGENBARTH. Yes. That is wool rags only. Flocks, 12 cents.

Senator BINGHAM. After the words, "wool rags," you want 29 cents, and after the word "flocks," a change from 8 to 12 cents.

Mr. HAGENBARTH. Yes.

Senator SACKETT. What does the word "flocks" mean?

Mr. HAGENBARTH. Flocks is a very low grade; it is a lower grade; wool flocks is a fine mesh stuff for filling felt, used for fillings, etc. Mungo and flocks are the very lowest grades.

Senator SACKETT. I thought it was sheep flocks.

Mr. HAGENBARTH. It would be a pretty good operation if we could get a tariff of 8 to 12 cents a pound on sheep.

Senator BINGHAM. On flocks of sheep?

Mr. HAGENBARTH. Yes. Roughly speaking, Senator Simmons, in respect to your earlier questions these wastes including the average ones, very good waste, which are better than wool, are paying in percentages about 40 per cent wool duty plus the compensatory, which is what you speak of.

Now, the grower is not occupying a selfish position in this statement, not trying to boost the tariff where he is not seriously hurt. If you will remember in 1922, as I stated, we gave our consent willingly to free carpet wools. In the present House bill, H. R. 2667, we gave our consent unwillingly, in a measure, as representing our western growers, although there are a great many still objecting to it in our own ranks, cutting the tariff on wools—and also protecting the wools not used for cloth purposes—to any serious extent, that we do not produce to any great extent in this country, from 36 cents to 24 cents. That is, 44's wools and of coarser fiber.

We do not desire to impose any burden on any line of the industry. Now, the woolen, or the carded wool people claim they want to use those wools. You have in your records for 10 years past, anyway, Mr. Moir and Mr. Dale, tirade after tirade against Congress and the wool growers protesting higher ad valorem rates on these low grades of wool. Theoretically, it appears high. In order to meet that, the grower at his own risk, if there is a risk, and I think there is some slight risk, has agreed to conform to that demand, and does not want to be charged with this high ad valorem, and we have consented to a reduction of 10 or 12 cents a pound in the duties of that group or character.

Senator SACKETT. What schedule does that come under?

Mr. HAGENBARTH. Under 1102. Now, if wastes are necessary in the industry, let us use our domestic wastes. We have in these wastes again another problem that I have not touched on, Senator Connally, in which you will also be interested. Texas and California and some of the other States, in fact, all of the western States, have short stubby wools. In the first place, Texas and California shear in many instances twice a year.

Senator BINGHAM. Senator Connally is not a member of this subcommittee.

Mr. HAGENBARTH. I thought he was.

Senator BINGHAM. He is on the agricultural subcommittee.

Mr. HAGENBARTH. Anyway, on its merits, Texas and California wools are sheared twice a year, and they are very short, an inch or three-quarters of an inch in length. There is no other use available for those wools except to go into the woollen industry. Our aged ewes also shear a very short, "fribby" wool. They do not grow wool comparable with young ewes, those with more valuable wools, as they are called. There must be a market for those. They are much cheaper than our staple or best wools.

Under present conditions, with the imports of foreign waste substituted for these wools, such stuff as this, those wools [indicating] are not going to have a market and the men producing them are going to go out of the picture if the present condition continues.

Many parts of California must shear twice a year, and we do not have to go abroad to bring over wools to find such materials as we grow here at home, and it will always sell at a lesser price than the long staple wools. It has always been so, because conditions make it so. They have that inherent disadvantage, and the other disadvantage is that competition against these wastes is very keen.

Senator SIMMONS. In regard to this very low-grade wool you speak of, which you say this comes in competition with, what State is that grown in?

Mr. HAGENBARTH. The largest crop of low-grade wool in any one State, I presume, is in the State of Washington. Idaho produces some.

Senator SIMMONS. Is that due to the breed of sheep?

Mr. HAGENBARTH. Yes; that is due to the breed of sheep. There are a few purebred coarse wool flocks in Ohio and elsewhere.

Senator SIMMONS. Is there any climatic condition there that would forbid them stocking their farms with a better breed from which to get the higher classes of wool?

Mr. HAGENBARTH. The climatic conditions forbid it. The merino has been unsuccessfully brought into the Willamette Valley. It is very moist and wet.

Senator SIMMONS. They can not improve their condition?

Mr. HAGENBARTH. Not much.

Senator BINGHAM. Is shoddy all wool?

Mr. HAGENBARTH. Yes, except uncarbonized shoddy, in some instances. In the case of some of these sweaters, some rags that go into shoddy may have a little cotton or other fibers. But there are two kinds, carbonized and uncarbonized shoddy.

Mr. Chairman and gentlemen, before closing the discussion on wastes, I want to place in the record a table which I have named table No. 1, showing the imports for consumption of wool wastes and by-products into this country under the acts of 1890 and on down to those of 1922 and 1928.

(The table referred to is as follows:)

TABLE 1.—Imports for consumption—Total wool wastes and by-products ¹

	Quantity	Value	Value per pound	Equivalent ad valorem rate
Annual average:	<i>Pounds</i>			<i>Per cent</i>
Act of 1890.....	481,413	\$172,449	\$0.358	47.18
Act of 1894.....	26,776,800	3,265,033	.122	.29
Act of 1897.....	396,306	130,598	.330	54.03
Act of 1909.....	414,394	175,970	.425	36.61
Act of 1913.....	9,950,525	2,937,855	.295	1.55
Act of 1922.....	² 30,563,752	13,246,048	.433	28.74
Calendar year:				
1927.....	31,688,287	13,189,306	.416	28.47
1928.....	35,060,849	15,109,256	.431	26.94

¹ Total of Tables 1-a, 1-b, and 1-c.² Because of the emergency act.³ Sept. 22, 1922, to Dec. 31, 1927.

TABLE 1-A.—Wool noils, carbonized and uncarbonized

	Quantity	Value	Value per pound	Equivalent ad valorem rate
Annual average:	<i>Pounds</i>			<i>Per cent</i>
Act of 1890.....	30,354	\$12,536	\$0.413	72.03
Act of 1894.....	3,073,923	719,954	.196	.64
Act of 1897.....	171,961	64,380	.374	53.42
Act of 1909.....	179,046	105,506	.589	33.94
Act of 1913.....	2,146,395	1,481,093	.690	13.05
Act of 1922.....	² 8,381,272	5,444,240	.650	29.76
Calendar year:				
1927.....	8,317,762	5,304,967	.637	30.17
1928.....	8,808,885	6,293,869	.714	27.27

² Because of the emergency act.³ Sept. 22, 1922, to Dec. 31, 1927.

TABLE 1-B.—Top, waste slubbing waste, roving waste, ring waste, garnetted waste, thread or yarn waste, and all other wool wastes not specially provided for

	Quantity	Value	Value per pound	Equivalent ad valorem rate
Annual average:	<i>Pounds</i>			<i>Per cent</i>
Act of 1890.....	135,744	\$50,479	\$0.372	80.67
Act of 1894.....	7,012,418	1,569,906	.224	.25
Act of 1897.....	131,664	45,897	.349	58.61
Act of 1909.....	50,698	19,452	.384	62.19
Act of 1913.....	2,174,352	719,377	.331	1.06
Act of 1922.....	² 5,392,417	2,939,424	.555	31.53
Calendar year:				
1927.....	4,434,551	2,262,354	.510	32.36
1928.....	4,428,279	2,546,640	.575	26.17

² Because of the emergency act.³ Sept. 22, 1922, to Dec. 31, 1927.

TABLE 1-C.—Wool rags, mungo, and flocks

	Quantity	Value	Value per pound	Equivalent ad valorem rate
Annual average:	<i>Pounds</i>			<i>Per cent</i>
Act of 1890.....	315, 315	\$109, 432	\$0. 347	28. 81
Act of 1894.....	16, 080, 459	975, 173	.061	.08
Act of 1897.....	92, 681	20, 321	.219	45. 61
Act of 1909.....	184, 650	51, 012	.276	36. 20
Act of 1913.....	5, 629, 778	737, 335	.131	
Act of 1922.....	16, 790, 063	4, 862, 384	.290	25. 90
Calendar year:				
1927.....	18, 935, 947	5, 621, 985	.297	25. 26
1928.....	21, 823, 085	6, 268, 747	.287	26. 11

Mr. HAGENBARTH. Further, before I forget, I want to place in the record also the figures given by the United States Department of Agriculture, the Bureau of Agricultural Economics, Market News Service, showing the quotations on wool on June 15, 1928, and June 15, 1929, which show a decrease in wool prices for the domestic woolgrower in those 18 months, or that year, of from 20 to 27½ per cent.

Senator SACKETT. How much of that do you want to print?

Mr. HAGENBARTH. The market quotations on wool.

Senator SACKETT. It does not include those two whole sheets, does it?

Mr. HAGENBARTH. I can reduce it, or indicate it by reference.

Senator SIMMONS. Is it the result of the general decline in the value of agricultural products? Or is that the result of a lack of an adequate protection?

Mr. HAGENBARTH. Both.

Senator BINGHAM. With the consent of the witness, this will be referred to in the record, since it is a Government document, by a proper reference, and the Department of Agriculture will be requested to supply the committee with sufficient copies for its use.

Mr. HAGENBARTH. I was going to say, if its suits the Senator better, we can put it in our brief and boil it down and take out some of the stuff.

Senator BINGHAM. You might boil it down, but the document will not be put in as a whole, but simply noted by reference.

Senator SIMMONS. Inasmuch as those are the figures showing the prices of wool, I think it would be well to have it incorporated in the testimony.

Senator BINGHAM. We would like to have it incorporated in the testimony; that is, the general figures.

Senator SIMMONS. It will be much more accessible to us if it is in the hearings than if it is in a separate document.

Mr. HAGENBARTH. If we put that in the brief, will it be satisfactory?

Senator SIMMONS. Yes.

Mr. HAGENBARTH. To answer your question, Senator Simmons, there are three main principles involved in a ready answer. One is the decline in the prices of wool abroad which, of course, are correspondingly reflected in the United States.

There has been a decline, but not nearly so serious in amount as in the United States, in the Boston market particularly, for reasons best known to the trade.

Secondly, and in a large measure, we feel that it is owing to the imports of these wastes that we are complaining about and the absorption of our competitive market by foreign wastes that are substituted for our wools, and the demand for those wools that has resulted.

And in the third place, reasoning by analogy, as I pointed out a moment ago, the woolen manufacturer has the advantage of low prices on his raw materials, very low, as compared to those on wool. He has the advantage of a high compensatory rate, relatively, or comparatively.

He has, following the 1922 tariff act, been bringing these wastes in and manufacturing a cheaper, and I say, an inferior class of goods, to meet the demand for cheap products in this country, and they are cheap in every way except specialties.

That has made very hard sledding for the worsted manufacturer. You will find that the worsted men from 1922 and 1923 on had hard sledding for two or three years.

And then they felt that they had to meet this competition, this competitive demand of the woolen industry for cheaper clothes, so they trimmed and cut, and a good many of them in doing that trimming and cutting went into their surplus and went into the red, and made annual losses in their statements, which you men are familiar with.

Then they figured that they had to meet the woolen competition by buying cheaper wool, and they practiced the economies they have made, and they have been unloading the burden on the woolgrower and the wool producer of lower prices so they would get cheaper material to meet this competition. They have thus set up a vicious circle, with cheaper and still cheaper wools as the momentum.

The woolen man must reduce in order to meet this worsted competition and get the trade, but just now the worsted man has the best of it. He bought his wool so low from the western woolgrower that he is able gradually to overcome that disadvantage, but the woolgrower is bearing the burden. Prices have been cut, as I have just suggested—

Senator SIMMONS. Does not your statement amount to this, that there has been a world-wide decline in the price of wool?

Mr. HAGENBARTH. Yes, sir; but not to the extent that it is in this country.

Senator SIMMONS. I understand. That does not account, you say, for the decline in this country.

Mr. HAGENBARTH. No, sir; only partially.

Senator SIMMONS. If the decline in this country had been relatively the same as in other countries, wool would have been lower here as in other countries?

Mr. HAGENBARTH. That is right; just relatively.

Senator SIMMONS. The difference between the decline abroad and here is the result of manipulation of the tariff by the manufacturers as against the woolgrowers; is that not true?

Mr. HAGENBARTH. You can put it that way; by the introduction of wastes into the woolen industry.

Senator SIMMONS. That is rather a manipulation by the manufacturer against the woolgrower?

Mr. HAGENBARTH. Yes, sir; in a measure.

Senator SIMMONS. You want to protect yourself against that manipulation as far as you can?

Mr. HAGENBARTH. Yes, sir.

Senator BINGHAM. Would not the phrase "closing the loopholes" be a little better than "manipulation"? It is not so much manipulation as it is on account of the loopholes which the previous tariff did not provide against, but which have been taken advantage of, and in that sense it is a manipulation.

Senator SIMMONS. The Senator wants you to sugar-coat it a little bit.

Mr. HAGENBARTH. No; that is the plain fact.

Senator BINGHAM. With all due respect, if the word "manipulation" is the proper term, let us have the word "manipulation"; but so far as I can understand the testimony of the witness, it was not so much manipulation as it was the discovery of loopholes.

Mr. HAGENBARTH. Yes; and perfectly legitimate under the present law.

Senator BINGHAM. Take the word "noils." As I understand that, it means these short pieces, and when you introduce a noil 6 inches long you are really getting into a loophole. If we defined noils by length and said a noil of such and such a length, that would meet your case, would it not?

Mr. HAGENBARTH. I think so. That leaves it a subject of administration, and it is rather difficult to determine the length of a noil by that sort of provision, so that we have tried to protect ourselves against that.

Senator BINGHAM. If it were provided that a noil should not be more than 1 inch long, for instance, I think that would meet your situation.

Mr. HAGENBARTH. Provided it can be administered.

Senator GEORGE. How have the manufacturers gotten along, taking advantage of all the loopholes?

Mr. HAGENBARTH. Not so well.

Senator GEORGE. If they did not take any advantage of loopholes, how would they get along?

Mr. HAGENBARTH. It would be on an entirely different basis. It would be on a higher grade competitive basis all along the line, and they could not go to the extreme competitive lengths they have gone to, with the advantages they have had.

Senator GEORGE. Who would pay for it? You are paying for it now, as I understand it, because the manufacturer runs in and out of these loopholes, and he is getting along poorly. If we stop up all the loopholes, there is going to be a higher basis of competition all around, and somebody has to pay for it. Who will pay for it?

Mr. HAGENBARTH. That is a very broad economic question, Senator. I can answer it very briefly.

I have naturally supposed that one of the reasons which you are leading up to is that the consumer pays.

Senator GEORGE. That would interest me somewhat.

Senator BINGHAM. The consumer always pays; we admit that.

Mr. HAGENBARTH. We are interested in that, and we feel that that is a legitimate question. Today, for instance, the Richmond people here are manufacturing an all-worsted suit which is retailed at about \$22.50. Comparable suits made out of comparable wools, sold in other stores are selling from \$35 to \$45 per suit, or from 50 to 100 per cent increase. The trouble there is not so much with the tariff on wool as it is with our method of distribution and our expensive method of shopping, buying our clothes.

If we were to have a theoretically proper market, with proper costs, with the elimination of all these intermediate expensive steps, the American consumer would never quarrel about cost.

At the very best, Senator, taking all the wool in a 10 or 12 ounce suit, such as some of us are wearing today, and taking the tariff and everything involved in the whole process pertaining to the wool-grower, his protection would not raise the cost of that suit to exceed \$1.50 per suit, taking the high level, and in many instances it would be less than a dollar. That is the direct answer to the question.

Senator SACKETT. How do you account for the difference between the price of the product of the Richmond concern and the others?

Mr. HAGENBARTH. They manufacture and directly sell to the consumer, without any intermediate steps.

Senator SACKETT. If they sold a pure all-wool American production suit they would sell it for about \$26.

Mr. HAGENBARTH. It would not make that much difference, on the basis of the tariff we are asking for; but, say, \$23.50. It would not be more than that.

Senator SACKETT. Then if other people went into the same methods of selling they would sell that wool suit for \$25; they could do that just as well, could they not?

Mr. HAGENBARTH. Yes. The whole thing has gotten on a lower level through competition, and the millmen have made largely their own troubles, and it is a sad state of affairs.

Senator GEORGE. Are there any like economies that might be effected by the growers themselves in handling their products?

Mr. HAGENBARTH. Yes; there is only one more economy, and that is economic, in line with the stabilization idea and the cooperative idea, that could be made.

Under the provisions of the Capper-Volstead Act, providing exemption of labor and the agricultural industry from the provisions of the Sherman antitrust law, the growers could pool their wools and hold them and distribute them gradually, and prevent these things which have been happening, and thus get the full measure of the tariff. That is a step, first, in advance. But so far as the economy in production and efficiency in production are concerned—

Senator GEORGE. I did not mean that.

Mr. HAGENBARTH. He has reached the limit.

Senator GEORGE. I meant in his distribution.

Mr. HAGENBARTH. Yes, there is the place where he can improve, and we are working on that as seriously as we can. It is a hard job, because the wool grower, the farmer is an individualist, and it is a hard job to make him see cooperatively.

Senator SIMMONS. I am glad to hear you frankly admit that where the tariff is 100 per cent effective it is passed on to the consumer. I think that that is a great advance that the protection advocates

have made in this country, in making a clean breast of that, and admitting that that is true, because it is true. Of course, you are not responsible for the broad spread between the factory prices of your product and the consumer's price. Part of that is the result of the tariff, that is, part of the spread is the result of the tariff.

But largely, as you say, the major part of it, I should say, is due to our system of distribution, which places a very heavy burden in itself upon the consumer.

It seems to me that what we would like to have is just the extent to which the tariff enhances the price of a specific article.

Senator BINGHAM. Like a suit of clothes.

Senator SIMMONS. Yes; against which the tariff is effective.

Senator BINGHAM. I am glad that the Senator has brought that out, because I think it is very important, since we know that when, for instance, there is a duty of \$2, the retailer tells the consumer that owing to the duty he has to charge him \$5 more.

Senator SIMMONS. If we knew to what extent the tariff advanced the cost of a suit of clothes, and we found that that suit of clothes, as sold to the consumer was \$10 more than the tariff, then we would know that the \$10 in that spread was the result of our defective processes of distribution.

Mr. HAGENBARTH. The Tariff Commission has made an exhaustive and splendid study of that very subject, which I tried to get before the hearing before the Committee on Ways and Means, but was unsuccessful. But the facts are that the cost of clothes, of a very high-grade suit, as good a suit as you can get, except a tailor-made suit, on the wool is around between 7 and 8 per cent, according to the weight and character of the cloth. That is, as far as the woolgrower is concerned; that is the way we have worked that out, amounting to 7 or 8 per cent of that cost on a properly merchandised suit, sold at retail, allowing 50 per cent overhead and profit to the retailer after he takes it from the clothier.

Senator SIMMONS. The manufacturers ought to be able to work that problem out with very little difficulty.

Mr. HAGENBARTH. The Tariff Commission has made a good study of that.

Senator SIMMONS. If you could give us a few outstanding articles to show the full extent to which the tariff enhances the value or the amount of the cost of that article, and compare that with the ordinary retail selling price, or the wholesale selling price, I should think that that would be very helpful.

Mr. HAGENBARTH. That is available, Senator.

Senator SIMMONS. If you could give us some examples and incorporate that in your statement, I think that it would be very helpful.

Mr. HAGENBARTH. All right, Senator.

Senator SIMMONS. You would remove many obstacles that we encounter when we come to deal with this very complicated section of the bill.

Senator BINGHAM. I have interrupted you a good deal, along with other members of the committee. How much more time do you need to present your case?

Mr. HAGENBARTH. I can finish very quickly.

Senator SACKETT. Before you start to finish, may I ask you if the \$1.50 on a suit of clothes refers to the whole tariff on the wool, or does it just refer to the amount of increase you are asking for?

Mr. HAGENBARTH. No; that is the whole amount that goes into it, tariff and all.

Senator SACKETT. That would reflect the present increase in waste and wool, and the 36 cents which you ask for, in the value of an ordinary suit of clothes?

Mr. HAGENBARTH. On clean wool. I would say, taking a 11-ounce suit, it would probably be around 12 or 15 cents.

Senator SACKETT. That would practically exclude this waste and give it to the wool grower.

Mr. HAGENBARTH. Yes, sir.

Senator SACKETT. And the amount of the wool grower's increase in tariff rates would be 15 cents?

Mr. HAGENBARTH. As a maximum, I should say, without having a pencil and taking paper and figuring it out.

Senator SACKETT. I wanted to bring that out.

Senator SIMMONS. That is, the duty on the raw wool that enters into the suit?

Mr. HAGENBARTH. Yes, sir; it would increase not the total amount, but the enhanced value of the wool carrying the increased duty.

Senator SIMMONS. Then you want to add to that the manufacturer's duty.

Mr. HAGENBARTH. I hope you will not hold me to that, because you have available—

Senator SIMMONS. I am not asking you to give it now.

Mr. HAGENBARTH. All right.

Senator SACKETT. Of course, the raw wool increase would not increase the manufacturer's duty particularly.

Mr. HAGENBARTH. It would go down through the compensatory duties, Senator. It is a specific amount, and it would come right back to the ultimate cost. You can not avoid that. I will not attempt, Mr. Chairman, to go into the specific changes we are going to ask for in paragraphs 1101 and 1102.

Senator BINGHAM. I wish that you would do that. I want to know about that.

Mr. HAGENBARTH. We can submit that in our brief. I do not want to consume your time.

Senator BINGHAM. Let us have those changes, beginning at the beginning with paragraph 1101.

Mr. HAGENBARTH. Paragraph 1101 provides for the admission of 40s, and not finer than 44s. They ask for a 10 per cent tolerance for 44s. We want to have that stricken out and the carpet men agree to that, as I understand it.

Senator BINGHAM. The proviso reads:

Provided, That a tolerance of not more than 10 per centum of wools not finer than 44s may be allowed in each bale or package of wools imported as not finer than 40s.

Mr. HAGENBARTH. That is what we want stricken out.

Senator BINGHAM. That is language put in by the House, and you want that stricken out?

Mr. HAGENBARTH. Yes, sir; we want that stricken out.

Senator SIMMONS. Is that to go out because the House gives you more than you asked for or wanted, or did you ask for that?

Mr. HAGENBARTH. No; the shoe is on the other foot, Senator. That 10 per cent is against us. It opens the door. Who is going to be able to tell whether it is 10 per cent or 20 per cent?

Senator SIMMONS. I thought you were very generous, but I see you are asking for some things in your own interest.

Mr. HAGENBARTH. If we are going to have a protective tariff, we have to have it—

Senator SIMMONS. I am not complaining; I just wanted to find out.

Mr. HAGENBARTH. Now, in reference to—

Senator SIMMONS. Before you leave that, is anybody going to object to striking that out?

Mr. HAGENBARTH. The carpet men are here and they will speak for themselves. I do not think there will be—at least there should not be any objection.

Senator SIMMONS. There may be, however?

Mr. HAGENBARTH. Yes, but I do not think it is very strong. On the clean waste at 24 cents, Senator, the sorts and matchings should be 25. That is line 17, page 192.

Senator SACKETT. Is the 24 cents a change?

Mr. HAGENBARTH. No; that is the way it is now.

Senator SACKETT. Do you want that changed?

Mr. HAGENBARTH. Matchings should be 25.

Senator SACKETT. Take line 19; that should be what?

Mr. HAGENBARTH. Twenty-five. I wish you would make a note of that, Senator Simmons; we are reducing that a cent a pound.

Senator BINGHAM. What is the object of that?

Mr. HAGENBARTH. There is not 2 cents labor in that.

Senator BINGHAM. You are satisfied to have the scoured 24 cents?

Mr. HAGENBARTH. No: the scoured should be 27. That covers material and labor, 2 cents.

Senator BINGHAM. You are asking for 27 instead of the rate provided in the present bill, 24 cents?

Mr. HAGENBARTH. That is the actual scoured wool.

Senator BINGHAM. Then so far as matchings are concerned, you are content to have that 2 cents cheaper than the scoured?

Mr. HAGENBARTH. Yes; there is labor and material involved in the scoured. That may be a trifle high. You will get that information later from others, probably from Mr. Eavenson, who is here, and who is an expert scourer.

Senator BINGHAM. What is the next?

Mr. HAGENBARTH. In line—

Senator BINGHAM. Read the words.

Mr. HAGENBARTH. It reads, "And if within four years from the date of importation or withdrawal from bonded warehouse," and so forth.

Senator BINGHAM. That is page 193, line 2. Go ahead. That provides for four years.

Mr. HAGENBARTH. We want that three years.

Senator BINGHAM. You want that back to where it was before?

Mr. HAGENBARTH. We want that three years. We see no objection to that, inasmuch as it is now the practice of the administration that the Secretary of the Treasury, at his discretion, may allow one

more year, as governed by the circumstances: This last paragraph would cover it:

Provided further, That the Secretary of the Treasury—

Senator BINGHAM. This is additional language?

Mr. HAGENBARTH. Yes, sir. [Reading:]

may, in his discretion, extend the time, not exceeding a period of one year, for the final use of said yarns in the manufacture of rugs, carpets, or any floor covering.

Senator SACKETT. Why do you go to that trouble to make it three and then give them the right to make it four? Why not leave it four and have it done with? What is the reason? That is what I want to get at.

Mr. HAGENBARTH. The law as it now stands provides that yarns, carpet wools spun into yarns, shall have their duties refunded when they are in the yarn state. The law heretofore has always contemplated, that is, since 1922, that they must always go into the finished carpet, and that is what we are getting back to, that they must go into the finished carpet. If we left it as it stands, with four years for carpet yarns, and the duties to be refunded, and permitted those yarns to remain there, it might be not four years, but it might be ten, fifty, or a hundred years. As the law now reads, being wide open on yarns with no time that they must ever go into carpets, they might do it within my lifetime or yours.

Senator SACKETT. Why do you not put the other into carpets within four years?

Mr. HAGENBARTH. That is what this is.

Senator SACKETT. You want to change it to three?

Mr. HAGENBARTH. No; it is three in the present law, and the House bill made it four.

Senator SACKETT. Why not extend it to four?

Mr. HAGENBARTH. The carpet men will argue that before you. We have gone into it very thoroughly, and we are in accord with the carpet men. It is more a question there between the yarn men, and the carpet men, the manufacturers, that is the manufacturers of the woven carpet, than it is with our men, but we would not like to have it left wide open by the yarn provision.

Senator SACKETT. My only thought was as to whether there is any use in putting this additional duty on the Secretary of the Treasury. He has a good deal to do in connection with this bill as it is, and it seems you could just as well make it four years and have done with it, just as to the question of time.

Mr. HAGENBARTH. This virtually in effect carries out the present practice.

There has been considerable complaint here about extending any privileges whatever, or comfort to a certain group of individuals, possibly, to the manufacturers of textiles or otherwise, as contradistinguished from agriculturists, and there has been a specific complaint against the carpet schedules in some quarters, and in order to meet that reasonably this provision was written in.

Fourth, and this we have serious objections to, as a matter of principle, a matter of administration, and as opening the door again to things that may happen that we know not of, and that is in the

same schedule a provision with reference to knit or felt boots, or whole, heavy fulled lumbermen's socks.

Senator BINGHAM. That was new language put in by the House?

Mr. HAGENBARTH. Entirely new. It did not come up before the Ways and Means Committee, to my knowledge, or to the knowledge of any one I have met, and it has come right out of a clear sky.

Senator BINGHAM. You want the language stricken out?

Mr. HAGENBARTH. Entirely eliminated. There is no reason that we can see why free wool should have been given for use in knit or felt boots or heavy fulled lumbermen's socks whatever, and it can not be administered, in the first place, in our opinion.

Senator SIMMONS. Are they made of these wools?

Mr. HAGENBARTH. They use different kinds of wools and they want all these wools in 1101—

Senator SIMMONS. They are not made out of these carpet wools, are they?

Mr. HAGENBARTH. Yes; some of them.

Senator BINGHAM. Was that put in on the floor of the House, or was it a committee amendment?

Mr. HAGENBARTH. I do not know whether it was put in on the floor of the House or not.

Senator SIMMONS. The inclusion of that provision must have been based on the idea that the wool going into the manufacture of those socks came in free.

Mr. HAGENBARTH. They put in wools that are used in those socks, and for felt boots, and so forth; any of those wools so used are free, under this amendment, when they are used that way, or their duty is remitted.

Senator BINGHAM. In other words, that provision just destroys that much of your protection on your market?

Mr. HAGENBARTH. It may. We can not see any occasion for it, as it opens the door.

Senator SACKETT. It provides another loophole.

Senator SIMMONS. Your theory is that they may use dutiable wools in the manufacture of those socks?

Mr. HAGENBARTH. Yes; it opens the door, and we have had so much experience since 1883 in these cracks that become large floodways that we are afraid of them.

Senator SACKETT. If it should appear that those wools are not the material of which those things are made, your criticism would not amount to anything?

Mr. HAGENBARTH. No; it probably would not, only as a matter of principle. Those people will undoubtedly give your committee their reasons for asking for that. We are opposed to it for the reasons that I have given.

In paragraph 1102 (a) we ask for the same correction there as to scoured wools and matchings and sorts.

Senator BINGHAM. That is page 194, line 20.

Mr. HAGENBARTH. Clean content should be 24 cents, sorted or matchings should be 25 cents, and scoured, 27 cents.

Senator BINGHAM. In paragraph 1102 (a), in the third line, you want scoured changed to what?

Mr. HAGENBARTH. Changed to 27 cents.

Senator BINGHAM. And you want sorted and matchings now 26 cents changed to 25 cents?

Mr. HAGENBARTH. Yes.

Senator BINGHAM. What other change have you to suggest.

Mr. HAGENBARTH. That is all there.

Now, I want to take up the matter of the 10 per cent tolerance. This is a sore question.

When the wool grower said that he waived protection, or any contention in reference to the lowering of the tariff rates on the lower grades of wool, 44s and below, he did not mean 46s and 48s and higher grades of wool.

I find here in that tariff bill that has been written that there has been written in a 10 per cent tolerance. That is to say, the bill says that on the one hand you can bring in 44s, but we will allow you to overstep and bring in 10 per cent of the higher grades.

Senator BINGHAM. That would go up to 48s?

Mr. HAGENBARTH. 46s or 48s, possibly.

Senator SIMMONS. What are the conditions under which that may be permitted? Is it arbitrary?

Mr. HAGENBARTH. It is a question of administration and control. A man like you or myself looks at a bale of wool bound with iron hoops, and covered with bagging, and he can not tell whether 10 per cent of that is competitive with American wool; over 10 per cent of it may be, for all that he knows. He has to open that up and look through it and grade and sort it to see whether it is 10, 18, or 25 per cent. It is not a feasible proposition. If we mean 44s, let us stick to 44s.

Senator SIMMONS. As the bill is written the application of that 10 per cent provision would be arbitrary.

Mr. HAGENBARTH. Yes, on the part of the administrator.

Senator SIMMONS. Yes; that is what I mean.

Mr. HAGENBARTH. At the best that is, under the present practice of the Treasury Department—and I say it is fair—even under the present practice of the Treasury Department that wholly is an administerable function of the appraiser and they allow, as an administerable function of the appraiser a leeway of about 8 per cent. If we give 10 per cent by law, and this other 8 or 10 per cent develops by practice or custom or leniency, we would have 18 or 20 per cent, then we have destroyed the thing that we are trying to prevent. So let the law say 44s, say what we mean, and cut out this opening of the doorway.

Senator BINGHAM. You want the proviso stricken out.

Mr. HAGENBARTH. We want the proviso stricken out; yes.

Senator SIMMONS. Really that would simply write in the appraiser's right to raise the grade.

Mr. HAGENBARTH. And then use discretionary power, Senator. They are human and reasonable, the same as we all are, and no man in the world could say that a bale of wool had 10 per cent and not over 10 per cent of 46s, the same trouble would still remain.

Senator BINGHAM. You believe if that proviso is put in it would be an invitation?

Mr. HAGENBARTH. We do not know how far it is going to lead; we are afraid of it.

Senator BINGHAM. What is your next suggestion?

Mr. HAGENBARTH. In paragraph 1102 (b), wools, not specially provided for; we want it 36 cents; it is 34 cents in the House bill.

Senator BINGHAM. You want it 36 cents?

Mr. HAGENBARTH. Yes, sir. And matchings 1 cent addition, and scoured 3 cents additional.

Senator BINGHAM. You want matching 37 cents, do you?

Mr. HAGENBARTH. Yes, sir, and scoured 39 cents.

Senator BINGHAM. That is 5 cents additional.

Mr. HAGENBARTH. No; we are asking for 36.

Senator BINGHAM. I thought you said 39.

Mr. HAGENBARTH. As a basic rate first. It is 34 cents in the House bill, and we ask that that be made 36 cents.

Senator BINGHAM. What is your next suggestion?

Mr. HAGENBARTH. In paragraph 1103—

Senator SACKETT. Why do you want those changes in that schedule? There is no evidence; it is just a request.

Mr. HAGENBARTH. Our briefs will contain that.

Senator BINGHAM. We would like to hear it.

Senator SACKETT. That is the main thing.

Senator BINGHAM. And we want everybody else to hear it so that they may answer without having to wait until the brief is printed.

Mr. HAGENBARTH. In the House hearings we were attempting to show, and believe we did show, with justice, that the grower was entitled to 36 cents per pound.

The National Farm Bureau and some other farm agencies asked that it be made 40 cents per pound. We computed our costs in the west, not by guess, but by actual auditing, and in many instances an actual finding of the costs, and we found that it cost us 39.93 cents to produce our wool in the grease, practically 40 cents.

Those figures are in the House brief, and we will submit them here if you wish to have them. They are not very elaborate and long, but when the House committee made their report on that bill they reduced our costs figures about 2 cents a pound to begin with, and then they took the comparable foreign costs for our grades of wool, and they increased them so as to hit us both ways. We were put up, competitively, with Australian costs of production, which, by the way, are entirely wrong in the House bill, and South America is our chief competitor, and those rates were changed by changing the costs of bringing the wool up to this country, and we lost a cent and a quarter a clean pound on the South American costs. By averaging costs in Australia, which is only a competitor in fine merinos, with the South American wools, South America being our chief competitor in the medium grades—that is the way that they did it.

Senator GREENE. I wish Vermont had merino sheep again.

Mr. HAGENBARTH. Yes; I think that the time is coming, Senator Greene, when you will have them; if we can keep this tariff bill for wool where it belongs and get rid of some of the dogs up there we can have them.

Senator BINGHAM. Do I understand that this subparagraph (b) particularly applies to merino?

Mr. HAGENBARTH. No; wools higher than 44's.

Senator BINGHAM. So this provides for all grades of wool of the better quality?

Mr. HAGENBARTH. Yes. Now, the period over which these cost figures were taken, Mr. Chairman and Senators, unfortunately for us in our showing did not contain any of the superb years that we have occasionally in this country, and particularly in the West, such as heavy winters. And as it happened, this past winter was one of those winters that we get about every five years.

We have here Mr. Wilson, the secretary of the Wyoming Wool Growers' Association, who will address you on the matter of costs more in detail, and also Professor Vass, of the Wyoming Agricultural College, who has made an intensive study, since 1922, along these lines, entirely apart from our jurisdiction, under a State educational organization, which he will submit to you, giving the costs in Wyoming as fairly representative of the Rocky Mountain area. We have additional figures from Utah, Idaho, and other States out there showing the effect of this terrific winter we had last year, when averaged over a period of years, to make a normal showing.

There is a little book I saw the other day, and some of these funny pictures in the paper, entitled "Believe It or Not," showing that in Wyoming last winter, and parts of Idaho, the sheep ate their wool crop for two years in the way of feed; they had to bring in corn from Iowa, Nebraska, and shipped in alfalfa from all over the country, and that they either had to lose their sheep or feed them.

Professor Vass will submit these figures, and I do not want to go into his territory. I am simply trying to show the Senator from Kentucky one of the reasons why we want to supplement the House costs in our brief and show that the woolgrower is not only entitled to 36 cents—and that is all we are going to ask and that is all we will get, if we get that—but is entitled to over 40 cents upon the basis of the difference in the cost of production at home and abroad.

The Tariff Commission is weak in its statement on foreign costs. Fortunately, we have a gentleman here who was a Government agent until last year; he is now secretary of the Ohio Wool Growers' Association. He has recently returned from a trip through New Zealand and Australia, and he has some costs that are worth something. He has not reached up and grabbed them out of the air and written them down on a piece of paper, but he has been there and gotten the costs at first-hand. We are going to submit them in lieu of the costs submitted by the House bill 2667, which are not worth a cent.

Senator SACKETT. Can you show a rising tide of importations under the present tariff bill?

Mr. HAGENBARTH. I gave that statement to the reporter awhile ago, and he has that statement, as applied to wastes.

Senator SACKETT. As applied to wools?

Mr. HAGENBARTH. Wools are not coming in so much, only the specially fine merino wools, except in one or two cases, where they are coming in in large volume.

Senator SACKETT. My point is this: If we come to this idea and put this tariff on waste that you want, then is there any such importation of wools that would require a raise in the tariff on wools, aside from the cost of production?

Mr. HAGENBARTH. The difference in the cost of production at home and abroad.

Senator SACKETT. You have that, and this tariff is to be limited to those industries that are suffering by reason of the importations of foreign articles.

When you count out the rags and the other shoddies you have, or whatever those things are, then you have to have some reason for raising the tariff upon the raw product itself. I was trying to find out whether there was a growing importation, or whether there was not.

Mr. HAGENBARTH. The importation of wool, Senator, certainly would be less by reason of the wastes that are coming in and being substituted. If those wastes had not come in, instead of the amount being 70,000,000 pounds of wool there probably would be 150,000,000 pounds.

Senator SACKETT. That is what I wanted to bring out.

Senator BINGHAM. As I understand it, they import a good deal of high-grade waste at the present time.

Mr. HAGENBARTH. Yes, sir.

Senator BINGHAM. A lot of it is coming in?

Mr. HAGENBARTH. Yes; about one-third wastes and two-thirds rags.

Senator BINGHAM. Do we export any?

Mr. HAGENBARTH. We export hard waste.

Senator BINGHAM. We export low-grade waste?

Mr. HAGENBARTH. Yes; that class of waste, rags, mostly. I do not think that we export any waste particularly except worsted rags made from worsted cloth.

Senator BINGHAM. We actually have that to export?

Mr. HAGENBARTH. Yes; we export several million pounds of those rags, and we import the other rags from Europe.

Senator BINGHAM. I am not familiar with this subject and I can not quite understand how it is we are exporting low-grade waste when you are asking for additional tariff on it.

Mr. HAGENBARTH. They are entirely different classes of rags. We do not get anything as fine, roughly, as these noils that we have laid down there, and these other wastes from our domestic wools. You take a suit such as I have on, of worsted, or a suit like this gentleman has, that is made of a light open worsted, made out of a hard twist, that cloth does not make the soft weight that you get from the European soft wool rags, made from spun articles.

In America we used to wear woolen underwear, like Jaeger or similar goods, very soft woolen underwear.

Senator BINGHAM. And red flannel was worn at one time.

Mr. HAGENBARTH. Yes. Now we wear B. V. D.'s, a good deal like the women wear, although they do not wear the B. V. D.'s. The Europeans on the Continent are still wearing the woolen underwear.

Senator BINGHAM. Are we exporting this material?

Mr. HAGENBARTH. Yes; the lower grade stuff—hard rags.

Senator BINGHAM. Chiefly red flannel?

Mr. HAGENBARTH. Hard twisted worsted.

Senator SIMMONS. You would not include the rags you presented the committee with as among those lovely rags?

Mr. HAGENBARTH. No; they are soft rags. There are some very lovely rags here. I think that you have some of those here.

I do not want to burden this committee with an enormous lot of exhibits or by taking up a lot of your time. I have taken more time now than I ever dreamed I would be allowed.

Senator BINGHAM. This Congress was called together to help the farmer, and you represent one of the biggest farming interests in the country, the raising of the sheep that grow this wool, and we want to hear your story in full. I am sorry that I interrupted you so much. I want you to tell your complete story, but if you can get through in the next few minutes your two hours will be up.

Mr. HAGENBARTH. In closing, and in response to Senator Sackett's question, in a way, as to why we are asking for 36, I am probably trespassing a little bit. If the theory on which this bill is written is based on protection to the American woolgrower, as derived from the difference between the cost of production at home and abroad—and that is the present contention of the woolgrower—I am surprised I have not been asked this question, if the tariff has worked as it has in your State and you want these changes, why is it the sheep have increased as they have in the West?

Senator GEORGE. What has been the increase in the number of sheep since 1923?

Mr. HAGENBARTH. The sheep have increased since 1923—I imagine they have increased about 23 per cent, I believe.

Senator GEORGE. And the wool clip has increased too?

Mr. HAGENBARTH. More than correspondingly, by reason of efficiency, that is heavier shearing per sheep.

Senator GEORGE. You have not got those exact figures?

Mr. HAGENBARTH. Yes; we have.

Senator GEORGE. I mean at hand. I do not want to interrupt you.

Mr. HAGENBARTH. I can get them for you; we have them.

Senator GEORGE. They are in the House hearings?

Mr. HAGENBARTH. Yes; and we will submit them in our brief.

Senator SACKETT. Are you going to tell us why they have increased?

Mr. HAGENBARTH. Yes. The sugar-beet grower in the West has had rough sledding. Personally I have grown beets and have had to quit, because the labor cost was too much. A good many of those fellows had to use their lands for something and they put it in alfalfa and grain and fed to sheep.

The cattle business had all gone to pot, and the cattlemen were up against it and in much worse condition than anybody up to the last year or so, when the rise in prices took place, and they are gradually coming back and getting on a better footing. The wheat farmer could not make a cent growing wheat. That was especially true of these fellows in Idaho and Wyoming who lived miles farther away from the railroad than any of the others and so had a higher freight bill to pay. These men had their families, their wives and children to support and take care of, and they had to turn to something. They had to use their land. They had their alfalfa planted. What were they going to do with it? The tariff was raised, and things looked very good; in 1923, 1924, and 1925 particularly the wool prices were very fair, until this flood of waste began building up from imports, and knocked down the price of wool, and that affected the little interests. The men who had been sugar-beet raisers and potato

growers and gentlemen who had sold their cattle, and the wheat farmers—all bought little flocks of sheep. These are not great big flocks. In Idaho you will find that the increase has been almost wholly on small farm flocks, from 100 head to up a maximum of 200. So in Wyoming there were many of these small farm flocks, and so it was throughout the country.

They went into sheep raising thinking it was more profitable, and they are finding out now it was not quite such a golden dream, and if this thing continues and the present movement continues, with lower wool prices that we have, and if this tariff is not enacted and stops up these loopholes, and wool prices keep on going down, you are going to have another downward era in the wool-growing industry.

It is true that we have a tariff, but, as I said at the beginning, we have been given this tariff with the left hand and we are taking it away with the right hand, and that is proving destructive to the wool-growing industry.

Senator BINGHAM. I want to ask you a question about the relative effect on the wool manufacturer and the worsted manufacturer of what you propose, particularly in regard to wastes.

As I understand from what you have said, the wastes are used more by the woolen manufacturer than by the worsted manufacturer; is that right?

Mr. HAGENBARTH. Yes, sir; the worsted people can not use this.

Senator BINGHAM. Then if this increase is put on it will benefit relatively the worsted manufacturer; is that right?

Mr. HAGENBARTH. As between the two classes—

Senator BINGHAM. It will hurt the woolen manufacturer more than it will the worsted manufacturer; is that right?

Mr. HAGENBARTH. I would say that that is right.

Senator BINGHAM. Now, a woolen manufacturer runs, say, to a heavy grade of cheap cloth for cheap overcoating for the laboring man. Is it not going to increase very considerably the cost of that kind of heavy overcoat?

Mr. HAGENBARTH. I would say, Senator, no, up to a certain extent. Here is what it will do. It will cause us to use our own rags instead of shipping them abroad, made from our own wool, the hard twist rags, probably not so desirable an article as that which they can bring in from abroad, but we will use them with more home grown short wool and have a better quality of coat; we will use our domestic, California, Texas, and other short wools.

Senator BINGHAM. How much more is it going to make that coat cost, \$2 or \$3 more?

Mr. HAGENBARTH. I could not say in detail. It probably would add something to the cost; I would not want to say it would not.

But of course, Senator, our primary thought here is not as to the protection of the imports of rags. Our thought is to see that the American wool grower is protected for the full use of all the wool he can produce, and of course, we have built up under the provisions of the 1922 law this use of wastes which did not exist prior to that time.

Now, having made one mistake, we can not say that two mistakes will make a right, and so go on in that way indefinitely.

Senator BINGHAM. Who is proposing this second mistake?

Mr. HAGENBARTH. I would say the House bill by the low rates on waste and on rags, 7½ cents

Senator SACKETT. How are you going to improve the wool grower's situation by reserving to this country the wastes that we now send abroad, substituting them for the wastes that we are importing?

Mr. HAGENBARTH. Because these wastes at home, Senator Sackett, we produce ourselves.

Senator SACKETT. But they are being taken off the market now by being shipped abroad, and leaving that much room for the raw wool.

Mr. HAGENBARTH. But a different class of waste.

Senator SACKETT. I know, but you say we would use them?

Mr. HAGENBARTH. We would in these low grade products.

Senator SACKETT. And I do not quite get you. I am trying to get it clear. You say that by raising the duty on these foreign imports of rags we will make it possible for us to use our domestic production of rags, which we are today shipping abroad, and I do not see where the wool grower is going to gain anything on that principle.

Mr. HAGENBARTH. There are two different classes of wool involved. The wools that are brought in, the wastes that are brought in from abroad, such as I have shown you here, are highly competitive with our better grades of wool; whereas, the wastes we speak of used in overcoats, as the Chairman just spoke of, are not used—they do not use in those overcoatings the higher grades of waste, such for instance as these beautiful top wastes here [indicating].

Senator SACKETT. We do not have any report of that, have we?

Mr. HAGENBARTH. They are the lower grades of waste, and we feel, of course, that there is merit in that. We regret extremely if it will—I believe in my own judgment it will—hurt the woolen manufacturer to a certain extent—that is, set him back relatively where he has always been in this industry under every protective tariff we have written prior to 1922—but it will bring him to a higher level of product.

Now, this is all a new thing, caused by the fact that we have now got an effective, presumably effective, tariff of 31 cents on wool, where in the former protective tariff, as I pointed out at the beginning, we only had about 18 cents, and the waste rates that would prohibit their entry into this country under those tariffs are not comparably effective under the 31-cent rate of the new tariff.

Senator SACKETT. I get that. The only point I had in mind was if by excluding these kinds of wastes we required our people to use American wastes that are now shipped abroad, and to that extent I did not see how that would help the wool grower.

Mr. HAGENBARTH. We would use wastes from our own wools and we would rather use American waste.

Senator SACKETT. So would I, but I would rather help the wool grower than do that.

Senator BINGHAM. What is the importation of wool rags at the present time, do you know?

Mr. HAGENBARTH. About 23,000,000 pounds.

Senator BINGHAM. Twenty-three million pounds? You propose, as I understand it—the nub of this matter, the chief thing that you are asking for this morning, more important than any other one thing that you have been asking for, is an increase in the duty on wool rags from the House bill, which gives 8 cents a pound, to 29 cents a pound, or an increase of a little more than 250 per cent. Is that right?

Mr. HAGENBARTH. That would be the major proposition.

Senator BINGHAM. That is by far the greatest increase that you have asked for.

Mr. HAGENBARTH. Yes.

Senator BINGHAM. An increase in the duty on wool rags of 250 per cent over the House bill.

Mr. HAGENBARTH. Not forgetting the other wastes.

Senator BINGHAM. I understand, but ——

Mr. HAGENBARTH (interposing). All the way down the line.

Senator BINGHAM. But the other increases from 26 to 38, 18 to 29, and so on, but the most striking increase is the increase from 8 cents to 28 cents on wool rags, of which an enormous amount is being imported.

Senator GEORGE. Would you make camels' hair and goat hair dutiable under one section?

Mr. HAGENBARTH. Yes, sir; camels' hair, angora goats, and so on under one section, section B.

Senator GEORGE. You put them all together, group them all together?

Mr. HAGENBARTH. Yes.

Senator GEORGE. To what extent is hair of the camel competitive with wool?

Mr. HAGENBARTH. It displaces wool for certain lines of fine soft goods and I believe mohair.

Senator GEORGE. Mohair?

Mr. HAGENBARTH. Mohair grown in this country in the Northwest and Texas principally.

Senator GEORGE. To what extent is that competitive?

Mr. HAGENBARTH. You mean the number of pounds of imports?

Senator GEORGE. Yes. Can you give us something that would indicate that?

Mr. HAGENBARTH. Well, I prefer, Senator, that the mohair people, who are right here, and I believe follow me shortly—I have taken so much time already—I would prefer to have them answer that. They have their data and their figures and the whole thing with a consistent exposition of it, I imagine. I am not well posted on camel hair.

Senator GEORGE. I thought perhaps you could give it to us.

Mr. HAGENBARTH. I do not have the figures right at hand.

Senator GEORGE. What I wanted to know specifically was whether or not it was competitive with American-grown wool. That is, I refer now to the hair of the camel used in making press cloth. Is that competitive with any wool produced in this country?

Mr. HAGENBARTH. Not that I know of, as to wool, except as stated. I am not familiar with that.

Senator BINGHAM. Is there anything produced in this country that is as soft as the wool from the Peruvian alpaca?

Mr. HAGENBARTH. I do not think there is; no.

Senator SACKETT. Let me ask you, do we not produce in America some of this same rags?

Mr. HAGENBARTH. Yes.

Senator SACKETT. And they are used for shoddy, for manufacture?

Mr. HAGENBARTH. Yes.

Senator SACKETT. What is the relative amount of imported rags of that character and the amount produced in this country?

Mr. HAGENBARTH. Well, I could not say offhand.

Senator SACKETT. Do we produce as much as 17,000,000 pounds?

Mr. HAGENBARTH. I can not answer that. We export seven to eight million pounds.

Senator SACKETT. There is none of it exported? It is used here?

Mr. HAGENBARTH. No; we do not export soft rags.

Senator SACKETT. It is all used in this country, and it is used for the same purpose as these imported rags?

Mr. HAGENBARTH. Yes, sir.

Senator GEORGE. Of course, all of the hair of the camel is imported?

Mr. HAGENBARTH. Yes.

Senator GEORGE. None is produced here?

Mr. HAGENBARTH. Not unless Ringling Brothers have a little.

Senator GEORGE. They do not produce it for commercial purposes.

Senator SACKETT. You can not give us any idea as to the amount of that?

Mr. HAGENBARTH. Not offhand, Senator.

Senator SACKETT. I was wondering whether it was as much as comes in by import.

Mr. HAGENBARTH. You might get the information and approximate it.

Senator BINGHAM. Do you think that if we put this high a tariff on wool rags it would increase the number of old rag men shouting through the streets? [Laughter.]

Mr. HAGENBARTH. Well, it might.

Senator BINGHAM. There do not seem to be as many as there were a few years ago.

Senator SIMMONS. Who is asking for the duty on camels' hair?

Mr. HAGENBARTH. I think that the mohair people are, if I am not mistaken. I am not fully informed—

Senator SIMMONS. The mohair people?

Mr. HAGENBARTH. To be frank with you, I am a little weak on that camel's hair proposition.

Senator BINGHAM. Have you finished now?

Mr. HAGENBARTH. Yes, sir.

Senator SIMMONS. You would be willing that it be stricken out of the bill, would you not?

Mr. HAGENBARTH. Well, I could not say that without looking into it.

Senator BINGHAM. You feel satisfied that the wool growers have had a chance to present their case in full before the Senate?

Mr. HAGENBARTH. Well, I do, yes, so far as—well, more than I ever expected.

Senator BINGHAM. It is only two hours and five minutes.

Senator SACKETT. I would like to ask one more question if I may. If you have the tariff you ask for on the waste, plus the 36 cents that you ask for on the wools, do you think that that would give to the American wool farmer the entire wool business of this country?

Mr. HAGENBARTH. Practically, yes.

Senator BINGHAM. Any further questions?

Senator SIMMONS. It has just occurred to me to ask you how the duties in the House bill compared with those in the old bill, known as Schedule K in the tariff of 1909?

Mr. HAGENBARTH. Well, I have that, Senator. The rates are higher on wool, lower on waste, relatively.

Senator SIMMONS. Lower on waste?

Mr. HAGENBARTH. Very much lower.

Senator SIMMONS. Well, could you give us, not now, but later, data showing how much higher they are on all except waste, and how much lower they are on waste?

Mr. HAGENBARTH. Yes.

Senator SIMMONS. I would like to have that.

Mr. HAGENBARTH. All right, Senator.

Senator SIMMONS. You give it as your opinion that if these rates in the present law, the present bill, are enacted into law and become effective, that in 10 years we will be producing all the wool used in this country?

Mr. HAGENBARTH. No, I didn't say that, if you will pardon me. I said the bill as amended, as we propose, not the House bill as written.

Senator SIMMONS. If it is amended as you propose, in 10 years your prediction is that we will make enough wool in this country to supply the domestic demand?

Mr. HAGENBARTH. We will have some down in South Carolina.

Senator SIMMONS. You remember the old contest we had about wool in 1909?

Mr. HAGENBARTH. Yes, I do.

Senator SIMMONS. Won't the same sort of conditions come about then?

Mr. HAGENBARTH. I remember we had breakfast at the Raleigh Hotel one morning and discussed it.

Senator SIMMONS. Well, there is one statement that you made, I want to ask not as a matter of tariff but as a matter of climatic conditions with respect to the wool industry. You said something about last winter being very severe, having to feed your sheep. Do you have to feed your sheep all the winter in cold regions?

Mr. HAGENBARTH. Oh, yes; but not over a two to three months intensively usually. But last winter they had to feed from the first of November till up in April, twice the length of time at double the expense—four times the usual cost.

Senator SIMMONS. You have no grazing but a few months in that time?

Mr. HAGENBARTH. Very little grazing. What grazing there was is covered up. There is some winter grazing in some of the States.

Senator SIMMONS. Come down in my country and we will give you grazing for 12 months in the year.

Senator BINGHAM. Now, Senator, I object. [Laughter.] Of course we have no objection to their going down there in the winter time.

Mr. HAGENBARTH. Mr. Chairman, I want to correct an error I made as to the imports of last year. I said 17,000,000; it is 23,000,000.

Senator BINGHAM. I am glad to see that you erred on the right side. I always like to see errors on that side.

(Mr. Hagenbarth submitted the following brief:)

BRIEF OF THE NATIONAL WOOL GROWERS' ASSOCIATION AND OTHERS

The following statement and recommendations of changes in the language of paragraphs 1101-1105, inclusive, of schedule 11 of H. R. 2667 are submitted to the Senate Finance Committee from wool growers of various states through the National Wool Growers' Association.

This brief has been adopted and accepted by Chester H. Gray, Washington representative of the American Farm Bureau Federation; J. Byron Wilson, for the Wyoming Wool Growers' Association; J. F. Walker, for the Ohio Cooperative Wool Growers' Association; P. B. Gaines, for the Kentucky Wool Growers' Association; and C. C. Belcher, for the Texas Sheep and Goat Raisers' Association.

Our proposals and exceptions are submitted in five major divisions as follows:

(1) The basis and intent of past protective tariffs on wool and wherein errors affecting the same developed in the Fordney-McCumber Act of 1922 (with particular reference to par. 1105).

(2) Proposed changes in paragraph 1101.

(3) Proposed changes in paragraph 1102.

(4) Proposed changes in paragraph 1103.

(5) Customs Administration: appraisals of shrinkage and classification of imported wool.

1. *Basis and intent of past protective tariffs on wool.*—For over 100 years whenever protective wool tariffs have been enacted Congress had three objects in view; first, to afford adequate protection to the domestic production of wool; second, to provide revenue for the Government; and third, to properly clothe the American people. At times one or the other of these objects has been defeated at least in part. This is particularly true of the present 1922 tariff law and the proposed law of 1929, known as H. R. 2667, passed by the House and now before the Senate. Some brief tariff history will be enlightening.

We respectfully suggest that our sole interest does not consist in a selfish desire for profit, but that further we believe in a dignified and high class woolgrowing industry which can and will perform a real service to the Nation in providing the consumer an adequate supply of new wool of American growth for his clothing purposes at a reasonable cost.

Various methods of dealing with the domestic woolgrowing industry in the tariff laws which preceded that of 1890, resulted in the adoption in that act of a protective adjustment and relationship of the duties upon raw wool and upon those waste products which can be used in place of new wool in the processes of manufacture, which experience has demonstrated most effectively carried out the purpose for which the raw wool duty was enacted, namely, the encouragement and increase of domestic woolgrowing.

The principle of proportionate protection, as between the duty on raw wool commonly used for clothing purposes, and the duties upon those waste products which could displace new wool in the processes of manufacture, thus established in the act of 1890, was continued in the tariffs of 1897 and 1909 and for the purpose of protecting and expanding the domestic woolgrowing industry, seemed to have become the established policy of Congress.

The benefits and advantages of such a policy hardly need enumeration, but briefly stated they are:

(a) A domestic woolgrowing industry increasingly proportioned to the entire wool clothing requirements of our people

(b) A domestic manufacture which in meeting these requirements with new wool as its raw material would maintain a market for the American-grown wool and at the same time would give employment to thousands of our people.

(c) Economic independence and an important factor of national defense in our ability to clothe our entire population.

(d) A large and constant meat supply as a joint product of the domestic woolgrowing industry.

But, as between intent and achievement in protection and expansion of domestic wool growing, there has been a wider gap under the operation of the existing law of 1922 than under any of the other Republican enactments referred to; and inasmuch as the structure of the wool duties in the 1922 act diverged widely from the duty arrangement adhered to in the three preceding Republican tariffs mentioned, it undoubtedly is of interest when a revision of the law is to be made ostensibly to effectuate protection, to examine into the causes which have served

to defeat the protective intent and purpose of the raw-wool duties in the said act of 1922.

As a preliminary to such an examination it may be said that these facts are self-evident:

(1) The purpose of a protective duty on raw wool is to so enhance the price of imported raw wool as to permit the domestic woolgrower to sell his product at a reasonable profit in the domestic market.

(2) Without this market (a domestic manufacture which uses new wool as its raw material) any duty on raw wool is meaningless to a large extent.

(3) To maintain this manufacture, and hence this market, which is the only market for American-grown wool at any price above the world value, the duties upon these by-products, etc., which may be used as manufacturing substitutes for pure wool, must be proportioned to the duty which is designed to be protective of the raw wool itself.

These are fundamentals which can not be gainsaid and to state them one brings to light, almost at once, the shortcomings and errors of the arrangement of the wool duties in the 1922 act. Proportionate protection was not maintained.

The most casual examination of the wool schedules in the preceding Republican tariffs mentioned shows that the framers of those acts sought to encourage and increase domestic woolgrowing not merely by levying a duty upon competing foreign-grown wools but by sustaining the raw-wool duty with such duties upon scoured wools, pulled wools, noils, wastes, and rags as would, upon the one hand, maintain the duty upon wool itself in whatever form it might come in and would, upon the other hand, level the advantage which otherwise might be possessed by the importation of wool wastes, shoddy, and rags in competition with the American-grown wool.

In other words, the authors of those wool tariffs recognized that, in order to protect and foster domestic wool growing, it was necessary not only to enact a protective duty upon competing foreign wools, but also to place proportionate protection upon noils, wastes, rags, etc., which can be used in many of the processes of wool manufacture, and which, if permitted entry into this country at duties less than proportionate to the duty on wool itself, would displace much wool and thereby largely defeat the purpose of the duty on raw wool. This duty arrangement not only resulted in the clothing of the American people being made from virgin or new wool, but made and maintained a domestic market for the American wool-growers' product at the full enhancement of the duty (except at times of overproduction owing to the style changes of certain qualities) unaffected by importations of by-products of wool in the form of wool wastes, rags, etc., which are to be found in large quantities abroad.

To go somewhat more into detail:

The tariffs of 1890, 1897, and 1909 each carried a specific duty of 11 cents per pound upon wool in the greasy state. But in order that the manufacturer might have access to raw wools of a wide variation in character and shrinkage to supplement the shortage in production of home-grown wools, the theoretical principle was set up that imported wool shrank two-thirds, or approximately 67 per cent, in scouring, so that the scoured wool duty in each of those tariffs was made 33 cents per pound. It was commonly known, however, that the wools imported under those tariffs shrank in scouring from 30 per cent to 50 per cent so that practically all imported wools came into this country in the grease, and in the scouring and consequent shrinkage their cost to the domestic manufacturer was increased by from 16 cents to 22 cents per scoured pound. That was the effectiveness of the duty when wool had been brought to its clean state.

Upon the basis that the grease wools thus imported by the dealer or manufacturer bore an actual duty-enhancement of from 17 cents to 22 cents per scoured pound, those tariff acts levied the following duties on the foreign wastes, or substitutes for new wool; rags, 10 cents per pound; noils, 20 cents per pound; wool extract, 20 cents per pound; thread or yarn waste, 20 cents per pound; shoddy, 25 cents per pound; garnetted, ring, roving, slubbing, or top waste, 30 cents per pound.

As a consequence of that arrangement of duties, these substitutes for new wool practically were excluded from the country. Therefore, while during the periods of these three tariffs we imported largely of greasy wool to make up the shortage in domestic production, the American wool grower was not interfered with in his enjoyment of the American market by the cheaper noils and wool wastes of Great Britain and the Continent. The wastes which came into this country under those three tariffs did not amount to more than 500,000 pounds per year.

In framing the wool schedule in the act of 1922, however, Congress departed from the principle which had prevailed in the earlier protective enactments mentioned, and it is all the more regrettable that out of a changed arrangement of duties which undoubtedly was intended to afford the domestic wool-grower greater protection and a larger encouragement, Congress should have defeated its own purpose by failing to sustain the raw-wool duty with commensurate duties upon the imports of wool in the form of wastes, shoddy, and rags.

A desire existed to give the domestic grower the benefit of a high wool duty and accordingly a duty of 31 cents per pound was levied upon the clean content of wool imported in the grease. Obviously the intent was to protect and encourage domestic wool growing.

But in their desire to secure for the American woolgrower the benefit of the 31-cent clean pound wool duty the framers of the 1922 tariff failed to consider the manner or extent in which the duties upon noils, wastes, rags, etc., would affect the accomplishment of their purpose. Apparently they did not realize that such duties would have to be proportionately equal to, or greater than, the raw-wool duty, in order to make that virgin-wool duty effective.

In view of the congressional desire and intent to protect the domestic wool-grower, as evidence in the duty on raw wool, no explanation other than that of oversight or too hasty action can account for the fact that the duties upon wastes and other wool by-products actually were lower in the act of 1922 than in any of the three preceding protective tariffs. To be specific, despite the increase in the effective rate upon raw wool, the 1922 tariff made rags dutiable at 7½ cents per pound, wool extract at 16 cents per pound, thread and yarn waste at 16 cents per pound, shoddy at 16 cents per pound, noils at 19 cents per pound, garnetted waste at 24 cents per pound, and ring, roving, slubbing or top waste at 31 cents per pound.

It is apparent, therefore, that whereas under the tariff acts of 1890, 1897, and 1909, the woolgrowers' duty of 11 cents per pound in the grease (enhancing the scoured content cost of imported wool by from 17 cents to 22 cents per pound) was amply safeguarded by waste duties proportioned to the effective raw wool duty, this important safeguard to the domestic wool-growing industry was not provided in the act of 1922.

In other words, while it was the intent of Congress to fit the domestic wool-growers' protection at 31 cents per pound of clean content, there was a material lowering actually, and a much larger lowering relatively, of the duties on the waste substitutes for virgin wool, with the result that under the act of 1922 imports of noils, rags, and wastes have greatly increased over all preceding years, as shown in the following table:

TABLE VIII.—Imports of wool wastes and by-products

[From Reports of the United States Tariff Commission and the United States Department of Commerce

	Pounds
1928.....	36, 170, 713
1927.....	31, 688, 287
1926.....	29, 086, 794
1925.....	34, 490, 353
1924.....	31, 991, 807
1923.....	26, 784, 121
Annual average under 1913 free wool act.....	9, 950, 525
Annual average under 1909 protective act.....	414, 394

It is a matter of actual evidence, therefore, that the very much lower comparative duties on these by-products under the act of 1922 have invited increasing imports of wool rags and wastes, as substitutes for the virgin wool of the American woolgrower, to which Congress intended to give protection.

The 1928 imports of these wool rags and wastes equaled over 100,000,000 pounds of domestic grease wool, or one-third of the United States annual production. It is clear, therefore, that the inadvertent and obviously unintentional maladjustment of duties upon these by-products of wool is doing a very great deal to nullify that which was sought to be accomplished by paragraph 1102 of the existing law in the way of protecting the American woolgrower from the effects of inferior imports for the materials for clothing.

¹ The 1928 imports are shown as comprising 8,499,000 pounds of noils, 4,672,000 pounds of wastes, and 23,000,000 pounds of wool rags, flocks, and mungo.

Hence, for those Members of Congress who support the policy of our economic independence in wool growing and in wool manufacture, for the American wool grower who is dependent upon a domestic wool manufacture for his market, and for the mills consuming American wool, who almost wholly provide that domestic market for the American woolgrowers, and for the benefit of the American consumer these facts stand forth:

(1) By reason of his higher production costs, and hence higher prices, as compared with foreign competition, the domestic wool grower has no market for his product outside the United States at any price enhancement over the world values.

(2) His market within the United States is wholly the demand created by American mill consumption.

(3) In direct competition with the fabrics manufactured from new wool are the fabrics manufactured from the wastes and rags used as substitutes for new wool.

(4) To the extent, therefore, that the duties upon wastes, rags, etc., fail to be proportionate to the protective duty upon the higher grade wool, the pure wool industry (which provides the market for the domestic wool clip) is under a competitive disadvantage, and the duty designed to protect the domestic wool grower is lessened to just that extent.

In the light of these facts and considering that it is only domestic pure wool manufactures that the American wool grower may look for such a competitive demand for his clip as will enhance its price by the sum of the duty, it must be clear that the arrangement of the duties in the wool schedule in the act of 1922 and House bill 2667 of 1929 is unscientific and ineffective.

Consideration must be given to the further fact that the compensatory duties—in addition to the manufacturing duty—upon the manufactures of wool are based wholly upon the duty rate provided for new wool.

These wool wastes and rags when imported in manufactured condition pay the same rates of duty as do articles made wholly of new wool. Consequently, the rates provided in paragraph 1105 of the act of 1922 and in H. R. 2667, not only are inconsistent with paragraph 1102 in those measures but also are inconsistent with and contradictory of the compensatory rates carried in the paragraphs relating to manufactures of wool.

The wool wastes and rags imported under the act of 1922 (to the close of 1927) paid an average duty of 12.4 cents per pound (p. 191, Textile Imports and Exports, 1891-1927, United States Tariff Commission, 1929). While these same materials imported at the same time in manufactured condition paid compensatory duties of 45 cents per pound.

It must be clear that if in the impending revision of the tariff it is the desire of Congress to levy a duty on wool for revenue purposes and further for the encouragement of domestic wool production and the economic and patriotic purposes which are a part of the latter policy, then the obligation rests upon Congress to provide:

(1) That the maximum of revenue should be collected upon importations of raw wool, and that the manufacturing substitutes for pure wool and the wools which displace the domestic clothing wools which the Government aims to protect, cannot be brought into the country under tariff conditions more favorable than the duty on raw clothing wools competitive with the home-grown wool which it is desired to protect.

(2) That the Government can only procure such maximum of revenue and the domestic woolgrower the maximum of protection intended through a domestic pure-wool industry so safeguarded at every point that no class of wool or wool by-products or even pure wool in its intermediate processes of manufacture can reach the finished stage in cloth or knit goods more favorably from a tariff standpoint than can the new wool tariff.

We therefore recommend that paragraph 1105 be revised to provide the following rates of duty:

	Cents per pound
Top waste, slubbing waste, roving waste, and ring waste.....	39
Garnetted waste.....	36
Noils (not carbonized).....	38
Thread or yarn waste.....	29
Shoddy.....	36
Mungo or flocks.....	12
Wool rags.....	29
All other wool wastes not specially provided for	36

We consider that no rates lower than those proposed above can be considered as being consistent with and proportionate to the rates provided to be collected upon new wools under paragraphs 1101 and 1102. Neither can other rates be considered as proportionate to the rates provided to be collected upon the wool content of manufactured articles under the compensatory rates set forth in paragraph 1103 and succeeding paragraphs.

In recommending that the rate of duty on materials not specially provided for should be at least equal to the highest specially provided rate we are in accord with the recommendation of the manufacturers respecting the lower brackets of this schedule. The maintenance of a low rate for materials not specifically classified under special rates increases the dangers and difficulties of the administration of the paragraph by the customs officers at the ports of entry. The classification as now included is quite comprehensive and there should be no opportunity or incentive left remaining for importers to defeat the intent of the law by seeking to enter materials under the "not specially provided for" class. This danger and difficulty is entirely removed by the inclusion of the higher rate on the not specially provided for class, thereby simplifying the work of the customs officials and insuring that the paragraph will operate as is really intended.

The distinguished Senator from Wyoming, Hon. F. E. Warren, in a speech made in the United States Senate on June 9, 1909, admirably and plainly set forth in what seems an almost prophetic manner the requirements for the present occasion, as follows:

"But there is one thing certain—without protection, or with less protection than that proposed in this measure by the amendments of the Senate, we can not increase the industry of wool growing, and we shall go down hill in the production of wool and mutton, as we have done heretofore when the tariff has been insufficient upon either wool or manufactures of wool. The grower is affected by either one or both. If the manufacturer's business is made unprofitable, the grower can not produce and dispose of his product with profit.

"Now, all of this being true, we ask the question: Is the industry of growing mutton and wool of value to this Nation? Is the United States ready to allow that industry to perish, or to diminish into unimportance, and then take its chances in peace or war of purchasing all the products required for our home manufactures or of bringing into the country the manufactured product necessary for this great people, who consume a fifth of all the wool grown in the world?

"Not only is it of interest to the sheep growers that fully manufactured goods shall bear a rate higher than raw wool, but he is also interested in every partially manufactured product of wool—tops, yarn, and the wastes that fall from wool in process of manufacture.

"During the war, when we were cut off from supplies abroad, this country realized as it never before realized that mutton and wool were as necessary as powder and ball to carry on a war. Wool is an article of contraband as much as meat and as powder, in a sense. To let the wool and the meat industry languish would leave us where we could not clothe our soldiers, where we could not furnish them with blankets, and where we could not support them with our meat supply. During that time we had changed the tariff a number of times, and our good old friend who honored a seat in the Senate for so many years, the former Senator from Vermont, Mr. Morrill, made the matter of the tariff on wool a special study and brought out for the first time a tariff under which both industries could thrive. But there were yet differences; hence the commission to which I have already alluded.

"The whole plan of protection for woolgrowers and wool manufacturers was based by Mr. Morrill upon the intention, first, to grow all of the wool it is possible to grow in this country; second, to add to that sufficient wool in its unmanufactured state to make up the difference; this in order that all of the labor in manufacturing might be done in this country.

"Now, so long as we seek to add whatever is necessary in unmanufactured wool, we must be extremely careful to guard against every avenue which would lead manufactured goods through the customshouses at better rates than those given to unmanufactured wools, plus the cost of manufacture here. We must also see to it that all substitutes, good and bad, shall bear duties equivalent to raw-wool duties, otherwise both the manufacturer and the grower would be injured.

"Of course all of the importers of goods under Schedule K are arrayed against the tariff duties and especially the duties upon manufactured goods, because, with the thousand-and-one varieties of cloth sought to be sold over here manufactured by the cheaper labor of other countries, they are seeking a landing place in which to market their goods.

"Hence, to carry out the plan, we must maintain the duty on unmanufactured wool, and when it enters into manufactured goods with cotton and other substitutes it stands us in hand to get the rate too high rather than too low, because the rulings of the customhouses are almost invariably made in favor of the importer as against the producer—the farmer or grower—because the one is always present in his large transactions, clamoring for favorable rulings and endeavoring to obtain in some way advantageous classifications. The farmer or grower is almost never present. He is at home, producing the material.

"And hence, from every direction and for all reasons, we must protect, first, the grower; second, the manufacturer; and, third, and more important than either, the working classes engaged in these industries, so that all of the labor may be done in this country, and also that all of our people may be well clothed at reasonable prices.

"If we leave a door open for any class of manufactures to come through on more favorable terms than raw wool, both manufacturer and grower are injured. If we reduce the rate too greatly upon manufactured goods, and the manufacturer suffers, the grower suffers with him. So that for every reason and all reasons we must have an abundantly sufficient tariff on woolen goods."

2. *Proposed changes in paragraph 1101.*—In this paragraph the House bill proposes some radical and some minor changes, with some of which we can not agree, as follows:

First. We recommend that the words "as determined by actual scouring tests" be added in line 17 after the word "content." It is urged that this addition be included in this and all other paragraphs in each case in which a rate of duty is assigned to apply "per pound of clean content." Our reasons for this recommendation are discussed in section 5 of this brief.

Second. The bill would admit free of duty for carpet making purposes all wools not of a finer fiber than the sample known as 40s in the official standards of the United States grades of wool as established by the Secretary of Agriculture on June 18, 1926, pursuant to law; but the bill further says: "Provided, That a tolerance of not more than 10 per centum of wools not finer than 44s may be allowed in each bale or package of wools imported as not finer than 40s."

This latter provision we oppose especially for the reason that the door is thus opened for the admission of 44s free of duty when 40s is intended. Experience has taught that "tolerance" is subject to abuse and that unless the imported wools are actually opened and sorted such a provision can not be accurately nor even reasonably accurately administered. The safe plan is to see to it that when wools not finer than 40s are to be allowed in free of duty, that finer wools be excluded from that privilege.

Third. The bill now provides that scoured wool should be admitted at the same rate of duty as is provided for the cleaned content of wools imported in the washed or greased condition. This is an error as an additional duty is required to properly protect the operation of wool scouring as done in this country. We recommend that in line 19 that the rate of duty prescribed for scoured wool should be shown as 28 cents per pound of clean content instead of 26 cents per pound.

Fourth. It would appear that three years would be ample time allowance for the passage of imported carpet wools into the finished carpets, rugs, or other floor coverings. But it seems not. Both the spinners of carpet yarns and weavers of carpets earnestly contend that the time allowance should be extended from three years as provided in the law of 1922 to four years as proposed in H. R. 2667. However, we again find in the proposal in the House bill for an extension of time, an overturning of the plan on which free wools were given the carpet manufacturer. The proposed new plan makes yarns (the first major step in the manufacture of carpets) instead of the finished carpets, etc., as provided in the 1922 law, the basis for the remission or refunding of duties paid.

We again find ourselves in opposition to this proposed change as written and suggest that if the Finance Committee finds this request for additional time is a reasonable one that the Secretary of the Treasury at his discretion be allowed by law to grant additional time, not to exceed one year for the conversion of raw wools into the finished carpets, etc.

Fifth. An entirely new idea has been injected into paragraph 1101, in H. R. 2667, by the provision that wools used "in the manufacture of knit or felt boots, or heavy fulled lumberman's socks" shall be admitted free of duty. To our knowledge this provision was not broached at the Ways and Means Committee hearings, and it seems to be an orphan without a friend in the wool and wool manufacturing fraternities from the Tariff Commission down to the humblest wool grower, unless that friend be the interest responsible for and to be benefited

by the change. Such a provision could not be administered successfully by the Treasury Department and would result in one more loophole for the bootlegging of wools into unintended channels, thus depriving the Government of a measure of revenue, and the wool grower of a part of his protection.

3. *Proposed changes in paragraph 1102.*—We recommend:

(1) Lines 20, 21, and 22: In each case after the words "per pound of clean content" to add the following: "as determined by actual scouring test".

The reasons for this change are set forth in section 5 of this brief.

(2) Strike out the last three words in line 22 and all of lines 23, 24, and 25. This will remove the provision for allowance of a tolerance of 10 per cent of 46s in wools classified as 44's.

We oppose such a provision for the reason that the door would thereby be opened for the admission of 46s wools and in all probability 48s quality at the lower rate of 24 cents per pound of clean content. If the provisions which we here ask to have removed should be retained, it would require that for its proper observance and enforcement bales of imported wools should be examined and scrutinized much more closely and expertly than can be done by the men whom the Treasury Department employs to appraise the shrinkage and determine the classification of foreign wools.

(3) In (b) of paragraph 1102, line 3, the figure "34" should be increased.

The report submitted by the Ways and Means Committee purports to show that 34 cents is the measure of the difference in the costs of producing wool in the United States and in competing countries. The explanation in that report, however, is incomplete and does not show how the committee finally arrived at the figure of 34 cents. Also, the figures used as representing the cost of producing wool in the United States and in Australia are seriously in error, as we now show:

First. As to United States wool growing costs: The House report takes 37 cents as the average cost of United States wools, based upon the data presented by the growers and accepted by the Ways and Means Committee in Table VI printed upon page 6165 of the report of the House hearings upon schedule 11.

In discussing United States costs in that part of the brief submitted by the woolgrowers it was further stated:

"Some additional matters are necessary to be considered in determining such a rate that must be expected to be operative for a considerable number of years. First, the United States cost data, as submitted, cover only years between 1922 and 1928 and happen not to include any of the years of extremely severe winters which occur in the principal woolgrowing States.

"The winter of 1928-29 has proved to be one of there very severe winters in a considerable number of States. Actual large losses of sheep have been prevented only by very large outlays for purchased feeds needed to keep the flocks alive, because of their customary feed being buried in snow. In Wyoming it is already known that the extra expense above the years for which costs in that State are reported above will be fully equal to the value of the wool clip. Such seasons should properly be considered in arriving at fair averages of costs, but it is not possible at this time to determine the cost of the operations in a season not ended or of a clip of wool that still is on the sheep's backs."

Since the above statement was made data has been obtained from a number of States regarding the cost of producing wools of the 1929 clip. In the case of Wyoming the following excerpt from the testimony of Prof. A. F. Vass, who appeared before your committee on June 24, is pertinent:

"This year, for example, the costs of outfits on the Red Desert, which is the largest area in Wyoming, running about a million and a half head of sheep, were very high. Their cost of production on wool, if you figure the lambs at a cost of 12 cents per pound, will be approximately 90 cents per pound, which is due to the fact that there were heavy death losses, very large feed bills, and a very low lamb crop. * * *

"Now, the way we figured the wool cost was this: We figured the lambs at what they have sold for and the loss taken on the wool which made the wool cost 47 cents.

"If I understand it correctly, the Tariff Commission has a way of allocating these costs, and we have gone through and allocated the costs on the basis of the wool and the lambs according to the Tariff Commission's method and on this basis the lambs cost \$12.61 per hundredweight, and wool 40.7 cents per pound.

"That is typical of one area. I have similar studies for the three areas. I have weighted these figures for the entire State over the entire period and allowed for their wool clip and lamb crop in the different areas, and the cost per pound of wool is 40.2 cents, and the cost of lambs is \$12.28 per hundredweight."

It is, therefore, apparent that instead of taking the average cost of production of wool in Wyoming as 34 cents, as was done in the wool growers table submitted to the Ways and Means Committee and above referred to, a fair figure would be 40.2 cents.

Information and data regarding the cost of 1922-1929 wools as furnished to the National Wool Growers' Association from its members in Idaho, Utah, and other States show the condition of affairs very similar to that reported from Wyoming.

The testimony of J. F. Walker, who appeared before your committee following Professor Vass, quoted the Ohio Agricultural Experiment Station as having found the average cost of producing Ohio wools to be 50 cents per pound. It is well known and was shown by the Tariff Commission in its report issued in 1920 that wool costs in the farm states are materially higher than those of the western and range states. In view of this latter and more complete data it is certain that the average cost of producing wool in the United States can not be placed lower than 42 cents per pound, grease basis, at the point of production.

The House report places the average clean content of United States wools at 40 per cent and the cost of their delivery at Boston at 5 cents per clean pound. On this basis the average cost of United States wools at Boston, clean basis, is \$1.10 per pound and not 97.5 cents.

Second. As to Australia wool production costs: In the report submitted by the Ways and Means Committee to accompany H. R. 2667 the cost of producing wool in Australia was placed at 33.6 cents per grease pound. This was purely an assumed figure and was not based on any actual study by representatives of the Tariff Commission or any branch of the United States Government. Neither was the figure derived from any study of the Australian Government. It was based entirely upon the assumption that the figure paid to the Australian woolgrower by the British Government during the war represented something above the actual cost of production. In supporting its wholly assumed figure the House committee report refers to the findings of Mr. J. F. Walker who visited Australia in 1927 as a wool expert representing the Bureau of Agricultural Economics of the United States Department of Agriculture. Mr. Walker made a very careful and detailed study of conditions in Australia and in his testimony before your committee upon June 24 he showed the proper figure for the average cost of producing wool in Australia to be 28.4 cents per grease pound.

The House committee considered that the average shrinkage of Australia wools was 50 per cent and the cost of delivery to Boston was 6 cents per clean pound, making the final average cost of Australian wools landed in Boston to be 62.8 cents per pound on a clean basis instead of 73.2 cents as shown in the report upon the House bill.

Third. As to Argentina wool production costs: The figures for wool production costs in Argentina as used by ourselves and by the House committee are those reported by the Tariff Commission and which were the result of an actual study made in Argentina by representatives of the Tariff Commission covering the years 1917-18 and 1919. The cost of Argentina wool delivered at Boston was shown to be 56.6 cents per pound, clean basis.

It is, therefore, found that the average cost of wools on the clean basis and delivered at Boston for the three countries principally concerned are as follows:

United States.....	per pound..	\$1. 10
Australia.....	do.....	. 682
Argentina.....	do.....	. 566

We therefore submit that a duty of 34 cents per pound can not be defended or considered adequate, as representing the difference between the cost of producing wools in the United States and in the countries from which we import. Neither can such a figure be considered or defended as being consistent with the policy and rule laid down by the President in his message to the present Congress when he said:

"The great expansion of production abroad under the conditions I have mentioned renders foreign competition in our export markets increasingly serious. It seems but natural, therefore, that the American farmer, having been greatly handicapped in his foreign market by such competition from the younger expanding countries, should ask that foreign access to our domestic market should be regulated by taking into account the differences in our costs of production.

* * * * *

"No discrimination against any foreign industry is involved in equalizing the difference in costs of production at home and abroad and thus taking from foreign producers the advantages they derive from paying lower wages to labor."

(4) In line 5 of paragraph 1102 (b) the duty rate on scoured wool is placed at the same rate as was provided for the clean content of grease wool. For reasons previously set forth in connection with 1101 and elsewhere in this brief the rate of duty upon scoured wool should be 4 cents above the rate prescribed to apply upon the clean content of greased wool.

4. *Proposed changes in paragraph 1103.*—Line 13, we recommend that the language following the word "package" be omitted.

We make this recommendation because the removal of the provisions for tolerance as now carried in paragraphs 1101 and 1102 (a) of the House bill, when removed as we have shown should be done, would make this language unnecessary.

5. *Customs administration: appraisals of shrinkage and classification of imported wool.*—At several places above we have recommended that provision should be made for the making of actual scouring tests by the customs officials in determining the amount of duty to be collected upon the clean content of imported wools.

It was testified by several witnesses before your committee that under the present administration of the customs pertaining to wool imports the growers failed to receive the full amount of protection contemplated in the law and the Government failed to obtain the amount of revenue that properly should be derived from imports of wool. This is because of the failure of the customs officials at the ports of entry properly to appraise the clean content of imported wools.

In making this assertion and recommendation we make no reflection whatever upon the integrity of the faithful employees of the Treasury Department stationed at the ports of entry. The information which we have received from numerous sources and which was presented in the testimony of our witnesses compels us to consider that these appraisals of wool shrinkages are not being made as was expected or intended by the framers of the act of 1922.

The condition to which we refer has arisen for the first time under the act of 1922 as a result of the provision in that act for the collecting of wool duties upon the clean content basis. This plan of assessing wool duties was adopted by Congress, in the passage of the act of 1922, upon the recommendations of the Tariff Board.

The following statement is found in the report issued by the Tariff Board in 1911 in respect to the desirability and method of assessing wool duties upon the clean content basis:

"The proposal to levy a duty on the scoured pound of wool implies that it is possible to select samples that are fairly representative of a consignment of wool, and to ascertain the clean content of the consignment by scouring and conditioning such samples. It also implies the establishment of conditioning houses to be maintained by the Government at leading ports of entry. The Tariff Board has carefully investigated this matter, and with the aid of the Bureau of Standards, has reached the conclusion that it is not only possible, but it is relatively a simple matter to test all samples at the time of importation. It has also ascertained that the machinery required for scouring and conditioning the wool in small lots is inexpensive and could be promptly installed, and the cost of operation would be light. If Congress should deem it wise to adopt this method of collecting duties upon raw wool, it would seem that the details necessary for its prompt, efficient, and economical administration may safely be left to the proper administrative officers of the Government."

It is to be regretted that the Treasury Department has not taken any steps to establish such simple and practical methods of appraising wool shrinkages as are referred to above and which also have been discussed and presented in our testimony.

We feel that it is desirable and necessary that a specific provision should be made in the new law of a character to insure the provision by the Treasury Department at the ports of entry of the necessary apparatus and of highly qualified and experienced employees for the administration of wool customs.

Since the House bill was reported an official at one of the ports where foreign wools are imported has expressed doubts as to the ability of his staff to administer the provision introduced in the House bill for the classification of wools as provided in paragraphs 1101 and 1102 upon the basis of the grades of 40's, 44's, etc. This is further conclusive evidence that more highly qualified men should be employed for the administration of wool customs and that it is essential that a specific provision therefor should be contained in the law to be enacted.

We also recommend and urge that section 516 of the bill should be framed in such a way as to insure beyond a doubt that representatives of the wool growing industry will have every opportunity to enter and participate in proceedings in the

Customs Court in respect to the appraisal of shrinkages of imported wools and also in respect to the proper classification of wools as to grade.

F. J. Hagenbarth; F. R. Marshall for the National Wool Growers' Association; Chester Gray for the American Farm Bureau Federation; J. Byron Wilson for the Wyoming Wool Growers' Association; J. F. Walker for the Ohio Cooperative Wool Growers' Association; P. B. Gaines for the Kentucky Wool Growers' Association; C. C. Belcher for the Texas Sheep and Goat Raisers' Association.

STATEMENT OF F. R. MARSHALL, SALT LAKE CITY, UTAH, REPRESENTING THE NATIONAL WOOL GROWERS ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. MARSHALL. I am secretary of the National Wool Growers Association, and a wool grower in the State of Washington.

Mr. Chairman, I am going to make some specific suggestions as to language, and before I make the first one on paragraph 1101, I wish to refer very briefly, at the expense of illogical sequence, to the recommendation made by Mr. Hagenbarth yesterday morning in paragraph 1102, section B, where he asks to have 34 cents changed to 36 cents.

If there were time to be oratorical, I might refer to the scripture, where the psalmist asked that his adversary would write a book. I can not use the statement here because that would be a reflection on the Ways and Means Committee, but as a matter of fact, Mr. Chairman, in connection with this 36-cent rate, the House Ways and Means Committee did set up in its report submitted to the House in connection with and in justification of its recommendations in these paragraphs a purported defense of the 34-cents as representing the difference between the cost of producing wools in this country and in exporting countries from which this country imports. That report is extremely erroneous. I do not think I need to enlarge upon Mr. Walker's explanation yesterday of how his actual statements were distorted and misquoted in that connection, and of the much better and much more reliable figures he gave as to Australian costs, which he gave from his first-hand knowledge in substitution of a very erroneous figure which the House used, which was purely a hypothetical, theoretical figure, picked out of the air.

We simply stand on the proposition, Mr. Chairman, of the administration and the Republican party announcement in several places and at several times, that the protective rates should be established at figures which will equal the difference in cost of production in this country and abroad. We set up before the House Ways and Means Committee, as was printed in our brief and included in our data, which is also before this committee for use, I assume, a showing of costs in the United States. As was explained to you yesterday by Mr. Hagenbarth and by Mr. Wilson and by Mr. Vass—and I am not going to repeat their testimony at all—those figures were actual figures for the latest years for which we could obtain them.

Taking into account the costs pertaining to 1929 wools and adding them to the former period, which gives us only a fair average of years, we would have, in the case of Wyoming, as we set it up in our House committee brief, to change the 34 cents average grease cost of producing wool in Wyoming to 40 cents. Similar States would have to

have similar changes, and when we do that, and then only, have we got a fair average representation of the figures of the cost of producing wool in this country.

I am not going to enlarge on that any further than simply to say that we are standing on what we understand is the policy and the plan of establishing these rates, and the only difficulty in our proposition is that 36 cents does not represent the full amount of difference as determined by the best available and the fairest and most impartial data that can be obtained pertaining to costs in this country and in the exporting countries.

I do not believe it is necessary for me to refer at any length, or perhaps not at all, to the expert testimony offered to your committee this morning by a woolgrower from the streets of New York who knows that the woolgrowers are making too much money and the clothing dealer is not making enough. I simply express to you gentlemen and make the statement without attempting to afford data to support it, that the increase from 31 cents to 34 cents, or from 31 cents to 36 cents in the clean content rate on imported wool, will not be felt or known by the American consumers of goods made from those wools.

Senator SACKETT. Suppose the committee adopted the suggestion that was made by the first witness representing the National Wool Growers, that the rates on wastes and noils and those things be materially increased, would we have to increase the compensatory manufacturing duties materially as a result of that?

Mr. MARSHALL. The compensatory duties are on that basis of clean wool now, Senator.

Senator SACKETT. They are on the basis of clean wool?

Mr. MARSHALL. I have that in my notes. I will come to that.

Senator Sackett. But they use a large amount of this lower priced material in their manufacture now.

Mr. MARSHALL. But in the imported fabrics they are protected from the specially imported fabrics by compensatory duties based on new wool, clean wool. I am coming to that and I am going to make a suggestion in that connection.

In order to keep the facts right before this committee, Mr. Chairman, I want also to correct Mr. Goldman in his attempt to quote the United States Department of Agriculture in this connection. He said that last year, I believe—I hope he is more correct in his dates than he was in his quotation—the Department of Agriculture of this country issued a warning to the farmers and sheepmen that there was a danger of overproduction and that we would have too much wool and depress the market. The department did not do that. He absolutely misquoted the department. The department's recommendation and statement to the public did make a reference to the possibility of overproduction of lambs beyond the present consumptive capacity of this country, but they never have said, and they are not so foolish as to attempt to say, that we are in danger of any possibility, for some years at least, of surplus wool production. I think, if the gentleman is going to quote the Government Department, he should quote it correctly.

Senator SACKETT. Will you tell us also why, in your judgment, the price of wool has declined so materially in the last year?

Mr. MARSHALL. It is a mystery to me, Senator.

Senator SACKETT. It is not due to overproduction?

Mr. MARSHALL. No; we are still importing.

Senator SACKETT. Have the imports increased?

Mr. MARSHALL. I have not looked up the 1929 figures, Senator.

Mr. Chairman, I would like to specifically talk to the recommendation in paragraph 1101, line 17, as I have it in my version, which is the comparative print, that after the words, "per pound of clean content," there should be added these words, "as determined by actual scouring tests." And also that at similar places in paragraphs 1102 a and b the same insertion should be made. It would come in paragraph 1102-a on line 20, after the fourth word, and in paragraph 1102-b in line 4, after "per pound of clean content," insert, "to be determined by actual scouring tests."

We asked the House committee to do that. They did not do it, so we renew the request here. Our reasons are, briefly, as follows: The House purports to give us 34 cents protection per pound of clean content, which we trust will be 36 cents. Under the present law there is supposed to be collected at the present time 31 cents. Our position is that that is not being collected.

Senator SACKETT. Let me ask you while you are on the other thing, should not that scouring test be put up under the definitions under 1101 and cover the whole thing?

Mr. MARSHALL. No, sir.

Senator SACKETT. It would simply mean then that clean content meant after the actual scouring test.

Mr. MARSHALL. Yes, but, Senator, paragraph 1101 deals only with carpet wools; 1102 deals with the kinds of wools which we produce.

Senator SACKETT. No, (b) says "for the purposes of this schedule," which includes all the 1100.

Mr. MARSHALL. Well, it is a matter of making the clean-content plan based on scouring tests for all dutiable wools.

Senator SACKETT. Well, that is what it should be. If it was put in there, then it would not have to be repeated half a dozen times.

Mr. MARSHALL. I do not care how you do it, just so you get that effect.

Senator SACKETT. That would give the effect and save a lot of work.

Mr. MARSHALL. Mr. Walker testifying yesterday, and Mr. Wilson also, made some very serious, grave statements, the import of which I do not believe was fully apparent to the committee. I join in their statements and base my position on knowledge that I have obtained independently from the sources from which they obtained it. I am referring now to my statement that the Treasury Department at the present time is not collecting 31 cents per pound of clean content on all imported wool.

I would further say that on a very considerable part of the wools now being imported, the 31 cents clean content duty is not being fully collected, and that since, and that, Senator—I do not know whether it is a loophole or not, but it is another one of the places in which the grower is not getting the amount of protection which the Congress intended he should have, and which the public supposes he is receiving. You must remember, Senator, that these wools are chiefly brought into the ports of entry in this country in the grease

condition, and it then becomes the duty of the customs officers to determine for themselves and in their judgment the amount of actual clean or scoured wool that is contained in that wool in the grease condition, and to require the importer to pay 31 cents per pound on that weight so determined. At the present time they do that by estimating. I recognize readily that that estimating method is common in the wool trade. The 1911 tariff board, which was quoted to you yesterday, suggested that this scouring test business should be established and that the Treasury Department should employ for the enforcement and collection under the clean content duty, experienced and qualified men with a background of experience in the wool trade. The Treasury Department has not obtained such employees for the appraisal and handling of the customs on these imported wools.

Senator SIMMONS. Permit me to ask you a question there. How do you sell your wool in the Boston wool market? Do you sell it in the grease?

Mr. MARSHALL. Yes, sir.

Senator SIMMONS. How is the scoured content ascertained by the purchaser there?

Mr. MARSHALL. Chiefly on his judgment; sometimes by preliminary tests.

Senator SIMMONS. It is chiefly just an estimate there, is it not?

Mr. MARSHALL. Yes, and if the customs department had a man in there estimating the yield of these imported wools who was an expert and as experienced as these men that buy our wools, it would be a different story.

Senator SIMMONS. I would assume that the Government would appoint to do this estimating the very best experts it has, and in order to protect the revenues of the Government I would assume that ordinarily they did employ the very best that could be had.

Mr. MARSHALL. We assumed that they would, and we are asking that they do, but at the present time they have not got such competent or experienced men. For an example, within the last few weeks one of these Government examiners was called into court to testify for the Government on a case pertaining to the classification of wool, not shrinkage. I have not seen the record of the case, the transcript, and I was not present.

Senator SIMMONS. I will ask you if the same method did not obtain in the wool markets of this country, because in those markets both parties, the seller and the buyer, are deeply interested in the correct estimate of the clean contents of that wool, as that is the basis upon which the buyer makes his price?

Mr. MARSHALL. Yes.

Senator SIMMONS. That is the basis upon which the wool grower sells the wool. If they are satisfied with this estimate method I do not see why this estimate method would not apply just as well.

Mr. MARSHALL. It might and probably would if the Government had examiners and appraisers as well qualified as are these wool buyers. It would be logical and reasonable to assume that the Government would have such men, but the fact is they have not got them.

Senator SACKETT. In paragraph 1104 there is a new provision in the law which requires the Secretary of the Treasury to make samples and determine the scoured content of the greased wools.

Mr. MARSHALL. I think not. I have not been able to find that.

Senator SACKETT. I take it that is what it means when it says that he shall "deposit in such customhouses sets of the official standards of grades of wool, and he is further authorized to display, samples of imported wool and hair, to which are attached data as to clean content and other pertinent facts."

Mr. MARSHALL. Yes.

Senator SACKETT. Does not that take care of it?

Mr. MARSHALL. Absolutely not.

Senator SACKETT. Why?

Mr. MARSHALL. All that provision does is to provide that certain wool samples be displayed at customhouses to supply information for interested parties. It says the Secretary may, I do not think it says shall, put on display samples of wools.

Senator SACKETT. This says that he is not only authorized, but he is directed.

Mr. MARSHALL. To place those samples there. He is not directed to do any testing.

Senator SACKETT. I would hardly agree with you on that, but here is the point. I take it that that means that having determined the scoured content and the display of the sample with the United States imports of that particular grade of wool, it shall be held to contain that scoured content.

Mr. MARSHALL. I do not so understand it.

Senator SACKETT. If it did do that, would that remove your difficulty?

Mr. MARSHALL. No, sir; because that does not provide for doing it, scouring, etc.

Senator SACKETT. These samples have been scoured?

Mr. MARSHALL. No, sir; I think not. Presumably in the new language you are referring to the shrinkage would have been estimated by the examiner.

Senator SACKETT. And not actually scoured?

Mr. MARSHALL. No, sir.

Senator SACKETT. You would like to have that changed so that they would be scoured? Having taken a certain grade of wool and have it scoured and the contents determined, the amount of clean content, could that be used as a standard for future imports?

Mr. MARSHALL. I think not.

Senator SACKETT. Each importation would have to be scoured separately?

Mr. MARSHALL. There is a very wide variation in the yields of wools of the same general type and quality, due to the difference in conditions where they may have been grown, or other things.

Senator SACKETT. That is what I wanted to arrive at, whether one standard could operate for future imports, or whether each batch of imports would have to be scoured? You say each batch of imports would have to be scoured?

Mr. MARSHALL. The trouble is in the failure of the Government to properly determine the amount of clean dutiable wool in the imports in the condition received. In the first place it robs the Government of revenue and in the second place prevents the wool grower from getting the benefit in the market of the amount of duty on imported wools which the act contemplates should be paid.

Senator SACKETT. Does it ever happen that the estimate overruns as well as underruns?

Mr. MARSHALL. I think under this act, and I have made quite a search, I have been able to locate eight cases in which it was shown that the examiner did apply a higher rate on wools than was found to be correct. I presume that would be out of some millions of cases.

Senator SACKETT. The other cases would be underrun?

Mr. MARSHALL. I am not saying that. They may have, and I say in a large degree I believe they were. I will cover that in this way, if I may.

I am making a pretty serious statement here, Mr. Chairman, and I am not giving any specific instance. Like Mr. Wilson and Mr. Walker I am positive of these facts, but am unable to present concrete tangible cases here to support my position. One of the reasons the wool buyers repeatedly give us as to why they do not pay more for our wools is that they have to compete in the Boston market with these imported wools on which the full duty appraisal is not collected. They give you specific cases but insist that their statements must be confidential. One case of record is before you. It was presented to the House committee and printed as part of their record. I will refer to a few lines of it. It is a letter submitted by the Hon. Frank W. Mondell and placed in the record by him, signed by Seymour Lowman, Assistant Secretary of the Treasury, in reply to a communication which Mr. Mondell had addressed to him. In this connection Mr. Lowman said:

You will be interested to know that for some months past the Customs Bureau has been giving special attention to this particular subject, and that as a result, during the month of February investigating officers operating in the vicinity of Philadelphia recovered \$410,302.86, representing estimated loss of revenue on estimated clean content of wool on skins imported at Philadelphia, and that the investigation of this subject is still continuing at other ports.

There is a provision in a regulation issued under the authority granted to the Secretary of the Treasury in cases of disputed between the examiner and the importer, that provides for scouring tests.

That is Treasury Decision 39767 providing that in any case of dispute between the importer and the buyer any bale of a lot or shipment may be selected by the examiner and sent to a scouring test at the expense of the importer. I think it is still a matter of discussion and adjustment between the examiner and the importer after that.

I have this statement contained in a letter signed by the assistant collector at the port of Boston, dated June 11, and addressed to the Commissioner of Customs at whose office this letter was handed to me, and I will read just one sentence:

The examiner makes his report of shrinkage and that test stands unless the importer resorts to a scouring test under T. D. 39767, which he seldom does.

A similar statement from the collector of customs at the port of Philadelphia, addressed to the Commissioner of Customs at the Treasury Department, says—I asked in this case for information only for the first three months of 1929:

No disagreement settled by scouring test in 1929, the importers having accepted the examiner's estimate.

When this matter was before the House I made it my business to inquire further into it by spending some time in Boston conferring in the most friendly way with officials at that port, and I wish it clearly understood, Mr. Chairman, that I am not making any reflection or insinuation regarding the honesty or high character of these men. I am reflecting on their competency for this particular job, inefficiency, and in conversation with the examiner who handled the wools at Boston I got this understanding: That when wools were entered for consumption it was his duty to examine the merchandise and estimate the clean content of the wool in the grease as imported and notify the importers as to the amount of duties payable, and to do that he had to estimate the yield or shrinkage of the wool itself. In the event that the figures in the estimate differ materially from that placed in the declaration of the importer he got into communication with him and they discussed the matter. I am clear that I understood the examiner correctly that in some cases there was an adjustment of the shrinkage figure as first determined by him. I am sure that I understood him correctly that after consultation with the importer, he might change his estimate. It is a matter of adjustment and I will not say barter or trade, but it was not a matter of such accurate or scientific test as was contemplated when the wool duties were put on the clear-content basis or that it needed to protect the Government revenue or to give the grower his proper protection as the law contemplates.

Some objections have been raised to this plan of taking samples out of the imported wools and having them scoured to determine the proper amount of duty under the clean-content basis. The first and most serious one is that it is impossible in the condition the wools arrive, or are entered, to select a fair sample and give a fair test. The answer to that, Mr. Chairman, is somewhat amusing when you get the facts. That objection was raised by a witness at the Ways and Means Committee hearing appearing for the National Association of Wool Manufacturers in opposition to our recommendation of scouring tests. He made the objection that fair samples could not be obtained, and much to my surprise when I interviewed the examiner at the port of Boston his first utterance was the same objection. The answer is amusing. In further conversation with the same gentleman I asked him about the method of determining shrinkage and this developed; that when he makes his estimate, his examination and estimate of the clear content of a package of wool in order to determine the amount of duty to be paid he first goes to the warehouse where the wool is in storage, draws a sample from the bale and makes an estimate of what in his judgment is the proper yield.

He stated they took samples from a bale or bales and examined them as to their clean wool content, and then formed his judgment as to the amount of clean wool in the sample as representing that lot before he consulted the importer's declaration as to what he thought the shrinkage was.

Now, if the examiner purports to use these samples on which to form his judgment as to the clean content of the wool it seems to me that is a fair sample to use in a scouring test. I do not think the objection has any grounds.

Another objection has been made that it would cause delay if scouring tests are required. There naturally is often a haste to get imports released and into the mills and the fear has been expressed that this transfer of goods to the mills would mean delay. The answer to that also is amusing. You can go into Summer Street to-day in Boston with a sample of wool under your arm, take it into the public scouring house of that street, 1, 2, or 3 pounds weight and go back there in the afternoon and get the report on it. I have forgotten what you pay for it, but it is a \$1, \$2, or \$3 charge.

Here [showing photograph] is a piece of apparatus in this city for testing for clean content samples of wool. It is in the wool division of the Bureau of Agricultural Economics in the Department of Agriculture within 1 mile of this room. That apparatus is sufficient to give a report, when operated to capacity, on 50 samples a day. It costs less than \$500. Our proposition is to put apparatus such as that at each port to be used by the examiner.

Senator SACKETT. How many ports would that include?

Mr. MARSHALL. I think Boston, New York, Philadelphia, and there is some wool from Chicago and at Montana ports. I do not know how they handle them now.

Senator BINGHAM. At what principal ports do these wools come in?

Mr. MARSHALL. Chicago, Boston, and Philadelphia. I do not think there is anything in the argument as to the inability to select a fair sample or the argument as to delay. The remaining arguments are trivial and I will not take time to stop on those.

Of course, this statement may be made. We are taking the position that some of the importers do bring these wools through and pay the duty on the basis of a less yield of clean wool in the import than in the manufactured content than these importers know that these goods contain. You may say that in the other provisions of the act that a man making a false or incorrect declaration knowingly is subject to penalty of severe kind.

Section 485 attempts to make the importer responsible for the correctness of the statement as to shrinkage and value of wool content as shown in the papers under which that wool is entered. A large amount of these wools of which we are complaining are not brought into this country by the men in Boston or Philadelphia, but they come from other countries to agents here to be sold for the account of people in other countries and the importer who takes them out of customs in Philadelphia is acting as the selling agent of the people in foreign countries, and paragraph (d) says, "a consignee shall not be liable for any additional or increased duty."

Inferentially a legal interpretation would be that he would not be liable for other penalties also. It says further, "if he declares at the time of entry that he is not the actual owner of the merchandise."

So that even if added duty should be assessed for intentional fraud or unintentional incorrectness, the respondent is a citizen of the foreign country over whom the customs division can not have jurisdiction and can not reach him, and there is not anybody in this country responsible or amenable for the incorrect entry of wools as to their clean content.

Since this hearing opened I have talked with an official of the port of Philadelphia who is very much concerned over the provisions in

paragraphs 1101 and 1102 regarding the 40s and 44s and 10 per cent tolerances. He is further very much disturbed over our desire to have a scouring test required. If he was examining the wool his tests would not seem so necessary as they do to-day, but this gentleman is very much disturbed over the difficulty of these House paragraphs in their present form should they become law because of the difficulty of classifying wool as 40s and 44s. I think that should be very simple on the basis of the Government's standard grades, which would as a matter of fact be the same as what I have already called attention to under the provisions of paragraph 1104.

That simply goes to show further that they have not got men with the background of wool knowledge to know how to administer the shrinkage in the clean content business and the classification of wools as the House bill now would call for in this new language; and also I do not think you can rely upon their administration in putting different rates of duty on these long noils and short noils if they are not in position to differentiate between 40s and 44s. I think they would have some difficulty in determining the amount of noils of any length that might be contained in any particular package.

Senator BINGHAM. Would it not be a pretty simple thing to merely state that noils less than 1½ inches in length, should be so and so, and more than that, a different rate? That would then meet the difference between the normal noil, as I understand it, and the abnormal noil that is being prepared particularly to come under a certain rate.

Mr. MARSHALL. If that meant that the package taking the classification of short noils, and the low rate, should not contain any material over 1 inch, and if there was, it took a high rate, possibly so, if we had competent wool men at the ports. But we have not got them.

I think the scouring test is practical, economical, and scientific, but if there should appear to you any reasons or grounds which can be brought in later to show why it is not as I have described it, the least that can be done is to put actual language in this law to make sure that the customs division shall have men qualified to do these things. They can not get men for \$3,000 to check up shrinkage appraisals as passed on wool by men who are making a salary or income of many times that amount in the trade. They have got to have a man who has had training in this work. There should be an experienced and highly qualified wool administrator who would correlate the work at the different ports. And provision should be made to provide at the ports this scouring apparatus which the administrator or somebody could use to check the different wools, inform themselves, and more properly enforce the law.

I will take just a very few minutes on paragraph 1105.

The difficulty with paragraph 1105 which we seem so agitated about is that the relationship proposed in the House bill was never in the tariff act prior to 1922. In the act of 1909 the actual amount of protection was 18 cents per pound of clean content. That act provided that the duty on top, slubbing waste, roving waste, and ring waste should be 30 cents a pound, which was 160 per cent of the actual rate on clean wool. It provided at that time that noils should be 20 cents, which was 110 per cent rate as a matter of fact in the act of 1909.

The change came about in this way. In the act of 1922 the wool duties were put on a clean-content basis. The House made a serious mistake and now proposes to perpetuate that mistake by relating the duties on wastes and rags to the old theoretical duty of 33 cents instead of the actual 18-cent rate. If you will give us the percentages of rates which those rates bear to the actual duty, clean wool protection in 1909, you will find you will be giving us higher rates than Mr. Hagenbarth suggested yesterday.

The House rates as written in paragraph 1105 are not consistent with nor proportionate to the rate in the bill of 1909. They are consistent with the 1922 act, which was seriously wrong, as I have amply shown you.

Senator BINGHAM. Are you asking anything different from what Mr. Hagenbarth asked?

Mr. MARSHALL. I am standing on the very same figures.

Senator BINGHAM. We gave Mr. Hagenbarth 2 hours and 50 minutes, and you said you wanted 15 minutes and you have now had 40 minutes.

Mr. MARSHALL. I am the last witness for the growers and I am within 5 minutes of closing. The present House rates in Schedule 11 are inconsistent with the act of 1909; they are consistent with the wrong act of 1922; they are inconsistent with present paragraph 1102.

There is just one more point. They are entirely out of line and inconsistent with the compensatory rates in paragraph 1108 and later paragraphs. In paragraph 1108 you will find it stated, "Woven fabrics, weighing not more than 4 ounces per square yard, wholly or in chief value of wool, valued at not more than 80 cents per pound, 40 cents per pound and 50 per cent ad valorem." The compensatory rate is 40 cents per pound. That applies on the whole fabric. A general compensatory rate for manufactures, to equalize the wool duty, is 45 cents. There are a few cases of heavier weight and lower value where a compensatory rate of 24 cents is prescribed. I think the House made it 26 cents. That is presumed to cover and apply on goods containing only part wool as indicated by their low value, and you will notice that the 26 cents is quoted on the full weight of the goods as imported.

The only alternative is that, if you leave these rates as the House has them now in paragraph 1105, in order to make them defensible to the grower and to the public, you must write lower rates of compensatory duties on fabrics containing wastes and rags, and it is very doubtful whether they would get their compensatory rates as prescribed in view of the lower rates of compensatory protection on imported fabrics containing different amounts of waste and wool rag. We do not advocate that, but that is the only consistent feature in the rates in 1105 as suggested yesterday by Mr. Hagenbarth.

STATEMENT OF CHESTER H. GRAY, WASHINGTON, D. C., REPRESENTING THE AMERICAN FARM BUREAU FEDERATION

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. GRAY. Mr. Chairman, the time I will need will be very short on account of the fact that arrangements have been made for several organizations to file a brief in unison on the producers' end of the

question of the duties on wool and various other processes into which wool goes.

Senator BINGHAM: That brief must be sworn to as an affidavit.

Mr. GRAY. It will be sworn to, and the brief will be signed by representatives of the National Wool Growers' Association, the Ohio Wool Growers' Association, the American Farm Bureau Federation, and other organizations.

So, for my statement here before the committee this afternoon, about all I care to do is to summarize the specific rates which we are interested in, and they apply to three paragraphs in the schedule before this committee, paragraph 1101 being the first one.

In that paragraph it seems to us that the House bill coming before you now has put in a 10 per cent tolerance perhaps that is not necessary. So we are asking for that 10 per cent tolerance not only in this place but in other places in the bill as it lies before you, to be eliminated.

For some reason or other the House bill has included knit or felt boots and lumbermen's fulled socks, and one or two other commodities made of wool on a differential basis. I do not know how that slipped in, but it ought to be slipped out on the Senate side.

For some reason or other the extension of the time in which wools have come in for the making of carpets for a 3-year period has been extended to four years.

Really, we can only with difficulty see the need of having a 3-year period in that provision being made operative, and we desire to resist the extending of the three years to a 4-year period, and therefore we are willing to go back to the 3-year period, and are not very enthusiastic even in reference to that.

Senator BINGHAM. Why do you object to the 4-year period?

Mr. GRAY. For the reason, simply, Senator, that there is hardly any cause for a foreign commodity to come in here and be in storage for a 4-year period ready to be thrown on the market any day, and during that period being a constant bear on the market.

Senator BINGHAM. Would you have any objection to that being three years, with the Secretary of the Treasury being given the right to alter it if he finds it absolutely necessary?

Mr. GRAY. That is our decision at the present time.

Then the act of 1922 that is now operative is supposed to be changed in the House bill in regard to wool that can be brought in for the making of carpets. In the act it states specifically that the wool shall be used in the making of carpets or rugs. In the bill it says that the wool brought in can be used for the making of yarns to be in turn used for the manufacture of carpets or rugs. We are willing that that proviso should be left in there, if that new feature be left in there, providing, as the chairman has mentioned, that the Secretary of the Treasury be permitted to make the regulations very stringent in regard to the actual tests, to see whether these yarns go into carpets and rugs, or whether these yarns might be used in the clothing trade. That is our position in regard to paragraph 1101.

I am not going to present any statistics, because they are in our brief with reference to the House bill in connection with that section.

Senator SIMMONS. Would it not be very difficult to follow those yarns and find out really what use they were put to, whether for making carpets, or for some other purpose?

Mr. GRAY. Senator, speaking for the American Farm Bureau Federation, and not for these other organizations, which are to become signatories of this particular brief, we have avoided as we have in all our appearances on this side and on the House side trying to put onto the customs collectors' duties of segregation which it is difficult from an administrative point of view to enforce, but your question, or your point, if you care to call it a point, is well made. I think it is going to be difficult for even the Secretary of the Treasury to find accurately and without question whether those yarns go into carpets and rugs, or whether they might be used for some other purpose, that other purpose being on a higher dutiable basis.

Senator BINGHAM. There is quite a penalty provided, however, if they are caught doing that, and it provides for adding 50 cents a pound.

Senator SIMMONS. It is quite a concession when the whole wool to be used for carpets comes in free.

Mr. GRAY. It surely is.

Senator SIMMONS. Now, if you are going to send it into yarn and yarn spinning factories, to be converted into yarns you have to follow up those yarns to see whether they do not go into some other use than that of making carpets.

Mr. GRAY. Absolutely, and it is going to be a difficult thing to do, even though the penalty is severe.

Senator SIMMONS. You have to follow that material which is admitted here free, while other wools are highly taxed—you have to follow that material for three years, have you not?

Mr. GRAY. Yes. And let me give you another example of the thing which you have brought to our attention, Senator Simmons. Let us come to another schedule, schedule 7, upon which I have been testifying, and other representatives of farm organizations, in favor of certain rates of duty on cattle, live cattle, of the stocker and feeder variety, it being provided that they should have a certain rate of duty, and slaughter cattle being on a different basis of production, to have a higher rate of duty.

It was debated on the House side whether that line of difference, where an animal ceases to be of the stocker and feeder variety and making it of a slaughter variety should be definitely ascertained in the bill, or whether that line of demarcation between the two types should be left to the customs officials or the Department of Agriculture.

The Ways and Means Committee, perhaps wisely, decided that a definite poundage should be written into the bill and should be the line of demarcation, and they put it at 800 pounds, as the line between the stocker and feeder cattle and the slaughter cattle.

If that had been left to the Secretary of Agriculture or to the customs officials it might have been hard to enforce because of the administrative difficulty; and so, in the act of 1922 as well as in the bill now before you, we have a definite line of poundage which separates the two classes of cattle. That is an example of the difficulties which you suggest.

Senator BINGHAM. Why is the period of three years needed? What is it needed for?

Mr. GRAY. You must seek that answer somewhere other than from me. I do not think that it is necessary.

Senator BINGHAM. Why is it needed?

Mr. GRAY. Importers in times past, when former tariff bills have been in the making, have maintained that to be necessary. I do not follow the authenticity of their arguments, but inasmuch as it is a sort of custom, we have acceded to it.

Senator BINGHAM. What are their arguments?

Mr. GRAY. Their arguments are partly that they need to bring it in and keep it in storage so they will always be sure of a supply for making the rugs and carpets. There are other arguments than that, but that is one of their arguments.

Senator SIMMONS. Why could they not decide at the time of its introduction whether they are going to use it for carpets or part for carpets and part for other purposes?

Mr. GRAY. I do not know, Senator, why they can not decide that. It seems to you and to me, no doubt, they they could decide it at the time of importation, but you will get their points if you ask that question of the people who advocate that when they appear before your committee. I would prefer not to answer for them.

Senator BINGHAM. Senator Simmons said it was not very difficult to follow this yarn.

Senator SIMMONS. I asked that question.

Senator BINGHAM. I thought it was a very proper question. They know the duty was paid. If it was admitted free, it would be very difficult to follow it, as the witness suggested, but as the law reads it is not a question of coming in free of duty; it is a question whether if within three or four years of the date of the importation or withdrawal from the bonded warehouse satisfactory proof is furnished that the wools have been used before the duty will be remitted. It is up to the individual manufacturer to prove that it has been so used, and he can not get anything back except from what is so used. It puts the burden on the carpet manufacturer, and it does not seem to me that is difficult. Why is it difficult?

You said that you wanted to make it easy for the customs officials to do their jobs. They collect the duty now, under the law, as soon as it comes in. If the carpet manufacturer, three years later, can come in and show, or prove, that so many pounds have been used for the manufacture of carpets, then he can get his duty back. Why is that difficult?

Mr. GRAY. It is not difficult at all if the customs officials take the statement of the user of that imported wool as being 100 per cent accurate, if they try to get that back.

Senator BINGHAM. The law says that satisfactory proof has to be furnished. The burden of proof is on the carpet manufacturer.

Mr. GRAY. So it is before the Tariff Commission. The burden of proof—

Senator BINGHAM. Let us not bring the Tariff Commission in here.

Mr. GRAY. I am using this as an illustration. The burden before the Tariff Commission is upon the foreign producer of an agricultural product to show that his costs are as high as ours, but the Tariff Commission does not take his statement; they send a man down there.

Senator BINGHAM. They can not go to that foreign country and force him to testify.

Mr. GRAY. No.

Senator BINGHAM. But we can bring this carpet manufacturer into court and put him under oath and examine his books and everything

else. There is nothing very difficult about that, so far as I can see. I do not see that the administrative details are serious at all.

Mr. GRAY. They are not insuperable.

Senator SIMMONS. Except the fact that the evidence is in the hands of the importers and the Government has to resist the case.

Mr. GRAY. And if the Government official is dissatisfied with the facts laid before him—

Senator BINGHAM. Then the duty is not refunded.

Mr. GRAY. Then the duty is not refunded, but what position does that put the Government official in?

Senator BINGHAM. All he has to say to the independent manufacturer is, "You have not furnished satisfactory evidence to me."

Mr. GRAY. In paragraph 1102, subsection (a), "wools, not specially provided for," we are asking that the rates be changed as follows:

In the grease or washed, 24 cents a pound, for sorted or matchings, 25 cents a pound, that is a clean pound, and for scoured, 27 cents a pound, and also to treat the 10 per cent tolerance, just as we recommend in connection with paragraph 1101.

In subsection (b) of paragraph 1102, which is the subsection in which most of the farmers' wools are included, we are asking that the rates for the wool in the grease or washed be 36 cents instead of 34 cents as in the bill coming to you from the House; sorted or matchings, 37 cents, and scoured wool 39 cents. In the last classification the House bill carried it at 34 cents and the Act of 1922 at 31 cents.

Senator SACKETT. That is the same rate recommended by the American Wool Producers' Association?

Mr. GRAY. These are all the rates of the American Wool Growers' Association and these others which are going to be signatories to the joint brief, and I am bringing them to you only as a matter of review and summary.

In paragraph 1105--and we attribute a great deal of importance to that in recent times, because the wastes of wool are coming in in gradually increasing quantities, and it does not make much difference to the producer of wool whether the commodity comes in in the raw state or in some waste state, worked over in the way of shoddy, because if it comes in it is competitive with home-grown wool, no matter what form it takes.

Ten months ago we did not know that the wastes of wool were coming in in such large amounts as we have later discovered them to be approaching our shores, and so we are asking that top wastes, slubbing wastes, roving wastes, and ring wastes be 9 cents; garnetted wastes, 36 cents, noils, 38 cents, thread or yarn wastes, 29 cents, wool wastes not specially provided for, 36 cents, shoddy, 36 cents, mungo, 12 cents; wool rags, 29 cents, and flocks, 12 cents.

Those all reflect, gentlemen of the committee, quite noticeable increases over the testimony we presented on the House side. We have acquired some information about the importation of wool in the so-called waste forms which we did not have before, and we believe that those wastes should be rated almost comparable to the rates of the raw product.

Senator SIMMONS. I can understand your argument that these wastes almost take the place in our market of the raw wool, and they ought to be subject to a duty. But you have your duty there as high as the raw wool, have you not?

Mr. GRAY. Not quite, Senator.

Senator SIMMONS. Very nearly as high.

Mr. GRAY. Nearly as high.

Senator SIMMONS. Take the case of rags. They say those rags, when they are subject to the process of carbonization shrink one-half in weight. In the case of these other wastes, in the process of preparing them for use in place of wool, do they not lose very largely in their weight, all of them?

Mr. GRAY. Yes, sir.

Senator SIMMONS. As to the little differential that you allow between the waste and the raw wool, it is not too great a measurement?

Mr. GRAY. The differential in rates we are proposing on the raw wool and on the rags is not great now.

Senator SIMMONS. It seems to me that the rate you are putting on the waste is rather too high as compared with the rate on the raw wool.

Mr. GRAY. There is a question for argument there. We do not think the rate we are asking on wool rags is too high as compared to the rate on raw wool. Stating it conversely, we do not think that the differential which we have provided between the rate on the woolen rags item and the raw wool item is too small. Then, stating it in another way, we want the rate on woolen rags to be so close to the rate on the wool that it will be as difficult to bring in the rags as it is to bring in the raw wool in competition with the wool that our farmers produce. We are trying to keep that situation so nearly on a balance that if we are equalizing the cost of production and getting protection on the raw wool, likewise we are equalizing the differences in the woolen rags as compared with out raw wool.

I confess, however, it is hard to get this thing figured out in a scientific way, but we have done it as nearly as can be done, so far as we know. We do not think that the differential is too high.

STATEMENT OF J. F. WALKER, REPRESENTING THE OHIO WOOL GROWERS COOPERATIVE ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. WALKER. Mr. Chairman and gentlemen of the committee, I am here representing the Cooperative Wool Marketing Organization, serving the farmers of Ohio, Indiana, and Michigan in merchandising wool directly to the mill.

We are very much interested in some of the matters which are coming before you in relation to the proposed changes in this tariff schedule. We desire to submit to you certain cost figures which are as accurate as we can get, pertaining to the midwest section of the United States.

I think you gentlemen will realize that it is rather a hard proposition to get accurate figures from men who are diversified in their farming operations, as to what any one particular operation is costing them. Feeling that this might be clarified quite a little by actually determining through disinterested sources what it was costing to produce sheep in our State—and I may say in passing that Ohio probably carries more sheep per square mile than any other given area of the same size in the United States, and produces a type of wool and quality of wool that is very keenly in demand, possibly from the standpoint of fineness and strength combined, approached by no wools

in the world. So that we are enjoying a good market for that particular type of wool.

Senator SACKETT. Is that due to the breed, the climate, the land or what?

Mr. WALKER. I would say it is partly due to the breed, somewhat due to the care that those sheep have had, and the fact that they have been largely in the hands of men coming down through possibly three generations, who have become very experienced sheep men, breeding a certain type and quality of wool. They were introduced there originally in 1814.

Senator GREENE. What breed do you raise?

Mr. WALKER. Merino, the smooth type merino.

Senator BINGHAM. You are speaking now chiefly of merino?

Mr. WALKER. Yes; because the greater proportion of our sheep are merinos and they represent a type of sheep that can only be grown on a very considerable portion not only of the land in Ohio but land throughout the East generally. That pertains in many sections. You, Senator Sackett, happen to be particularly fortunate in your bluegrass section. You can run a slightly different type of sheep and have altogether different conditions from those that confront many of the sheep men in Ohio, who must depend year in and year out nearly altogether on permanent pastures, land that is too rough in southeastern Ohio, primarily, to be ploughed up, and they must keep a type of sheep that will do well under those conditions.

The Ohio Experiment Station has conducted a three-year test to ascertain what it actually costs to handle sheep under ordinary farm conditions. The purpose of this test is not to ascertain costs as much as to ascertain the most practical and efficient way of managing a farm crop. Cost is merely incident to the matter. Four flocks were selected and placed out under conditions comparable to those generally found in the State. I have taken the most efficient flock as the standard of drawing comparisons. These figures are not as yet available. They will be very soon, and the station very kindly gave me some figures last week before they were released to the press. They found that it cost them \$5.70 a year for feed. Those are actual costs.

The labor was \$1.15 per sheep. The depreciation on that ewe was figured at 96 cents a year. I think you will grant that that is a very low depreciation.

For buildings and equipment, that was used, they figured 30 cents a ewe.

Twenty cents was allowed for shearing, 15 cents for ram service, 20 cents for incidentals, such as drenching and feet trimming and things of that sort. The cost of drenching and the cost of trimming for foot rot, which comes to all sheep men at times, that was figured into the incidentals. Making a total cost of \$8.60.

There was a lambing percentage in this particular flock of 80 per cent average on the three years. These lambs weighed at weaning time an average of 42.2 pounds per head. That is a light weight, but you must remember that you are considering a fine wool sheep, giving 35.4 pounds of lamb per ewe at weaning time. These lambs have been selling currently in the State of Ohio out of such sections, going into feed lots, at 10 cents a pound.

A fine wool lamb is not quite as desirable a lamb in the market, and in common with most of the eastern section at the present time, we have a certain amount of difficulty with internal parasites, and he must be treated and cleaned up before he can go ahead and do well after he comes off the grass.

That leaves, counting the value of the land and everything, \$5.16, which must be assessed against the cost of wool production. Well, the actual return from wool production for those three years was \$3.47.

Senator SACKETT. Per ewe?

Mr. WALKER. Per ewe. This leaves only one thing that makes sheep raising profitable in the East, and that is the carrying of the lamb on and finishing him under market conditions. Under that system sheep men have been able to make a little money, but the profits in the business that some people have represented, it has been largely in some sections where there has been an effort on the part of agriculture to diversify its product and attempt to produce a product in a market in which we felt that we might increase without having something that we had to export. We had a market there that we hoped we could develop and take care of ourselves, and it is merely supplementing other types of farming, rather than because of any great money that there has been in it.

Senator SACKETT. I should think, as long as it has been going for 115 years that it was probably the staple farm product and the other things were things that were diversified.

Mr. WALKER. That is true of a particular section. They can not do anything else but raise sheep down in that country, except possibly a certain amount of dairy cattle, because they can not farm those hills, and it is a blue grass pasture proposition that must be utilized by sheep only to be successful.

In 1921 our organization appeared before this committee. We discovered at that time, according to the best information that we had, that it was costing the man in the fleece wool section—by that I mean the corn belt and mid west and eastern section—between 54 and 56 cents per pound. We believe that we have been able by efficient operation to reduce those costs approximately 5 cents per pound. The information that we can get from such States as Indiana, where they are largely concerned with production of mutton lambs, is that it is costing them on their wool approximately 60 cents a pound to-day, and I think that possibly would hold true of your State (Senator Sackett), because while you would have a greater lamb run, you would have greater depreciation, because your ewe does not live as long and there is less return from the wool, because they shear a less number of pounds of wool.

The theory or the basis of protection that was to be granted to the American wool grower was that he was to receive the difference in the cost of production between this and foreign countries. That is the theory upon which the tariff act of 1921-22 was erected. We felt at that time that in asking for that difference in cost it would be possible that we were entirely out of line, because we hoped for a readjustment in conditions. The readjustment has not yet taken place, and apparently is not going to take place in the near future. We submitted at that time cost figures from foreign countries as best we could. We arbitrarily took for cost production in Australia 30 cents per

pound. We did not know that it was 30 cents per pound, but we did know that the British Government had taken over the wool clip at 31 cents per pound, and we assumed that they would not ask the Australian wool growers to produce wool at a loss.

I desire to call your attention to the report which comes out, the committee report on the proposed tariff act of 1929. On page 100 this paragraph appears:

Mr. J. F. Walker, former secretary of the Ohio Wool Growers' Association, and later special investigator for the United States Department of Agriculture, made quite a study of conditions of wool production in Australia and has commented on them in numerous articles published in the National Wool Grower, organ of the National Wool Growers' Association. Mr. Walker states that the clean content of the Australian wool clip averages 48-50 per cent, and that in 1927 the average selling price was 35 cents per grease pound. In view of his discussion of certain of the high cost factors, the selling price he arrives at for 1927, 35 cents per grease pound supports the conclusion of the committee with respect to the cost of production that year; that is, 33.6 cents per pound.

Australian wool has a clean content of 50 per cent, hence costs 67.2 cents per clean pound, to which should be added 6 cents per pound for expense of preparing the wool for shipment and freight to the market in Boston, or a cost per clean pound landed in Boston of 73.2 cents. The difference between the domestic cost of production, 97.5 cents, and 73.2 cents, the Australian cost, is 24.3 cents.

Data submitted by the woolgrowers who testified before the committee, based on a study made by the Tariff Commission a number of years ago, are to the effect that the cost of producing wool in Argentina is 27.35 cents per grease pound. It has a clean content of 51 per cent, making a cost of production of 53.6 cents per clean pound. To this cost should be added 3 cents to cover cost of baling and other preparation for shipment and freight from the Argentine port to Boston, making a cost of Argentine wool landed in Boston of 56.6 cents per clean pound. The difference between this cost of Argentine wool, 56.6 cents, and the domestic cost of production, 97.5 cents, both landed in Boston, is 40.9 cents.

I had occasion to investigate many of these large outfits. They were very kind and opened their books to me. They told me at 30 cents a pound they were making approximately 6 per cent on their investment. They told me that they considered it cost \$2 to \$2.50 a year to run a sheep in Australia, and that the sheep that year averaged 8.8 pounds per head. Now, you may take either of those figures, and 8.8 pounds per head, by giving them a cost of \$2.50 a year makes a cost of wool production in Australia of 28.4 per pound. If we use their figures that they made 6 per cent on the investment at their station, it brings the cost to 28.2 cents per pound.

Senator SACKETT. When you speak of return on investment, do they not include value of the land as well?

Mr. WALKER. Yes; they include that.

Senator SACKETT. And they include taxes?

Mr. WALKER. They do. But they did not include interest charges. I am not including interest charges in that.

Senator SACKETT. You did not include land values in your statement, did you?

Mr. WALKER. The only inclusion of land values that was made in the Ohio statement was that a charge of 61 cents a month was assessed against that land for the number of months that the sheep ranged on pasture, and the feed taken off of the land was valued at its current value on the market.

Senator SACKETT. Then your comparison would hardly be fair. They have some additional expenses.

Mr. WALKER. If you will permit me, Senator, I will get to that in a moment. In that country I found that the total charge was assessed against the wool and no credit given for the sale of surplus sheep or sheep going on the market, and those gentlemen told me that they figured that their sale of surplus stock, one year with another, lambs, wethers, or breeding ewes, whatever it might be, would take care of that 6 per cent investment. So, to get to a basis of comparable costs, you would get back to a basis of about 28.4 cents per pound, which is the basis that we had used for present cost of production in Australia.

In addition to that we have taken the survey made of costs in South Africa. Possibly South Africa is producing wool cheaper, making cheaper cost of production than any other country in the world to-day. The reason that we are particularly interested in these two countries is because both of these countries produce a type of wool which comes directly in competition, not only with the fine wools of Ohio and the Panhandle section, but with the fine wools of the range section as well.

We found cost figures in South Africa ranging from 14 to 17 cents per grease pound. Those wools shrink much more than wools do in South Africa. Reducing this to clean content basis, and providing the same cost of transportation which the committee in the House provided, namely, 6 cents for pound for delivery of these wools to the seaboard here, we find that the Australian cost cleaned, 62.8, landed at Boston; South Africa cost, figuring on 35 per cent yield—and I feel certain that we are giving them the benefit of the doubt in that connection—54.5. The cost of Argentine, a cost which was reported by the Tariff Commission, and I think probably is very accurate, as near accurate as cost figures can be gotten, was 56.6.

Senator SACKETT. That is all f. o. b. Boston?

Mr. WALKER. That is in Boston. Your Australian wool has a decided advantage in that it comes into this market with all off scourings taken away. It is better prepared for market. By that I mean that all sorts of tags, short belly wools, and all that sort of thing are removed, and we only get the choicest part of the wool. That gives them an advantage which has been estimated at approximately 8 cents per pound. These are not our figures; these are figures which we have taken from the committee report.

Senator SACKETT. What was the Ohio wool now, f. o. b. Boston? Did you give that cost?

Mr. WALKER. Our Ohio wools to-day are selling—

Senator SACKETT (interposing). No, not selling; cost f. o. b. Boston, laid down in Boston.

Mr. WALKER. We believe that the cost of Ohio wool to-day is approximately 50 cents per pound, by taking the value of the lamb at weaning time, giving the lamb full value at weaning time.

Senator SACKETT. What does that mean in Boston?

Mr. WALKER. We give the wool delivered in Boston 78 cents a hundred. So we can say 50 cents a pound to be fair; 78 cents a hundred is our freight rate from Ohio to Boston. Your Australian wool then would have the advantage over American costs, which we are taking as not the cost that I have submitted to you gentlemen, but the cost that was submitted by this committee, of 97.5 cents. Even assuming that those cost figures are correct, we feel

that they are lower than they should be for production of wools in the United States, but giving it the benefit of the doubt, we find that Australia, considering the type and quality of her wool, has a price advantage of 42.7 over American wools at the present time. South Africa has an advantage of 42 cents a pound cleaned over American wools at the present time, and Argentina with her advantage of 40.9 cents per pound from which it has been stated, due to the lack of quality in these wools, 8 cents per pound should be deducted, and that again is the report of the committee, not ours, would put these wools at 32.9 cents per pound.

The production of wool in these three countries. The production of wool in Australia aggregates about 850,000,000 to 900,000,000 pounds a year of wool now. The production of South Africa is approximately 280,000,000 pounds of wool, while Argentina has about 300,000,000 pounds.

Senator SACKETT. What is our production?

Mr. WALKER. Our production, roughly, is 350,000,000 pounds, speaking in round numbers.

Senator SACKETT. Australia is about three times our production?

Mr. WALKER. Almost three times.

Senator SACKETT. Now, when you are giving those figures what are the variants between our prices and theirs? What advantage do they have?

Mr. WALKER. Australia has a 42.7 advantage; South Africa 42. The Australian advantage is due somewhat to its better preparation of wool. The Argentine advantage is 32.9. Now, taking that weighted average —

Senator SACKETT (interposing). Now, wait a minute. The average tariff is 31 cents?

Mr. WALKER. Yes.

Senator SACKETT. And they have an advantage of 42 cents?

Mr. WALKER. Yes, sir.

Senator SACKETT. What has been the experience of importations? Have they been growing?

Mr. WALKER. Not in the last year.

Senator SACKETT. How about during the period from 1921 to the present time, during the time that the tariff act has been in effect?

Mr. WALKER. Our importations in 1922—now, I am not speaking under oath, because I am merely speaking from memory.

Senator BINGHAM. Then give it as your opinion without stating it as a fact.

Mr. WALKER. As I recall it, in 1922 and 1923 our importations ran over 200,000,000 pounds per year. I think from then on down until 1928 the average was somewhere about 164 to 167 million pounds per year. In 1928 our importations were only approximately 80,000,000 pounds.

Senator SACKETT. With that advantage which they have, 42 cents and 31 cents, what is the cause of the falling off?

Mr. WALKER. If you will pardon me, Senator, I will get to that just a little later.

Senator SACKETT. Well, that is the story that we want to know.

Mr. WALKER. If you will permit me, I want to get to that just a moment later.

Senator SACKETT. I just wanted to direct your attention to it.

Mr. WALKER. We find that the weighted average of the standard wools on the foreign market coming into this country to-day is forty-three and ten one-tenths cents per pound, using cost figures which have been submitted by the committee and not our figures, and also using their figures without correction of the Australian figures and introduction of Africa, which was not in the picture at that time.

There are two things that have been responsible, possibly, for the lessened amount of wool which has come into the United States in the past two or three years. One has been the decreased use of wool suits. Possibly the substitution of rayon for some of our finer wools also. That has made some inroads upon our wool market. The matter has been brought up here to the attention of this committee that we are importing tremendous quantities of cheap rags which have supplanted not only approximately 100,000,000 pounds of wool, either domestic grown or imported wool. Change in ladies' styles has something to do with this falling off. That probably is a temporary proposition; the other apparently is not a temporary proposition, and we are very much concerned about this tremendous importation of cheap substitutes for wool.

The question has been raised here relative to the cost, comparative cost, between this type of product [indicating sample] and good wool. I think possibly that the question in the minds of this committee which you are more concerned with is the question of costs, which are rather misleading. I have on a blue serge here which to-day would cost from \$2 to \$2.50 for the cloth, the amount of wool that would produce this suit of clothes. The man who manufactures that suit of clothes gets somewhere between \$7.50 and \$8 for sufficient cloth to make the suit. I got it at a special price, not tailor cut and made. Due to an accident in Philadelphia I had to buy a suit and it was marked from \$55 down to \$49.50. Now, I do not think the relation of what it cost for the fabric that went into this suit, or what the manufacturer paid for it had very much to do with the retail price, and I am very certain that the labor scale in the United States is sufficiently high that a man could afford to go out and buy a suit of clothes that has quality material in it under present prices. Even had the material been given to the man who made this piece of cloth, he could have only saved about \$2.50. So we are concerned not only with the fact that this is taking our market away from us, but is doing something far worse, it is educating the American public to believe that wool fabrics are not as good as they ought to be, and it is turning to something else.

Senator SACKETT. Now, I will grant you that that is probably cutting into you, but just the same on your cost production in these different countries, when that cuts into it, why does it not take away from you and let Australia and those other countries, which have a 10 cent advantage, come in and take your business?

Mr. WALKER. It has taken away from us down to the extent that to-day we are selling choice Ohio delaines, and the price being offered to the grower to-day is 28 and 30 cents per pound.

Senator SACKETT. They have still got a 10 cent advantage over you in cost. I should think they would take all your market.

Mr. WALKER. It begins to look as though they had, if the reports that our salesmen give us are true. They have got a hard time selling wool.

Senator SACKETT. Is it not a fact that your price of wool has had to be reduced 10 cents a pound in the last year?

Mr. WALKER. It has been reduced more than 10 cents a pound.

Senator SACKETT. Has not that been due to the fact that you have got the competition of these foreign wools coming in at a 10-cent advantage?

Mr. WALKER. It probably is. We say that it is due to two things, that our break in the market has been due to the fact that we are not equalizing the cost of production between here and abroad, nor are we being sufficiently protected on the substitutes for wool which are coming in. Those are the two contentions, and the only two contentions that we are standing for here.

There is one other question that is involved, and that is the question of administering the rate, of determining the duty, the clean content duty. When I was in London a large wool broker there told me that it was unfortunate that the American wool grower does not get the advantage of his market. He said, "You are not getting 31 cents per clean pound; we are beating you on it and beating you continuously." We believe that there is a measure of risk—we are not impugning anything against the ability or the motives of the appraisers of the customs department. It is a highly technical proposition to determine shrinkages on wool, and in England, where wools are bought and sold practically altogether on their cleaned content basis, England does not estimate. They keep their conditioning house at Bradford and samples of those wools are drawn and scoured under uniform conditions and basis of yield or shrinkage is determined by that scouring test. It is a very simple test.

The Tariff Commission recommended that the duty should be assessed on a clean content basis; that the erection of a similar organization or method of determining duties should be taken care of in the United States.

On pages 396 and 397 they say:

The proposal to levy a duty on the scoured pound of wool implies that it is possible to select samples that are fairly representative of a consignment of wool, and to ascertain the clean content of the consignment by scouring and conditioning such samples. It also implies the establishment of conditioning houses to be maintained by the Government at leading ports of entry. The Tariff Board has carefully investigated this matter and, with the aid of the Bureau of Standards, has reached the conclusion that it is not only possible, but it is relatively a simple matter to test wool by sample at the time of importation. It has also ascertained that the machinery required for scouring and conditioning the wool in small lots is inexpensive and could be promptly installed, and the cost of operation would be light. If Congress should deem it wise to adopt this method of collecting duties upon raw wool, it would seem that the details necessary for its prompt, efficient and economical administration may safely be left to the proper administrative officers of the Government.

Senator SACKETT. Does it require a change in the language of the present bill as it came from the House in order to bring that about?

Mr. WALKER. I think the only change that would be necessary there would be to establish the method of determining the yield, by stating that it should be scoured under certain uniform conditions.

Senator SACKETT. Would you be willing to get the Tariff Commission experts and draft a clause that would cover that?

Mr. WALKER. I think that could be taken care of.

Senator SACKETT. I wish you would do it and put it in the record.

Mr. WALKER. I will do so.

Senator SACKETT. Let me ask you one other question. The boards of import for wools, are there many of them in this country?

Mr. WALKER. No; I think that the bulk of our wool comes in at Boston and Philadelphia, practically.

Senator SACKETT. How about New Orleans and San Francisco?

Mr. WALKER. Very little wool comes in there, not of the types of wool in which we are interested, because there are very few factories on that side. Australian wools come to the eastern ports, some to New York, some to Boston, and some to Philadelphia.

Senator SACKETT. It would not be necessary to set up but two or three customs houses?

Mr. WALKER. That would be all. And it is a very small equipment, and the work is very readily done. So that it is not adding any burden of expense.

Senator SACKETT. And that would settle once and for all the shrinkage for all grades of wool?

Mr. WALKER. Yes, sir; it would determine it accurately. As the law now stands, the importer has the advantage, because if he feels that they are overestimating the yield, he can demand a scouring test; if it is underestimated, he goes his way rejoicing.

Senator SACKETT. He has the advantage that he knows what the scouring test is before he starts?

Mr. WALKER. I was trying to find in our files a copy of a letter which came to us from a New Zealand importer, not knowing that we were not interested in importing wools, in which he was offering a line of New Zealand wools. He made this statement: "We will guarantee these wools not to shrink more than 28 per cent, and feel confident that we can get them by the customhouse at 33." Now, whether he was right or wrong, I have no means of knowing, but that was an inducement that he held out to us to become interested in that particular lot of wool. And I want to say to you that it is a rather hard matter for a man to stand and look with his eye and pull out a small sample and say whether that does actually shrink 28 or 33 per cent. That is not impugning the honesty of the man that is administering the law.

Senator SIMMONS. I am afraid what I am going to ask you is mere repetition of what you have said, but I want to understand more definitely than I do now exactly what your statements were as to cost of producing wool in this country.

Mr. WALKER. The cost, as near as we can determine it, in what we call the "Corn Belt area," or the great wool State, is approximately, under present conditions, about 50 cents per grease pound.

Senator SIMMONS. What did you say was the cost of production of a grease pound in Australia?

Mr. WALKER. Twenty-eight and four-tenths. But their wools shrink less than ours do, so that they would have some advantage on that. Their cleaning cost would run about 62, as against a dollar, roughly speaking.

Senator SIMMONS. Most of our wools that are imported come from Australia, do they not?

Mr. WALKER. I would say not at the present time.

Mr. WILSON. I indorse all the changes asked for by Mr. Hagenbarth.

Dr. A. F. Vass, of the University of Wyoming, has been for the past four years making detailed range management studies in the State of Wyoming, which studies more accurately show the production costs than do any other studies previously made by any agency, and he will follow me and give the committee the results of these studies.

We can not subscribe to the costs of production used in the House hearings or those used by Mr. Hagenbarth in the House hearings. These figures were compiled from the operations of the four best years, climatically, and from a grass and feed standpoint, that the sheep business has ever enjoyed in the State of Wyoming. We occasionally get a year like we had last winter, when the snow covers the range grasses and forage plants in October and remains until April, when feed costs increase enormously, and as was the case with some outfits last winter, amounted to seven times as much as the normal feed costs. So that the figures heretofore given do not represent the true cost of production, as they had not taken into consideration any of these abnormal years which we get about once in every four or five years.

Senator SACKETT. When did you get the last one before this?

Mr. WILSON. The last one before this, in parts of the State, was in 1924. Prior to that in 1921 in parts of the State, and then in 1918 we had a real one.

Senator SIMMONS. Your theory is that instead of taking one year as the basis they should take a number of years and get an average?

Mr. WILSON. You must of necessity, Senator.

Senator SIMMONS. How many years would you say?

Mr. WILSON. I would suggest a 5 or 10 year period, to get the true situation.

Senator SIMMONS. You think they just took one year?

Mr. WILSON. No; they took four years in that case, but they had to take four years of abnormally favorable conditions, good lambing weather in the spring, excellent grass conditions, open grazing in the winter, and generally extremely favorable conditions. One of the leading bankers in Wyoming who is also extensively engaged in the sheep business and who finances more woolgrowers than any other man in our State, told me less than three weeks ago that it would take two years of good wool and mutton prices for the woolgrowers of Wyoming to be able to pay their feed bills incurred last winter, and I having been in the sheep business can readily appreciate that this is true.

Referring to Doctor Vass's figures, I find that they are very conservative from the standpoint of the sheepmen. In a good many parts of the State I have secured figures from a number of sheepmen, and in a good many of the cases they are higher than the figures that will be presented by Doctor Vass. But Doctor Vass's figures are, of course, more carefully made than those were, and should, perhaps, be taken as representative figures.

One thing that Mr. Hagenbarth referred to that perhaps he did not cover sufficiently fully is in relation to Wyoming conditions and that is the increase in the number of sheep. There is no doubt that

the tariff act of 1922 and the emergency tariff act, have been extremely beneficial, but the increase in sheep in Wyoming has not occurred in so-called "range flocks," but has occurred in farm flocks, not farm flocks, perhaps, such as you run in the east—they are running a little larger in size—but flocks running 100 to 500 head. The farmers, particularly dry farmers, that came in and took up the range previously used by the sheepmen and cattlemen found they couldn't make both ends meet. Grain crops did not pay.

Senator BINGHAM. Are there a good many farmers that have less than 200 sheep?

Mr. WILSON. In Wyoming the number of sheep per owner has decreased over 70 per cent in the past five years. Answering your question, I could not say how many there are in Wyoming, but at a guess I would say about 500.

Senator BINGHAM. Who have less than 200 head of sheep?

Mr. WILSON. Who have less than 200 head of sheep, who probably represent 5 to 10 per cent of the sheep in Wyoming.

Senator BINGHAM. And there are a good many that have about a hundred?

Mr. WILSON. They run from 2 sheep up to about 500 in the average farm flock.

Senator BINGHAM. And it is your belief that these things you are asking for would really help the small farmer who is trying to keep his family together and trying to diversity his industry, who has a few sheep as a part of his capital, not his main investment?

Mr. WILSON. Aside from his investment in land, it is now his main investment, in a good many cases. In other words, in the irrigated sections it is not; in the dry farming sections it is, with the exception of his land and improvements. Of course, he uses the land to raise feed.

Senator BINGHAM. What will happen to him if we do not do it?

Mr. WILSON. He will probably move out of the country, as he has been doing.

Senator BINGHAM. He will have to abandon his farm?

Mr. WILSON. He will have to abandon the dry farm?

Senator BINGHAM. Then you will have out West what we had in New England 70 years ago, when the railroads came in there were a lot of abandoned farms.

Mr. WILSON. I can not testify as to conditions in New England. Senator.

Senator SIMMONS. As a matter of curiosity, not relating very much to the tariff, I would like to ask you how many acres are necessary to maintain 500 sheep?

Mr. WILSON. To maintain 500 sheep in Wyoming? Various estimates are made ranging from 5 acres to the head up to 7 acres to the head. Where you have exceptionally good pasture, protected pastures by fencing, it will probably run about 4 acres—500 sheep will take between 1,500 and 2,000 acres, raising the necessary feed to keep them through the winter.

Senator SACKETT. Do you have any dog troubles with your sheep?

Mr. WILSON. We are just beginning to. We have, to take the place of the dog, the coyote and other predatory animals which cause serious losses in sheep.

Senator SACKETT. That difficulty can be overcome by proper fencing?

Mr. WILSON. Well, perhaps by proper fencing, but the cost of fencing would be prohibitive to fence against coyotes. We are trying to kill them off, but they seem to increase. We are not any more than keeping even.

Another reason for the increase in the sheep business is the fact that the cattle business previous to last year, for the previous five years, has been anything but remunerative. It has been a losing proposition and a good many cattlemen found that they had to dispose of their cattle, and that left them with their ranges and ranches on hand, so they naturally turned to sheep. That accounts, I imagine, for 50 per cent of the increase in our State, the other increase being largely with the small farm flocks.

Senator SACKETT. The grain you said also, did you not?

Mr. WILSON. I beg pardon?

Senator SACKETT. Losing out on grain raising they turned to sheep?

Mr. WILSON. Yes. Well, the dry farming crop is normally grain, Senator.

Senator SACKETT. Where did the grain business go to when it left Wyoming?

Mr. WILSON. We did not have enough of it to be a factor in the grain business in Wyoming, Senator. It went to raising grain to feed sheep, or hay for dairy cows.

Senator SACKETT. You heard the first witness tell about the grain being displaced and the sheep being put in its place?

Mr. WILSON. Well, that, of course, is what has happened here.

Senator SACKETT. I was wondering where we are getting this tremendous surplus of grain from.

Mr. WILSON. Of course, we in Wyoming never produced enough to affect the surplus in one way or the other. Our total production—I have no idea what it is, but it is very small. We do not get a large yield.

I want to advert briefly to what Mr. Hagenbarth said about paragraph 1105, and indorse everything that both he and Mr. Brooks said with reference thereto.

So far as I have been able to discover, the first duty levied on rags is in the act of 1864 to 1866, when Congress levied a duty of 3 cents. That was increased two years later to a duty of 12 cents, and in the act of 1883 the duty was made 10 cents and has remained at that rate in all protective tariff bills until 1922, when it was reduced to 7½ cents, and Mr. Hagenbarth and others have put in figures showing the tremendous increase on importations of rags since that time.

I can not agree with the contention of the House committee that rags do not displace wool. Certainly they do displace wool, and the best evidence of that fact is shown in the decreasing consumption of wool when compared with the increasing importation of rags.

I think that there is probably some relationship that have not been called to the attention of the House committee in connection with this matter. Rags are converted into shoddy and shoddy is invariably used as a substitute, but not to supplement the wool. It is used to cheapen the fabric and not to make it better.

There is another item in connection with the rag schedule that is interesting to those of us who are growers, and who are attempting to protect the woolgrower, and that is that rags entering at 8 cents a pound, as provided in the House bill, receive a compensatory duty of 45 cents a pound. They receive the compensatory duty of our finished raw materials, which is the raw material of the manufacturer. If rags are to have a lower duty than in previous tariffs the compensatory duty should be lowered.

Take the case to-day with wool. It pays a duty of 31 cents a pound clean content, and rags are 7½ cents, and yet they have the benefit of 45 cents compensatory duty when they come in as cloth.

Senator SIMMONS. In both cases?

Mr. WILSON. Yes, sir; in both cases. They are protected whether they are imported as rags or in cloth, because when they are manufactured into cloth they still have that benefit.

Senator SIMMONS. When the rags are manufactured, that is a cheaper cloth, is it not?

Mr. WILSON. It may be or it may not be.

Senator BINGHAM. Do rags make anything except shoddy?

Mr. WILSON. I am not competent to answer that, but I think that some of them go into felts. But for use for clothing purposes they must first be converted into shoddy, although I understand that some of the rags are used in some of the heavier overcoats without being converted into shoddy.

Senator SIMMONS. That compensatory rate is an ad valorem rate, is it not?

Mr. WILSON. No; it is a specific rate of 45 cents a pound.

Senator SIMMONS. As well as a raw rate?

Mr. WILSON. Yes, sir.

Senator SIMMONS. Would not that amount to this, that you would be paying as high a rate on shoddies as you would on fine cloths?

Mr. WILSON. On goods containing shoddy.

Senator SIMMONS. Is that right?

Mr. WILSON. I would not think so.

Senator SIMMONS. I would not think so.

Mr. WILSON. I do not know how you can differentiate, I am frank to confess. Of course, they do get the benefit of the full compensatory rate when they are imported as rags and manufactured in this country.

In this paragraph relative to waste which has been under consideration by Congress, we find that the representatives of the National Association of Wool Manufacturers have always advocated a high rate of duty on rags.

In the hearings before the House committee in 1908 and 1909, Mr. Whitman, who was at that time president of the National Association of Wool Manufacturers, in reply to a question by Mr. Hill, made this statement. Mr. Hill asked this question:

I would like to ask if in your judgment it is fair and just that woolen rags valued at two cents should pay 10 cents a pound duty to come into the United States.

Mr. WHITMAN. Well, I think it is for this reason: I know it sounds unreasonable on the face of it, but that duty was made for the express purpose of preventing the American people from having to use so much shoddy goods.

Again, in the Senate hearings in 1922 on the tariff bill of that year, Mr. John P. Wood, of Philadelphia, who was then the president of the

National Association of Wool Manufacturers, and one of the most brilliant men in the country, said:

The rates on shoddy and wool extracts, mungo, flocks, and rags are not designed for either protection or revenue but to prevent importations of these materials. We approve a continuation of this policy.

Mr. Edward Moir, the president of the Carded Woolen Manufacturers' Association, who, so far as I know, has not been satisfied with any of the tariff bills passed since 1870, and who criticised each tariff bill severely and continuously, in the hearings in 1908 and 1909, at page 5640 of the House hearings, in replying to a question, stated:

I think that in fairness to the people who use noils and wastes some concessions ought to be made to those people.

The CHAIRMAN. I am inclined to agree with you on that. What should they pay?

Mr. MOIR. I should say 75 per cent or 80 per cent of the duty on raw wool. I think that would be satisfactory to most of them. On rags, shoddy, and wastes.

There is now just one other matter I want to touch on briefly, and that in reference to the administration of the present tariff act on the clean-content basis.

We recommend, as was done by the National Wool Growers' Association to the House committee, that samples of each importation be actually secured in order to accurately determine the shrinkage. This is in line with the suggestion of the Taft Tariff Commission in their report of 1911, and we think that it should be done.

The determination of the shrinkage in wools is technical and requires expert knowledge and long experience, and it is generally reported in wool circles, both wool dealers and manufacturers, that large quantities of wool are being imported into this country on the basis of shrinkage considerably higher than the actual shrinkage. If wool actually shrinks 50 per cent and is entered in the customs at that figure it pays a duty of 15.5 cents per grease pound under the present tariff law, but if wool with an actual shrinkage of 50 per cent is entered in the customs as shrinking 60 per cent it would pay a duty of 12.4 cents per grease pound. We are advised that this entering of wools at an estimated shrinkage greater than the actual shrinkage is a comparatively common practice, thus depriving not only the wool-grower of the protection that Congress intends, but depriving the Government of revenue.

There seems to me no doubt that this condition of entering wool at a higher shrinkage than actually exists prevails to a very considerable extent. For example, something over a year ago a representative of one of the departments in Washington asked me to come down here, saying that he had something very important to tell me in reference to that matter. He stated it was a common practice, which was common knowledge abroad, and that something should be done to correct it.

The only method that we can suggest to correct it would be scouring tests on each importation of wool. The Taft Tariff Board has recommended that something be done in that direction and has made some experiments along that line. I see no insurmountable difficulty in doing that.

**STATEMENT OF DR. A. F. VASS, REPRESENTING THE WYOMING
WOOL GROWERS ASSOCIATION**

(The witness was duly sworn by the chairman of the subcommittee.)

Doctor VASS. Mr. Wilson has mentioned briefly the work that we have been doing in regard to the cost of producing wool. We started these cost studies some four years ago in order to determine the reason for the profits and losses on the various sheep ranches in the Western States. We did not conduct the studies with the object of determining cost-of-production figures to be heard in hearings of this kind. For that reason I feel that they might have a little more weight in that the cost figures that I will give you are costs based as a measure of the success or failure in the management of these large sheep enterprises.

In our studies we have made a study of three areas in four different years, and we feel that the figures give rather a true cross section of the profits and losses on the sheep operations in the State of Wyoming, which is rather typical of the western range States.

A rather common method of figuring costs is to take some one outfit, or maybe a few outfits, in some certain year and base costs on that. If cost figures are to be used, personally we do not use the term very often, because that is not the object of our work, but if cost figures are to be used they should be based over a period of years and extended over different areas of the State. In the studies which we have made, for example, in certain years the woolgrowers can make money producing wool, say, at 34 cents, and lambs at \$10.50. Then they will have a bad year when the cost may go up. This year, for example, the costs of outfits on the Red Desert, which is the largest area in Wyoming, running about a million and a half head of sheep, were very high. Their cost of production on wool, if you figure the lambs at cost or 12 cents per pound, will be approximately 90 cents a pound, which is due to the fact that there were heavy death loss, their very large feed bill, and very low lamb crop.

Agricultural products of all kinds, as you realize, do not lend themselves to any very fixed controlled cost figures. That is, your production may be cut in half by factors that are not within the control of the operator.

I have grouped these studies on a four year basis, and I have here outlined the things that we study in these operations. We take these figures from the books of the wool growers, and I think I am safe in saying that the wool growers do keep better figures and better records of their business than any other agricultural enterprise, due to the fact that they operate on a rather large scale, and they have in the past few years been fortunate enough in some cases to have an income tax to pay, and for that reason they have had to keep rather good records of their business. So our figures, are not estimates but are really what it costs the wool grower. For example, in the largest, what we call the Red Desert area, the cost of labor was \$1.85. Then we have the supplies for labor.

Senator BINGHAM. For what unit?

Doctor VASS. That is based on what we call a ewe. We have studied it in two ways, the sheep unit, and the ewe, and I have it figured out both ways, so you may take your choice.

Senator BINGHAM. So long as we know what it is. Retain the same figure all the way through.

Doctor VASS. That is on a ewe, a breeding ewe.

Senator BINGHAM. \$1.85 per annum?

Doctor VASS. \$1.85 per year for all labor, and supplies for labor were 74 cents; horse labor, 14; feed—

Senator BINGHAM. 14 cents?

Doctor VASS. Horse labor 14 cents, per ewe. And the feed averaged 94 cents. Now there is an item that this year ran \$2.50. During certain years it was only 46 cents, and the wool grower has no control over that. It depends on the snow conditions, whether snow covers his winter range or not.

Grazing feed, 23 cents; shearing, 26 cents; taxes, auto, 12 cents; depreciation on improvements returned, repairs, 55 cents; interest on investment, \$1.62. Then death losses, \$1.20; depreciation, 94 cents; ram service, 44 cents, making a total of \$9.05 for carrying a ewe one year under average range conditions.

Senator BINGHAM. When you say the average, you mean the average feed cost for 5 years, or how many?

Doctor VASS. Over the four year period.

Senator BINGHAM. Including the bad years?

Doctor VASS. Including bad years, and the average that we had was 65 operators in this study, which represented 400,000 head of sheep without lambs, and the receipts over—

Senator BINGHAM (interposing). How many sheep?

Doctor VASS. Four hundred thousand exclusive of lambs, strictly a range proposition. We took no outfits under a thousand, no farm lots.

Senator BINGHAM. if you had included the small farmer that we heard about this morning, I suppose the cost would have increased?

Doctor VASS. The cost would have increased, but usually his returns are larger lamb crops and heavier wool clips.

Senator BINGHAM. Due to the greater care the sheep receive?

Doctor VASS. Yes; on the larger lamb crop and on a larger wool clip.

Now, the receipts per ewe on this average, the four years, the wool clip was 8.2 pounds based on ewes on hand at the beginning of the year, and the average price received for the period we are studying was 34.1 cents. The lamb crop was 75 per cent.

Senator BINGHAM. What is that? I can not do that multiplying at this hour of the day. What was that total for wool?

Doctor VASS. \$2.80. And the lamb crop was 75 per cent, with a 10 per cent death loss, leaving a 67.5 per cent lamb crop of lambs weighing 68 pounds, or a total production of 45.9 pounds of lamb, which sold at 11.31. The receipts from all lambs were \$5.19, making a total of 7.99 from both wool and lambs.

Expenses were 9.05, or a loss per ewe, when you allow for labor and interest and other charges—we have been trying to put agriculture on the same basis as other industries—of \$1.05.

Now, the way we figured the wool cost was this: We figured the lambs at what they have sold for and the loss taken on wool, which made the wool cost 47 cents.

If I understand it correctly, the Tariff Commission has a way of allocating these costs, and we have gone through and allocated the

costs on the basis of the wool and the lambs, according to the Tariff Commission. On this basis the wool cost method is 40.7 cents per pound and the lambs cost \$12.61 per hundredweight.

That is typical of one area. I have similar studies for the three areas. I have weighted these figures for the entire State over the entire period and allowed for their wool clip and lamb crop in the different areas, and the cost per pound of wool is 40.2 cents and the cost of lambs is \$12.28 per hundredweight.

I have figured interest on the above costs. We have used the per cent of interest which the wool growers pay. In the Red Desert it is 8 per cent; in the Big Horn Basin it is 6.88. I have also figured it at 6 per cent. When we allow them all the same interest, 6 per cent, which of course is a figure that our wool growers can not secure their money at, the cost of wool was 39.3, and the cost of lambs \$11.83.

Senator BINGHAM. Now, the cost of wool is about 40 cents a pound. What is the selling price?

Doctor VASS. The average price since 1922, for Wyoming wools has been 34.1 cents.

Senator BINGHAM. How much will what you propose in this bill raise that cost to the consumer per pound?

Doctor VASS. Well, I have not gone into that phase of the problem. Our studies deal with the cost-accounting work, management practices on the individual ranches, and how they can best be improved to reduce cost of production.

Senator SACKETT. Have you counted all the assets that come from the sheep ranch?

Doctor VASS. You mean returns?

Senator SACKETT. Yes.

Doctor VASS. Yes.

Senator SACKETT. Nothing but the lambs and the wool?

Doctor VASS. I have it figured out on a sheep unit basis, which I like best, and that represents the actual number of lambs a man has to sell. The difficulty, as I see it, the Tariff Commission way of figuring is that they are charging these lambs for the loss, they are charging that back to the lambs as well as the wool, it means that those lambs should be inventoried into the herd again at that high figure, and it really complicates cost accounting a lot to do that.

Senator SACKETT. Is there any sale of sheep manure from those ranches?

Doctor VASS. No.

Senator SACKETT. What becomes of the old bucks?

Doctor VASS. All old rams and old ewes are sold. In the case of the ewe, we figure every lamb as sold. That is the reason we have depreciation and death losses, which some people object to. In the case of the sheep unit, which is a better way, we figure the number of sheep a man has, and the number of lambs he actually has to sell, and he keeps the other lambs to replace his herd, and in that case on the sheep unit the receipts from wool were \$1.89; from lambs, \$1.76, and from culled ewes, \$0.65.

Senator BINGHAM. That is mutton?

Doctor VASS. Yes; mutton. And in the case of culled rams, old rams, it amounts to about 6 cents a sheep unit.

Senator SACKETT. What do you think of the cost accounting of one sheep as being indicative of the cost accounting of the country?

Doctor VASS. Well, I might answer that in regard to cattle. I have just submitted a brief on our cattle studies and I took the studies from the surrounding States around Wyoming. I gave them the same interest rate and the same labor, and they come out very nearly the same. Now, it is not possible to have the same cost figures on different ranches for any one year. Any cost accounting figures will never check up exactly. If you take a large section, say 60 ranches, representing a million head of sheep, and if you carry them over a period of years, I think you will find about the same return in Texas as any other State.

Senator SACKETT. You would find the same return in Texas?

Doctor VASS. I think so.

Senator SACKETT. Of course, feeding would be different where you would have pasture the year round.

Doctor VASS. Entirely different. But the investment is different, labor is different, and you will find that one condition usually offsets the other.

Senator SACKETT. Then your conclusion would be that Wyoming is a typical cost-production State?

Doctor VASS. I would say that it is a typical western range State, where we run out on the desert in winter and high mountain ranges in summer.

Senator SACKETT. Now another thing, what is the value of Wyoming wool, compared with the value of wool raised in other parts of the country?

Doctor VASS. The territory wool usually runs high, on a scoured basis, as you know if you follow the wool market.

Senator SACKETT. No; I do not. I am asking for information.

Doctor VASS. Our wool prices per pound are usually lower, because our wool carries more material which goes in as shrinkage.

Senator SACKETT. Is the Texas wool much lower than yours?

Doctor VASS. Texas wool prices are usually a little higher, and their shrinkage is lower. And whether their fine wools, or coarser wools, are selling high, depends on what the trade wants. This year they have been wanting a coarser wool.

Senator SACKETT. How about your lamb prices? Do they compare favorably to lamb prices in other sections of the country?

Doctor VASS. Lamb prices usually top the feeder-lamb market, because most of our lambing is done out of doors. They lamb late, and the lambs come off the range weighing about 65 pounds, which is about what the feeder wants. Our lambs go into the feed lot, as a rule. We have a few who use lambing sheds, and they come off with heavier lambs, and in our study in the Big Horn Basin I have entered those lambs at 50 cents less per hundred.

Senator SACKETT. Do your lambs sell for populating or do they sell for meat?

Doctor VASS. We have been holding back all the ewe lambs, and of course, all the wether lambs go to the feed lot.

Senator SACKETT. Do meat lambs sell at a higher price?

Doctor VASS. In the last two or three years the ewe lambs have been going at a higher figure, due to the upward trend.

Senator SACKETT. The lamb market has been pretty good, has it?

Doctor VASS. The lamb market is good this year, everything in our State is contracted for at approximately 12 cents, which we think is a satisfactory price.

Senator SACKETT. Do not some of the States get as much as 15 cents?

Doctor VASS. That is for lamb that is ready to go to slaughter, or it may be a spring lamb.

Senator SACKETT. That is what I am talking about. I wanted to get at whether you used that in your calculations.

Doctor VASS. No, ours are all feeders. We do not get on the early market.

Senator SACKETT. Those that you get on the high class market you get a better cost production on?

Doctor VASS. They would have a higher cost production, because shed lambing increases our cost of production and feeding increases very materially. We as a rule do not recommend shed lambing unless they are outfits on irrigated land and are doing farming.

Senator SACKETT. On account of your climate do you lose more sheep than most sections of the country?

Doctor VASS. Yes; I believe that the whole Northwest, if you are familiar with it—

Senator SACKETT (interposing). Not at all. I am just asking for information.

Doctor VASS. We have blizzards there, maybe as late as the 10th of May, and if you happen to be lambing, it is too bad. Two years ago a blizzard took practically every open-range lamb that had been dropped at that time.

Senator SACKETT. Then that would raise the cost of production there over and above what it would be in other sections.

Doctor VASS. Yes; that is the reason it is so very heavy this year. If we have a favorable year, I think probably we can produce more cheaply.

Senator SACKETT. Other sheep raising communities do not have that wide variance that you have?

Doctor VASS. I do not believe there is any section that does not have its hazards. Texas, as you know, it is drouth with them; with us it is usually storms and snow covering our winter range, which means you have to buy feed.

Senator SACKETT. Then, in view of all the variants that there are, it is very difficult to come to an actual cost of production the country over?

Doctor VASS. I will say this, that I think in most any agricultural product the cost of production is pretty much the same, because the values of things are based on what a man can make a return on. In Texas you have higher individual costs in this and that, and you get better lamb crops, but on the whole, at least in our cattle studies, and we have studied those more carefully in comparing them, they work out almost the same, whether the ranch is in California or Wyoming. The cost for carrying livestock differs per unit in different places, but it does not differ much per pound of beef or pound of wool.

Senator SIMMONS. Doctor Vass, if I understand your figures the survey you made applies to the State of Wyoming and indicates an annual loss?

Doctor VASS. Well, it does show a loss, if I allow a man interest on his investment, which, as you know, agriculture has not been figuring.

Senator SIMMONS. Well, I think if the corn and cotton and tobacco farmer would include interest on his investment in land he would not be very much behind.

Leaving out the investment in land, would it be a profit?

Doctor VASS. Without any interest at all on either land or sheep, the cost study shows approximately 32 cents for wool and 10 cents for lambs. That is without interest.

Senator SIMMONS. Are those lambs owned by the ranchers or are they rented?

Doctor VASS. In almost all cases they are owned by the operators. We have a few outfits who let out their sheep, but even those outfits usually own large outfits themselves. But that is really almost stopped. They are not doing that much now.

Senator SIMMONS. How many acres does it take for a sheep?

Doctor VASS. The Red Desert takes about 16 acres range to carry a sheep a year. Of course, she is not carried a year there, she goes up into the mountains in the summer.

Senator SIMMONS. What is the value of your land?

Doctor VASS. Well, we have a tax value on them that is rather high.

Senator SIMMONS. What is your tax value?

Doctor VASS. The average tax value in the State for grazing lands is about \$3.03 an acre. It is higher on the better lands.

Senator SIMMONS. I am talking about the ranch land.

Doctor VASS. The irrigated land is assessed at \$24.

Senator SIMMONS. I am not talking about the irrigated land; I am talking about the land upon which you made your test.

Doctor VASS. They are assessed at \$3.03.

Senator SIMMONS. That includes your desert land and all?

Doctor VASS. That is what we call grazing land. Meadowland is different.

Senator BINGHAM. Thank you very much, Doctor.

STATEMENT OF PERRY B. GAINES, CARROLTON, KY., REPRESENTING KENTUCKY WOOLGROWERS

(The witness was sworn by the chairman of the subcommittee.)

Senator SACKETT. Will you tell us the reason for your appearance before the committee, Mr. Gaines?

Mr. GAINES. Mr. Chairman and gentlemen of the committee, my own distinguished Senator from Kentucky may feel that I am playing a rather inconsistent rôle, as I am an old-time Democrat, and he may have a story to tell on me when I get back home because I appear here in behalf of the sheep growers of my State, asking for protection of the sheep and lamb and wool industry.

We Democrats no longer consider the tariff as a theory but as a fact, and if it is designed to protect certain industries that need protection I do feel largely justified in appearing here to ask that its benefits be extended to this one great industry that is admittedly most in need of protection, or that is more in need of protection than any other industry in America to-day, and that is the industry of agri-

culture. Our State is not primarily interested in production. We breed and raise sheep and wool there, more as a diversification than as a speciality.

We produce in Kentucky around 5,000,000 pounds of wool, or we did this year. We produced, in round numbers, around a million spring lambs. Our interest is chiefly in spring lambs, by reason of the fact that because of our location and the soil there we can not grow sheep cheaply and grow them in large flocks and with a minimum of labor and expense as they are grown on the ranges in the Northwest, and we are indirectly interested, or I may say we are directly interested in the promotion of the sheep industry of the West because of the fact that we are unable, because of parasitic conditions there, to produce our breeding stock, and we must draw, and are drawing in an increasing way our breeding stock from the West.

Our flocks in Kentucky are small. I would say that of the approximately 1,000,000 sheep we have in Kentucky, they are owned by not less than 40,000 or possibly 50,000 people. That touches directly some 200,000 people. As to the overhead that is necessary to carry these small flocks, the fencing, and other things, because of our parasitic conditions there, that is costing us naturally more than it would in the range States.

Now, it is my best information that the sheep industry is to-day producing a revenue of approximately \$350,000,000 annually. That includes the wool and the carcass.

Assuming that that is true, we are only producing around 70 or 75 per cent of our domestic consumption.

We, down in Kentucky, grow tobacco. We have an exportable surplus of tobacco. We grow wheat and we have an exportable surplus of wheat. We grow corn and other products, hogs, and cattle, in all of which there is a surplus.

So it has seemed to me that no materially greater aid could be given to agriculture than to encourage the farmers to produce those things that can be consumed at home.

Senator SACKETT. What duty are you asking for, or what change?

Mr. GAINES. We are subscribing to the duty asked for by the National Wool Growers' Association. We have in Kentucky a State wool growers' association organized in the last year or two, to show the interest that is being manifested in sheep there. We have county organizations in 54 counties. The average membership of the organization is 50 members, and we have a membership to-day in the State organization of around 3,000 members, and the goal of 10,000 members, I think, will be reached within the next year.

There is, as I say, a growing interest being manifested in sheep. In 1922 the number of our sheep, I think, was around 657,000. The number of sheep we have in the State to-day is approximately 1,000,000.

Our wool, although we produce a very small amount, comparatively, is of good quality. It scours out, I think, around 30 per cent, and in my judgment is of good quality. It commands a good price. But our chief interest in the tariff and the protection on wool is the protection of the sheep industry of the ranges, where we will be able to secure our breeding stock and continue in an increasing rate the production of spring-lamb reproduction.

We are filing no brief but subscribe to the brief that was filed by the National Wool Growers Association. I will be glad to answer any questions if you gentlemen have any to ask.

Senator SACKETT. I think you have covered the ground very well

Mr. GAINES. Thank you very much.

Senator SACKETT. I will put you on my protection list now.
[Laughter.]

Mr. GAINES. Very well, to that extent.

**STATEMENT OF C. C. BELCHER, DEL RIO, TEX., REPRESENTING
THE TEXAS SHEEP AND GOAT RAISERS' ASSOCIATION**

[Mohair, par. 1102 (b)]

(The witness was duly sworn by the chairman of the subcommittee.)

Senator BINGHAM. You may proceed, Mr. Belcher.

Mr. BELCHER. As is known by the members of the committee, Texas is the largest producer of wool of any State in the Union, and it produces practically all of the mohair grown in the United States. About 80 per cent of the mohair grown in the United States is grown in Texas.

We feel that under the Hawley bill, with the rates on wool and mohair, Texas has been discriminated against, if there has been any discrimination, more than any other State, or at least that our wools and our mohair have failed to receive the protection that we think others perhaps have received.

Senator BINGHAM. Before you go any further, will you please tell me, so I can put it down exactly, what it is you want, so that we can know what you are arguing about.

Mr. BELCHER. We are interested in paragraph 1101.

Senator BINGHAM. What changes do you want made?

Mr. BELCHER. We want all wools not finer than 40s to bear the same rate that other wools bear.

Senator SACKETT. What line is that?

Mr. BELCHER. That is beginning in the latter part of line 14.

Senator BINGHAM. It reads "all other wools of whatever blood or origin not finer than 40s."

Mr. BELCHER. Yes; we feel that that should be stricken out down to the end of line 20, leaving all wools then bearing the same rate of duty.

Senator BINGHAM. You wish to strike out everything from line 14, beginning with "all other wools," down to line 23?

Mr. BELCHER. Yes, sir.

Senator BINGHAM. That is your proposition?

Mr. BELCHER. Yes, sir.

Senator BINGHAM. All right; go ahead and give us your reasons.

Mr. BELCHER. We perhaps will join with Mr. Hagenbarth and other of the producers in their brief, with this exception. We feel that we can not endorse the position of the other producers, in so far as it affects wools not finer than 40s, even under paragraph 1102, because we are affected there.

We take this position because those wools, while they may not compete with the great part of the wools grown in the United States, they do come in direct competition with our mohair.

Senator SACKETT. What was your last suggestion, what page and what line?

Mr. BELCHER. It is subparagraph (a).

Senator SACKETT. Of what paragraph?

Mr. BELCHER. Of paragraph 1102, page 194.

Senator SACKETT. What change do you want?

Mr. BELCHER. We want the whole of that paragraph stricken out.

Senator SACKETT. That is paragraph 1102, subdivision (a)?

Mr. BELCHER. Yes, sir. It will put us on the same plane as the other producers of wool in this country, and will give us the protection that we must have on mohair.

Senator BINGHAM. According to the first recommendation of yours, if you strike out paragraph 1101, and strike out everything from line 14 to line 23, you strike out all the duties, so that there is not anything left.

Mr. BELCHER. Then those wools will come in under subdivision (b) of paragraph 1102, and bear the same rates that are borne by wools not specially provided for.

Senator BINGHAM. You do not leave in anything except the wools that are mentioned at the beginning of the paragraph and similar wools without merino or English blood. There is nothing to that. Why not strike out the whole of paragraph 1101?

Mr. BELCHER. That has to do with these other wools.

Senator BINGHAM. Yes, but you do not get my point. My point is, if you strike out all those words, you strike out the words 24 cents a pound, 23 cents a pound, 26 cents a pound, of clean content, and so on.

Mr. BELCHER. Yes; and it places them under subdivision (b) of paragraph 1102.

Senator GEORGE. The effect of your suggestion is to bring all the coarser wools under the same schedule with the finer wools?

Mr. BELCHER. Exactly.

Senator SACKETT. It does not leave any duty in the first part of paragraph 1101.

Senator BINGHAM. That is the point that I am trying to make.

Senator SACKETT. It is all descriptive down to line 15 where he wants to begin to strike out, and provides no duty.

Senator BINGHAM. You do not leave any duty at all.

Mr. BELCHER. That position may be correct, and if it is, we would want it to apply to the merino or English wools. We want the wools not finer than 44s. placed on the same basis as the wools finer than 44s.

Senator SACKETT. Suppose that you strike out, beginning in line 14, with the words "all other wools," going down line 15 as far as "finer than 40s," striking out those words. Do you understand that?

Mr. BELCHER. Yes, sir.

Senator SACKETT. That would have the effect of throwing those other wools finer than 40s over into paragraph 1102, subparagraph (b).

Mr. BELCHER. That would end in line 15? .

Senator SACKETT. Yes.

Mr. BELCHER. Including "hair of the camel," in line 16, which would include our contention exactly, beginning in line 14 and ending with line 16.

Senator SACKETT. You are interested in the hair of the camel, are you?

Mr. BELCHER. It comes into competition with mohair.

Senator GEORGE. What is mohair?

Mr. BELCHER. That is the hair made from the Angora goat.

Senator GEORGE. Of course, there is no hair of the camel produced in this country.

Mr. BELCHER. No, sir.

Senator GEORGE. How is it competitive?

Mr. BELCHER. Well, it would compete with mohair in the pressed cloth you were talking about yesterday, No. 3 camel's hair.

Senator GEORGE. What do No. 1 and No. 2 compete with?

Mr. BELCHER. They displace some mohair in the making of fine coats and overcoats.

Senator BINGHAM. Paragraph 1102, subparagraph (b) gives you a duty of 34 cents a pound on the hair of the Angora goat.

Mr. BELCHER. Yes, but it reduces the duty from 31 cents on the substitutes, for 44s, those luster wools, from 31 cents to 24 cents.

Senator BINGHAM. Where does that reduction take place?

Mr. BELCHER. It is in subparagraph (a) of paragraph 1102. That is not in the Fordney-McCumber Act, but those wools bear a duty of 31 cents in the Fordney-McCumber Act. Some of the lower grades, I will say, come in at 12 cents.

Senator BINGHAM. Let me see if I have your thought. You would like to have all wools dutiable at 34 cents?

Mr. BELCHER. Other than carpet wools.

Senator BINGHAM. All right.

Senator SACKETT. One difficulty there, is this. If you take the hair of the camel out of paragraph 1101 you will have to put it into paragraph 1102, subparagraph (b).

Mr. BELCHER. Yes, sir.

Senator SACKETT. Then how are the carpet people going to get the hair of the camel?

Mr. BELCHER. I do not know that they use the hair of the camel in carpets.

Senator SACKETT. We will have to ask the carpet people about that.

Senator GEORGE. Is it not covered under the general descriptive terms in paragraph 1102 (b)?

Mr. BELCHER. No, sir.

Senator GEORGE. "Other like animals."

Mr. BELCHER. No, I do not think so, because it is specifically referred to in other subdivisions. I do not think it would be covered there.

Senator GEORGE. Let me ask you a few questions. Last week the question was raised that it would be all out of line to ask any duty on jute, although it is directly competitive with cotton and is displacing a considerable amount of cotton and has actually displaced it. You want a duty on the hair of the camel.

Mr. BELCHER. Yes, sir.

Senator GEORGE. There is a duty carried in this bill, and you even want that duty so as to exclude the No. 3, which is used in pressed cloth, which would be directly unjust, would it not, to all the cotton growers of the South?

Mr. BELCHER. I will say this, Senator, while the duty on jute would be a direct tax on every man that produces wool and mohair, I would be favorable to a duty on jute. I think that they are entitled to it and should have it.

Senator GEORGE. I think we are, too, if you are going to carry out the old scheme of protection. But I am afraid that that is not the prevailing view. The wheat and potato growers, for instance, felt very much disturbed when they thought of paying a few cents more to sack their products.

Mr. BELCHER. We sack all our wool and mohair in jute burlap bags, but we have no objection to putting a substantial duty on jute, that would be a benefit to the cotton farmers.

Senator GEORGE. I agree with you, if you are going to adhere to the high protection policy we have.

But I am calling attention to the fact that here you are asking for a duty on an article not produced in this country, which will undoubtedly result in injury to the producers of cotton and of pressed cloth, in which the South is very much interested; that under this entire bill, almost without a single exception, there is not a penny given to the southeastern farmers, because none of the textile schedules, or none worth mentioning, receives any benefit whatsoever, even the southern mills. They get almost a negligible benefit out of any of it, and the same is true of other products growing in the Southeast, which are directly interchangeable with the products grown in the Philippines and our other insular possessions.

So that this bill does not afford a single cent of protection, generally speaking, to the producers of raw material in the Southeast.

Senator BINGHAM. Do you count Florida as a part of the Southeast?

Senator GEORGE. Yes. Of course, I am speaking of the general staple crops. There are some vegetables and some others that get some slight benefit under the bill, but they do not get much.

Senator BINGHAM. Do you not grow any fruits in Georgia?

Senator GEORGE. Yes; but our fruits are not protected by the tariff.

The point that I am making is this: When you come to the agricultural schedule, taking peanuts, for instance, and such things as oil-bearing seeds, the tariff means nothing except writing it on paper, and the tariff rates that we have been considering here mean nothing to the producer of the coarser yarns. There may be some benefits to the cotton textile people, but it is practically all covered within the narrow territory outside of the South, and it does not really affect the price of cotton.

So that you are here asking for a duty on the hair of the camel which is not produced here at all, and which can have but one result, and that is to put an additional burden upon the only people in the United States who get no substantial benefit under any one of the tariff schedules.

Mr. BELCHER. I think, Senator, you could use our No. 3 mohair for pressed cloth as well as the camel's hair.

Senator GEORGE. Yes; but it would be at a very greatly increased cost to us.

Mr. BELCHER. I try to be consistent on both.

Senator GEORGE. I understand your position, but I am just saying to you frankly that that does not seem to be the view that will prevail in the Congress.

Mr. BELCHER. We feel that we are entitled to some consideration or protection on mohair by the way of adding to the duties as levied under subsection (a) of paragraph 1102, because the manufacturer is protected by the same compensatory duty that he has with the other wools. We feel that while the other wool growers might not be interested to the same extent we are, yet we ought to have the duty because we have the goats, we have built up the goat business in Texas under the Fordney-McCumber Act, and we have practically twice as many goats and practically twice as much mohair as we had when the bill was enacted, and it looks as though, if this rate is to prevail and succeed, we are going to have to go back downward, instead of producing more goats, which are produced in that country that is unfitted for the producing of any other livestock, where we have no manufactures, and where you could not stick a plow into the ground. We have this large area which is unfitted for anything except the raising of goats and the production of mohair.

Senator SACKETT. How many goats have you there now?

Mr. BELCHER. I should say that we have 3,000,000, or about 3,500,000 goats, between 3,000,000 and 3,500,000. We raised in Texas this year a little more than 13,000,000 pounds of mohair, as against a production of about 15,000,000 pounds in the United States. That mohair is grown in a well-defined area of Texas that is dry, rough, and rocky, and is unfit for anything except the production of wool and mohair, and a large part of it is fitted up for the raising of sheep.

Senator SACKETT. What duties do you have protecting it now?

Mr. BELCHER. We have 31 cents.

Senator BINGHAM. Has your production been increasing or diminishing?

Mr. BELCHER. Under the Fordney-McCumber Act it has been increasing.

Senator BINGHAM. Steadily increasing.

Mr. BELCHER. Yes, sir; and there has been built up this industry and there has been some prosperity in that country, due to the fact that we have had protection, under the Fordney-McCumber Act.

Senator BINGHAM. You are afraid that this bill reduces the protection you have?

Mr. BELCHER. The threat of it reduced prices, I think, some 7 cents at the last sale of mohair in Texas. Within the past year the price has gone down from something like 20 cents a pound.

Senator SACKETT. All wools have gone down, but not in that proportion.

Mr. BELCHER. Not in that proportion.

Senator SACKETT. Does the 31 cents cover the hair of the camel?

Senator BINGHAM. In another paragraph of the bill the hair of the camel in grease is 12 cents and washed 18 cents.

Senator SACKETT. Now you are asking for 34 cents.

Mr. BELCHER. We are asking for 36 cents. We are joining the other wool growers.

Senator SACKETT. In other words, you are asking for 100 per cent increase on the hair of the camel?

Mr. BELCHER. It amounts to that.

Senator SACKETT. And yet you are making a successful effort to raise these goats and you have been doing very well with it?

Mr. BELCHER. We have made some money down there this year but we will lose money—

Senator SACKETT. But in a period of five years you have done very well, have you not?

Mr. BELCHER. The five years beginning after the depression; we have done very well until this year.

Senator BINGHAM. And your production has been steadily increasing?

Mr. BELCHER. Under the Fordney-McCumber Act; yes, sir.

Senator BINGHAM. We were called together to consider conditions where business is depressed and is diminishing.

Mr. BELCHER. We are just entering into that area, due to the prices that we are receiving now for mohair under the cost of production.

Senator SACKETT. You are doing that under an 18-cent duty.

Mr. BELCHER. As against hair which, up until now has not been of much importance. We are not afraid of camel's hair so much as these low-grade luster wools; that is where the competition is.

Senator BINGHAM. You would not mind, then, if we made an exception of camel's hair and did not raise that?

Mr. BELCHER. Speaking personally, and not as a representative of the industry I would not.

Senator SACKETT. Then let us leave that.

Mr. BELCHER. All right. Wools are selling in Texas at this time at about 30 cents a pound, and the whole of this season's accumulation has sold not higher than 31 cents a pound. Our figures prepared over a period of three years show that it costs 41 cents a pound to raise it. The Ways and Means Committee figured it cost 37 cents a pound to raise wools, and they could not accept our figures.

Senator BINGHAM. Does that include interest on your land?

Mr. BELCHER. The 40-cent figure does.

Senator BINGHAM. And interest on the flocks?

Mr. BELCHER. Yes, sir.

Senator BINGHAM. And depreciation?

Mr. BELCHER. No, sir; but whatever losses we would have. We are in a little different position from any other range-producing State, because we own all our lands, and we are in a still different position because we have been compelled to improve our lands, spending something like \$3 an acre in the way of improvements, building new wire fences at an enormous cost, drilling deep wells and watering our lands, and so we have been placed at a much greater cost than other sections of the United States.

Senator BINGHAM. What does that land cost per acre?

Mr. BELCHER. I should say the sheep area of Texas is on an average at this time of about 9 or 10 dollars an acre; some of it costs us more and some of it less. So far as our wools are concerned, the growth of wastes and rags applies to us more than to any other state. So I say, if there has been any discrimination Texas would feel the effect of the failure to raise those schedules, because on account of climatic conditions we are compelled to shear our sheep twice a year, and those wools compete with the noils and the rags and the wastes, and, as I

say, we must shear our sheep twice a year, and therefore we are compelled to enter into competition with rags, wastes, and shoddy that come in under the low rates, and we are particularly interested in having an adjustment made along that line that these other producers spoke about yesterday.

We also feel that we have suffered from administrative failures in the old bill.

I think taking out these 44s and 40s and putting them on the same basis with other wools will relieve that situation greatly. You will not have to determine whether—

Senator SACKETT. Let me ask you this question, which is proposed by one of the gentlemen here. Has the entry of B. A. 6s—do you know what those are?

Mr. BELCHER. Yes.

Senator SACKETT. At 12 cents, in the grease, or at 14 cents clean, during the past year affected mohair prices?

Mr. BELCHER. We think so.

Senator SACKETT. If it has affected mohair, how would a duty of 24 cents, 10 cents more a pound on the clean, effect you?

Mr. BELCHER. It would be highly beneficial, but it does not place us on the same plane with other growers and producers, and the manufacturers are placed on the same plane.

Senator SACKETT. It would help you a good deal?

Mr. BELCHER. It would help, but it would not place us on the same plane with other producers.

**STATEMENT OF F. O. LANDRUM, LAGUNA, TEX., REPRESENTING
THE AMERICAN ANGORA GOAT BREEDERS' ASSOCIATION, AND
THE TEXAS ANGORA GOAT RAISERS' ASSOCIATION**

[Mohair, par. 1102 (b)]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. LANDRUM. Mr. Chairman and gentlemen, I am representing the mohair end of the industry, and I was not so much interested in wool when I appeared before the Ways and Means Committee until I discovered that there was a class of wool, certain grades of wool, which were being used quite extensively in mixing with our mohair, and I am before you now to take up the matter of equalizing that duty on those particular wools known as the luster wools, the 36s, 40s, and 44s, so that we may get the full benefit of whatever duty you allow us on our mohairs.

Senator SACKETT. What duties do you have now?

Mr. LANDRUM. On the mohair?

Senator SACKETT. No; on the 36s, the 40s, and the 44s.

Mr. LANDRUM. Under the new House bill—

Senator SACKETT. No; under the present tariff law.

Mr. LANDRUM. At the present time, they are entering by a decision of the Customs Court at a rate of 12 cents, as not improved with the admixture of English blood. I believe that the law itself only gave those wools 31 cents a pound, and that decision made them lower than the fine wools and the mohair; that is my understanding.

Senator SACKETT. What does that give you?

Mr. LANDRUM. The same rate.

Senator SACKETT. What rate?

Mr. LANDRUM. Thirty-one cents. But under the new House bill they have reduced it to 24 cents, and that is the complaint.

Senator SACKETT. When was that Treasury decision rendered?

Mr. LANDRUM. I could not tell you the date. It was read to me yesterday. I could get that date for you.

Senator SACKETT. How long have you had the 31 cents?

Mr. LANDRUM. Well, I could not give you the exact dates. As I told you, I did not become alarmed about this competitive fiber until about the time I came before the Ways and Means Committee in February. I noticed it was a dangerous competitor to mohair and since then I have investigated, and I read that decision yesterday, but I didn't notice when it was made.

Senator SACKETT. You do not know how long you have had the 31 cents?

Mr. LANDRUM. I know how long we have had it on mohair.

Senator SACKETT. But on these competitive wools you do not know?

Mr. LANDRUM. I can get that date when that decision was rendered.

Senator SACKETT. I am more interested to know—what I am driving at is this. As the bill was written you had 12 cents, and then the Treasury Department changed that to 31 cents. Was your industry built up under the 12-cent rate or under the 31-cent rate?

Mr. LANDRUM. Our mohair industry?

Senator SACKETT. Yes, sir.

Mr. LANDRUM. Our mohair industry, of course, has gradually been built from a very small industry up to its present size. It has been a very gradual increase. We have been built up under the present tariff bill, the Fordney-McCumber bill. But the demand for mohair has increased to the point where if there are any substitutes at a much less price they will be used to mix with mohair; they will not take the place entirely of mohair. It is a fiber that can not be substituted for entirely, in my opinion, but it can be adulterated with a cheaper fiber up to, I should say, 50 per cent.

All that we are asking for is a square deal on that proposition, to get that competitive fiber and put it on an equal basis.

I have some samples here that I can show you gentlemen that bear out my contention and that show you how closely it resembles mohair. It would take an expert to tell the difference.

We asked for 36 cents duty on mohair before the Ways and Means Committee, and we got 34 cents. We are not complaining about the way we were treated, but we just want to have it equalized.

There is the B. A. 6 (indicating sample).

Senator SIMMONS. They look alike to me.

Mr. LANDRUM. Then tell me the 34 cents duty on the one and 24 on the other is equal.

Senator SACKETT. Does it take as much material to make the goods with each?

Mr. LANDRUM. I can not see that it would make any difference in that.

Senator SACKETT. Does one make as good a cloth as the other?

Mr. LANDRUM. No, sir.

Senator SACKETT. What is the difference in the selling price between the two?

Mr. LANDRUM. Mohair makes the best cloth goods. I do not think that there is any fiber that will take the place of mohair entirely. But when they can import a fiber that so nearly resembles mohair and spins to the same count they will mix it with mohair to the extent that it will reduce our prices the same amount as the difference in duty. For instance, if that comes in at 10 cents a pound less duty, it will reduce our mohair 10 cents a pound. I frankly believe that.

Senator SACKETT. If a piece of the cloth is made of the two fibers what does it sell for?

Mr. LANDRUM. I could not tell you anything about the manufacturing end of it. I do not know what the finished goods would sell for. I am a mohair producer and I know what we get for the raw material, but I do not know the factory secrets. I know nothing whatever about the finished product.

Senator GREENE. What is the rate on camel's hair?

Mr. LANDRUM. This is the wool and this is the mohair [indicating samples].

Senator GREENE. Yes.

Mr. LANDRUM. Under the Fordney-McCumber bill you want to know the duty on that?

Senator GREENE. Yes.

Mr. LANDRUM. They were both the same under the Fordney-McCumber bill. Under the new bill this [indicating] carries 24 cents and that [indicating sample] carries 34 cents. That is the complaint, that they are unequal under this bill. We want them made equal.

Senator SACKETT. Do you know how much the imports of the cheaper grades have increased?

Mr. LANDRUM. Of the wool?

Senator SACKETT. Of the cheaper grades? What do you call it? What is that [indicating sample]?

Mr. LANDRUM. That is the B. A. 6, the Buenos Aires 6, or 36.

Senator SACKETT. How much did the imports increase of that in the last five years?

Mr. LANDRUM. I do not know. I can tell you about what they imported last year. They imported about 17,000,000 pounds last year.

Senator SACKETT. Is that more or less than they have been importing?

Mr. LANDRUM. I could not tell you that. This is that wool in the natural state [indicating sample].

Senator SIMMONS. Your proposition is, as I understand you, that Congress having placed a high duty on mohair, it should place an equally high duty on every product that is combined with mohair in making cloth?

Mr. LANDRUM. No, I should not say that, because they use a lot of cotton in making mohair goods.

Senator SIMMONS. You want an equally high duty levied on those products, I reckon?

Mr. LANDRUM. No, I do not want that; when we use cotton and linen—

Senator SIMMONS. Leave cotton out. Cotton, we all know—and you know it, because you are from Texas, where cotton is grown—you are aware that you can not help cotton by putting a duty on it. You can not increase the price, so that is eliminated.

You want a duty placed upon these low-grade wools?

Mr. LANDRUM. Certain of the low-grade wools.

Senator SIMMONS. That are combined sometimes with your mohair?

Mr. LANDRUM. Yes.

Senator SIMMONS. You want that duty raised to the same level as the duty on mohair?

Mr. LANDRUM. Yes; those particular grades of wool which come into direct competition.

Senator SIMMONS. You want that done not because the low-grade stuff is entitled to a higher duty, per se, but because it is combined with this other material in the making of a certain cloth. You want the duty on that low-grade wool, that is, the specific duty on that low-grade wool raised to the level of the duty on your mohair?

Mr. LANDRUM. Naturally; if we get 34 cents, and I think the intention of the writers of the bill is to give 31 cents and not 24; that is their intention, to give us the full benefit of that rate. If there is a fiber that comes in that so nearly resembles our product that it can be substituted for ours, it divides up the rates.

Senator SIMMONS. You think that everything that is combined with this product in making cloth must come in at the same rate as is placed on your mohair?

Mr. LANDRUM. I would not put it that way. The Palm Beach cloth is made of cotton warp and mohair filling. Our car plushes have a cotton warp, and automobiles plushes, and everything else like that has a cotton warp with a mohair filling.

Senator SIMMONS. I am asking you about the imported products.

Senator BINGHAM. What is this [indicating sample]?

Mr. LANDRUM. That is B. A. 6.

Senator BINGHAM. What does "B. A." stand for?

Mr. LANDRUM. Buenos Aires.

Senator BINGHAM. Does that come from sheep?

Mr. LANDRUM. Yes; from the Lincoln breed, or what is known as the long-wool luster breeds, luster wools.

Senator BINGHAM. Is this covered in the act?

Mr. LANDRUM. It gets 24 cents in the new bill.

Senator SIMMONS. Because you put mohair at 34 cents, you want this raised to 34 cents?

Senator BINGHAM. This used to get 12 cents, did it not? [Indicating sample.]

Mr. LANDRUM. It got 31 cents under the bill.

Senator BINGHAM. It gets 12 cents under the present law?

Mr. LANDRUM. The Fordney-McCumber law, 31 cents.

Senator BINGHAM. The House bill has increased to 24 cents, or 100 per cent, and you want to put on another hundred per cent?

Mr. LANDRUM. Just a minute! They have been getting 31 cents on that until under a ruling of the Treasury Department. I do not know just when that ruling was made, but I have read the ruling, and they have been getting that 31 cents.

Senator SIMMONS. On that low-grade wool?

Mr. LANDRUM. This bill reduces it to 24 cents.

Senator SIMMONS. You mean that they have been getting 31 cents on that low-grade wool?

Mr. LANDRUM. Yes, sir.

Senator BINGHAM. I presume that is what we have now under paragraph 1102 (b), "wools not specially provided for, and hair of the Angora goat, Cashmere goats, alpaca, and other like animals."

Mr. LANDRUM. No, sir.

Senator SACKETT. Mr. Chairman, there seems to be some doubt as to whether the Treasury decision did put that up, according to the tariff expert.

Senator BINGHAM. You think that it is actually being charged 31 cents now?

Mr. LANDRUM. That is my opinion, from what I read. I can get that opinion for you.

Senator BINGHAM. I suppose that the Tariff Commission would know. Go ahead.

Mr. LANDRUM. I believe you stated that that would come under the head of wools not specially provided for.

Senator BINGHAM. I did not state that it would; I asked if it did.

Mr. LANDRUM. No, sir; I believe not.

Senator SACKETT. It comes under the provision for less than 40s in the present bill, paragraph 1101.

Mr. LANDRUM. We would like to have that changed to 36s and finer, or just made to carry the same rate as the mohair and fine wools, 36s, 40s, and 44s, because I find that the 36s are stronger competitors of mohair than either the 40s or the 44s. But the three grades are strong competitors of mohair and will be used in adulterating the mohair, and we ask you to make them equal.

Senator SIMMONS. Let me ask you one question. Is the admixture of this low-grade wool with your mohair disadvantageous, leaving out the question of the tariff altogether?

Mr. LANDRUM. In price?

Senator SIMMONS. No; in its effect upon your volume of business, or volume of sales.

Mr. LANDRUM. It certainly is. We never have produced as much mohair in the United States as our mills have consumed. We have been trying to do that, and with adequate protection we will do it. We have ranges that are not suitable for other purposes.

Senator SIMMONS. The question I am asking you is this: If your mohair is mixed with this other product will that give you a larger market for mohair in this country than you otherwise would have?

Mr. LANDRUM. No; it just takes the place of that much mohair.

Senator SIMMONS. The mohair would be used if it were not adulterated at all?

Mr. LANDRUM. Yes; positively so.

Senator SIMMONS. And the demand in this country would be equal to the production if it were used separately and independently of any other product?

Mr. LANDRUM. Yes; it would be more than the production.

Senator SIMMONS. You mean that the production would be more than equal to the market and the demand?

Mr. LANDRUM. No; I mean the reverse. I mean that we would be having to import mohair.

(Mr. Landrum submitted the following brief:)

BRIEF OF THE AMERICAN ANGORA GOAT BREEDERS ASSOCIATION AND THE TEXAS ANGORA GOAT RAISERS ASSOCIATION

To the SENATE FINANCE COMMITTEE,
Senate of the United States, Washington, D. C.

GENTLEMEN: The membership of the associations I represent are composed of practically all of the mohair producers of the United States, who are producing a raw product of superior qualities for certain uses, a product which is indispensable to our nation, and which owing to unfair competition at much less cost production in the countries competing with the American producer, entitles us to adequate protection in the new tariff rates. Rates that might at least equalize cost production at home with competing countries.

We have asked for a tariff on mohair of 36 cents per pound; clean content in the new law as against 31 cents, clean content; in the 1922 law.

Reference is here made to briefs, cost-production sheets, and testimony on the subject before the Ways and Means Committee, February, 1929:

Title, "Tariff readjustment, 1929," hearings on ways and means, volume 11, Schedule 11.

"Wool and manufactures of," testimony and briefs, pages 6371-6122, 6239, and 6232.

"Cost estimate of producing mohair," page 6381.

I respectfully ask that the Senate Finance Committee, in making any readjustments in the present tariff law on mohair and like fibers, consider carefully the matter contained in the briefs and costs estimates of production above referred to, which estimate I consider very conservative.

That we might realize the full benefit of whatever rate you see fit to allow our industry on mohair, it is absolutely necessary that all fibers that compete with mohair as a substitute, or an adulterant, carry the same rate of duty as mohair.

Your attention is respectfully called to that part of the Hawley Tariff Act of 1929, H. R. 2667, page 192, Schedule 11, paragraphs 1101 and 1102.

We earnestly ask that that part of paragraph 1101, section (a) lines 14 and 15 which reads, "all of the wools not finer than 40s," be left out of said paragraph, together with lines 21, 22, and 23, pertaining to this grade of wool. We also ask that the entire section (a) of paragraph 1102 be eliminated, and that these wools carry the same rate of duty as provided for in section (b) of paragraph 1102.

We find that the wools known as 44s, 40s, and 36s, on account of their similarity to mohair (or the hair of the Angora goat), are being imported and used in great quantities to mix with mohair and cheapen mohair fabrics, and to realize the full benefit of the rate on mohair we must have an equal rate on these wools.

Under the act of 1922 these wools carried a rate of 31 cents per pound, clean content, or the same as that given on mohair.

If the rate on these wools as under the Hawley bill is reduced to 24 cents per pound, clean content, it will mean a loss to the mohair grower of the United States of 10 cents per pound, as in our judgment it will reduce the price of mohair in the United States whatever the difference might be in the rate on these wools compared with the rate on mohair.

In anticipation of the Hawley rate becoming effective on luster wools, there is already a decline in the mohair market of Boston of from 6 to 7 cents per pound.

Testimony given before the House Ways and Means Committee and the Senate Finance Committee, by representatives of growers and producers, labor organizations, and manufacturers, discloses that the administrative features of the Fordney-McCumber Act are very difficult of enforcement in determining various grades and classifications of wools, and that in a large measure the intention of such law is not being carried out at the various ports of entry to the disadvantage of the American grower, and the Hawley bill, if adopted, as paragraphs 1101 and 1102 are written, the administrative features will be rendered more difficult, and our contention is that if all wools other than carpet wools bear the same

rate of duty, there will be no opportunity for mistakes on the part of Government custom officials in grading and classifying, and there will be no opportunity for any importer to take advantage of and bring in a grade of wool at a lower rate of duty than should be properly assessed against it.

Respectfully submitted.

F. O. LANDRUM.

Subscribed and sworn to before me this 28th day of June, 1929.

[SEAL.]

WANDA G. PEARSON,
Notary Public.

My commission expires May 12, 1931.

**STATEMENT OF HON. HAMILTON FISH, JR., A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW YORK**

[Camel's hair, par. 1101(a) and alpaca hair, par. 1102(b)]

Mr. FISH. Mr. Chairman, I am interested in paragraph 1101; there are really two sections there that I want to speak on briefly, and also in reference to paragraph 1102 and paragraph 1105.

Mr. Chairman and gentlemen, I am a protectionist, but I do not believe in embargoes, and I think it is a dangerous policy to try to increase duties on commodities which we do not produce at all, not an ounce of in this country.

The matter on which I am appearing before this committee has to do with the increase in duty on camel's hair or alpaca, of which we do not produce any in the United States.

Mr. Stroock, who is with me, is the head of a large factory, the president of it, and he probably uses 50 per cent of the alpaca and camel's hair that comes into this country. His is an old factory, some 60 years of age, but he did not appear before the Ways and Means Committee.

The factory is in my district, but he did not ask me to appear and he did not appear himself before the Ways and Means Committee.

He does not belong to any manufacturers' organizations, and so was not represented at the hearings before the Ways and Means Committee, and this matter was not brought up by him, and I doubt if it was brought up by anyone. So I am in the position, although I am a protectionist, of coming here to oppose these increased duties.

The only time I appeared before the Ways and Means Committee to advocate putting anything on the free list was when I advocated putting poultry on the free list for exhibition and breeding purposes. It was referred to the chairman of a subcommittee who was not present, and inadvertently it had my name alongside of it, and when it came out it provided for poultry and fish for exhibition and breeding purposes. [Laughter.]

Senator SACKETT. That is in the present bill?

Mr. FISH. That is in the bill now.

Senator SACKETT. Are you serving in that capacity?

Mr. FISH. I made no effort to strike it out.

But I am here to-day to ask you put back the rates where they were before on these commodities.

The amount of camel's hair that is imported into the United States yearly is about 800,000 pounds, and as to the amount of alpaca, it is difficult to find the exact figures, but it is approximately a million pounds, or about 1 per cent of the total importations of

wool, or one-third of 1 per cent of the amount of wool produced in this country.

Mr. Stroock, who is going to appear, with your permission, immediately after me, will go into the details. He will explain to you that his business is really a specialty business; that he produces all high-grade specialties.

Unfortunately, as you gentlemen know, there has been a sort of tradition that Great Britain can produce certain commodities in clothing better than ours, but these specialties which he produces in his factory, he believes, and I think people will admit generally, would compare with the British in grade, in fact, the highest grade. He is building up an industry in these specialties that can meet the English business.

And there is no reason why we should penalize him when we are not doing anything to make the consumer pay more money, and not help the wool industry to any degree. They are not getting any benefit out of it. So I think I would rather, and I think you gentlemen would rather, hear from him, as he knows all the details of the business.

But I just want to impress upon you at least that I did not appear before the Ways and Means Committee, and knew really nothing about the subject, and was not called upon. It has more or less gone by default, and these increases here, in one instance of about 33 per cent, and in the other of about 15 per cent, are put on camel's hair and alpaca.

Senator BINGHAM. Do you mean 15 per cent, or 15 cents a pound?

Mr. FISH. The increase in one instance is from 31 to 34; that is the smallest increase.

It is difficult for me to explain to you the difference between washed and unwashed; and that is why I would like to have you hear Mr. Stroock.

That is all I wanted to say, Mr Chairman, and I thank you for the opportunity of appearing.

STATEMENT OF B. A. STROOCK, NEW YORK CITY, REPRESENTING STROOCK & CO.

[Camel's hair, par. 1101(a), and alpaca hair, par. 1102(b)]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. STROOCK. Mr. Chairman and gentlemen, I represent S. Stroock & Co., manufacturers of specialty fabrics. We largely use camel's hair and alpaca. I believe we are the largest manufacturers of specialties in the world.

Senator BINGHAM. I have a chance now to ask a question that I have been waiting for some years to ask. If I go into a store and buy something that looks to me like alpaca, they will tell me it is vicuna. I know that it is not.

Mr. STROOCK. Senator, you are quite right, but you are opening up a subject that is going to take up more than five minutes.

Senator BINGHAM. Tell me whether I am correct when I think that is probably not alpaca.

Mr. STROOCK. They are probably thinking of a very high-grade cloth that sells for \$24 a yard wholesale, with very little of it used.

I have here, Mr. Chairman and gentlemen, some samples I would like to show you [exhibiting samples]. These are real true alpaca fabrics, and these [indicating samples] are llama fabrics.

Senator BINGHAM. I have also seen these things called llama, but I knew that the llama wools were so coarse that it could not possibly be llama.

Mr. STROOCK. Llama is the family name of the animal, and that includes—

Senator BINGHAM. I would not state that under oath.

Mr. STROOCK. They represent the llama family.

Senator BINGHAM. Actually it is the guanaco family, and the llama and the alpaca are both cousins.

Mr. STROOCK. Yes, sir. We are producing these fabrics and successfully bringing to bear a favorable position against foreign fabrics.

The general tendency in high-grade fabrics is to favor, and has been for many years, to favor the foreign fabric. We brought these fabrics to such a point of perfection that to-day we stand very favorably in the general United States market, as compared with competitive articles in that class of fabric.

We believe that we have created a pure llama fabric. We started in this particular fabric in 1921 and have succeeded in bringing it up to a high degree of perfection.

Previous to that time it had never been used for that purpose, although it was used in cotton warp fabrics and used as linings for overcoats, and with fiber fabrics of that description.

These fabrics are used for men's suitings, topcoats, and overcoatings, and in women's wear they are used for coatings only.

These samples are camel's hair [indicating samples], and those are used with 100 per cent camel's hair fabric.

Senator SACKETT. What are those for?

Mr. STROOCK. That sample is used for men's suitings. This is used for men's coatings [indicating sample], and this is used for women's coatings [indicating sample.] This fabric [indicating sample] is not 100 per cent camel's hair, the reason being that the shade can not be produced in that color in 100 per cent cloth.

Senator SACKETT. What do you mix with it—alpaca?

Mr. STROOCK. No; wool. There is a very small percentage of that fabric that is not 100 per cent camel's hair. It will run 100 per cent almost entirely.

In the proposed bill, paragraph 1101, camel's hair, which was formerly 12 cents a pound on the original basis, is now changed or proposed to be changed to 24 cents a pound on a clean basis, estimating the shrinkage at about 30 per cent, or a 70 per cent yield, and then the duty would be around 17 cents, or 16.80 cents. That is an increase from 12 to 16.80 cents.

On the alpaca the duty has been on a clean basis of 31 cents. It is now proposed to be changed to 34 cents.

Also in the noils, in both of these fibers, the proposed bill has an increase of 2 cents a pound; it was formerly 19 cents a pound and now it is proposed to make it 21 cents a pound.

Senator SACKETT. Do you use the noils in making the soft-finished product?

Mr. STROOCK. To a very small extent. It has certain particular uses to arrive at certain definite results.

Senator GEORGE. You use the finer grades of camel's hair?

Mr. STROOCK. The finer grades.

Senator GEORGE. Only No. 1 and No. 2?

Mr. STROOCK. Only No. 1 and finer.

Senator GEORGE. No. 3 is not used in your goods at all?

Mr. STROOCK. No. 2 is not used.

Senator GEORGE. No. 3 is used for what purpose?

Mr. STROOCK. No. 2 and No. 3 are usually used in the manufacture of pressed cloth. It is used to press cottonseed oil.

Senator GEORGE. Nothing better than No. 3 is really used in pressed cloth, is it?

Mr. STROOCK. I believe that No. 2 is used, as I understand it, in with No. 3.

Senator GEORGE. Is there any interchangeable domestic product that you could use?

Mr. STROOCK. No, there is not. These products are sold as representing exactly what they are.

Senator BINGHAM. I think that the Senator was asking in regard to pressed cloth.

Senator GEORGE. I know that you could use substitutes for the No. 3, but there is no domestic article you could use to substitute for No. 1?

Mr. STROOCK. There is no domestic article that we can substitute for No. 1. One of these can not be substituted for the other. Camel's hair can not be substituted for alpaca or alpaca for camel's hair. They are quite characteristically different. That is the camel's hair [indicating sample].

Senator BINGHAM. Which is the alpaca?

Mr. STROOCK. This is the alpaca fabric [indicating sample]. It is quite different.

Senator BINGHAM. It is very much softer.

Mr. STROOCK. It is very much softer and the character of it is different. One of the great features about alpaca is its ability to be sorted in about 20 different colors. In the camel's hair, the natural color is just this plain color that you see here. Most of it, 97 per cent of it, runs this color.

Senator SACKETT. What effect will the raise in duty have upon your business?

Mr. STROOCK. It will simply raise the cost, which will have to be passed along.

Senator SACKETT. Can it be passed along?

Mr. STROOCK. I think that it will be a detriment to the business to increase prices.

Senator SACKETT. Would it shorten the sales?

Mr. STROOCK. I think that it would shorten the sales and also increase foreign competition.

Senator BINGHAM. If you got a compensatory duty—

Mr. STROOCK. That would help in connection with the foreign situation.

Senator BINGHAM. It would take care of foreign competition?

Mr. STROOCK. It would also put the article to a smaller number of people, due to the fact that the retail prices multiply themselves very rapidly on small increases in the wholesale prices.

In Newburg where our plant is located, we employ about five or six hundred people. This concern has been manufacturing specialties for almost 60 years. We have never manufactured anything but specialties in this plant. We have manufactured mohair fabrics, llama fabrics, and other fabrics, and we do not handle anything else in any other way.

Senator BINGHAM. Has your business been increasing or diminishing in the last five years?

Mr. STROOCK. The business has been increasing. The camel's hair that is used all comes from China and the alpaca comes from Peru. I think it would be a very great help to us to have the duty put back to where it was and to have it stay on that basis.

STATEMENT OF JOHN S. RADFORD, HOUSTON, TEX., REPRESENTING CAMEL'S HAIR PRESS CLOTH AND BELTING MANUFACTURERS, HOUSTON, TEX.

(Camel's hair, par 1101 (a))

(The witness was duly sworn by Senator Simmons.)

Mr. RADFORD. Gentlemen, I am to talk to you about camel's hair. We went before the Ways and Means Committee and asked for a reduction in the duty on camel's hair and instead of getting a reduction we got an advance.

Under the tariff of 1909 and prior protective tariffs we were given a duty of 4 cents and 7 cents, respectively, according to the value on camel's hair. During the normal year of 1913 there were 4,573,000 pounds of camel's hair imported. That was imported largely from Russia, and Russia was cut off by revolution in 1915. We then were made dependent upon China camel's hair and were working under the tariff of 1913. A request to the Ways and Means Committee was made for a general advance in wools. We then asked for a duty free under the same proviso as that given to carpet wools for floor coverings. It was not given to us.

Senator GEORGE. They did give you——

Mr. RADFORD. Lumbermen's socks and felt boots.

Senator GEORGE. In other words, they put that on the free list when used for that purpose.

Mr. RADFORD. Yes, sir; those two were added and we were again forgotten.

Senator GEORGE. Do you know who makes those lumbermen's socks and boots?

Mr. RADFORD. No, sir; I never heard of them before.

Senator GEORGE. Do you know how many industries of the country make those particular articles?

Mr. RADFORD. No, sir.

Senator GEORGE. You say you never heard of them?

Mr. RADFORD. No, sir. I do know this, that press cloth made of camel's hair is used for making all of the cooking fats used for crushing the vegetable seeds of the farmer and his oleaginous kernels and nuts out of which is made the cooking oils and the lard which go into the bread which we eat, and consequently a tax on camel's hair for

press-cloth purposes is a customs import on the bread and meat that we eat—the meat because the vegetable cake and meal that we feed the cattle that make the meat is formed in press cloth. It amounts to a tax of about 35 cents per ton of cottonseed crushed. The tax is, nearly as I can get it, 1½ to 2 cents per bushel on every bushel of linseed crushed. The linseed cake and the cottonseed cake are used to feed the cattle to fatten them for the meat.

The linseed oil is used for making paints. The by-products formed in press cloth are used for making the ingredients for fertilizers that are employed to enrich the soil for the raising of our crops.

A third proviso in floor coverings, comparatively a luxury, is given; but when they refuse to give it for press cloth purposes it is placing a tax on the bread and meat that we eat, and for that reason I ask in my brief that the proviso be added and I am suggesting the proviso freeing it for press cloth and belting purposes.

Senator SACKETT. Why belting?

Mr. RADFORD. Camel's-hair belting is used in oil refineries because it is the only known belt that will resist the acid fumes, and in other places where acid fumes obtain. In lumber mills where it is exposed to the weather it will last, I am reliably informed, sixty times as long as any other kind of belt. Yet rubber belting as a competitor is offered so cheaply, comparatively, that they will look at the first cost, not considering the difference in time they will last, and the users are using it to such an extent as to have almost put the belting manufacturers out of business.

Senator SACKETT. It seems to me that that is a selling proposition. What you need is a better selling department.

Mr. RADFORD. No, sir; I am going to talk to the point of where a duty of 12 cents a pound is so high that they can not compete.

Senator SACKETT. But you say it lasts so much longer and is a better thing and is better than rubber, but the rubber sells cheaper, so it gets the business.

Mr. RADFORD. Yes, sir. I make camel's-hair yarn for the belting manufacturers. They tell me that if they could get a lower duty or a free duty on this industrial essential of camel's-hair press cloth they could build up their business again as they did with a lower duty.

Senator SACKETT. What do you think the rubber belting man would say to that?

Mr. RADFORD. I do not know, sir. All of those facts are brought out in my brief to the Ways and Means Committee on the camel's-hair belting as well as the press cloth feature. I am a manufacturer of press cloth. I make the yarn for them and they join me in this plea for a lower duty on camel's hair.

Senator GEORGE. On that point, some of the mohair people who have appeared here say that camel's hair in press cloth may well be substituted by the use of mohair. Is that true?

Mr. RADFORD. No, sir.

Senator GEORGE. I wish you would go into that fully.

Mr. RADFORD. I shall. During the war, when we were cut off from Russia, we were left without suitable fiber for the making of press cloth. We had to have a press cloth because the Government told us we had to make it to provide ammunition and food supply not only for this Nation but for our allies, because all of the press-cloth factories abroad were closed down. They threatened to take

me over. In order to prevent that I added nearly \$1,000,000 in equipment to my plant. I gave them press cloth for the food and munition supplies. I then experimented with mohair which is grown in my own State. Mohair is not a competitor because it will not stand up under high heat tension when hydraulic pressure is applied. We used some of it during the war. We use some mohair now for making other specialities, but it will not withstand the heat, and, consequently, if we can get camel's hair and a sufficient quantity of human hair we can provide press cloth without the use of other wools.

Senator GEORGE. Senator Sackett asked you about the attitude of the rubber people. Rubber is on the free list, is it not?

Mr. RADFORD. I really do not know, sir.

Senator GEORGE. Cotton is on the free list and camel's hair should likewise be on the free list when it is used for belting and press cloth, should it not?

Mr. RADFORD. Yes, sir. I have suggested in this brief to the Ways and Means Committee this proviso added to 1101:

Provided further, That the hair of the camel when imported in the grease, sorted or otherwise, and is used in the manufacture of press cloth, filtering cloth and belting, or press-cloth tubing, or the yarns entering into these specifically named mechanical fabrics, the same may be imported under bond in an amount and under such regulations as the Secretary of the Treasury shall prescribe and the duty thereagainst shall be remitted or refunded in the same manner as is, or may be, prescribed in rules governing the remittance and refunding of duties on those certain wools likewise imported under bond for use in the manufacture of rugs, carpets, and floor coverings.

Senator GEORGE. You would accomplish the same results if you simply inserted it along with the rugs and carpets and among the lumbermen's socks.

Mr. RADFORD. Yes, sir. Of course, that would suit me all right. But we would get all the other wools free for the making of press cloth. I just merely added this proviso so as to limit it to camel's hair.

Senator BINGHAM. You have no objection to the duty applying on camel's hair where it competed with mohair for textile clothing?

Mr. RADFORD. None whatever.

Senator BINGHAM. But simply to protect you in the manufacture of press cloth, which, as I understand it, is an important part of the manufacture of cottonseed oil.

Mr. RADFORD. Yes.

Senator SACKETT. And camel's hair belts?

Mr. RADFORD. Camel's hair belting.

Senator BINGHAM. In what industry is that used?

Senator SACKETT. He has just been over that.

Mr. RADFORD. I have covered that in my Ways and Means Committee brief.

Senator SIMMONS. You simply want to put it in the same category with these workmen's socks?

Mr. RADFORD. Yes, sir. As to this sorting feature, when the sorted wool cloths' feature was added by the Ways and Means Committee the further and last importation possibility of camel's hair into the United States was written out of their proposed tariff revision measure of relief. The only wool of which I know which is imported in the sorted condition is camel's hair. China camel's hair, 90 per

cent of it, for five years has been imported in the sorted condition. It has to be sorted again when it gets here, but it is known as classes 1, 2, and 3. Now, I do not know why that was put in and it would circumvent the purpose for which it was freed if this sorted or otherwise feature is not added without this is eliminated. We are asking for the elimination of it.

Senator SACKETT. Would you not just as leave have camel's hair eliminated as well as the whole section?

Mr. RADFORD. I am only interested in camel's hair because that is the only wool of which I know that is imported in that condition. It is listed in the index. I looked for wools and could not find it. Alpaca comes in colors. That is sorted to separate the colors.

Senator SACKETT. Suppose we were to say in section 4 sorted wools or hair matchings except camel's hair. That would cover the whole thing, would it not?

Mr. RADFORD. Yes, sir; that would cover the whole thing.

BRIEF OF THE ALFRED H. BENJAMIN IMPORT CORPORATION, NEW YORK CITY

The FINANCE COMMITTEE,
United States Senate, Washington, D. C.:

The purpose in submitting this brief is to indorse the facts outlined in my brief before the chairman and members of the Ways and Means Committee, referred to in the Tariff Readjustment, Volume XI, schedule 11, pages 6340 to 6344, inclusive.

THE COST OF WOOL PRODUCTION

The Department of Agriculture, through one of its officers, Mr. J. F. Walker, in report H. R. 2667, has made a statement as to the cost of producing wool in Australia. The National Wool Growers Association of the United States suggest this as a basis upon which the increased tariff is proposed, namely, from 31 cents per pound on the clean content to 36 cents per pound. They base the assumption on what it cost to produce wool in Australia in 1913 to 1916, and state that in so far as Australia is concerned, the greatest wool producing country in the world, there was an increased cost to the producer of 20 per cent.

The facts as submitted by Mr. J. F. Walker I will prove are entirely incorrect. The little time that he spent in Australia would not enable anyone to figure the cost of production, and it would be utterly impossible for Mr. Walker to give accurate information without having spent at least one year in Australia. He admits that climatic conditions play an important part in the production of wool in Australia, and my conception is that that is not only a fact, but it menaces production and adds very seriously to the cost, and those costs must be based on a five-year average. The cost of labor between 1913 and 1916 in producing wool was fifty per cent under what it is to-day, and that is the misleading feature in the facts as submitted by Mr. Walker; added to this, the cost of materials needed for the fencing off of rabbits, a pest that militates against wool production and ever increasing, it is therefor extremely difficult to gauge the cost of production when you take into consideration also that there are parts in Australia that do not get rain for over a year at a time.

There is also another dangerous feature which is not helpful to the production of wool, and that is the mortality caused in one of the largest wool producing states, namely New South Wales, caused by the pest of the dingo or wild dog. In one section of the country five years ago they had not less than 4,000,000 sheep, to-day they haven't 400,000 in that section; and the best evidence of that is that all the sheep men in that district have had to go out of business, and that adds very seriously to the cost of wool production in Australia. There is no part of Australia that is wool producing to-day that I am not familiar with. It is only because of my experience with that country during the last 25 years, off and on, that has permitted me to give an accurate knowledge of this particular subject of "cost of wool production."

When I state cost of production I cannot give you the exact cost nor could any other man determine that, but approximately the cost of raising wool has increased 40 to 50 per cent; taking all things into consideration, this would be a very good basis to work upon in all producing countries.

During the period of 1927 to 1928 the mortality increase in lambs was terrific, caused by the drought. The lambing which formerly gave 80 to 85 per cent barely 20 to 25 per cent. These are factors that weigh in the cost of production; therefore, this mortality plays an important part in the cost of wool producing because the lamb is a great industry, and is the basis of the flock, and without it there can be no basis of cost on wool production. The wool itself is a by-product that fluctuates from year to year, in fact from month to month, but with the lamb there is a steady demand at a regular price, and the grower can determine if he has a good crop of lambs that he is in a very favorable position during any one season, but that does not always happen that the growers has a good lamb season. On the contrary if he gets three out of five with 85 per cent he is doing remarkably well. The cost of wool production in Australia is conceded over 50 per cent in excess of 1916, but no government figures are available.

In Australia there is very little artificial feeding. They depend largely upon the rainfall, and if the pastures are bad then they resort to artificial feeding; but on account of the facilities of the railroads not being adequate to take care of this particular industry, invariably the grower suffers in a dry season. The knowledge thus gained by Mr. Walker during his visit to Australia cannot be useful to any degree in the cost of wool production, and upon which to base a scientific tariff. On the contrary, it is misleading.

I might then go to the Argentine and Uruguay, who are the next foremost producing countries, and you will find that the same difficulties exist in those countries as exist all over the world. The cost of production is running higher the last five years than it has ever done in its history, and it would be very wrong for us as a nation to exclude any nation from shipping merchandise without seriously imperiling the industries of this country which form the back bone of our Nation.

Production of our domestic wool this year is estimated by the Department of Agriculture between 300,000,000 pounds and 350,000,000 pounds approximately. The American wool to-day is cheaper by 15 to 20 per cent than any other wool that can be purchased abroad to-day, so that we need not fear the imported product to any extent.

Under the Fordney-McCumber tariff we have 31 cents per pound on the clean content, and each year brings in less wool from Australia, the Argentine, and Uruguay, and practically nothing from South Africa. So this great menace of the producing countries is a fallacy; they can find an outlet for their wool in the countries where it is most needed, and that is Europe, Japan, and Great Britain. Under the present tariff the only class of wools that can be imported into this country from Australasia, which includes New Zealand, are the light shrinking wools, and the production of those do not form 30 per cent of the production of wool in Australasia.

The burden of paying a price for that 30 per cent of the clip rests with the American manufacturers, and if they are not in a position to buy their merchandise on a competitive basis equal to that of Europe, Japan, and Great Britain then they start off in difficulties, and they will always be in difficulties when they can not buy their raw material on a right basis.

Australasia is one of our good customers. The best evidence of that is the figures. They purchased from the United States as follows: 1922-23, \$120,000,000 worth of merchandise; 1926-27, \$201,000,000 worth of merchandise, against our purchases from them of \$30,000,000 to \$50,000,000.

INCREASED TARIFF MEANS INCREASED SURPLUSES IN EVERY INDUSTRY

Every industry in the United States must necessarily accumulate under a prohibitive tariff a surplus of products, that will cause alarm to the manufacturers with a dwindled export trade.

The National Council of Wool Selling Brokers of Australia desires to be permitted to criticize the report by Mr. J. F. Walker, consulting specialist of the Division of Cooperative Markets, United States Department of Agriculture, more particularly in regard to that part wherein he states "that wool production in Australia, already has reached the saturation point."

EXTRACT OF REPORT, THE NATIONAL COUNCIL OF WOOL SELLING BROKERS OF AUSTRALIA

"It may be safe to presume that the knowledge gleaned by Mr. Walker, with so little time at his disposal in his trip around the world, that his visit to Australia was comparatively limited in extent, and while no doubt his statements are made in good faith, it can be quite understood that he was not in a position to authoritatively pass an opinion on Australia's most important industry."

This report is signed by George Aitken, president of the National Council of Wool Selling Brokers of Australia.

Commercial relations between Australia and America under the present tariff have been extremely favorable, and why destroy it.

Australia is a young, all-English speaking nation, friendly to the United States, and desires to trade with them, but if we place around their product a tariff wall that is prohibitive they will find some way of increasing their tariff against us, and we could not offer any reasonable excuse against such procedure; it would be our loss.

The solution of this problem is in my opinion not in taxing the raw material but in taxing the manufactured product that comes here from every country, and variably made by labor that is cheaper.

It would protect our manufacturers and make them more dependent upon the wool producers as they will use more raw material.

This duty of 31 cents has proved excessive. The result of the figures of the woolen and worsted concerns of the country has shown by their financial statements that they are seriously embarrassed, and their capital is shrinking. This includes the American Woolen, whose capital in the last six years has shrunk, and its surplus has decreased fully \$20,000,000. The Amoskoeg Manufacturing Co. while their losses have not been so great, at least they have been most serious, as in the case of the Botany Worsted Mills of Passaic and the United States Worsted Co. of Massachusetts; and numerous others who are being driven out of business entirely.

There will be a continuance of these conditions just as long as these heavy duties are existing on the raw material, and the success of any industry, textile or otherwise, depends largely upon the prices they pay for the raw product that is used in connection with the manufacturing of the goods for distribution.

In conclusion, I would like to say to the members of the Finance Committee of the Senate that the present tariff based on the clean content is economically unsound, and will continue to be a menace to the best interests of our country. I recommend a wool committee be formed consisting of woolen and worsted manufacturers and that committee frame a tariff acceptable to the industry; until then the manufacturing interests will continue to be imperiled.

The present demand of 37 cents per pound on the clean content will be an embargo—the consumer must pay the increase.

Respectfully submitted.

ALFRED H. BENJAMIN IMPORT CORPORATION,
O. W. BENJAMIN, *President*.

Sworn to before me, New York, June 25, 1929.

[SEAL.]

THERESA POWER, *Notary Public*.

Term expires March 30, 1930.

STATEMENT OF ALBAN EAVENSON, CAMDEN, N. J., REPRESENTING THE ASSOCIATION OF COMMISSION WOOL SCOURERS AND CARBONIZERS OF THE UNITED STATES

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. EAVENSON. I am representing the Association of Commission Wool Scourers and Carbonizers of the United States.

I have noticed, Mr. Chairman, that you usually ask the witnesses, first of all, what they want.

Senator BINGHAM. That is what we would like to hear.

Mr. EAVENSON. Well, our requests are set forth in the last two pages of our brief, and they stand correct with one exception which has been brought out here in the testimony.

Senator BINGHAM. Will you summarize them for our benefit so that we may put the notes in the bill that we have before us?

Mr. EAVENSON. Shall I read them off, Mr. Chairman?

Senator BINGHAM. Please.

Mr. EAVENSON. Paragraph 1101, page 148, line 2, reads as follows:

All the foregoing, in the grease or washed, 24 cents per pound of clean content; scoured, 24 cents per pound; on the skin, 23 cents per pound clean content; sorted, or matchings, 26 cents per pound clean content.

Senator BINGHAM. That is the way the bill reads now?

Mr. EAVENSON. Yes. We recommend that the phrase "scoured, 24 cents per pound," be changed to read "scoured, 27 cents per pound."

Senator BINGHAM. That is the same recommendation made by the woolgrowers.

Mr. EAVENSON. We are very happy to see it.

Also we would like to have the duty on matchings reduced from 26 cents to 25 cents.

Senator BINGHAM. That is the same recommendation that they made.

Mr. EAVENSON. I believe that 1 cent per pound is ample to take care of protection to the labor of wool sorting, and it helps to smooth out a delinquency in the bill to which I will refer later.

Paragraph 1101, page 148, line 18 reads as follows:

Duties shall be remitted or refunded.

Senator BINGHAM. That is, after "lumberman's socks"?

Mr. EAVENSON. Yes, sir; I think it comes right after "lumberman's socks."

Senator BINGHAM. The "duties shall be remitted or refunded"?

Mr. EAVENSON. Yes, sir. We recommend that the following be inserted in the act:

except that scoured wool, so withdrawn from bond, shall pay a duty of 3 cents a pound at the time of withdrawal from bond, and this duty shall not be remitted even though the wool be used in the manufacture of rugs, carpets, or other floor covering, or in the manufacture of knit or felt boots or heavy fulled lumberman's socks.

Senator BINGHAM. You want all that put in?

Mr. EAVENSON. That paragraph we want put in.

Senator BINGHAM. You want knit or felt boots?

Mr. EAVENSON. I do not care anything about that. The only change that I refer to is the insertion of 3 cents a pound, "except that scoured wool, so withdrawn from bond, shall pay a duty of 3 cents a pound at the time of withdrawal from bond."

Senator BINGHAM. That is, in the manufacture of rugs, etc.?

Mr. EAVENSON. Yes, sir; so withdrawn for that purpose—shall pay a duty of 3 cents a pound at the time of withdrawal from bond, and this duty shall not be remitted—

Senator BINGHAM. What is your reason for that?

Mr. EAVENSON. I will go into that quite at length in my remarks, if I may, in the proper order.

Senator BINGHAM. I should like to have the reasons for that now, while I have it in mind.

Mr. EAVENSON. All right, sir.

In our recommendations to the Ways and Means Committee we had this same paragraph here. As far as we can learn there was no objection on the part of any branch of the textile industry as to this recommendation, but it was not granted by the Ways and Means Committee because, in their opinion, they regarded the imports of scoured wool, under paragraph 1101, to be small. The imports of scoured wool, under paragraph 1101, have steadily increased throughout the entire period of existence of the act. They jumped steadily up, until in 1928 there were between 18,000,000 and 19,000,000 pounds of scoured wool imported. These wools shrink on the average, 40 per cent.

Senator BINGHAM. Do you think that this scoured wool is used for other purposes than the manufacture of rugs, carpets, or other floor coverings?

Mr. EAVENSON. No, sir; I do not have any fault to find with that end of it. I do not have fault to find with the fact that there have been between 18,000,000 and 19,000,000 pounds imported which has displaced that much work for our industry.

Perhaps I could put it more clearly to you if I expressed it on the percentage basis.

Senator BINGHAM. Your theory is that although this wool which comes in is not grown in this country, you would like to have the privilege of scouring it, and therefore you want a protective duty of 3 cents a pound if it comes in scoured; is that correct?

Mr. EAVENSON. Yes, sir; you have it precisely.

Senator SACKETT. You say those imports have steadily increased and are up to 18,000,000 or 19,000,000 pounds. What were they in 1922 and 1923?

Mr. EAVENSON. It appears here in my brief; I can refer back to it. It was along about seven or eight million, is my recollection. The exact figures I have in my brief before the Ways and Means Committee. In the last three years I have it expressed on the percentage basis. In 1926, of all the wools imported under paragraph 1101, figuring on the equivalent grease basis, there were 13.63 per cent scoured wools. In 1927, 17.24 per cent were scoured wools. It jumped up in 1928 to 20.06 per cent.

The Senator has just asked me the question as to why we want protection. I think the statement in the report of the Ways and Means Committee which accompanied the bill gives a very satisfactory answer to that. In that statement you will see it presented that of all the imports of wool under paragraph 1101 60 per cent of those imports originate in China, British India, and Asia Minor, where they have the poorest-paid labor on earth; and we have no more chance to compete against that labor on a free-trade basis than any other class of the textile industry would have. Our industry has been in a dwindling state, perhaps more severely hit than any other branch of the textile industry, and our main products are strictly on a free-trade basis.

Senator GEORGE. What is your industry?

Mr. EAVENSON. I should perhaps have explained that at first. Our industry is the scouring and carbonizing of wools, noils and certain wastes. We do not deal with products; we merely handle for a great variety of mills and merchants stocks belonging to them at fixed charges per pound; that is, we put them through our operation of

scouring, carbonizing, sorting, or what not at fixed charges per pound. We are not interested directly in the duty which may be placed upon those products; that does not concern us, because we have not our money invested in that, but we are interested in obtaining a duty on our finished products in excess of the duty on the same products before they go through our processes. In other words, we are interested in protection to our labor.

Senator GEORGE. You are furnishing service?

Mr. EAVENSON. We are a public-service industry.

Senator GEORGE. Do you also handle domestic products?

Mr. EAVENSON. Oh, yes; domestic wools, noils, and wastes.

Senator GEORGE. The same as you do the foreign product?

Mr. EAVENSON. Yes, sir.

Senator GEORGE. How many people are in your industry?

Mr. EAVENSON. About 3,000, or a little over. It is not a large industry, but a very important industry, in that we wait on a great many mills engaged in the manufacture of wool hats and knit goods and fine wools and felts of all sorts. They rely upon us for the proper preparation of their stocks.

Senator GEORGE. Where is your industry located?

Mr. EAVENSON. Mainly in the New England States, but we have two large plants in Philadelphia, and there are one or two out on the western coast of a similar nature.

Senator GEORGE. Near the ports of entry?

Mr. EAVENSON. Yes, sir; naturally, sir, because our business is limited to a geographical area determined by freight rates. When we get too far away from the source of supply, naturally we can not operate.

Senator BINGHAM. You operate chiefly near Boston?

Mr. EAVENSON. Most of them are near Boston; yes; in Lowell and Lawrence.

Senator BINGHAM. Why is it that you want this 3 cents a pound only on scoured wool that is withdrawn from a bonded warehouse? Supposing it comes in direct?

Mr. EAVENSON. I am a little afraid that perhaps I did not make myself clear. We want it on all the imports of scoured wool.

Senator BINGHAM. I wrote it down, or tried to, exactly as you asked for it in the place in the bill where you wanted it put.

Senator GEORGE. As I understand it, you want it on all imports, but you do not wish it remitted where it is imported in bond and withdrawn for the purpose of manufacture into rugs.

Mr. EAVENSON. I think I have a pretty clear idea of how these wools are handled under paragraph 1101. The wools are entered under what is known as a provisional bond. The importer does not pay duty. He enters bond in an amount sufficient to cover the government's goods. If within a certain specified time, three or four years—I do not know just how the law reads at present, but I believe it was extended to four years—if within that length of time it has been satisfactorily proven that those wools have gone into the manufacture of floor coverings, carpets, rugs, or what not, then the bond is canceled.

Senator GEORGE. Do we understand that all wools coming in under Section 1101 are imported in bond?

Mr. EAVENSON. All imports of wool come in under bond. So that my recommendation merely means——

Senator GEORGE. So if you put in this exception you cover that?

Mr. EAVENSON. We cover all wools excepting that when the bond is cancelled we do not want that 3 cents canceled.

Senator BINGHAM. Why could not the importer get around it by bringing the wool in direct and not putting it in bond?

Mr. EAVENSON. You can not import wool into this country without its going into bond; it must go into bond.

Senator SACKETT. What is the cost of scouring wools?

Mr. EAVENSON. The charge which we make to the trade is 2 cents per pound for our labor of doing the work. The item of freight enters in.

Senator SACKETT. Why do you want 3 cents?

Mr. EAVENSON. It works out in this way, sir; the cost of doing this work abroad is a little less than half of our charges. From large sections such as Australia and New Zealand the freight runs to about 3 cents a pound.

Senator SACKETT. The freight from where?

Mr. EAVENSON. From New Zealand or Australia and those points. There are a lot of port charges that enter into it. So it runs anywhere from \$2.90, I am told, to \$3.10 a pound. If the wool shrinks to the basis, we will say, of 50 per cent, there is a saving right there of 1½ cents on the freight item alone which enters into it.

Senator SACKETT. Who saves that?

Mr. EAVENSON. The importer saves that if he gets his work done abroad.

Senator SACKETT. That would be what?

Mr. EAVENSON. One and a half cents a pound, and the difference in charges is over a cent a pound.

Senator SACKETT. That is 2½?

Mr. EAVENSON. Just a little over a cent a pound.

Senator SACKETT. You are asking for 3 cents?

Mr. EAVENSON. Yes, sir.

Senator SACKETT. Why?

Mr. EAVENSON. Because we need it to equalize conditions.

Senator SACKETT. Does it not cost them something to scour it abroad?

Mr. EAVENSON. A little less than half of ours.

Senator SACKETT. It costs you 2 cents?

Mr. EAVENSON. Yes, sir.

Senator SACKETT. It costs them 1 cent?

Mr. EAVENSON. Yes. Two cents per pound on the grease pound is 4 cents per pound on the clean pound. It is 4 cents if the wool shrinks 50 per cent.

Senator SIMMONS. On what ground do you think that you are entitled to savings in freight? I can see the ground upon which you are entitled to the difference in weight.

Mr. EAVENSON. Senator, we do not get those savings.

Senator SIMMONS. You are providing for them.

Mr. EAVENSON. No, sir; that is one of the factors which operates to our disadvantage, and it is one of the things which must be equalized.

Senator SIMMONS. Therefore you are proposing to equalize it by putting a duty upon every American consumer?

Mr. EAVENSON. No, sir.

Senator SIMMONS. I understand that you propose to force the foreigner from whom we buy wool, because we do not make enough of it ourselves, to send his wool in here in the raw state or the uncleaned state, or if he send it here in the clean state you are forcing him to pay you.

Mr. EAVENSON. Exactly,—enough to equalize and put me on a competitive basis. Is not that the principle which pervades the entire tariff act?

Senator SIMMONS. What I am saying is that in making up your 3 cents, you said a little while ago that a cent and a half of it was for difference in labor cost.

Mr. EAVENSON. Yes.

Senator SIMMONS. Then you said that the foreigner by reason of cleaning his wool over there has a saving of 1½ cents in freight.

Mr. EAVENSON. Yes.

Senator SIMMONS. And you want to get the benefit of that saving.

Mr. EAVENSON. No, sir; I do not get the benefit of it.

Senator SIMMONS. That made up the 3 cents, did it not?

Mr. EAVENSON. Yes; but I do not get the benefit, because we do not own any of the wool.

Senator SIMMONS. But you get the benefit of the protection as the result of raising this difference of 1½ cents on labor—

Mr. EAVENSON. Yes; we are going to protect our labor here by equalizing such differences as that that may exist. That is the whole effect of it.

Senator SIMMONS. That is what I thought.

Mr. EAVENSON. I hope, sir, that you have it clear about the withdrawal from bond.

Senator BINGHAM. We can straighten it out if your language is not correct. The way you have drawn it, the exception comes in under the clause which reads, "and if within four years from the date of importation or withdrawal from bonded warehouse," and you say "except," and so on. But we can fix it up if we decide to do that.

I want to ask you this: Is the larger part of the wool imported to be used in the manufacture of rugs, carpets and floor coverings scoured or unscoured at present?

Mr. EAVENSON. I just stated, sir, that 20 per cent of the wool coming in under paragraph 1101 during the year 1928 was scoured wool.

Senator BINGHAM. Only 20 per cent?

Mr. EAVENSON. Yes.

Senator BINGHAM. Do you scour the other 80 per cent?

Mr. EAVENSON. We get a good chance at it; a great many of the mills do their own.

Senator BINGHAM. Do not most of the large mills do it themselves?

Mr. EAVENSON. A good many, yes; but a great many of them do not.

Senator BINGHAM. How large a percentage of it is done by your organization?

Mr. EAVENSON. I could not express that in percentage.

Senator GEORGE. How does your business range? What has been the volume of business done by your industry?

Mr. EAVENSON. When we are running at capacity we are handling—you mean, in the whole industry?

Senator GEORGE. Yes.

Mr. EAVENSON. I have no composite figures.

Senator GEORGE. We would like to know that, how you have been getting along for the last six or eight years.

Mr. EAVENSON. I can tell you that very readily.

Senator GEORGE. I know you can, generally, but we want to know how much wool you have scoured each year.

Mr. EAVENSON. May I file a brief on that, sir? Could I not add it to my testimony?

Senator GEORGE. It would be helpful, I think.

Senator BINGHAM. There is no objection to that. You can file it as an affidavit.

Senator SIMMONS. Has this item that you are now asking for been in former bills?

Mr. EAVENSON. No, sir.

Senator SIMMONS. This is the first time?

Mr. EAVENSON. We have always had the effect of the same thing in this way, that in the old bills, for instance—I think it was called the Dingley bill—grease wool was dutiable at 11 cents per pound; scoured wool, 33 cents per pound. That just gave us the benefit of ample protection. We always did get it in some other way, but we did not get it in the definite way that I have stated here. We always got it indirectly.

Senator SIMMONS. You never came in and asked for a specific protection to force the foreigner to send his wool over here in an unscoured state so that you could get it to scour?

Mr. EAVENSON. You force him in the most effective way under this tariff, because—

Senator SIMMONS. Yes; but we covered it up then, but you come out in the open and ask for it.

Mr. EAVENSON. Yes. I think that is the spirit in which we approach your committee.

Senator SIMMONS. I think so myself. I expect there are a good many other things covered up there. I would rather it were brought out in the open, as you have brought this out.

Mr. EAVENSON. Yes, sir.

Senator SIMMONS. If this item is put into the bill, as it probably will be, it will become historic.

Senator BINGHAM. Are these the only changes you want?

Mr. EAVENSON. No, sir.

Senator BINGHAM. Let us take the next change.

Senator SACKETT. We have not got down what it costs yet. We want to know the difference in cost of production abroad and here.

Mr. EAVENSON. There are a good many of those facts in my brief before the House Ways and Means Committee, and it would take a long time—

Senator SIMMONS. If it takes a short time or a long time I think we ought to thoroughly probe into it. I would like to understand it.

Senator SACKETT. I would like to have the detail of the whole costs abroad and here.

Mr. EAVENSON. I have already provided for that, Senator. I have filed with my brief a price list showing the exact cost. I filed our own price list showing exactly what the costs are. They are already set forth in the brief. My purpose here was not to repeat matters which have been clearly presented in the brief, but I am here only to make a few remarks today.

Senator SACKETT. You did all that before the Ways and Means Committee, and they turned you down. I am trying to help you.

Mr. EAVENSON. Yes, sir; I appreciate that.

Senator SACKETT. If we read it we might turn it down, too, because we are just human like they are. You evidently did not make a case. Do you want to make a case here?

Mr. EAVENSON. I think I have made a case here.

Senator SACKETT. They did not think so.

Mr. EAVENSON. They apparently did not. I have told you that they said the importations were very small.

Senator SACKETT. If you want to rest on what they said, it is all right with me.

Mr. EAVENSON. I am resting on what I have just said to you. They regarded the imports as small under paragraph 1101. If I cannot impress upon you that when imports run 20 per cent, when they are steadily increasing, and it is self-evident that in a very short time the industry with those increasing imports must fade out of the picture—

Senator BINGHAM. Is it not true that the average for the last three years has only been about 15 per cent?

Mr. EAVENSON. That is a tremendous average in my judgment, sir. If you regard that as small, the case is ended.

Senator SACKETT. I do not know but what 1 cent a pound would do you just as much good as 3. That is what I want to get at.

Mr. EAVENSON. I have given you those facts in my brief.

Senator SACKETT. If you want to rest there, go ahead.

Mr. EAVENSON. I have the brief, but I can make any further statement. It is just a matter of opinion whether a 20 per cent import is small or large. When an industry is dwindling, when we are struggling to keep our heads above water, 1 per cent alone is a very serious matter. When it reaches 20 per cent, that industry is in a precarious position; and if it continues to increase, as it most certainly will unless some measure of protection is afforded, that industry passes out of the picture. It is inevitable.

I have given you some reasons under paragraph 1102 for a duty of 3 cents per pound.

Senator BINGHAM. Paragraph 1102, page 149, where it starts with the words "scoured, 24 cents per pound", you want that changed to read "27 cents"? Is that it?

Mr. EAVENSON. Yes, sir. That appears in the Ways and Means Committee's report.

Senator BINGHAM. You also want the sorted reduced from 26 to 25?

Mr. EAVENSON. Yes, sir; or matchings, in both sections, (a) and (b); and I also ask for a duty on carbonized wool 8 cents in excess of the duty on scoured wool, making it 35 cents per pound.

Senator BINGHAM. That is additional language in that paragraph?

Mr. EAVENSON. Yes, sir.

Senator BINGHAM. Repeat that, please.

Mr. EAVENSON. I ask for a duty on carbonized wool of 35 cents per pound, another 8 cents, in addition to the duty I have asked on scoured wool.

Senator BINGHAM. Give us briefly the reasons for that 8 cent increase there.

Senator SIMMONS. You are asking this duty not, as a matter of fact, on wool; you are asking it as an industry engaged in scouring?

Mr. EAVENSON. That is a branch of manufacturing.

Senator SIMMONS. You simply take the grease and impurities out of it?

Mr. EAVENSON. Yes, sir; through a great variety of operations.

Senator SIMMONS. And you want the duty that we put in for the protection of the manufacturer and maker of the goods increased for that purpose all along the line?

Mr. EAVENSON. Yes, sir.

Senator SACKETT. What were the imports of scoured carpet wools, in percentage, last year?

Mr. EAVENSON. I have just given you those—20.06 per cent.

Senator SACKETT. Is that carpet wools?

Mr. EAVENSON. Yes, sir; 1101 wools.

Senator SACKETT. Does that all go into carpets?

Mr. EAVENSON. No, sir; a small proportion does not.

Senator SACKETT. Is it not a fact that the imports of carpet wools in 1928 were only 10 per cent scoured?

Mr. EAVENSON. I have taken these figures from the volume of Commerce Reports of the United States. They are their own department figures.

Senator SACKETT. Was it not 16,200,000 pounds?

Mr. EAVENSON. The imports of scoured carpet wools?

Senator SACKETT. Yes.

Mr. EAVENSON. I have not those figures. They appear in my brief, sir.

Senator SACKETT. Out of a total of 156,000,000 pounds?

Mr. EAVENSON. Yes, sir; but we put those scoured wools on the grease basis.

Senator SACKETT. Does not a great deal of the foreign scouring have to be re-done in this country?

Mr. EAVENSON. I never heard of it.

Senator SACKETT. You never heard of any?

Mr. EAVENSON. No, sir; I have never resoured any 1101 wools in my plant.

Senator SACKETT. You claim a differential of 3 cents a pound?

Mr. EAVENSON. Yes.

Senator SACKETT. Your figures indicate that in your brief?

Mr. EAVENSON. Yes, sir.

Senator SACKETT. As near as I can figure from what you said, it is about 2½ cents a pound?

Mr. EAVENSON. No, sir. The freight difference amounts to 3 cents.

Senator SACKETT. On the grease wool?

Mr. EAVENSON. Yes, sir. That whole matter is laid out in a table in my brief, sir, quite clearly.

Senator SACKETT. Our information from the tariff people is that 2 cents a pound covers this differential, and not 3.

Mr. EAVENSON. Those figures and calculations appear in the brief. It is pretty hard to carry those things in my head.

Senator SACKETT. I know; but you are asking for 3 cents, and that is the place where I am sticking. I do not see yet that you have shown any 3 cents.

Mr. EAVENSON. I would have to go over the Ways and Means Committee brief quite at length and quote the figures set forth there in the brief to substantiate that.

Senator BINGHAM. We have those figures before us.

Mr. EAVENSON. Yes; you have them before you. It is very difficult to carry those calculations in your head. They involve various factors.

Senator BINGHAM. I would like to put into the record a reference to those tables. They occur at pages 6262 to 6280.

You have nothing to add to those tables?

Mr. EAVENSON. No, sir. You are asking questions which involve a number of factors; and to sit here and explain those variations of shrinkage and finished costs and freight and things like that is a very, very difficult thing to do.

Senator SACKETT. I would like to put into the record at this point the statement given me by the tariff experts, that as near as they can figure out, there is a scouring differential of 2 cents per clean pound.

Senator BINGHAM. That is in the record.

Is there any further change that you are asking?

Mr. EAVENSON. I am asking for a change in paragraph 1105 that relates to certain wastes. My recommendations really refer to the wastes we handle in our business.

Senator BINGHAM. What are those?

Mr. EAVENSON. Classified under top waste, slubbing waste, roving wastes, and so forth, and all other wool wastes not specially provided for.

Senator BINGHAM. Lines 9 and 10 read 18 cents a pound.

Mr. EAVENSON. Yes, sir.

Senator BINGHAM. What do you want?

Mr. EAVENSON. We ask that that be raised to 30 cents per pound, a differential of 12 cents. We ask that noils, not carbonized, be increased from 21 cents to 32 cents, a differential of 11 cents.

We ask that in paragraph 1106 the word "advanced"—you will notice there, "advanced in any manner or by any process of manufacture"—we ask that that word be taken out and the words "increased in value" be substituted therefor.

Senator BINGHAM. What is the difference in meaning between the word "advanced" and the words "increased in value"?

Mr. EAVENSON. There is quite a little story about that.

Senator BINGHAM. Can you not just answer the question simply?

Mr. EAVENSON. Yes, sir.

Senator BINGHAM. What is the difference in meaning?

Mr. EAVENSON. Well, it is not so simple; it is quite a complicated proposition. In all former tariff acts the duty was assessed and collected on carbonized stocks. Carbonized stocks were considered stocks which had been advanced by some process of manufacture beyond the washing and scouring condition; but due to a Treasury Department decision it was ruled that carbonized stocks had not

been advanced by any process of manufacture, and therefore they were dutiable at the same duty as scoured wool, and they have been throughout the existence of the Tariff Act of 1922 dutiable at 31 cents, both the scoured and carbonized wools being dutiable at 31 cents a pound.

Senator BINGHAM. In other words, they have ruled that wool advanced in any manner does not include the process of carbonizing, because that applies to wool with other matters?

Mr. EAVENSON. Yes, sir. It is not my thought to have carbonizing included under that paragraph. But that paragraph is supposed to be an omnibus clause; it is supposed to afford protection to all new processes of manufacture which may come into being. There is a great deal of chemical research work being done in this country today to develop such new processes. We have, ourselves, a process which has reached a point where we feel it is a commercial success; but inasmuch as the court has ruled that that paragraph does not apply to anything whatsoever unless it has been changed into some different commercial entity—by that I mean which will be known as bats or roving, or something else—then it does not come under that paragraph.

In other words, if we get up a process for moth-proofing wool, which would be a very great help to the upholstering industry, to the furniture covering industry, and to a great variety of uses, in fact, any use where the goods would not be washed too much, that would still be classed under the act as raw stock, and therefore it has no protection; it is still raw stock. Under that paragraph as it is now constructed you could dye wool, you can bleach it, you can strip it, and you can render it shrink proof—you can do anything under the sun with it providing you do not grade it. That Treasury decision simply emasculated the act.

Senator BINGHAM. I think we understand now what you want. We will consult the experts as to whether there is any reason why the word "advanced" should not be translated as "increased in value."

Mr. EAVENSON. Just let me give you a moment, sir, some figures of imports.

The total imports under the omnibus feature—bear in mind that tops are included under that paragraph, and we do not have anything at all to say about the tops; we do not handle them—the imports under that paragraph are classified in three ways, tops made of wool, tops made of materials other than wool—I do not include those; I simply refer to the third classification; and the imports under the third classification in 1924 were \$93,088.47; in 1925, \$25,038; in 1926, \$5,585; in 1927 the imports under that third classification, the total imports, were \$131.77.

I mention that just to show you how completely dead that omnibus feature of our tariff now is.

In plants such as ours, public service institutions, our main function should be to develop new things. The mills can not have research departments that can work these things out; it is not practical. It must be done in a large central organization where we can serve a great variety of mills; and the only hope we have for the developing of new processes, the only chance in the world, lies in protection under that paragraph, and it should be restored to life.

I should like to take a moment, if I may, to point out one or two loopholes here that seem to me establish sort of a relationship between our own industry and the woolgrowing industry.

Senator BINGHAM. Is that in your brief already?

Mr. EAVENSON. No, sir; it is not.

The first one is just in simple tabular form which illustrates the relationship between this duty on matchings and the duty on the scoured wool and the duty on the clean content of grease wool. It shows how the effort to protect wool sorting without any corresponding effort to protect wool scouring opens up a differential of 5½ cents a pound in favor of bringing those wools in in the scoured state. The Senator seemed interested in that. It is manifest that the price which the wool merchant in this country can pay to a woolgrower of this country is determined by the importing price of a corresponding grade of wool.

With this differential of 5½ cents it operates in one of two ways—that wool will come in scoured, in which case our industry loses the work and in which case the woolgrower is displaced because that wool takes the place of just that much of our own domestic wool, or the woolgrower can reduce his price and meet the situation. That is the only way we can displace the foreign scoured wool.

I would like to point to another deficiency in paragraph 1105. It relates to this very much discussed subject of wastes. Under paragraph 1105 the wastes in which we are interested are all entered at 16 cents per pound regardless of their condition. It does not make any difference whether they are in the grease or the dirt, as we speak of it in the trade, or whether they are scoured or carbonized and put into the very finest possible condition. When they are put into that condition they are very lovely stocks, quite equal in value to scoured wool, and they are entered at 16 cents a pound.

Senator GEORGE. Under the present law?

Mr. EAVENSON. Yes, sir. When they are entered at 16 cents there is a differential of 15 cents a pound against our own industry, against the wool grower; and it seems to me that loopholes like this should be plugged up in the tariff act.

You have here another loophole. We grow a great deal of defective wool in this country in sections like Texas and California. They are what we call carbonizing wools. They shrink. I am not speaking of the shrinkage in scouring, but the shrinkage from the scoured state to the carbonized state. They shrink on the average 12 to 15 per cent. They usually run along there. These choice wools worth a dollar a pound are dutiable at 31 cents, whether they are scoured or whether they are carbonized. The element of shrinkage enters into it right away. On the basis of 11 cents on dollar wool it raises the price of the carbonized wool over 11 cents a pound.

What is the answer to that? They can bring these wools in from abroad at 31 cents. They can get the work done over here for the same amount we pay on our own domestic wool. The woolgrower can meet that situation by dropping his price.

That is a matter of far greater importance to him than 1 or 2 cents one way or the other on his duty. If you can plug some of these holes that are getting open—and we are in the same boat that he is in—it will be of assistance.

The House attempted to handle this situation by placing a duty of 7 cents per pound on all stocks in addition to the other duties imposed by law.

You had here last Monday stocks worth 20 cents a pound and stocks worth over a dollar a pound. The same shrinkage enters into them.

If it is 25 cent stock and it shrinks 10 per cent, there is 2½ cents to cover the element of shrinkage. But certainly no protection accrues to us or to the woolgrower until the duty is placed high enough to overcome this element of shrinkage. That is absolutely true when they are on the same duty basis, like scoured wool and carbonized stock.

I mention just a few of those loopholes here, not with any idea of disparaging the very sincere work of the Ways and Means Committee, but simply to point them out, because I felt that it was impossible to go into the matter fully at this time.

Senator BINGHAM. I want the record to show that Mr. Eavenson asked for 15 minutes and has had 45 minutes.

(Mr. Eavenson submitted the following brief:)

BRIEF OF THE ASSOCIATION OF COMMISSION WOOL SCOURERS AND CARBONIZERS OF THE UNITED STATES

[PARS. 1101, 1102, 1105 (C) AND 1106]

To the FINANCE COMMITTEE OF THE SENATE,
Washington, D. C.

Presented on behalf of the Association of Commission Wool Scourers and Carbonizers of the United States:

East Weymouth Wool Scouring Co., East Weymouth, Mass.
Eavenson & Levering Co., Camden, J. J.
Gilet Carbonizing Co. (Inc.), Lowell, Mass.
Gorden & Gorden, Hazardville, Conn.
E. Frank Lewis, Lawrence, Mass.
Merchants' Wool Scouring Co., Boston, Mass.
Newton Wool Scouring Co., Newton, Mass.
Philadelphia Wool Scouring & Carbonizing Co., Philadelphia, Pa.
Star Carbonizing Co., Woonsocket, R. I.
A. D. Windle Co., Millbury, Mass.
W. W. Windle Co., Millbury, Mass.

NOTE.—We are quoting only such portions of paragraphs 1101 and 1102 as relate to scoured wool, and have designated the portions quoted by the page number and line numbers of the copy of H. R. 2667.

PARAGRAPH 1101

Paragraph 1101 reads as follows (beginning line 2, p. 148): "all the foregoing in the grease or washed, 24 cents per pound clean content; scoured, 24 cents per pound; on the skin, 23 cents per pound clean content; sorted, or matchings, 26 cents per pound of clean content."

We recommend that the phrase "scoured, 24 cents per pound" be changed to read "scoured, 27 cents per pound."

Reasons: We understand that the Ways and Means Committee voted against protection on wool scouring because it considered the imports of scoured wool to be small.

The imports of scoured wool paragraph 1101 of the tariff act of 1922, as shown in Foreign Commerce and Navigation, have been as follows:

	Pounds		Pounds
1922 (3 months).....	971, 612	1926.....	9, 994, 746
1923.....	6, 012, 218	1927.....	14, 130, 899
1924.....	11, 033, 728	1928.....	18, 685, 892
1925.....	12, 889, 369		

In the year 1928 the total importations of wool under paragraph 1101, in the grease, on the skin, washed, and scoured were 155,191,193 pounds, of which amount 18,685,892 pounds were scoured wool. The average shrinkage of these importations would be close to 40 per cent on which basis 18,685,892 pounds of scoured wool is equivalent to 31,143,153 pounds grease wool, or 20 per cent of the entire amount of importations under paragraph 1101. We fail to see any reason for designating the importations of scoured wool as small.

It is to be noted that the weight of scoured wool imported is steadily increasing and is at this time of sufficient volume to represent the difference between good times and bad times in our industry. The industry becomes steadily more and more depressed, and it will require only one or two more years, at the present rate of increase of scoured wool imports, to make it impossible to maintain our present organizations.

It is also to be noted that grease wool sorted, or what is known as matchings, is dutiable at 26 cents a pound of clean content, or 2 cents in excess of the clean content of unsorted grease wool and 2 cents in excess of the duty on scoured wool. The report of the subcommittee of the Ways and Means Committee, composed of James C. McLaughlin (chairman), Willis C. Hawley, and C. William Ramseyer, states: "An additional duty of 2 cents is placed on sorted wools, or matchings, for the protection of domestic wool sorters against cheaper labor in foreign countries."

Far more labor is involved in the scouring of a pound of wool than is involved in the sorting of a pound of wool. Furthermore, much more scoured wool is imported than is imported as matchings. In the plant of the writer of this brief, the relation of wool scouring labor to wool sorting labor for the year 1928 is as follows:

Wool sorting wages.....	\$43, 261. 66
Wool scouring wages.....	125, 918. 88

The figure given for wool scouring wages represents the direct labor cost for the operation of pickering, opening, willowing, scouring, drying, and packing, all of which comprise the necessary steps involved in wool scouring. We do not include in the above figure the labor involved in plant maintenance, oiling, watchmen, executive supervision, hauling, and office and clerical work. The labor involved in these operations would bulk almost as large as the expenditures for direct scouring wages and both classes of wages will be affected by the failure to protect the operation of wool scouring. It would seem that all of this labor is entitled to protection equally with the labor involved in wool sorting. From the manufacturer's standpoint, wool scouring would seem to be entitled to even greater consideration because of the investment in scouring machinery, buildings, power, etc.

Let us consider the practical effect of 24 cents duty on the clean content duty of grease wool, 26 cents duty on the clean content of matchings, and 24 cents duty on scoured wool; that is, protection to wool sorting and no protection for wool scouring. Take this problem: A manufacturer desires to obtain some scoured wool of even grade—he can do one of three things:

(1) Import the wool in the grease, and have both the sorting and scouring done in this country.

(2) Import matchings, in which case sorting was done abroad, matchings to be scoured in this country.

(3) Import scoured wool of same grade, in which case the labor of both sorting and scouring was done abroad.

The importer has to consider the following costs: Duty, freight, sorting costs, and scouring costs. Let us figure on a wool shrinking 50 per cent, and on this basis of shrinkage it requires 2 pounds of grease wool to produce 1 pound of scoured wool.

Let us consider the freight from Australia or New Zealand, as these are large shipping points of wool to this country. The grease freight rate is made up as follows:

Freight, 1½d. plus 10 per cent primage.

Wharfage, 7d. to 1s. 8d. per bale.

Railroad hauling and unloading, 4d. to 2s. 3d. per bale.

Delivery, 2s. 6d. per bale.

Stamps on draft, 2s. per hundred pounds of value.

Consul fees, 10s. 6d. to 14s. 6d.

All the above in round figures aggregate closely to 3 cents per pound.

Scoured wool, due to its lighter density per cubic foot, figures up to almost exactly 4 cents per pound.

The sorting costs, if done in this country, average rather more than one-half cent a pound in the grease, or 1 cent a pound clean content. The costs abroad are considerably less than half of the costs here. We are taking then at one-half. The scouring, if done in this country, is 2 cents a pound in the grease, or 4 cents a pound clean. If done abroad, about half of this amount. See price list of a member of this association, together with price list of Constant Despa, Verviers, Belgium.

The following table illustrates these comparative costs to the importer:

	Imported as grease	Imported as matchings	Imported as scoured
	Cents	Cents	Cents
Duty.....	24	26	24
Freight per clean pound.....	6	6	4
Sorting per clean pound.....	1		1½
Scouring per clean pound.....	4	4	2
Total.....	35	36	30½

We think this table affords a very good example of what, for lack of a better term, we would describe as "reverse protection." By increasing the duty on the clean content of matchings 2 cents per pound over the duty on the clean content of grease wool, without any increase of duty for the operation of wool scouring, the bill offers an incentive to the importer of 5½ cents per pound of clean wool to import in the scoured state, and by so doing the work is taken away from the domestic wool sorter and the domestic wool scourer. The effect of duties, freight, and the difference in cost for the operation of wool scouring here and abroad, at various ranges of price and shrinkage, were quite fully figured out and shown in the appendix of the brief submitted by this association to the Ways and Means Committee.

We fully agree with the committee that wool sorting is entitled to protection, but fail to see why wool scouring labor is not given equal consideration. The increase of duty of 2 cents per pound on matchings without any corresponding protection to wool scouring opens up a differential, which differential, as is clearly and definitely shown by the above table, defeats the purpose of the bill, protects neither the wool sorter, the wool scourer, nor the wool grower, in fact makes it imperative to the importer to have his work done abroad, and disturbs the whole relationship between grease wool, matchings, and scoured wool.

The effect of this differential to the woolgrower is to deprive him of protection to the extent of 5½ cents per pound on the clean content of his wools, for it is quite evident that the price which a wool merchant of this country can pay to a woolgrower of this country is determined by the importing cost of a corresponding grade of wool. If he can bring in a certain grade of scoured matchings for 90 cents clean, that is all the importer can afford to pay to the woolgrower of the United States, so that the woolgrower, instead of having protection under paragraph 1101 of 24 cents per pound, he has but 19½ cents per pound; instead of 34 cents under paragraph 1102, he has but 29½ cents.

We are discussing the effect of the increase of 2 cents a pound on matchings in this part of our brief, because this increase appears first under paragraph 1101. It should be noted that the importations of matchings under paragraph 1102 will very likely be greater than under paragraph 1101, but exactly the same reasons apply.

Line 18, page 148, reads, "duties shall be remitted or refunded."

After these words we would add "except that scoured wool, so with drawn from bond, shall pay a duty of 3 cents a pound at the time of withdrawal from bond, and this duty shall not be remitted even though the wool be used in the manufacture of rugs, carpets, or other floor covering, or in the manufacture of knit or felt boots or heavy fulled lumberman's socks."

Reasons: The report of the Ways and Means Committee which accompanies H. R. 2667, on page 103, states "60 per cent of our imports of these wools come from China, British India, and Asia Minor."

This statement refers to wools imported under paragraph 1101. In no other section of the world is labor paid as poorly as in the countries designated, namely, China, British India, and Asia Minor. If the importers or users of wools classed under paragraph 1101 wish to avail themselves of the extremely cheap labor

in the countries in which such wools originate, they surely should offer no objections to the increase of 3 cents per pound which we recommend for the protection of the labor of wool scouring in this country.

The increase of 3 cents per pound in the duty of scoured wool over the duty on the clean content of grease wool is a necessary minimum, for by reference to the table, page 5, it is seen that the freight differential amounts to 2 cents per pound and, by reference to price lists attached, there is an additional 2 cents per pound on scoured wools to equalize the difference in costs of scouring here and abroad, making a difference of 4 cents to put us on an even footing and we are asking for 3 cents.

PARAGRAPH 1101 (B) (3)

The definition of scoured wools and hair reads as follows:

"Scoured wools and hair shall be considered such as have been otherwise cleansed."

We recommend that the definition of "scoured wool" used in the tariff act of 1909, paragraph 367, and also in the emergency tariff act, page 2, be substituted for the above definition.

Reasons: (1) In H. R. 2667 washed wool and hair is defined as "such as have been washed with water only on the animal's back or on the skin." Scoured wool, in the phraseology of the tariff act of 1909 and the emergency tariff act, is "wool washed in any other manner than on the sheep's back or on the skin shall be considered as scoured wool." This phraseology has stood the test of time and given satisfaction throughout the period of existence of the tariff acts above mentioned. It, therefore, may be regarded as satisfactory.

(2) There is imported at all times in this country large quantities of willowed China and East India wools. There is no separate classification for the willowed wools, but a large percentage of the China wool importations and the majority of the India wool importations are willowed. These wools have been cleansed mechanically for the purpose of removing the dirt and soil. They would undoubtedly be covered by the definition in H. R. 2667 as wools which have been "otherwise cleansed" and, therefore, dutiable as scoured wools, and the Ways and Means Committee certainly had no such intention.

PARAGRAPH 1102

Paragraph 1102 reads as follows:

"(a) Wools, not specially provided for, not finer than 44s, in the grease of washed, 24 cents a pound of clean content; scoured, 24 cents per pound; on the skin, 23 cents per pound of clean content; sorted, or matchings, 26 cents per pound of clean content."

"(b) Wools, not specially provided for, and hair of the Angora goat, Cashmere goat, alpaca, and other like animals, in the grease or washed, 34 cents per pound, of clean content; scoured, 34 cents per pound; on the skin, 33 cents per pound of clean content; sorted, or matchings, 36 cents per pound of clean content."

Paragraph 1102 (a). We recommend that the phrase "scoured, 24 cents per pound," be changed to read "scoured, 27 cents per pound."

Paragraph 1102 (b). We recommend that the words "scoured, 34 cents per pound," be changed to read "scoured, 37 cents per pound."

Reasons: (1) The importations of scoured wool under 1102 of tariff act of 1922 have been as follows:

	Pounds		Pounds
1922 (3 months)-----	5, 811, 981	1926-----	4, 244, 617
1923-----	19, 505, 039	1927-----	2, 496, 328
1924-----	7, 839, 643	1928-----	2, 132, 343
1925-----	6, 952, 700		

(2) It is to be noted that the importations of scoured wool under paragraph 1102 have steadily declined. It is also to be noted that since 1922 the importations of scoured wool under paragraph 1101 have progressively increased. Conditions of trade bring about these curious anomalies and, because of these vagaries of trade, it is necessary that equal protections be given to the operation of wool scouring under both paragraph 1101 and paragraph 1102, for these vagaries of trade may be reversed and we may at any time see the importations of scoured wools under paragraph 1102 greater than under paragraph 1101.

Certainly if, under either paragraph, the importations of scoured wool are light, then the users of the wools classified under the paragraph with the light scoured wool importations are in no way harmed; whereas the granting of the

protection acts exactly like an insurance policy in providing not only safety to our employees, but safety to the employers. Unless such protection is afforded to the operations of wool scouring, no plans for future growth and development are possible, this, for the reason that such operations would not be financed by any institution with the knowledge that such plant extension and development was on a free-trade basis and in competition with cheap European, Chinese, or Indian labor. No financial institution would undertake a proposition resting on such a flimsy foundation, nor would any sane commission wool scourer wish to go ahead without the safeguard of protection.

PARAGRAPH 1105 (C)

This paragraph reads as follows:

"All the foregoing, and wool and hair of the kinds provided for in this schedule, when carbonized, shall be subject to a duty of 7 cents per pound in addition to other duties imposed by law."

It would seem that the foregoing paragraph disposes of the whole subject of carbonizing in a manner too broad and terse, and we wish to explain this statement before submitting our recommendation concerning carbonizing.

In our judgment, it is impracticable to assess a duty of 7 cents a pound on such a great variety of stocks as are embraced under this paragraph, and generalization of this character is bound to place too great a burden on cheap stocks and affords insufficient protection to the higher priced stocks. This is of necessity true, because the duty must not only cover protection to American carbonizing labor, but must also take into consideration the question of shrinkage.

To show in what manner this question of shrinkage applies, we refer to the duty on grease wool and scoured wool under the Payne-Aldrich Act, under which act class 2 wools were dutiable at 12 cents per pound in the grease and 36 cents per pound scoured. This differential of 24 cents between the duty on scoured wool and the duty on grease wool was only to a slight extent to afford protection to wool scouring, but was mainly due to the fact that many of the foreign wools shrink well up to two-thirds; that is, 3 pounds of grease wool to produce 1 pound of scoured wool.

Just as there is a shrinkage between grease wool and scoured wool, due to the removal of grease and soil, so is there a further shrinkage between scoured wool and carbonized wool, due to the removal of seed, burr, and other vegetable content, and this element of shrinkage is the most important factor in the determination of the duty to be fixed on carbonized stocks.

Let us illustrate the effect of shrinkage on two dissimilar stocks classified under paragraph 1105 (c).

(1) Scoured wool costing in this country say \$1 per pound. The shrinkage of scoured wool in the operation of carbonizing, dusting, and neutralizing, is seldom less than 10 per cent, often as great as 20 per cent, and with very defective stocks, as high as 40 per cent. If we take the lower shrinkage of 10 per cent, 100 pounds scoured wool, costing \$1 per pound and yielding 90 pounds carbonized stock, the cost to the dealer, because of shrinkage, is 10 ninths of \$100, or \$111.11, or 11.11 per cent added to the cost of scoured wool simply because of this shrinkage.

(2) Woolen rags cost in this country say 30 cents per pound. Evidently on the basis of 10 per cent shrinkage in carbonizing, the difference due to the factor of shrinkage is much less, being actually only 3.33 cents per pound.

Consequently, it seems self-evident that the range of price of the stocks embraced under paragraph 1105 (c) is too wide to be covered by one rate of duty. It is more just, in fact, necessary to particularize on each class of stock embraced under paragraph 1105 (c), specifying for each class of stock one duty on the stock in the uncarbonized state, and another and higher duty on the stock in the carbonized state.

The figures recommended for the protection of carbonizing are a necessary minimum. To substantiate these figures, we invite the attention of the committee to the appendix of the brief submitted to the Ways and Means Committee in which appendix calculations were shown covering the various stocks such as wool, noils, and wastes, and comparing the effect of the factors of shrinkage, freight, and the difference in labor costs here and abroad. As previously explained, the greatest factor to be considered is the factor of shrinkage, which factor calls for a differential in many cases as high as 25 cents per pound. We have not asked for a figure to cover extreme cases, but have settled upon the lowest basis which will give our industry under good and careful management, a chance to live and to maintain our present high schedule of wages to American labor.

The brief submitted by this association to the Ways and Means Committee carried recommendations along these lines, although our recommendations only included the stocks handled by the members of our association, these stocks being wool, noils, and certain wastes, such as card strips, card fly, and card burrs, which, when carbonized, are high-priced stocks, being 70 to 80 per cent of the value of the corresponding grade of carbonized wool.

We recommend that paragraph 1105 be taken out and that separate duties for stocks in the carbonized and uncarbonized state be shown in the paragraphs under which the stocks are classified. We are setting forth only such portions of the paragraphs as relate to our own business, and believe it would be more just and satisfactory if this plan is followed in regard to rags, shoddy, and other stocks classified under paragraph 1105 (c), and in which we are not directly concerned.

Respectfully submitted.

ALBAN EAVENSON,
President Eavenson & Levering Co.,
Commission Wool Scourers and Carbonizers, Camden, N. J.
(For the Petitioners).

JUNE 17, 1929

SUMMARY OF OUR RECOMMENDATIONS CONCERNING CHANGES OF DUTIES AND PHRASEOLOGY

Paragraph 1101, page 148, line 2, reads as follows:

"All the foregoing, in the grease or washed, 24 cents per pound of clean content; scoured, 24 cents per pound; on the skin, 23 cents per pound clean content; sorted, or matchings, 26 cents per pound clean content."

We recommend that the phrase "Scoured, 24 cents per pound," be changed to read "Scoured, 27 cents per pound."

Paragraph 1101, page 148, line 18, reads, "duties shall be remitted or refunded."

After these words we would add "except that scoured wool, so withdrawn from bond, shall pay a duty of 3 cents a pound at the time of withdrawal from bond, and this duty shall not be remitted even though the wool be used in the manufacture of rugs, carpets, or other floor covering, or in the manufacture of knit or felt boots or heavy fulled lumberman's socks."

Paragraph 1101, page 149, line 11, reads as follows:

"Scoured wools and hair shall be considered such as have been otherwise cleansed."

We recommend that this definition be discarded and that there be substituted the definition used in the tariff act of 1909 and in the emergency tariff act as follows:

"Wool washed in any other manner than on the sheep's back or on the skin shall be considered as scoured wool."

Paragraph 1102, page 149, line 23, reads as follows:

"(a) Wools, not specially provided for, not finer than 44s, in the grease or washed, 24 cents a pound of clean content; scoured, 24 cents per pound; on the skin, 23 cents per pound of clean content; sorted, or matchings, 26 cents per pound of clean content.

"(b) Wools, not specially provided for, and hair of the Angora goat, Cashmere goat, alpaca, and other like animals, in the grease or washed, 34 cents per pound of clean content; scoured, 34 cents per pound; on the skin, 33 cents per pound of clean content; sorted, or matchings, 36 cents per pound of clean content."

We recommend that these paragraphs be changed to read:

"(a) Wools, not specially provided for, not finer than 44s, in the grease or washed, 24 cents a pound of clean content; scoured, 27 cents per pound; carbonized, 35 cents per pound; on the skin, 23 cents per pound of clean content; sorted, or matchings, 26 cents per pound of clean content.

"(b) Wools not specially provided for, and hair of the Angora goat, Cashmere goat, alpaca, and other like animals, in the grease or washed, 34 cents per pound of clean content; scoured, 37 cents per pound; carbonized, 45 cents per pound; on the skin, 33 cents per pound of clean content; sorted, or matchings, 33 cents per pound of clean content."

Paragraph 1105, page 151, line 6, reads as follows:

"(a) Top waste, slubbing waste, roving wastes, and ring waste, 34 cents per pound; garnetted waste, 26 cents per pound; noils, 21 cents per pound; thread or yarn waste, and all other wool wastes not specially provided for, 18 cents per pound."

We recommend that this paragraph be changed to read:

"Top waste, slubbing waste, roving waste, and ring waste, 34 cents per pound; garnetted waste, 26 cents per pound; noils, carbonized, 32 cents per pound; noils, not carbonized, 21 cents per pound; thread or yarn waste, 18 cents per pound; and all other wool wastes not specially provided for, carbonized, 30 cents per pound; uncarbonized 18 cents per pound."

Paragraph 1106, page 151, line 19, reads as follows:

"Wool, and hair of the kinds provided for in this schedule, advanced in any manner or by any process of manufacture beyond the washed and scoured condition, including tops, but not further advanced than roving, 37 cents per pound and 20 per centum ad valorem."

We recommend that the word "advanced" in the above paragraph be deleted, and the words "increased in value" be substituted therefor.

STATEMENT OF WILLIAM GOLDMAN, NEW YORK CITY, REPRESENTING THE CLOTHING MANUFACTURERS' RESEARCH BOARD

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. GOLDMAN. At the time the hearings were held before the Ways and Means Committee, the general opinion was that while representatives of the wool growers would, obviously, make a request for an increase, it was exceedingly unlikely that any increase in the duty on raw wool would be granted, because of the known fact that the wool growers alone of all branches of the wool industry had prospered greatly under the present tariff of 31 cents on the clean content to the pound, and there was no valid excuse for increasing the duty; that the present tariff had greatly stimulated the wool-growing industry and largely increased the production; that domestic wool during the period in which the present tariff has been in effect has been selling at practically double the pre-war price, as against an average increase of 40 per cent for all other commodities, including wool.

It is likewise a well-known fact that the woollen manufacturing industry has suffered greatly during recent years; that the industry in the past few years has shown staggering losses; that there has been a steady decrease in the output of the mills during a period of years, and at least one contributing factor to the situation has been the high price of raw material, and therefore it was considered exceedingly unlikely that any increase in the present duty on wool would be granted.

In the meantime something has happened. There has been a substantial decline in the price of raw wool from 5 to 7 cents a pound on wool in the grease from the peak prices prevailing last year, and it is now stated that, because of the depressed condition of the wool market at the moment, Congress is disposed to be more tolerant toward an increase than when the bill was first introduced. This was indicated by the fact that the House granted an increase of 3 cents a pound on the clean content, increasing it to 34 cents. It is because of this situation that I have thought it desirable that I should come here and urge upon this committee of the Senate that it should decline to give consideration to any transient situation in the wool market, with regard to the request that the woolgrowers have made. Since we enacted the present tariff law in 1922 we have had various ups and downs in the wool market. In the year 1924 an advance took place that amounted to a total of 70 per cent in the price of raw wool. In the first four months of 1925 that advance was wholly wiped out.

We have had other ups and downs. We are taxing a raw material that is required by all of the people of this country, the only country in the world that does tax its essential raw materials, and in taxing it we realize that before it reaches the consumer it is pyramided to three times the amount of the duty.

A year ago now the Agricultural Department issued a warning to the American woolgrowers that they were increasing their clip too rapidly; that they were facing a reaction of this kind.

This is simply a temporary situation in the wool market. The adjustment is already in the making. The price of wool will be restored in the wool markets. We run prices up too high; then we get them down too low. We have no right to legislate on a transient situation.

We produce only 75 per cent of the clothing wools of this country; therefore, under normal conditions, the tariff is bound to be approximately 100 per cent effective.

The second reason why I wanted to come here to-day was because Mr. Hagenbarth announced at a recent wool institute meeting that he proposed to concentrate, encouraged by the success in increasing the duty 3 cents a pound before the House committee, he was going to concentrate on wastes, noils, and rags at this meeting, to try to get those duties substantially increased. You could aim no more serious blow against the woolen industry of this country than to completely upset the relationship that now exists between new wools, noils, waste, and rags. The industry lives on changes in style. That is the only thing that keeps the industry going.

The reason why we have been increasing our importations of waste is because we lost some of our soft wastes that we formerly had, through changes in styles, but if we did not bring those wastes in, we would bring the cloths in that are made of them, and I strongly urge upon you to ignore those requests.

And finally, I only want to say this one thing: There is not the slightest excuse in the world for increasing this tariff at this time. The woolen people got all that was coming to them; the wool industry got all that was coming to them; the clothing industry got all that was coming to them in 1922. This tariff is amply adequate. It is a serious mistake to increase it. We were supposed to have a limited revision of the tariff at this time. We have no right to attack a schedule that has been as adequately taken care of as this one has.

I will just leave my brief with you.

Senator SIMMONS. I understood you to say a little while ago that in 1928 the prices of raw wool were about double what they were before the war?

Mr. GOLDMAN. They have averaged for the 5-year period, or 6-year period, up to last year that the tariff was in force, they had averaged practically double the pre-war price.

Senator SACKETT. You said a minute ago that the tariff was pyramided three times.

Mr. GOLDMAN. Yes, sir.

Senator SACKETT. Who pyramids it?

Mr. GOLDMAN. The wool goes to the wool dealer, the wool dealer sells it to the spinner, the spinner sells it to the cloth manufacturer, the cloth manufacturer to the clothing manufacturer, the clothing manufacturer to the retailer, and the retailer to the consumer, and

as it passes along it definitely pyramids to three times the amount of the duty. Whatever we have increased the price through the duty, it is pyramided three times by the time it reaches the consumer.

Senator SACKETT. What causes that?

Mr. GOLDMAN. Every man adds his percentage of profit on a basis of what his goods cost. Every business man knows that he has a certain overhead to meet. He must get a certain percentage of profit for doing business. He therefore figures on a percentage basis. He marks his goods and as they pass along, each one adds his percentage to the cost of the material.

Senator SACKETT. Is there not great competition among these different people to sell goods?

Mr. GOLDMAN. Absolutely, but they all have their overheads and all have to get a profit.

Senator SACKETT. Is it because they have a combination of any kind?

Mr. GOLDMAN. No; there is no combination in the industry.

Senator SACKETT. Then why does not competition keep that price down?

Mr. GOLDMAN. It does. It keeps it down to three times. It would be more if there was not competition. [Laughter.]

Senator SIMMONS. This pyramiding of price, has not that resulted in the country turning to substitutes for wool, thereby lessening the demand for woolen goods?

Mr. GOLDMAN. There has always been a certain percentage of substitutes used. It is comparatively small.

Senator SIMMONS. Does not that increase as the wool price goes up?

Mr. GOLDMAN. Yes.

Senator SIMMONS. If the wool price goes up out of proportion to other prices it will decrease the use of wool?

Mr. GOLDMAN. It always does increase the use of substitutes. The higher the wool price, the more substitutes are used.

Senator SIMMONS. It would be possible, then, to run the price of wool so high that substitutes would be used almost entirely?

Mr. GOLDMAN. Yes, sir.

Senator GEORGE. And it would shorten your sales?

Mr. GOLDMAN. Shorten our sales, absolutely, yes, sir.

(Mr. Goldman submitted the following brief:)

BRIEF OF THE CLOTHING MANUFACTURERS' RESEARCH BOARD

Realizing that the Finance Committee of the Senate was not disposed to hear from those who had submitted briefs before the Ways and Means Committee, I should not have presumed on your time to come here, but for a new situation that has arisen with regard to the wool schedule.

At the time that the hearings were held before the Ways and Means Committee the general opinion was that while the representatives of the wool growers would obviously make a request for an increase, it was exceedingly unlikely that any increase in the duty on raw wool would be granted because of the known fact that the wool growers, alone of all branches of the wool industry, had prospered greatly under the present tariff of 31 cents on the clean content of the pound, and that there was no valid excuse for increasing the duty. That the present tariff had greatly stimulated the wool-growing industry and largely increased the production; that domestic wool during the period in which the present tariff has been in effect has been selling at practically double the pre-war price, as against an average increase of 40 per cent for all other commodities, including wool.

It is likewise a well-known fact that the woolen manufacturing industry had suffered greatly during recent years; that the industry in the past few years had shown staggering losses; that there had been a steady decrease in the output of the mills over a period of years, and that at least one contributing factor in this situation was the high price of the raw material. And therefore it was considered exceedingly unlikely that any increase in the present duty on raw wool would be granted.

In the meantime, however, something has happened. There has been a substantial decline in the price of raw wool, from 5 to 7 cents a pound on wool in the grease from the peak prices prevailing last year. And it is now stated that because of the depressed condition of the wool markets at the moment, Congress was disposed to be more tolerant toward an increase than it was when the bill was first introduced. This was indicated by the fact that the House granted an increase of 3 cents a pound on the clean-content duty, increasing it from 31 to 34 cents.

It is because of this situation that I have felt it desirable that I should come here and urge upon the committee of the Senate that it should decline to give consideration to any transient situation in the wool market with regard to the request that the woolgrowers have made. Since we enacted the present tariff in 1922 we have had various ups and downs in the wool market. In the year 1924 an advance took place that amounted to a total of 70 per cent in the market price of raw wool. In the first four months of 1925 that advance was wholly wiped out. In the succeeding four months there was a rebound in which wool advanced again 20 per cent, and in the following four months practically all of that advance was lost. Notwithstanding the fluctuations in the wool market that always will occur, the woolgrowers haven't the slightest reason for asking any further consideration of the American people than that which they are already receiving. We are taxing a raw material that is required by all the people of this country, the only country in the world that does tax this essential raw material, and in taxing it we realize that before it reaches the consumer it is pyramided to three times the amount of the duty.

This recent decline in the wool market is traceable to the following circumstances: At the end of 1927 it was said that the Australian clip was very short, and in consequence there was a rise in the price of wool at that time and through the early part of 1928. It turned out, however, in the late spring of 1928 that Australia had underestimated her clip, and actually shipped in almost 10 per cent more wool than she had previously estimated. At the same time it became apparent that the South African clip was materially increased, and that the new Australian clip for 1928 would be a record yield, and there was likewise a fairly substantial increase in the domestic clip, and wool prices which have been run up higher than they should have gone, have now reacted lower than they should go. These are all conditions that will gradually adjust themselves, but wool is bound to sell in this country over a period of years at prices that will show the woolgrower a very satisfactory profit, in view of the fact that we do not produce more than 75 per cent of our clothing wool requirements in this country, and the tariff therefore is bound to be almost 100 per cent effective.

A second reason for coming here to-day is the fact that encouraged by the granting of a 3-cent increase by the House on the raw wool duty, Mr. Hagenbarth, representing the woolgrowers, announced at a recent meeting of the Wool Institute that the woolgrowers intend to concentrate their efforts before the Finance Committee of the Senate to secure higher rates on noils, wastes, rags, etc. He stated that the importation of wastes under paragraph 1105 replaces a large amount of domestic wool, and that the importations of these wastes are increasing. Mr. Hagenbarth could aim no more serious blow at the woolen manufacturing industry than to meddle in this situation. There are constant changes in styles in woolsens in this country. That is the only thing that keeps the woolen industry alive. The styles are so changed recently that we have lost in our domestic production much of the supply of soft wastes which we formerly had, and are in consequence bound to import it, and while we import a large amount of rags we likewise export a large quantity of distinctly lower value. The manufacturers of woolsens will show you no doubt that instead of interfering with the use of domestic wools, the importation of wastes, noils and rags has helped the domestic wool grower, because with these products new wool had to be used. Without the importation less new wool would be used, and instead of the importation of wastes and noils, fabric would be imported containing them.

But wholly aside from these technical considerations which the fabric manufacturers will undoubtedly go into more extensively than I as a clothing manufacturer, there is one thing that is very clear, and that is that the woolgrowers of this country are now only producing 75 per cent of the new wool that is used in the country, and that therefore the tariff is normally nearly 100 per cent effective so far as all wool they produce is concerned. We have periods like the present when wool has a sharp decline, and the buyer holds off hoping to get still lower prices, and after a time when he has to buy he has to pay more money for his wool, and the wool market heads in the opposite direction. But on the whole and over a period of years the test of this whole situation as to whether the importations of noils, wastes, rags, etc., have interfered with the woolgrower, is the price that they have received for the clip, and if the woolgrowers can maintain successfully that they haven't averaged a wholly satisfactory price and haven't gotten the benefit of this very generous tariff, we shall take sharp issue with them, because we know to the contrary.

Let me repeat that no greater blow could be aimed at the woolen industry of this country than to disturb the existing relationship, so far as price is concerned, between new wool, noils, wastes, rags, etc. It is hard enough for the woolen manufacturers to get a profit out of their business now without injecting a serious complication of this kind into the situation.

Now, it is these requests of the woolgrowers, provided consideration is given to them, that makes necessary a complete revision of the wool schedule. If we raise the duty on raw wool; we are bound to give compensatory increases to wool in all stages of manufacture, whereas if the wool duty was left alone I am sure that every branch of the wool manufacturing industry would be better off than if they got the changes in goods schedules that would result from an increase in the duty on their raw material. In looking over the whole schedule, so far as woolen fabrics or woolen clothing is concerned, I can conceive of only one change that is justifiable in connection with the wool tariff, and that is the following:

Under the existing wool tariff there have been importations of cloth containing slightly less than 50 per cent of wool, coming in from Italy and Czechoslovakia, that come in under the cotton schedule because they are dutiable under that raw-material schedule, which is the greatest component of the fabric. Under former wool tariffs these goods, if they contained wool at all, were dutiable under the wool schedule at the wool rates. Congress has in the present bill enacted a higher duty on these particular goods because they have been displacing low grade American merchandise. I can see every reason why there should be a modification of this paragraph in the schedule, but outside of that I see not the slightest excuse for making any change in the wool tariff.

Under the tariff as it left the House higher rates have been put upon goods of finer qualities such as are used by custom tailors and very sparingly by a very few of the clothing manufacturers for their top grades. This duty will not decrease importations of these goods to the slightest extent. It will simply put an additional tax either on the consumer or on the tailors that make up the finer cloths. There is no reason to change this schedule, the rates are amply high now, they are fully protective in every way.

The woolen manufacturers have brought to the attention of the clothing manufacturers the fact that there were considerable importations of English-made overcoats coming into the country, that if we would put a higher duty on these goods it might diminish the importations and give them a larger production of overcoatings. But as clothing manufacturerers we are far less concerned over the very moderate importations of English overcoats that come into this country than we are at any attempt to put a further tax on the raw material of our industry which is already so extravagantly high.

And we are perfectly willing to forego any increase or change in duty on foreign made overcoats if you will only leave the wool schedule as it now stands and pass Schedule 11 by in the present revision of the tariff. And this brings me to the third reason for coming before the Finance Committee to-day. I want to speak to you on the larger aspects of this particular tariff revision, and I trust I will not be considered presumptuous in adverting to it.

President Hoover called Congress together for a limited revision of the tariff, and by "limited revision" he undoubtedly had in mind the correction of pronounced shortcomings in the bill enacted in 1922. For example, I might point to the case of the part cotton goods that I have referred to previously that are coming in here from Czechoslovakia and Italy under the cotton schedule, whereas they contain slightly under 50 per cent wool. That tariff just permits these goods to come in in sufficient volume to justify a request to Congress to remedy that defect in the original bill as distinguished from former Republican tariffs.

But there isn't a single excuse in the world for any other change in the wool tariff. No request would have been made to Congress to revise the wool tariff because of any defects in it, if the Republican Party had not in its platform declared that it proposed to revise the tariff to assist certain industries "which can not now successfully compete with foreign producers because of lower foreign wages and lower cost of living abroad." I quote the exact language of the plank in the platform. No such situation exists in the wool and woolen trade. This industry was taken care of completely, except for this one defect mentioned above, when the tariff bill was passed in 1922.

Any request for change in this tariff now is just because you have announced a revision and everybody is ready to mount the band wagon and try to get something. What folly! It is worse than folly, it is a dangerous situation. Basically, the tariff enacted in 1922 was an amply protective tariff for the great bulk of the goods that are manufactured in this country in all lines of business. There is not the slightest excuse for a new tariff on wool, woolens, and clothing in this country. The tariff is adequately protective; there would have been no agitation for any change, everybody would have been content to go along with conditions just as they are but for the fact that you have announced that you are going to revise the tariff.

Now why should we under this revision of tariff put this country in the position of jeopardizing its badly needed foreign trade? If we should go to extremes all along the line we are only going to narrow the opportunities for American business abroad, because I am convinced that the policy of trying to actually create embargoes against importations is a mistaken one, that is bound ultimately to result in retaliatory tariffs by other countries against our own products. Business is good in this country now. Let us hope that it will continue good, but inevitably and perhaps at no distant day we must face a period of hard sledding for a time. We should seek to avoid changes in our tariff now that would be a source of embarrassment to us when business slows down.

Increase by the higher prices that the 31-cent duty has yielded to the wool-grower, the value of the domestic clip is normally approximately \$125,000,000. To protect this industry we are adding approximately \$200,000,000 annually to the woolen clothes bill of the American people. Most of the tariffs are a tariff wall below which domestic producers supply the American market, and competition keeps the price down to the consumer, but in the case of raw wool the tariff actually becomes a tax upon the consumer, owing to the fact that we must import substantial quantities of wool to meet domestic requirements, and the price usually closely approximates the foreign price plus the duty.

For this reason it is important that the generous price that the American people are willing to pay to protect this industry should not be further augmented, and I therefore respectfully urge upon this committee that it avoid a general revision of the wool schedule at this time, believing it to be against the public interest and wholly unnecessary.

STATEMENT OF FRANCIS J. GORMAN, PAWTUCKET, R. I., REPRESENTING THE UNITED TEXTILE WORKERS OF AMERICA

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. GORMAN. We are asking for increased rates on manufactured wool, beginning with the sorting, the first process, and through the several operations until the wool is made into yarn.

This particular industry has been demoralized for seven years, and a steady increase in unemployed workers can be noted from 1922 until very recently, when a slight increase in active machinery is apparent.

In quoting from the Chamber of Commerce reports for April, 1929, based on reports from 857 manufacturers operating 1,048 mills, we are informed that of the total number of sets of cards, 76 per cent were in operation at some time during the month, and in the same report that 70.6 per cent of the combs were in operation at some time during the same month of April.

From our personal observation in such woolen and worsted centers as Massachusetts, Lawrence; Rhode Island; Providence; and Woonsocket, Passaic, New Jersey; Philadelphia and some other centers where this industry is carried on, we find a serious situation of unemployment with part-time work, which has given no encouragement of relief for several years.

In the first process of wool sorting, we find that out of approximately 5,000 workers in this department, less than 50 per cent are gainfully employed, and those who have employment in most cases are on short-time schedules with some laying off for a month at a time. The House bill providing for a 2-cent differential between imported raw wool and sorted wool should, in a small way, assist these workers.

The principal requirement, in our opinion, is a competent and more careful examination in the customs, with the proper appraisal of the two classes of wool, that is, the raw wool and the sorted wool. While both come in the same category of "raw wool," we maintain that when wool is sorted it has gone through the first process of manufacture.

From our investigation we would say that out of approximately 300,000,000 pounds of foreign wool consumed yearly in the United States, only about 40 per cent of this amount is sorted in the United States, and when we consider that there are as many as nine sorts, or 12 in some cases, four or five in others, but we set the figure at nine—as many as nine sorts can be taken from the fleece, and these grades of higher value, according to their quality, it is hardly believed that wool coming in from foreign countries can be taken to the mill and dumped into the washing and scouring machines unless it has been sorted before it reaches here.

The point we make there is the necessity of a closer examination in the customs for the difference between the so-called "raw" and sorted wool, the first process of manufacture.

Senator SACKETT. Do you know what paragraph in this bill that sorted wool comes in?

Mr. GORMAN. 1105, I believe, Senator. I am not quite sure. It comes under "advanced wools."

Senator BINGHAM. 1102, is it not, sorted?

Mr. GORMAN. Sorted; yes.

Senator BINGHAM. Wools not specially provided for, line 21, sorted or matchings.

Mr. GORMAN. That is right. Following out the same lines of reasoning, we are asking for a graduated tax through the several processes of manufacture, including scouring, carbonized, combed, tops and noils, on the ground that foreign importations are displacing American citizens, who walk the streets of our industrial centers with no visible means of support and families depending upon them. These workers have been trained in the business of textiles, preparing wool for the fabric, and they have worked in the industry all their lives. If the opportunity presented itself, some of these workers could not obtain employment in other industries, because they are not fitted for that sort of work. To what extent these workers are affected, the following from the Department of Commerce report gives us some information:

The consumption of foreign tops and noils constitutes one element which it has not been possible to include in the consumption report, since the manufacturers would be unable to distinguish between foreign and domestic tops and noils. In the long run, though not necessarily month by month, this element must be equal to the imports. The imports of wool and hair advanced, including crops, to February, 1929, were 49,022 pounds, and for 1929, including February, were 76,990 pounds.

Senator SACKETT. The way I read the section is that the wool bears a duty of 24 cents, but if it is sorted it bears a duty of 26 cents. There is 2 cents there to cover the operation of sorting. Is that right?

Mr. GORMAN. There is a differential of 2 cents. That is right.

Senator SACKETT. Now, do you want to raise that?

Mr. GORMAN. It has been allowed.

Senator SACKETT. Do you want to raise that, or do you want to keep it just as it is?

Mr. GORMAN. We maintain that if a raise is allowed, there will be more business for the wool sorters.

Senator SACKETT. Do you not think that 2 cents will cover it?

Mr. GORMAN. Well, I am not in a position to state that it will entirely. I have not gone into that angle of the situation.

Senator BINGHAM. You do not want it reduced?

Mr. GORMAN. No, we consider that the 2 cents is something.

Senator BINGHAM. One of the witnesses this morning suggested that it be lowered from 26 to 25 cents.

Mr. GORMAN. Of course that would further aggravate the condition in that particular industry.

Senator SACKETT. Do you know whether there is any differential now in the old bill, in the present tariff? Whether there is anything in there about sorting at all?

Mr. GORMAN. No, I am coming to that particular point, Senator, later on. Well, I believe I cover it where we figure that only approximating in round numbers importations at 300,000,000 pounds—that is, taking the carpet wool and combing wool and clothing wool—that out of that amount not 40 per cent of it is sorted.

Senator SACKETT. But what I was asking is whether, under the present rates of duty, there is a differential for sorting wool. I have not got that here. This is a new section that has just been put into the bill.

Mr. GORMAN. I do not know of any in the present bill.

Senator SACKETT. I do not suppose there was anything on that. There is no footnote.

Mr. GORMAN. No. You might find it for matchings; but sorting, to the best of my knowledge, is not.

Senator SACKETT. I think they have added a duty of 2 cents a pound for sorting. That is what has been added, and that ought to be plenty for you, ought it not?

Mr. GORMAN. Well, as I say, it will be something, Senator. If it was 3, we would figure it would be better.

Senator SACKETT. Four would be better yet?

Mr. GORMAN. Yes, sir. I quoted from the chamber of commerce report for April, wherein they stated that the imports of tops and noils were 1,265,433 pounds. That is for January and February of this year, and in approximating the yearly import of noils at 10,000,000 pounds, and these representing eight operations of manufacture, in

addition to that the 209,000,000 pounds of sorted wool, scoured, carbonized tops and waste materials, it is safe to say that 75,000 workers in this branch of the industry are affected.

We do not assume that increased rates in the tariff will be the cure-all for the woolen and worsted industry. Several other courses are plain to be seen. We are striving through our organization to correct these evils. We contend, however, from the statement submitted that a revision should give some relief, and when the nightmare of unemployment is staring the workers in the face, we feel justified in coming here with the facts in our possession and trying to secure an equitable tariff act that will in reality protect American workers. When this is done the other faults and ills can be settled by the employers and employees.

Senator BINGHAM. What other increases are you appearing for?

Mr. GORMAN. Just for the sorted wool, tops, noils, carbonized.

Senator BINGHAM. Then you are also interested in 1105, and you want an increase on top waste?

Mr. GORMAN. Noils and tops.

Senator BINGHAM. What have you to say about the bill as it reads, the present law, where carbonized noils are 24 cents, not carbonized, 19; in the new law all noils are 21, and the wool growers are asking for 38?

Mr. GORMAN. On carbonized wools?

Senator BINGHAM. No, the wool growers are asking 33 cents a pound on noils.

Mr. GORMAN. Well, that is perfectly all right with us.

Senator BINGHAM. Is that an advantage to you?

Mr. GORMAN. Yes.

Senator BINGHAM. Why?

Mr. GORMAN. Well, the importation of noils—a noil is the rejection from the comb, and it has gone through several processes over there, and consequently it displaces American workers.

Senator BINGHAM. Your workers that are taking the noils out in the worsted mills? Is that it?

Mr. GORMAN. Yes.

Senator BINGHAM. If there was a better market for those noils, they would get more employment?

Mr. GORMAN. More work. That is right.

Senator BINGHAM. What would you think of a proposal that the bill be changed so as to provide that very short noils did not get as much protection as the long noils, did not get as much duty laid upon them? There is a certain amount of importation of so-called very long noils.

Mr. GORMAN. Yes, there is.

Senator SACKETT. It takes just as much labor to make one as the other, does it not?

Mr. GORMAN. I was just going to answer that in this way. A noil ejected from a woolen mill goes into the woolen manufacture, and of course our people are affected there.

Senator SACKETT. What do you think about this 7 cents per pound on carbonization? Do you think that is about fair?

Mr. GORMAN. We consider that about right. We believe that will be very helpful to the industry.

Senator BINGHAM. I am glad Senator Sackett brought that up, because a witness a few moments ago testified against that. I notice in the note that woolen rags, which were discussed by that witness, if carbonized, were dutiable as wool rags at 18 cents a pound, or 10 cents more than the rate for wool rags not carbonized; therefore the new rate of 7 cents a pound is actually less on carbonization than the present rate.

Mr. GORMAN. The wages in this particular industry of woolen and worsted are far below the amount set by the United States Government for the maintenance of the living standards for a workman and his family. From our study of 8,651 mills employing approximately 160,000 workers, there has been a great reduction in the number of workers in this industry during the last seven years. In 1923, I believe, we had somewhere in the neighborhood of 193,000 workers in the woolen and worsted industry, and to-day our investigation shows us that is somewhere between 155,000 and 160,000.

The average full time weekly wage of 48 hours for these workers is no more than \$20. If wages of this character are impaired by foreign importations, we feel in duty bound to suggest remedial legislation.

I might say in addition to that, that we do not agree with some of the testimony or ideas presented by the employers because we know employers. I say some of them from our experience are not interested in the welfare of the worker. We are coming here solely for this particular purpose of trying to find some way out so that those people that are walking the streets can find employment, and if the revision of the tariff will in any way aid that, when we have presented our figures, we think it ought to be carried out.

We favor the provision inserted in the new act, directing the Secretary of the Treasury to use customhouses United States standards of grades for wool, and for permissive display of samples of imported wool and hair with data as to shrinkage and exchange of such samples between custom houses to assure uniformity in assessing duties and a more complete information of appraisers and of the trade.

We would say that the increased rates recommended by the House on sorted wool, scoured, carbonized, noils, and tops are conservative, and believe the investigation by the Senate will show the need for higher rates.

We had some information some few years ago from our members in England. Wool was being sorted, carded, combed, and made up into tops, and after it was made up into tops it was deliberately mutilated and broken up and sent in here under the cheaper basis. We did at that time make an investigation through the Treasury Department but could never get the bottom of it. We figure that this particular paragraph would guarantee against any imposition of that character.

Senator BINGHAM. You think we should have this new provision requiring the Secretary of the Treasury to use customhouse United States standards of grades for wool.

Mr. GORMAN. It is part of the new bill.

Senator BINGHAM. Which paragraph is that?

Mr. GORMAN. It is in H. R. 2667.

Senator BINGHAM. Paragraph 1104.

Mr. GORMAN. We feel that some relief could be gained if a closer observation was maintained in the customs to determine the difference

between the sorted and the raw wool and noils, carded, and waste, and other materials, and we are asking the consideration of the Senate committee for that particular feature of it.

That is all of my testimony. I will present a brief to you.

Senator SACKETT. Would this provision in paragraph 1104 cover that list, where the Secretary of the Treasury is directed to place in custom houses official standards of the United States for grades of wool?

Mr. GORMAN. Yes.

Senator SACKETT. That is in the new bill?

Mr. GORMAN. Yes. We favor that particular paragraph in the new bill.

STATEMENT OF JOSEPH F. LOCKETT, BOSTON, MASS., REPRESENTING DOMESTIC CARPET MANUFACTURERS AND SPINNERS OF CARPET YARNS

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. LOCKETT. Mr. Chairman and gentlemen, I am an attorney and represent the Domestic Carpet Manufacturers and Spinners of Carpet Yarns, constituting a large group of manufacturers in the United States.

Paragraph 1101 of the House bill, as you will notice, provides for certain wools by name. The carpet manufacturers requested before the Ways and Means Committee of the House that the source of supply of their raw material be extended because of the increasing shortage of the world's supply of carpet wools, and the committee granted that request. It is not necessary, unless some of the members of the committee desire to have me analyze the paragraph, to take any time upon that particular point.

We would like first, however, after the words "Black Spanish," in line 11, page 192, to have two more wools added, namely, "Haslock and Kerry." We understand that the woolgrowers have no objection to that.

Senator GEORGE. Where do you want those words to go?

Mr. LOCKETT. After the words "Black Spanish," in line 11, page 192, just before the word "and."

The woolgrowers in their statement yesterday, through Mr. Hagenbarth, suggested the elimination of the question of tolerance in this paragraph; and, so far as the carpet manufacturers are concerned, we are willing that that be done.

Suggestion was also made by the woolgrowers that elimination be made of the suggestion in the House bill with reference to the matter of yarns being used in the manufacture of carpets and rugs without limitation. On that point the present statute provides that wools when used in the manufacture of carpets, rugs, etc., be made the basis of determining, under certain regulations, whether the duty shall be remitted or refunded. Mr. Hagenbarth pointed out that they disliked the proposed bill because paragraph 1101 of the House bill provides that when yarns "to be used" in the manufacture of carpets and rugs the duties shall be remitted or refunded. They think the statute should provide that yarns be used in the manufacture of carpets, etc., within a certain time. The woolgrowers state that those carpet yarns might be held over the market

for an indefinite length of time. We are willing that this suggestion be adopted. So that the paragraph will read, in substance, that yarns when subsequently used in the manufacture of carpets, or words to that effect, shall come within the scope of the privilege provided in the statute.

The reason for the suggested change of language before the Ways and Means Committee of the House is briefly this: There are a large number of spinners of carpet yarns in this country who make a business of spinning yarns entirely and selling them to carpet mills. Many of the larger carpet mills maintain their own spinning plants. Under the statute as it is worded in paragraph 1101 of the Fordney bill the spinner did not have the privilege, except under discretion of the Secretary of the Treasury which he has given him, to come within the scope of that statute. We desire to have the present regulations of the Secretary of the Treasury in regard to this matter incorporated as a part of the substantive law.

Mr. Hagenbarth also opposed the 4-year period.

Senator SACKETT. One minute. You spoke of your willingness to have that matter of the tolerance taken out.

Mr. LOCKETT. Yes, sir.

Senator SACKETT. It is suggested here that the Secretary of the Treasury now seems to allow an 8 per cent tolerance without any warrant of law. You want that stricken out also?

Mr. LOCKETT. Of course, Senator, I am not a wool man and there is a very distinguished gathering of wool men here, but I have had rather extensive experience in the litigation and trial of these wool cases, particularly under this paragraph; and, with all deference to what has been said, I think the situation here is perhaps a little different from that suggested yesterday. For instance, it is the practice when Cordova wools, which are provided for *eo nomine* in paragraph 1101 and which are supposed to be coarse native wools, without any evidence of having come from sheep of the merino or English breeds, to admit them under paragraph 1101 when they contain approximately 8 per cent of the so-called blooded wool, it is passed as a good delivery of Cordova, apparently upon the theory that there is a tolerance of blooded wool to that extent in the so-called coarse or native Cordova. Now, we have a different situation in the proposed bill. The proposition here is to grade wool to a count; that is, to a count of 40s or 44s, according to grades established by the Department of Agriculture. In making this concession, or in acquiescing to the suggestion, it is upon the theory that the 40s grade will have the natural tolerance the same as other wools have tolerances. In order that the thing may be clear beyond peradventure, of course, the standard samples established by the Department of Agriculture should either show the average tolerance of such samples of 40s and 44s grades of wool or else words should be embodied in the statute to provide for that situation.

Senator SACKETT. This new act provides for this tolerance?

Mr. LOCKETT. Yes, sir.

Senator SACKETT. You suggest that you do not need that; that you are willing to have that stricken out?

Mr. LOCKETT. Let me put it this way: Mr. Hagenbarth yesterday said that their objection to this question of tolerance was that the wools any way will have a natural tolerance, and then if an added

tolerance of 10 per cent is given as provided for by the statute it would make, in effect, a greater tolerance than 10 per cent.

Senator SACKETT. Was not the object of putting this in to combine the 8 per cent and make it all 10 per cent?

Mr. LOCKETT. Based upon my understanding of the situation, the intention was to see only that the regular standard commercial deliveries of 40s and 44s were provided for; it was not the intention to give a tolerance of 10 per cent and then to give an added tolerance on the fine side or the grade higher.

Now, since you have mentioned that, Senator—I was not going to go into that question in detail—but it is very important to take into consideration the provisions of Paragraph 1103 of this bill. This paragraph provides that if any bale or package of wool, etc., is subject to different rates of duty that the highest rate applicable to any part shall apply to the entire contents of such bale or package.

Unless this question of tolerance is clearly established, and the question of grades is clear, it would be quite possible for one to import a lot of 40s, and if the interpretation were that not a fiber finer than 40s should appear in that grade, and there was 5 per cent of wool finer than 40s, it would subject the entire importation under paragraph 1103 to 34 cents as now provided for in the House bill. It is very important that the language be so drafted that it will be entirely clear.

When I said that we were willing to consent to that elimination of the tolerance feature of 10 per cent, it was on the understanding and assumption based upon what I have been told by wool men and the woolgrowers that the grades which will be established will show some reasonable tolerance based upon commercial standards.

Senator SACKETT. I think it is perfectly evident that the House put this language in to get away from secret tolerances and to give authority in law to the Secretary of the Treasury to establish a tolerance and fix that at 10 per cent. If you eliminate that, I understand you still want to keep the secret tolerance, and that the ultimate result of eliminating this so generously is simply to reduce the tolerance 2 per cent.

Mr. LOCKETT. The mathematics might be a little different, but all we want is the regular standard grade of 40s, with such variations in the tolerance as the conditions of business permit. We do not want and are not asking for a 40s grade with a tolerance of 10 per cent together with the usual tolerance so that they would be getting any considerable quantity of finer wool than we are entitled to.

Senator SACKETT. It seems to me, then, that the language could be changed from 10 to 8 per cent.

Mr. LOCKETT. I am sure the matter can be carefully handled by the committee, but care must be taken to see that it is clear in every case so that paragraph 1103 will not apply unless it is clearly applicable.

I did not intend to mention this fact, but since Mr. Eavenson this morning proposed a rate of duty of 3 cents per pound on scoured wool, even though it might be used in the manufacture of carpets, I desire to record our objection to that suggestion. The fact is that about 10 carpet mills out of 39 use about 95 per cent of the wools, and they all maintain their own scouring plants. They have to pay for the scouring. You see the injustice of imposing a duty of 3 cents

a pound on scoured wools if they are drawn free for carpet purposes, because I am told that the carpet mills practically have to scour all their wools anyway. So they would have to pay for scouring them themselves, and, in addition, would be obliged to pay a 3-cent duty for no purpose at all. Of course, the purpose of Mr. Eavenson's argument as I understand it was to protect him in cases where he scours wools for concerns that have no scouring plants. To attempt to differentiate between those who do and do not would be difficult of administration.

Senator SACKETT. He said that he had quite an establishment and employed a good many people and they were not able to do their business because they did not have sufficient protection. Your argument would take that protection away from them and those people would be thrown out of business.

Mr. LOCKETT. No; I think you must have misunderstood me or I did not make myself clear. His point I believe is that when certain carpet wools come in in a scoured condition it is upon the assumption that they do not have to be resoured here; and, therefore, if those wools are sent to a mill and used without being resoured it is depriving the American scourer of the chance and of the difference in cost of scouring here and abroad. Our answer is this: That so far as the carpet wools are concerned, when these wools come in the carpet people have to rescour them and they rescour them in their own plant, and when they do that work in their own plant they are doing the same work which Mr. Eavenson is doing in his plant.

Senator SACKETT. Can you make the definite statement that the scoured wools that come in have to be resoured?

Mr. LOCKETT. I can say that upon information and belief. We have the wool buyer of the Bigelow Carpet Co., Mr. Hines, here and can put him on the stand if you would like to hear from him. I am speaking from information and belief.

Senator SACKETT. But you are under oath, too, and I do not want you to say these things unless you know them of your own knowledge.

Mr. LOCKETT. I just made the statement from information and belief.

Senator SACKETT. Where do we get when a man under oath talks on information and belief. Are we going to get anything definite then?

Mr. LOCKETT. As I said before, we have to be careful. Have I covered it?

Senator SACKETT. Yes; you have covered it, but I think it would be better to have a man who knows make that statement, because, as I remember, a statement was made to just the opposite effect.

Mr. LOCKETT. Would the committee like to have Mr. Hines testify?

Senator SIMMONS. Yes; I think he had better testify after you. You mean if the committee should decide to adopt the suggestion of this former witness to whom you referred, that that should not apply to carpet wools allowed to come in free?

Mr. LOCKETT. That is right, Senator. Our briefs before the Ways and Means Committee appear in volume 43, page 9247; volume 45, page 9840.

Now, just one word with reference to the operation of paragraph 1101. Under the statute this privilege of importing carpet wools and withdrawing them in bond, without the payment of duty, within a certain year is a privilege given by the statute and the operation is briefly this: The goods are entered at a certain port of entry and a warehouse or entry bond is made and the importer of the wool is charged with the full duty based upon the final estimate of shrinkage at the appropriate rate of duty provided for in the bill. If the importer indicates an intention to use those wools in the manufacture of carpets and does not so use them, he is assessed an arbitrary penalty, so called, under the Fordney Act of 20 cents a pound on the grease weight and under the House bill 50 cents per pound. We indorse any suggestion which the woolgrowers may think necessary to protect them from the alleged misuse of carpet wools for purposes other than the manufacture of carpets. But since this statute has been in effect there have been approximately one billion pounds of carpet wools imported, and I have yet to learn of a specific case where there has been any violation of the privileges of that statute.

The regulations imposed by the Secretary of the Treasury are most intricate and exacting, and if the committee desires any information as to the operation of the statute they only have to summons officials of the Treasury Department.

Approximately 10 per cent of the so-called carpet wools are used for purposes other than carpets, and it is my understanding that when those are imported they pay the duty at the time, because if they put them in bond with the intention of using them in carpets and then market conditions were such that they would like to use them for purposes other than for carpets, they would be faced with this penalty under the statute. That is all I have to say, Mr. Chairman.

Senator SACKETT. What do you have to say about the increase of time to four years? Is that interesting to you?

Mr. LOCKETT. That is very interesting to us. We asked for an increase to four years in the House bill and the House gave it to us. The wool growers thought that instead of having a 4-year period they would feel better if they had a 3-year period with an extension of one year in the discretion of the Secretary of the Treasury, and that will satisfy us. I thank you very much. Mr. Hines is right here and ready to testify.

STATEMENT OF WILLIAM J. HINES

(The witness was duly sworn by Senator Simmons.)

Mr. HINES. I presume that the statement Mr. Lockett wanted me to make is whether we scour all of the wools that we purchase. All of the carpet wools that we purchase, whether they are scoured, washed or in the grease, we blend them and rescour them. Some of the so-called washed or scoured wools that we receive from China or Asia or Syria vary in shrinkage all the way from 9 to 40 per cent. Of the wool that is called scoured wool from China our test shows a shrinkage of 20 per cent is a great many cases. Therefore, we have to scour all of the so-called washed or scoured wools to manufacture or to dye the yarns properly.

Senator SACKETT. Would you scour them even if they were not blended?

Mr. HINES. Yes; we would. We would have to scour the additional grease and dirt that is left in all of the so-called scoured wools before we could properly dye them.

Senator SACKETT. Do you have to pay more for scoured wools from those countries than for unscoured wools?

Mr. HINES. No, sir; we buy all our wools practically on a clean scoured basis based upon test at our mills.

Senator SACKETT. Do not any of them come unscoured?

Mr. HINES. Yes, sir.

Senator SACKETT. But you do not buy anything but the scoured?

Mr. HINES. We buy both; we buy scoured, washed, and in the grease.

Senator SACKETT. Do you have to pay more for them when scoured than in the grease?

Mr. HINES. We pay a less grease price which amounts to the same clean price.

Senator SACKETT. No; but what you pay for those wools.

Mr. HINES. We buy grease wools at a lower grease cost but the same clean cost.

Senator SACKETT. To you?

Mr. HINES. To us. But the same clean cost.

Senator GEORGE. You pay on the clean content?

Mr. HINES. On the clean content, yes, sir.

Senator SACKETT. I do not quite understand that. You say you have to scour all the wools after you get them?

Mr. HINES. Yes, sir.

Senator SACKETT. But if you buy them in the grease you do not have to pay as much for them as you do if you buy them scoured over there?

Mr. HINES. Not in the grease. In the clean content it is the same. They are purchased on the clean basis.

Senator SIMMONS. Suppose a lot of wool arrives that is claimed to have been scoured. You do not pay on that basis as representing the clean content; you put it in your mills and rescour and then pay upon the clean content shown by that rescouring? Is that correct?

Mr. HINES. We would pay a higher price for the scoured wool, but the clean basis would be the same. For instance, we would pay 37 cents for the scoured wool which would shrink 19 per cent, making the wool cost 44 cents clean.

Senator SIMMONS. Then, the appraiser when that comes in, must decide the question of whether that scouring that took place abroad would adequately remove the impurities? If he said it did not adequately remove the waste, or the impurities, then you put it in your mill and you pay only upon the clean content actually shown?

Mr. HINES. Yes; we buy it on the clean-content basis.

Senator SIMMONS. Well, you pay duty on the clean-content basis?

Mr. HINES. I am speaking principally of carpet wools.

Senator SIMMONS. I know that. But you pay duty upon the clean content when it comes over, do you?

Mr. HINES. In the grease.

Senator SIMMONS. It comes over in the grease? ·

Mr. HINES. We are bonded at the rate of 12 cents a pound.

Senator SIMMONS. You pay on the grease?

Mr. HINES. Yes. We are bonded at the rate of 12 cents a pound.

Senator SIMMONS. Suppose it is only partial?

Mr. HINES. Twelve cents in the grease or 18 cents washed.

Senator SACKETT. When you pay for the clean content you pay as a result of your own scouring?

Mr. HINES. Our own scouring.

Senator SACKETT. But not their scouring?

Mr. HINES. No, sir.

Senator SACKETT. But it costs them something to scour over there?

Mr. HINES. Yes, sir. It is scoured in streams or by machines.

Senator SACKETT. But it costs them something to do it.

Mr. HINES. It evidently does.

Senator SACKETT. Do you pay more for it?

Mr. HINES. No, sir; not on a clean basis.

Senator SACKETT. They throw it away?

Mr. HINES. They throw it away.

Senator SACKETT. They throw away whatever the cost to them is of scouring over there and give it to you.

Mr. HINES. As far as any value to us as carpet manufacturers is concerned.

Senator SACKETT. But as to them?

Mr. HINES. As to them, yes, sir.

Senator SACKETT. They just throw it away?

Mr. HINES. Yes, sir. I assume so.

Senator SACKETT. Why should they ever scour it at all, then?

Mr. HINES. I presume to satisfy market conditions or to save freight. There may be other people that would want it partly scoured.

Senator SACKETT. That brings in a new question. If we should comport with your wishes in this, might it not affect other people whose market cost is to buy the scoured wool over there and so cause a damage to the scouring people in this country?

Mr. HINES. That is possible.

Senator SACKETT. Then we would have to be rather careful in drawing this act, would we not?

Mr. HINES. I should judge so.

Senator GEORGE. When you scour the wool that, of course, increases the cost of the product here. You charge for that service? That is a part of your cost?

Mr. HINES. That is a part of our cost.

Senator GEORGE. And it is passed on as any other manufacture?

Mr. HINES. Yes, sir.

Senator GEORGE. Do you know of any other users of wool that import it and scour it, regardless of whether it is scoured or not when it comes in?

Mr. HINES. I am not in a position to say. I can only speak of our own plant.

Senator SIMMONS. So far as carpet wool is concerned, you have to scour it all in this country?

Mr. HINES. We have to scour it in this country.

Senator SIMMONS. And, therefore, you give a certain amount of labor to the working men of this country on all the wool that you buy?

Mr. HINES. Yes, sir.

Senator GEORGE. If 3 cents were allowed, as the witness requested this morning, it would simply add that much more to the cost?

Mr. HINES. It would simply add that much more to the cost of our goods and that would be handed on to the people.

Senator GEORGE. And it would not add anything to the value?

Mr. HINES. Not a thing. We would have to put it through the same process as all our other wools.

STATEMENT OF LLOYD D. BOWER, COLUMBUS, OHIO, REPRESENTING THE OHIO CHAMBER OF COMMERCE

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. BOWER. I am representing the Ohio Chamber of Commerce as legislative secretary. I am merely appearing before the committee and presenting the views of some of the members of the Ohio Chamber of Commerce incorporated in three or four letters here, and I will not take the time of the committee to read these letters, but will merely submit them for the record.

Senator BINGHAM. Have they been sworn to?

Mr. BOWER. No, sir; they are merely letters.

Senator BINGHAM. We are taking testimony under oath. If you want them put into the record you will have to get them sworn to.

Senator SIMMONS. If you get them sworn to and send them in in reasonable time, I suppose they will go into the record?

Senator BINGHAM. Yes, certainly.

(The letters referred to are as follows:)

THE H. A. SEINSHEIMER Co.,
Cincinnati, June 3, 1929.

Mr. GEO. B. CHANDLER,
Ohio Chamber of Commerce, Columbus, Ohio.

DEAR MR. CHANDLER: We are immediately replying to your letter relative to the tariff bill which was passed by the House of Representatives.

Naturally the thing that concerns us most and which we are most particularly interested in is that part of the tariff affecting our own business, and we see absolutely no reason for any increased tariff on wool or manufactured cloth.

The big majority of clothing manufacturers throughout the country—I believe I can say 90 per cent of the industry as a whole—are stressing every possible effort toward earning manufacturing and distributing economies, so that they in turn may be able to present to the consumer as much for his buying dollar as possible and unquestionably the raising of the tariff as regards the woolen schedule is going to provide a leverage for increased cost of raw material. Aside from providing possibly a sugar-coated dosage for some of our farmer friends, I see absolutely no need for an increase in this schedule.

It is unfortunate that when the Tariff Commission had the benefit of expressions from some of the outstanding leaders in our industry that they seemingly could not be influenced by the expressions of these men. I know that personally Mr. William Goldman, of New York, spent a great deal of time with the committee and gave them some honest-to-goodness facts to work on, and I am sure Mr. Goldman spoke not only for the best interests of our own industry but for the country in general.

While it is quite true that the increase is very slight, at the same time we are living in an era of scientific production and costs and pennies have, unfortunately, assumed a tremendous importance in the final earnings of manufacturers.

The point I want to convey is that this extra tariff as regards woollens and cloth will be of no material benefit to anyone—neither wool growers, cloth manufacturers, or makers of clothing. It will only serve as an incentive to increase prices.

If you have any suggestions to offer regarding our attitude on this question we shall be happy to have your reply.

Cordially yours,

THE H. A. SEINSHEIMER Co.,
By GEORGE HENRY, *Vice President.*

STATE OF OHIO,

County of Hamilton:

On this 26th day of June, 1929, before me personally came George C. Henry, who is known by me, as the same person whose name is subscribed to the foregoing letter and acknowledged that he has, of his own free will, written and signed this letter.

In witness whereof I have subscribed my name and affixed my seal this 26th day of June, 1929.

[SEAL.]

MAGDALEN C. SMITH,
Notary Public.

My commission expires April 15, 1930.

THE H. A. SEINSHEIMER Co.,
Cincinnati, June 20, 1929.

Mr. LLOYD D. BOWER,
Congress Hall Hotel, Washington, D. C.

DEAR MR. BOWER: Under date of June 4 Mr. Chandler wrote and acknowledged a letter that we had directed to him on the 3d relative to some views which we had regarding the proposed tariff bill, with particular interest directed toward the woolen schedule. In Mr. Chandler's letter he advises that Mr. Curtis was at that time in Washington and we are wondering whether our letter was brought to your attention and whether you have had our views presented to you?

Since writing about our objection to the proposed woolen schedule, we find that a decided discrimination exists against the clothing industry in regard to linen canvas and jute fabrics.

It is our understanding that if a jute fabric is imported, to be used in the construction of clothing, it is dutiable at 50 per cent. If identically the same fabric is imported for some other purpose, it is dutiable at only 1 cent a pound.

It is further pointed out that the duty on linen canvas is 55 per cent, whereas the same linen material if imported for other purposes is dutiable only to the extent of 40 per cent.

Now, manifestly, this is a frightful discrimination and one which we feel is most unjust particularly as it is our understanding that none of these goods are produced in our own country.

We hope you can use your good influence toward a proper and reasonable adjustment of the proposed schedule effecting our industry.

Very cordially yours,

THE H. A. SEINSHEIMER Co.,
By GEORGE C. HENRY, *Vice President.*

STATE OF OHIO,

County of Hamilton:

On this 26th day of June, 1929, before me personally came George C. Henry, who is known by me, as the same person whose name is subscribed to the foregoing letter and acknowledged that he has, of his own free will, written and signed this letter.

In witness whereof I have subscribed my name and affixed my seal this 26th day of June, 1929.

[SEAL.]

MAGDALENE C. SMITH, *Notary Public.*

My commission expires April 15, 1930.

WOOL WASTE AND WOOLEN RAGS

[Par. 1105]

STATEMENT OF N. B. KNEASSE BROOKS, BOSTON, MASS., REPRESENTING PENNSYLVANIA AND NEW ENGLAND WOOL MANUFACTURERS

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. BROOKS. Mr. Chairman and gentlemen, I am the treasurer of the Maine Spinning Co., Skowhegan, Me., representing them and 21 other mills in Massachusetts, Rhode Island, and Pennsylvania in the same line of manufacturing, which is that of pure wool yarn for sale, one of the intermediate systems in the manufacture of cloth. Those that I am representing total 261,600 spindles, about 25 per cent of the entire industry, which industry, the entire industry, employs about 30,000 people.

My testimony follows along the same lines as that of Mr. Hagenbarth, and I think should not take up more than 15 minutes of your time.

Senator SIMMONS. Pardon me, do you use in the manufacture of these yarns any of this waste?

Mr. BROOKS. We use pure wool only, no adulterants of any kind.

It is the misfortune of the woolen textile industry that it is the only one upon whose raw materials the exigencies of the protective policy require that a duty shall be placed which correspondingly increases its cost. In the few other cases where a duty is levied on the raw material it does not amount to a substantial factor in the price of the finished product. In the case of wool, however—and it is almost the only instance along the whole line of dutiable articles—whatever the amount of the tax imposed it is added to the cost of manufacture. If the wool is imported, the whole duty is added to cost; if domestic grown, practically the whole of the duty. The purchaser can not escape that tax.

The purpose of the compensatory duties in Schedule 11 is to place the American manufacturer in the same position as though he had his wool free of duty; to start him so far as possible, on the same basis as the cotton manufacturer, the silk manufacturer, and every other manufacturer. The compensatory duty, as arranged in the present schedule, has never fully accomplished this, and that duty is not compensatory in the bill now before this committee.

I make but passing reference to that, however, because I am here to discuss another but equally important phase of the duties in the wool schedule, directly bearing upon the principle involved in the compensatory duties.

It must be remembered that the wool duty is not imposed at the request of the wool manufacturer, nor is it designed for his benefit. Hence, in asking that he be placed in the same position as though he had his raw material free, he is not asking that any more be done for him than is done for everybody else.

The primary purpose of a protective duty upon wool, as I understand it, has been to encourage the growth and production in the United States of that very necessary commodity, and, secondly, to raise revenue to finance the various projects of the Government.

The early history of tariff-making as applied to wool, and especially the tariff of 1846, clearly shows that the problem of encouraging the growth of wool in the United States through proper arrangement of the duties on wool manufacture, was poorly understood, and that it was not until the tariff of 1861 was written by that able statesman, Justin S. Morrell, of Vermont (then chairman of the Ways and Means Committee), that the proper relationship between the duty on wool and the duties on the manufactures of same found expression in the tariff legislation of that year. That tariff established a principle which, so long as it was applied to raw wool and to woollen manufacture, caused both to prosper and grow until the manufacture of wool in this country met the full requirements of the American people, thus furnishing a ready and profitable market for all the home-grown wools.

The principle established in the Morrell tariff of 1861 was a specific duty of so many cents per pound on the imported greasy wool, double this duty on wool washed on the sheep's back, triple that duty on scoured wool, and four times the grease wool duty per pound of finished cloth. Upon the by-products of the wool industry abroad, there were levied duties so proportioned to the raw-wool duty that nothing could be imported under terms more favorable, from a duty standpoint, than those imposed upon the wool itself. And aside from these duties, there was put upon the finished cloth, for the purpose of protection, ad valorem rates of varying percentages, classified as to weight and value of the cloth.

The proof of the value of this arrangement was demonstrated in each of those instances between 1861 and the present time, when departures have been made from the above-described principles. In the 22 years which elapsed between 1861 and 1883, the principle was consistently adhered to, with the result that both wool growing and wool manufacturing made great progress, while from the standpoint of Governmental revenue the wool schedule fully justified itself by being the second largest revenue producer in our tariff system. At the same time there was brought about an ever-increasing market for home-grown wools, with increasing employment for those attracted to the wool manufacturing industry, while the American people were assured an abundant supply of clothing made from pure wool.

But in 1883 there was a hurried revision of the tariff, which lowered the duties on wool, disturbed the relationship between the raw wool duty and the compensating duties as originally provided for, and permitted the importation of wastes and the by-products of the woollen industries abroad at rates entirely disproportionate to the duty which applied to wool when it had been brought from its greasy state to a scoured condition. Just what this unfortunate departure from the principle of the tariff of 1861 meant, was reflected in the decline of the wool-growing industry, the failures which occurred in wool manufacturing, and the general demoralization of the industry as a whole. As soon as the American people could correct this costly mistake in a national election they did so, and the passage of the McKinley Act in 1890 marked a return to the ratio of duties on raw wool, finished cloth, and rags, wastes and shoddy, the large importations of which latter, under the tariff of 1883, had so dis-

advantaged the wool grower by disrupting his market, the domestic pure wool manufacturing industry.

Under the act of 1890 we find rates of duty imposed on these by-products which clearly indicate the temper of the legislators of that period to have been that nothing in the way of the by-products of wool manufacturing abroad should come into this country under duties more favorable than the duty imposed upon the raw wool itself.

To illustrate: The act of 1890 provided on clothing wools of the first class a duty of 11 cents per pound. In the markets of the world there was an abundance of wool for all our varied purposes, which shrank by scouring from 35 per cent to 50 per cent. Hence, on such wools as it was necessary to import in order to clothe our people, there was a duty enhancement which amounted to from 17 cents to 22 cents per pound on the wool in its scoured condition. Yet, on all wastes, outside of mungo, rags and flocks, there was a duty of 30 cents per pound, and on mungo, rags and flocks the duty was 10 cents per pound.

Senator BINGHAM. In other words, there was a protection at that time that has not existed up to the present time?

Mr. BROOKS. Yes. Again in the act of 1897, following the disastrous free wool experiment of 1894, there appeared the same protective rates.

In the tariff revision of 1909, carrying the same general principles as were found in the acts of 1861, 1867, 1890, and 1897, there was a lessening of the duties on noils and wastes, but in no case were the duties made so low as to permit such by-products to come into this country more favorably than could the greasy wool. And during the life of those five protective tariffs, the wastes and by-products imported into this country were of a negligible quantity, although in certain years, in order to clothe the American people, imports amounting to several hundred million pounds of greasy wool came into the United States.

I am attaching, for the information of the committee, a table showing the importations of wastes and by-products under the various tariffs referred to here.

In the act of 1822, at the instance of the woolgrowers, a departure was made—

Senator SIMMONS (interposing). You mean 1922?

Mr. BROOKS. 1922; yes.

Senator SIMMONS. You said 1822.

Mr. BROOKS. The last tariff, 1922. In that act, at the instance of the woolgrowers, a departure was made from the old established arrangement of the duties covering the wool growing and wool manufacturing industries. The duty on wool was assessed on its clean content, and the amount of duty actually paid out upon imported wool was raised from the average incidence heretofore mentioned, to 31 cents per pound.

Coincident with this increase in the raw-wool duty, however, the duties upon wool by-products from abroad were lowered to a point where the actual rates collected on such imports averaged less than one-half the duty that was imposed upon the clean content of raw wool.

The result has been that imports of these wastes and by-products under the present law, aggregating as great an amount as 36,000,000 pounds in 1928, have displaced a grease production of about 100,000,000 pounds of American-grown wools, equal in turn to about one-third of the domestic clip.

Mr. Hagenbarth referred to that.

Senator SIMMONS. These you are talking about now, these wastes, they are the raw material of the worsted, of the woolen manufacturers?

Mr. BROOKS. Yes, sir.

Senator SIMMONS. You are a woolen manufacturer?

Mr. BROOKS. We are worsted manufacturers. We are worsted spinners.

Senator SIMMONS. Now, the woolen manufacturer and the worsted manufacturer are somewhat in competition, are they not?

Mr. BROOKS. We should not be.

Senator SIMMONS. Are you not?

Mr. BROOKS. They have access to all of our raw materials at the same price that we pay.

Senator SIMMONS. But they supply a part of the demand that you would otherwise supply?

Mr. BROOKS. There is no question about that, and a very useful demand, Senator. We have no quarrel with the woolen manufacturers.

Senator SIMMONS. Do you not regard yourself, in a sense, a very real sense, as a competitor in the American market?

Mr. BROOKS. Not necessarily. Not more than—take our own industry, there are different manufacturers competing, of course.

Senator SIMMONS. Theirs can be substituted for yours and yours can be substituted for theirs, can they not?

Mr. BROOKS. Certainly they can. Take it in worsted clothes, they compete heavily; the same way with woolen clothing.

Senator SIMMONS. I just assumed that you wanted the raw materials of this man who is using noils and waste—that you wanted the duty on their raw material kept up to something like a parity with the duty on your raw material.

Mr. BROOKS. Absolutely. We wish to be placed on the same basis.

Senator SIMMONS. And the question is whether you should come down to their level or they should be raised up to your level. Is that it?

Mr. BROOKS. Exactly. The 36,000,000 pounds of waste and by-products displaced about 100,000,000 pounds of American grown wool, equal to about one-third of the domestic clip. At the same time, the low duty importation of these wastes and by-products has given to their users an advantage over those who use pure wool, with the result that customers of the domestic wool growers found themselves going out of business by the competition of the inferior fabrics produced from these imported rags and wastes. This has nullified to just that extent the benefit which the 31-cent duty was intended to confer upon the wool grower, and has reduced the revenue of the Government to approximately one-third of what it would have received had a corresponding quantity of raw wool, on a 31-cent clean content basis, been imported. Thus, not only has the Government been deprived of the revenue which the raw wool duty was expected to afford, but the principle of compensating duties has been

violated, which principle was to put the wool manufacturer on the same basis in relation to the wool duty as though he had his raw material free—if all of this raw material were free, we would all be on exactly an equal basis, would we not? And to insure that at no point from greasy wool to finished cloth, could partial manufactures of wool (wastes, by-products, etc.), come into the country more favorably, from a duty standpoint, than the raw wool.

This fact, this truth, this principle of equity and justice stands forth, therefore, that when, in its wisdom, the Congress elects to disturb the natural economic relationships which exists in the markets of the world, and the relationship between wool and its by-products, by imposing a duty upon raw wool, the Congress is under direct obligation, as a matter of justice, to see to it that at no point along the route from raw wool to finished goods can anything get in under duty arrangements more favorable than those applying to the raw wool.

The claim has been made that the wastes and by-products of wool manufacturing abroad are of less value than the scoured wool from which they are derived; that they are necessary for the manufacture of cheap clothing for our people, and therefore they should come into this country at lower duties.

This is entirely inconsistent with the theory adhered to in all of the five tariffs earlier referred to, and is contrary to the principle which prompted the levying of protective duties on wool and its manufactures. It is true that the market value of these by-products is less than that of raw wool, and that at times it bears a widely varying relationship to the price of wool. But it should be clearly understood, and constantly borne in mind, that this market value of wastes and by-products of wool has nothing whatever to do with the duty problem created by the Government itself when it imposes a duty on raw wool. For in all of these wastes, rags, etc., there is the same duty value as in the content of the fabricated goods upon which the Government levies a compensating duty of approximately one and a half times the scoured wool duty. To be consistent and just, therefore, these wastes and by-products should carry duties substantially equal to the duty imposed upon the clean content of the greasy wool which they displace in the processes of domestic manufacture, less any conversion cost necessary to put the fibres in shape for spinning into yarn, such as these rags which you see. It is necessary for them to be carded and garnetted at an expense of about 7 cents a pound to put them in that shape. Therefore we claim if your wool duty is 11 cents a pound, that the duty on those rags should be 24. It costs 7 cents to put them into that shape where they are ready for production, and that puts it on an exact parity with the pure wool.

Senator SACKETT. Is it as good as the pure wool for the purpose?

Mr. BROOKS. No, sir; but it displaces a certain amount of it.

Senator SACKETT. But if it was the same price, it would not be used, would it?

Mr. BROOKS. No; but it is not the same price. We claim that there is enough difference in these rags—in 1928, when there was, I think, 23,000,000 pounds of rags came in where there was a 28.7 cents differential, and they paid a duty of 7½ cents, which would bring it up to 36.2, and to put them into this shape it would be 7 cents more, or 43.2 cents. They displaced American wool which in 1928 was selling at from 95 cents to \$1.25 on the clean pound. Now

there is an intrinsic value, a difference in the value of the stock there as between 43 cents and, say, a dollar, or 60 cents a pound, which we claim is advantage enough, fully enough, and in fact too much. They have that enormous advantage over us in our raw material.

Senator SACKETT. They are trying to raise it about 17 or 18 cents more?

Mr. BROOKS. Yes.

Such a duty arrangement is essential, first, in order to fully carry out the intent of the Government to derive revenue; second, to give to the wool grower the protection and its benefits which the raw wool duty is intended to afford; and, third, to put the user of pure wool, which is the product of the American grower, in the same position he would be in, were wool and its by-products upon the free list.

In my opinion the duties imposed on these wastes and by-products should have the same relation to the duty on wool as they had in the tariff acts of 1890, 1897, and 1909, to the end that the heavy importations of these materials may be reduced to reasonable quantities as indicated by the importations under those acts.

I want to make it entirely clear that the pure-wool manufacturers—those who constitute the market for the wool that is grown in the United States—are not antagonistic to a duty, and an adequate duty, upon raw wool. On the contrary, as protectionists who support that principle as a national policy, we always have believed that the domestic woolgrowing industry should be given that degree of protection necessary to enable the American woolgrower to dispose of his product at a reasonable profit. But we do not believe—nor has any protectionist Congress in the 60 years between 1861 and 1921 indicated it to be its belief—that the duty upon raw wool should be the means of putting the domestic pure-wool manufacturer under an unfair competitive disadvantage. We do not believe that we should be compelled to bear the burden of a disproportionate duty arrangement which could not exist except for the duty on raw wool.

It is just as necessary and certainly just as much in accord with the principles of equity and justice that the rates upon imported wastes and by-products should be equally proportioned to the raw-wool duty as it is that we have a compensatory duty upon our finished product to offset the increased cost which the raw-wool duty imposes upon our raw material. The lack of either of these violates the principle of the compensatory duty and proportionate protection, and makes the domestic pure-wool manufacturing industry the helpless victim of the raw-wool duty. At the same time, to the extent that it cripples or destroys the domestic pure-wool industry this maladjustment works injustice upon the woolgrowers, who are dependent upon a vigorous and healthy domestic pure-wool industry for a realization of the price enhancement of their product which the raw-wool duty is designed to afford. And additionally, the Government is deprived of that amount of revenue which measures the difference between the disproportionately low duties which these by-products pay and the 31 cents per pound that would be paid by the raw wool which these wastes and by-products displace.

From any angle it is viewed, this maladjustment of duties is indefensible, and we ask this committee to make the rate corrections which will insure the governmental revenue which it was intended that

the raw-wool duty would create and give to the woolgrowers the benefits which are an equal if not the primary purpose of that duty.

Senator SACKETT. May I ask you this: There are a large number of soft-wool rags gathered in this country, as well as what come in from abroad?

Mr. BROOKS. Surely.

Senator SACKETT. And they would continue to be used in the shape of shoddy or in some form in the production of woolen goods?

Mr. BROOKS. Certainly.

Senator SACKETT. Now, there is a considerable amount of hard-fiber rags that are exported from this country to other countries?

Mr. BROOKS. Yes; the lower grade rags. The difference is reflected in the price of these rags, which make very good shoddy, 28 to 7 cents, the foreign price, and the average price of the 17,000,000 pounds of rags exported in 1928 was 8 cents—American price.

Senator SACKETT. Now, what I was driving at was this: Where are they exported to?

Mr. BROOKS. I think mostly to continental Europe. I am not posted as to where they went.

Senator SACKETT. Are they turned into worsteds?

Mr. BROOKS. No, that is impossible.

Senator SACKETT. They are not turned into worsteds?

Mr. BROOKS. No, you can not use any shoddy in worsted.

Senator SACKETT. Are they turned into woolens?

Mr. BROOKS. Probably partly cotton goods, probably a very heavy fabric designed for some of the cold countries over there, like Russia.

Senator SACKETT. The last witness said that if we made this duty on these soft wool rags that those hard wool rags would be used in this country, and for what purpose would they be used?

Mr. BROOKS. I believe that we produce a large quantity of those low grade rags and use every pound that we have a call for and the surplus we export. There is no question about it, we would not export those rags at 8 cents and then re-import.

Senator SACKETT. No, but he seemed—the thing that rather puzzled me in his testimony was that he said they would be used in this country provided we put these duties on the soft wool rags. They would then simply supplant part of the soft wool rags used in this country?

Mr. BROOKS. They could never supplant them, in my opinion. I do not wish to differ with him, but in my opinion they could never supplant the shoddy made from that. But the shoddy made from those could never supplant shoddy made from these soft rags.

Senator SACKETT. Then he also said it would bring into the market short textured wools and things of that kind, and they would be used. They could not be used in worsteds, could they?

Mr. BROOKS. No.

Senator SACKETT. Could they be used in woolens in place of these rags?

Mr. BROOKS. Yes.

Senator SACKETT. So that that would be an advantage to the woolgrower in those sections to exclude these rags, would it not?

Mr. BROOKS. I should say it would. Not necessarily to exclude them. If it is necessary on an economic basis, but in the successful tariff acts which I have mentioned, all of these wastes and by-products

came in in limited quantity. Since 1922, starting with the first full year, they have averaged better than 30,000,000 pounds a year on these wastes, and a large proportion in the last year, out of 38,000,000 pounds, 23,000,000 pounds I think it was—I can tell exactly—well, it does not make any difference, either 21 or 22 or 23—I have it right here—were in the shape of rags averaging 28.7 cents a pound, which makes a very superior class of shoddy.

Senator BINGHAM. Now, if we would keep those rags out, would the worsted manufacturer have an opportunity to sell more of his waste to the woolen manufacturer?

Mr. BROOKS. They take all of our wastes that are made here to-day.

Senator BINGHAM. They take it all now?

Mr. BROOKS. They take it all now.

Senator BINGHAM. In your opinion, do these importations of rags, waste, really decrease the use of pure wool?

Mr. BROOKS. I can see nothing else but a decrease in the use of pure wool. I know the argument has been made that they increase the use of pure wool, but I can not see it. If you follow that argument down to its logical conclusion, you have only to import enough of these wastes, which when blended with pure wool will use our entire wool clip.

Senator BINGHAM. As I understand it, after being carbonized, these wastes become pure wool?

Mr. BROOKS. Not all of them require to be carbonized. Some of them do, of course.

Senator BINGHAM. But sooner or later they practically all become pure wool?

Mr. BROOKS. Yes, sir.

Senator BINGHAM. Therefore, they compete directly with the production of pure wool?

Mr. BROOKS. They do.

Senator BINGHAM. With the sales of wool from the farm?

Mr. BROOKS. They do.

Senator GEORGE. But they do not have the same value?

Mr. BROOKS. No, there is no question about that. There is a large intrinsic difference in the value of these yarns, which in my opinion should be sufficient—should give the wool manufacturer a sufficiently lower differential in his cost.

Senator BINGHAM. Would the ad valorem equivalents be greatly increased?

Mr. BROOKS. They would. The ad valorem equivalents on these stocks—that is a problem created by Congress in placing the duty on wool. Ad valorem equivalents are a direct consequence of that.

Senator GEORGE. How much, what would it increase the ad valorem? What would be the measure?

Mr. BROOKS. As Senator Bingham said to the last witness, in the matter of shoddy it would be between 200 and 300 per cent; in the matter of rags between 200 and 300 per cent.

Senator BINGHAM. No, that is not the increase in ad valorem. That is the increase in specific duty. The increase in specific is about 250 per cent, but Senator George wanted to know what would be the increase in the ad valorem equivalent.

Mr. BROOKS. Is not that the answer of the ad valorem equivalent? 8 cents to 29 is equal to 300 per cent, between 200 and 300 per cent,

from 8 cents to 29 cents ad valorem is an increase of 21 cents on each, which is practically 250 per cent.

Senator BINGHAM. Eight cents to 28 cents is approximately 35 per cent.

Mr. BROOKS. Eight cents on 28 is about 35. Very well. It does not need to be so exact. If you put that up to 29 cents the duty goes up 100 per cent. That is the answer. From 35 per cent it jumped up to 100 per cent.

Senator BINGHAM. It is not an increase of 250 per cent ad valorem. It is virtually tripling the ad valorem duty, but it puts it up to about 100 per cent ad valorem.

What do you think about the argument of probable accumulation of these wastes abroad? What would happen to that?

Mr. BROOKS. Of course, we can not control the markets of the world. If these wastes were—I will not say if there was an embargo put against them or if the importation was greatly restricted it is possible that they might fall in price, but if the price fell largely, all manufacturers would have the same chance to buy them abroad. Our manufacturers could buy them abroad at the low prices over there. They would get the benefit of any drop, just the same as the foreign manufacturer reaps the benefit of the drop, and the duty remains the same.

Senator SIMMONS. They would get the benefit of any drop in the world price?

Mr. BROOKS. Surely they would.

Senator SIMMONS. But they would have to pay this high duty.

Mr. BROOKS. Naturally. If the wool duty is right, then they must pay it.

Senator SIMMONS. Judging from the volume used, they must find it very profitable to use these wastes.

Mr. BROOKS. No, not necessarily, Senator, because they must go into a very low-grade fabric.

Senator SIMMONS. Are they not having a very large demand for that grade of fabric in this country?

Mr. BROOKS. Yes, I believe they have.

Senator SIMMONS. Now, suppose you exclude these rags by a very high tariff, raise it up to an embargo level, what would take the place of the low-grade product that is made out of these rags and sold to the people of the country?

Mr. BROOKS. Why, if you put a practical embargo on them, there is nothing to take their place but wool, pure wool. That is, after our own production of these articles has been used up.

Senator GEORGE. Would not our own production go on, follow these up?

Mr. BROOKS. Possibly. It all depends on the market. The law of supply and demand would govern. The wool men claim they would never realize the full benefit of the duty which has been given on wool.

Senator SIMMONS. Is the cheapest wool product that we make in this country made out of rags?

Mr. BROOKS. Yes, I should say so, largely.

Senator SIMMONS. And there is a very large demand for that very cheap product?

Mr. BROOKS. There is.

Senator SIMMONS. If you keep these out, of course there will be none of that cheap product on the market?

Mr. BROOKS. Pardon me, Senator, I started to say that the foreign value—I did say that the foreign value of these rags was 28.7 cents. I believe that the very cheapest product for which there is a large demand is made largely out of the shoddy which we import, a portion of it valued at 8 cents. There is a difference less than one-third of the price of this. I believe a large product of these very cheap goods is made out of low-priced shoddy, and we use all we need and export 17,000,000 pounds.

Senator SIMMONS. If those rags could not come in, then the consumer of the product of those rags would buy shoddy?

Mr. BROOKS. Yes, but it would not be—you asked me about the very low priced goods. It would not be very low priced goods, it would be more in the range of medium priced goods.

Senator SIMMONS. Shoddy would be the only one that would be lower.

Mr. BROOKS. Yes, sir. And of course, this would be a good grade of shoddy and would make a much better class of goods than the very low shoddy.

(Mr. Brooks submitted the following table:)

Wool wastes and by-products—Average annual importations under each tariff act, 1876-1928

	Pounds
1867 to 1883 (act of 1867).....	1, 300, 984
1883 to 1890 (act of 1883).....	3, 793, 147
1890 to 1894 (McKinley bill).....	481, 413
1894 to 1897 (Wilson-Gorman Act).....	26, 776, 800
1897 to 1909 (Dingley bill).....	306, 306
1909 to 1913 (Payne-Aldrich bill).....	414, 394
1913 to 1922—embracing war period (Simmons-Underwood Act)....	9, 950, 525
1922 to 1928 (Fordney-McCumber Act).....	33, 367, 232
Importations for 1928.....	36, 170, 713

STATEMENT OF HON. EMANUEL CELLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. CELLER. Mr. Chairman and members of the subcommittee of the Committee on Finance, I am interested in saying a few words to you this afternoon in reference to paragraph 1105 of the House bill, referring primarily to wool wastes. So that you may have the matter clearly before you, I am going to read that particular paragraph as it was passed by the House.

Senator BINGHAM. We have it before us, on page 196.

Mr. CELLER. At the end of paragraph 1105 there is a provision for wool rags, and there is an additional duty of one-half a cent a pound—

Senator BINGHAM. It is in line 12, of our bill.

Mr. CELLER. I have no objection, and do not wish to voice any opinion against that increase. The object of my appearing before you this afternoon is to voice an objection, however, to subdivision (c) of that paragraph which provides:

All the foregoing, and wool and hair of the kinds provided for in this schedule, when carbonized, shall be subject to a duty of 7 cents per pound in addition to other duties imposed by law.

Now, gentlemen, if you will examine that very closely, you will find something rather peculiar in this sense. Wool rags bear a burden of 8 cents a pound under this new bill.

By section (c)—and I only refer to wool rags and not other wool wastes—you add to that 8 cents a pound, 7 cents a pound when the wool rags are carbonized.

You can scan every tariff measure and run through every tariff bill now before you and I think you will not find a differential of as much as appears in this schedule. It is almost 100 per cent.

That differential is entirely disproportionate. If you are going to give some modicum of protection to those who carbonize, give it to them; but here is protection run riot. By carbonizing, briefly, is meant the use of chemicals like sulphuric acid, as I understand it, in which the wool wastes are bathed so that the impurities, such as the various vegetable matters and other impurities, are removed therefrom—the grease and the dirt and the other impurities, as well as cotton and rayon, which is mixed and interwoven by a great many European manufacturers in their wool—and by the use of these chemicals you get a real wool content.

In order to protect this kind of service—and carbonizing is a service, just like laundering or any cleaning process is a service—they are going to put a duty—

Senator BINGHAM. Is that quite a fair statement of it? I am so ignorant in these matters that possibly my question will seem foolish to you. I am trying to learn.

But I understand that sometimes these rags come in made of cloth that is half cotton and half wool, and in carbonizing they destroy one-half of it and do away with the cotton, so that it is not quite like laundering.

Mr. CELLER. I will just put it this way, that certainly it is not protection of a manufactured article. It is not that, because the carbonizers who are asking for an increase have said themselves, we are rendering a service, and I believe, if my memory serves me correctly, somebody appeared before the Ways and Means Committee of the House, Mr. Alban Evanson, who, I believe, is to be heard by this committee on this schedule, and in testifying before the Ways and Means Committee he said, "In our business we are not selling products; we are selling service, and the main cost is represented by labor; between 50 and 60 per cent of our total cost is represented by labor."

There, upon the admission, I believe, of a gentlemen who perhaps knows more about this subject than I do—I do not know whether he knows more than you do, Mr. Chairman, but I think he knows something about it—we have the admission that it is really a service that is being protected by this differential. But by putting this heavy duty on I think that you put a duty on rather unfairly. You should not have a hundred per cent differential.

Senator BINGHAM. Do not say "you" to us; you did it in the House.

Mr. CELLER. I am speaking generally, Mr. Chairman.

Senator GEORGE. Let me call attention to the fact that we were asked this morning, as to the last line of paragraph 1105, to increase the duty on wool rags to 28 cents and on flocks to 10 cents.

Mr. CELLER. I will say this, Senator George: I am not quarreling with whatever duty you may place on wool waste.

Senator GEORGE. That does not concern you?

Mr. CELLER. Not for the moment, and as to the general proposition of protection.

If, for example, these manufacturers want protection on their wool waste, I am not objecting to that. I am not concerned with that now. What I am trying to focus your attention is carbonized wool rags. Wool rags play a very important part in the New York clothing industry, and I am interested in this matter as it affects the clothing industry where the coarser fabrics enter into their clothing material, and where their clothing material is very materially affected because these wool wastes, particularly wool rags, carbonized, are used to a great extent in the manufacture of what I should call good clothing, but the cheaper clothing, and a great deal of that product is used in this country.

See what happens when you set up such a high differential. I am informed by those in a position to know, who deal in these wool rags, that sometimes the impurities that I mentioned, the grit, vegetable fiber, cotton and rayon, and so forth, go as high as 60 per cent of the entire content. You are going to simply preclude the importation of wool rags, because, why would a manufacturer pay for all the impurities and all the vegetable fiber. He would pay for it if he would bring it in uncarbonized. You prevent him from bringing it in when it is carbonized, because you add such a high differential, making a duty on the carbonized wool rags of 8 cents, as provided in paragraph 1105, plus the 7 cents, which you add by the provision of subdivision (c). So they are caught between two swords, if they have to pay this very high differential.

I would like you gentlemen to give some consideration to that situation.

Senator SACKETT. Why did you put it in in the House?

Mr. CELLER. I did not, and we did not even have an opportunity on the floor to offer any amendment; that is, the individual members; and I confess that I voted for this bill, and I am a Democrat from New York. I voted for the bill, not because of but in spite of these provisions. I am that type of protectionist who feels that every commodity ought to stand on its own bottom. I asked for certain things before the Ways and Means Committee, and I got them. I am particularly interested in shoes, handkerchiefs, and other articles manufactured in my district in Brooklyn, and I felt that I had to vote for the bill; and I am here now to try to perfect the bill. The bill is by no means perfect.

Senator SIMMONS. After these rags come in in that state they are carbonized here?

Mr. CELLER. Yes, Senator, they are carbonized here.

Senator SIMMONS. Your theory is that if this additional duty is allowed they will be utilized abroad and the rags will not come in any longer?

Mr. CELLER. That is correct, and you will give the benefit to the European manufacturer.

Senator SIMMONS. And the benefit of the carbonizing process will be in Europe?

Mr. CELLER. Yes, and not here.

Senator SIMMONS. Is there any industry engaged in the carbonizing of rags to any considerable extent, of any considerable size, in this country? You spoke of some one plant in your city.

Mr. CELLER. I am unable to tell you the amount of capital invested in the industry. There are quite a number of men interested in the industry.

Senator SIMMONS. It is an industry?

Mr. CELLER. It is part of the reworked wool industry.

Senator SIMMONS. This additional duty would practically destroy all of the industry because these rags would not longer come in in the rough state?

Mr. CELLER. No. I do not say it would entirely destroy them; I think that it would have a very appreciable effect upon the wool rags to be imported.

Senator BINGHAM. That is the object, to discourage importation of wool rags.

Mr. CELLER. Of course, I believe there would be very little of the carbonized woolrags imported. The duty of 15 cents per pound would be prohibitive.

Senator BINGHAM. Therefore, the carbonizing people would have little business.

Mr. CELLER. Of course, there are a great many other items relative to carbonizing. I simply want no distinction made on the question of wool rags carbonized or uncarbonized. Never before has there been any such distinction in any tariff bill. I have scanned the statutes passed since 1846, not having gone back of that year, and there has never been any distinction made between wool rags, carbonized and uncarbonized.

Senator SACKETT. But what is the cost of carbonizing in this country?

Mr. CELLER. I should like to find that out myself.

Senator SACKETT. How would we be able to tell whether it is too high?

Mr. CELLER. I have a statement from an interested concern, from the firm of B. D. Kaplan & Co., which is opposed to this rate, and the Kaplan firm implied that the cost is approximately 2 cents a pound. I can not give you any exact figures on that. I am almost sure that the experts on the Tariff Commission designated to examine this schedule will tell you that this rate is entirely wrong.

Senator SIMMONS. Have you consulted them about it?

Mr. CELLER. I have been unable to get at the exact figures as to the cost, except that I have this information from B. D. Kaplan, where the statement is that the cost is approximately two cents to carbonize.

Senator BINGHAM. Can you not give us an affidavit as to the cost?

Mr. CELLER. I shall be very glad, if you will give me leave, to place in the record some such statement from a disinterested concern as to the cost.

Senator BINGHAM. In the form of an affidavit.

Senator SACKETT. What proportion of the rags imported are carbonized?

Mr. CELLER. In so far as the tariff bills heretofore enacted are concerned, they have never differentiated between carbonized and uncarbonized rags, and it has been impossible, from the searches I have

made at the Tariff Commission and information I have gotten from the various customs bureaus to determine what is the amount of carbonized and uncarbonized rags coming in. I am informed that of the total amount of wool rags imported 25 per cent are carbonized.

Senator SACKETT. Was there any duty on carbonized rags?

Mr. CELLER. No; it was always the same, carbonized or uncarbonized.

Senator SACKETT. And only 25 per cent came in under that?

Mr. CELLER. Something like 25 per cent, carbonized.

Senator BINGHAM. Are you interested in any way in protecting the industry of carbonizing the rags?

Mr. CELLER. If they need protection, I want to protect them. I do not think they have made a case.

Senator BINGHAM. If we put a certain tariff on these rags and they come in uncarbonized, they will not have to pay this 7 cents.

Mr. CELLER. No.

Senator BINGHAM. And your informant tells you that they can be carbonized at a cost of 2 cents. I suppose if they can do it for that the other people can do it for that.

Mr. CELLER. Certainly.

Senator BINGHAM. And if the work will be done in this country the added cost to the consumer will be not over 2 cents a pound.

Mr. CELLER. The difficulty comes in assembling these various items together. They take top waste and the various other kinds of wool waste and they bunch them all together.

Senator BINGHAM. I do not see that you have made a case except for the importers of carbonized wastes of one sort or another, because if you put this 7 cents on, which the House did, and about which we as yet know very little, you merely encourage everybody to bring theirs in uncarbonized and have it carbonized over here.

Mr. CELLER. You do not encourage them, because there is this difficulty—

Senator BINGHAM. But they avoid the payment of 7 cents a pound, and it is not an expensive process.

Mr. CELLER. I do not think that that is a fair statement of it, because, as I tried to tell you before, you would even discourage the bringing in of any uncarbonized wool rags because there is so much that is not pure in them. They would have to be a regular duty of 8 cents, not only on the pure-wool content, but also on all the impurities and vegetable fiber that comes with it, and sometimes that is as much as 60 per cent. It would not pay them to do that.

Senator BINGHAM. If they had as much as 60 per cent impurities—

Mr. CELLER. Sometimes it goes as high as that.

Senator BINGHAM. If the waste had 60 per cent impurities, and it was, for instance, in the n. s. p. clause, with other wools not specially provided for, 18 cents a pound, and if it had 60 per cent impurities it would come in uncarbonized, let us say, and it would be cleansed, and they would get four-tenths of what they brought in in wool. If they bring it in carbonized they have to pay 7, and it would cost them about 8 cents, roughly, and that added to the 7 cents for carbonization would be a total of 15 cents. So that it would be cheaper for them to bring it in carbonized and pay the 7 cents. It would be cheaper for them to introduce it carbonized.

Mr. CELLER. You are taking it as a flat figure of 60 per cent. I said that sometimes it goes up to 60 per cent.

Senator BINGHAM. Say it is 50 per cent, and you bring in wool waste not specially provided for, with 50 per cent of impurities, and you pay 18 cents a pound.

Mr. CELLER. Where do you get the 18 cents?

Senator BINGHAM. That is the provision of the bill in line 10.

Mr. CELLER. I am not interested in that; I am talking only about wool rags and flocks, and not the other. That is the difficulty with the bill. This basket clause speaks of "all the foregoing," but I am addressing myself only to wool rags.

Senator BINGHAM. I understood you to say that wool rags were likely sometimes to have 50 or 60 per cent impurities.

Mr. CELLER. Yes, sir. Sometimes it is less.

Senator SACKETT. When you take the cost of production you have to allow for the cost of material and the cost of protection, so if it was only 50 per cent, that could very well run up to seven cents a pound.

Mr. CELLER. I am not expert enough on that to know.

Senator BINGHAM. If you carbonize it you reduce it by half in weight, and that means 50 per cent, and you pay one-half of the rate mentioned above, plus the 7 per cent.

Mr. CELLER. Then, for example, taking these other schedules, if you bring in wool, it pays a regular flat rate of duty. What difference does it make whether you bring it in as the result of carbonization, or if you get the same result by doing it in some other way? The wool ought to bear one flat rate.

Senator SACKETT. If it goes through a certain process of manufacture in this country it ought to be protected.

Mr. CELLER. I am willing to give that protection if it is not exorbitant.

Senator BINGHAM. The bill provides a duty of eight cents for wool rags.

Mr. CELLER. That is right.

Senator BINGHAM. Wool rags may have 50 per cent of impurities and sometimes it may be more than that. In the case of wool rags with these impurities, they pay eight cents a pound.

Mr. CELLER. That is right.

Senator BINGHAM. If you carbonize them you only get one-half the wool, so your duty then becomes 16 cents a pound.

Mr. CELLER. That is not fair. You fail to figure cost of material and other items.

Senator BINGHAM. If you carbonize them in this country.

Mr. CELLER. Yes.

Senator BINGHAM. If you introduce them as wool rags, carbonized, pure wool, you pay 8 cents for the wool rags, and then you add the additional duty of 7 cents, making a total of 15 cents, so that is cheaper than what you propose.

Mr. CELLER. That is not a fair statement, because the amounts of impurities vary. It would be unfair to make that statement as a generalization, that it runs 50 per cent. It runs down a good deal lower than that, and does in a good many cases. It would be highly unfair to make that generalization, and say that it runs 50 per cent, when we do not know just what it is. Furthermore, you must

consider many other factors such as cost of material, kind of material, and so forth.

Senator BINGHAM. I understood your argument to be based on that principle, on the fact that there is a great deal of impurity in it, and what I am trying to show you is that by bringing them in with the impurities, if they are brought in with the impurities you only pay 8 cents a pound, and when you take the impurities out and get half of it only, you pay 16 cents on the wool, and if you bring it in carbonized you pay 8 cents plus the 7 cents, and you are not paying as much as before.

Mr. CELLER. But it would be highly unfair to take those figures with reference to the amount of impurities; I can not give you that information exactly.

Senator BINGHAM. Figure it at 25 per cent. You will have to admit that that is a very low amount of impurities. You bring in the wool rags uncarbonized at 8 cents a pound and when you carbonize it you get only three-quarters as much as you had before, and therefore you increase the cost by 50 per cent, do you not?

Mr. CELLER. Yes.

Senator BINGHAM. You make the duty on those rags cost 8 cents, plus 12 cents, which is 20 cents.

Mr. CELLER. Suppose that I ask permission to do this. Mr. Kaplan, who is more familiar than I am with this matter, can get the correct figures, and I would like to have him have these figures prepared for you to-morrow.

Senator BINGHAM. If you lose a quarter you increase the duty by a quarter, and if you bring it in at eight cents you lose a quarter, and your duty is 10 cents, because you have to add 2 cents to that 8 cents.

Mr. CELLER. I do not think that is correct, but I will be glad to submit some of these figures with a greater degree of accuracy, and probably work this out with you, if you will permit me to do that later.

Senator BINGHAM. Very well.

Mr. CELLER. Just one more point. I got the summary of tariff information on this particular item, and I noticed that we export a great deal of wool rags as well as import a great deal of them. Ordinarily, it is a pretty safe standard to follow, that where you have a large and increasing amount of imports and a large and decreasing amount of exports, that particular item ought to have some sort of protection. But that is not the situation here at all.

Senator BINGHAM. Those are not used for the same purpose.

Mr. CELLER. It is pretty hard to say, because there was no distinction made between the carbonized and the uncarbonized.

Senator BINGHAM. The testimony we have is that the exported rags are a different article.

Mr. CELLER. They are used for different purposes?

Senator BINGHAM. Yes.

Mr. CELLER. I understand that at times they are used for the same purpose. I do not know what amount it is.

Senator BINGHAM. The testimony was that they were not so used.

Mr. CELLER. I think that that matter ought to be considered and amplified upon, and I shall be very glad to do that in the brief. Mr. Kaplan will be here tomorrow, I think, and if he is I will appreciate it very much if you will get him to testify at that time, inasmuch as he was expected to follow me.

Senator BINGHAM. Very well.

(Mr. Celler subsequently submitted the following affidavit:)

STOUGHTON MILLS (INC.),
West Stoughton, Mass.

To whom it may concern:

This is to certify that our actual cost of carbonizing old woolen rags is 2 cents per pound.

STOUGHTON MILLS (INC.),
S. MITCHELL AXELROD, *President*.

JULY 5, 1929.

COMMONWEALTH OF MASSACHUSETTS,

County of Suffolk, ss:

Then personally appeared the above-named S. Mitchell Axelrod, president of the Stoughton Mills (Inc.), made oath that the foregoing statement, made by him, is true to the best of his knowledge and belief.

J. OSTLE SEARS, *Notary Public*.

My commission expires April 1, 1932.

**STATEMENT OF SAMUEL M. KAPLAN, REPRESENTING B. D.
KAPLAN & CO., NEW YORK CITY**

(The witness was sworn by the chairman of the subcommittee.)

Senator BINGHAM. You may proceed.

Senator SACKETT. What paragraph are you speaking to?

Mr. KAPLAN. In connection with section (c), which says:

All the foregoing, and wool and hair of the kind provided for in this schedule, when carbonized, shall be subject to a duty of 7 cents per pound in addition to other duties imposed by law.

Senator BINGHAM. That is the new language in the House bill?

Mr. KAPLAN. Yes; our business is the preparation of materials required in the manufacture of woolen fabrics, and the mills to whom we supply this material are located throughout the country. This is a most unfair provision in the pending tariff bill. While the matter deeply concerns the woolen mills it no less vitally affects the great mass of citizens who are interested in getting their clothing at a reasonable price.

Among the more important of the raw materials required in the manufacture of cloth for medium-priced good clothing is stock that is utilized for reworked wool, namely woolen clippings or rags, carbonized rags, etc. Carbonizing is the process of saturating woolen rags in a solution of sulphuric acid which removes from them all impurities, such as cotton or other vegetable matter, leaving the absolutely all-wool fibers.

Our present purpose is to draw your attention to the proposed duty of 15 cents on carbonized rags. That is, 8 cents on rags plus 7 cents a pound where they are carbonized.

Senator BINGHAM. Is that an increase?

Mr. KAPLAN. That is an increase.

Senator BINGHAM. I wish you would explain that because we would like to know if the bill does decrease that 1 cent. We know that wool rags, if carbonized, under the 1922 act are dutiable as wool extract, and on wool extract the present duty is 16 cents, and this change you are now speaking about, 8 cents plus 7 cents, is only 15 cents. Why is that an increase? It seems to me a decrease.

Mr. KAPLAN. They are not the same stocks. Wool extracts and carbonized rags are not exactly the same. A wool extract is the residue that is left over after carbonizing for wool the stock that contains more than half cotton, and then the result is processed or picked; in other words, it is practically shoddy, and it is not rags.

Senator SACKETT. They are used for the same purposes.

Mr. KAPLAN. They are not used for exactly the same purposes. They are used in manufacture of woolen goods, but not in the same kinds of woolen goods.

Senator SACKETT. Are they not used interchangeably?

Mr. KAPLAN. No.

Senator SACKETT. Nowhere near the same?

Mr. KAPLAN. You use wool extracts in woolen goods of some nature, but there may be certain other classes of woolen goods where you could not use them. They would not produce the same result.

Senator SACKETT. If you have what you are asking for, this 8 cents, by taking off the 7 cents, would you not run the wool extracts off the country?

Mr. KAPLAN. There are little or no extracts abroad that are brought into this country from Europe.

Senator SACKETT. I notice that wool extracts is now cut out of the bill. The bill does not say anything about wool extracts. In the 1922 act shoddy, mungo, and woolen rags if carbonized were dutiable as woolen extracts at 12 cents a pound. In this proposed bill wool rags are 8 cents a pound; if carbonized, it adds 7 cents, making 15 cents a pound.

Mr. KAPLAN. Yes.

Senator SACKETT. There is really a reduction, if it is dutiable as wool extracts under the old law—you are getting a reduction on it in this bill?

Mr. KAPLAN. No; the wool rags whether carbonized or uncarbonized under the old bill come in under 7½ cents a pound.

Senator SACKETT. Not according to that; no. It is dutiable at 16 cents.

Mr. KAPLAN. No; we have been bringing in wool rags at 7½ cents because they are not wool extracts.

Senator GEORGE. With that construction placed on the act you were permitted to bring in wool rags at 7½ cents?

Mr. KAPLAN. Yes.

Senator BINGHAM. Even if carbonized?

Mr. KAPLAN. There has never been any tariff law that made a difference between carbonized and uncarbonized rags.

Senator SACKETT. Is the tariff expert able to explain that?

Senator BINGHAM. What is the matter with this language in the bill? The tariff expert tells me that if carbonized rags are not wool extracts he does not see what an extract is.

Senator SACKETT. He is a tariff expert.

Senator BINGHAM. It is the tariff expert's understanding that to-day carbonized rags do not come in as wool extracts. They come in as other rags, he says, and they are dutiable as wool extracts.

Senator SACKETT. Then the new language is not correct.

Senator BINGHAM. Then we have found an error in the law.

Senator GEORGE. But even if there was an additional duty added, carbonized rags 7½ cents, is that out of line to the cost?

Mr. KAPLAN. It is all out of all proportion entirely. The cost of carbonizing rags in England, and most rags are carbonized in England, is approximately 2 to 2½ cents, and the cost over here is practically the same. If they put this duty on carbonized rags it would not aid the rag-carbonizing industry, which is quite different from the wool-carbonizing industry, at all. They would not bring that material over here. They would not get any increase in work, because the woolen rags that are gathered in England, and most of these are from knitting factories, are very much manipulated with rayon and cotton and other vegetable fibers, and they are gathered from small manufacturing plants, and it is almost impossible to gauge the amount of impurities in these rags, and it would not enable anybody to buy this class of material in Europe as the duty on the foreign content would be assessed.

Senator GEORGE. If there is anything wrong with it that duty ought to be raised on rags with a fair proportion cut on the carbonized?

Mr. KAPLAN. Yes, that would be so if there was a reason for raising the duty on rags.

Senator GEORGE. It looks to me so, but I have not been able to figure it otherwise.

Mr. KAPLAN. Our present purpose in calling attention to this is to direct your consideration to the proposed duty of 15 cents on carbonized rags. We feel very strongly that this duty is most unreasonable and is bound to eliminate from domestic consumption a very considerable amount of desirable stock for the woolen mills. Never in the history of tariff legislation has there been any difference in duty between carbonized rags and any other kind—the duty has always been the same. Possibly the Ways and Means Committee contemplated that the increase of 7 cents over the present tax on this stock would help the carbonizing industry of this country, but we are convinced that such would not be the case. The cost of carbonizing, which is approximately 2½ cents per pound is practically the same both here and abroad, and consequently there is no competition as to the labor cost. Moreover, the carbonizing industry will not obtain any additional employment through the operation of this additional tax because there will be no importation of this class of stock if it has to be carbonized on this side, and for the reasons which I will mention later.

Senator SACKETT. Do you do any carbonizing yourself?

Mr. KAPLAN. No; we do not. But our customers do.

Senator SACKETT. Do they carbonize domestic rags?

Mr. KAPLAN. Yes they do.

Senator SACKETT. Is this change in the duty put on here to protect foreign carbonizing or domestic rags?

Mr. KAPLAN. No; it is not because rags carbonized abroad are a class of rags that we get little or none of in this country.

Senator SACKETT. Do we not get refuse of knit mills in this country?

Mr. KAPLAN. Yes, but there is a difference, in quality over that used over here for carbonizing and what they use abroad. For instance, I have here two samples of blue, knit rag, one American carbonized, and the other foreign carbonized; the domestic carbonized is inferior to the foreign carbonized rag. Abroad they use more of

the worsted stock in their knit goods, and here we use more wool and the quality is quite different.

Senator GEORGE. Is not this the picture? The producer of raw wool realizing all of these difficulties in getting the full effects of the tariff, by the importation of these waste, including these rags, believe that if the rags were raised to anything like what they believe to be a protective duty, if you have such a tremendous per cent there, which could not really be afforded or defended, and for that reason they have added this 7 cents a pound here to the carbonized, and for that reason given a high duty, is not that the probable explanation of the whole section?

Mr. KAPLAN. I do not know what their idea is on that.

Senator GEORGE. I am stating it as a supposition. Is not that the probable explanation of this provision put in here by the House?

Mr. KAPLAN. Yes, but it is not correct.

Senator GEORGE. I understand that contention. I wanted to know if this does not account for its being there?

Mr. KAPLAN. It probably does, but the woolen mills of the United States are decreasing rather than increasing, and we are primarily interested in trying to help woolen mills get along, not worsted mills, but woolen mills.

Senator GEORGE. The woolen mills are decreasing?

Mr. KAPLAN. Decreasing rapidly. And one of the important ways in trying to help woolen mills and the woolen industry in this country is to give them as reasonable low raw material as they can possibly get, and if you take away from them about the last of the reasonable products that they can use, you simply have to make up for it by compensatory duties to them. You will have to work that out in manufactured products. You can not take away their duty on raw material and not help them to get higher prices for their goods.

Senator SACKETT. Is there not a compensatory duty for the pure wool?

Mr. KAPLAN. The woolen mills are helped a little by using material that is serviceable and reasonable in price, and they have only just one chance, and that is to cater to the public of this country, the masses of this country. They are using their ingenuity and brains to make as reasonable a priced piece of goods as they can in order to allow the masses in this country to buy two suits of clothes where to-day they buy only one.

Senator SACKETT. Bringing in all these cheap rags, if they come in, will cut out that much wool produced in this country.

Mr. KAPLAN. No, it does not, because the class of rags that comes under this provision of carbonized rags consists of a class of wool that is not raised in this country.

Senator SACKETT. If it was not used they would have to use wool that was raised in this country?

Mr. KAPLAN. But this country is primarily a style country and you can not tell the population of this country we want you to use this or that class of goods, or to wear a brown suit of clothes because it is made of virgin wool. The man who can afford an imported fabric will have that style. The masses of the people will take only the material that they desire, and that is the only material they will use.

Senator SACKETT. We have been hearing here to-day from the other fellow, not only the wool producer.

Mr. KAPLAN. The idea is to take care of the masses of the people of the United States.

Senator SACKETT. That is your theory?

Mr. KAPLAN. And if the wool growers got together with the woolen manufacturers to make a cloth at a reasonable price so that the masses of the people of the United States could have two suits of clothes where to-day they can have only one they could not produce enough wool to meet the demand.

Senator SACKETT. That is interesting. How is the wool grower to grow enough so that everybody can have two suits of clothes instead of one?

Mr. KAPLAN. They do not now grow enough in this country to take care of the needs of the United States. At the present time we have to import wool anyway.

Senator SACKETT. Suppose he did grow enough?

Mr. KAPLAN. If he did grow enough?

Senator SACKETT. Yes.

Mr. KAPLAN. He would not have to import wool from Europe.

Senator SACKETT. We would not have to import rags either?

Mr. KAPLAN. No; if he sold his wool cheap enough.

Senator SACKETT. He could not sell cheaper than the cost of manufacture?

Mr. KAPLAN. No.

Senator SACKETT. You heard the testimony here under cost of production?

Mr. KAPLAN. No; I was not in that division.

Senator SACKETT. You should have heard it. That is one of the things we are up against in determining this question. He said he was not getting his cost of production out of it now.

Mr. KAPLAN. I believe he should get more than the cost of production. I believe he should get a profit.

Senator SACKETT. I do not see how your plan of making manufactured goods works so that the man gets two suits now where he had only one. It does not sound quite right.

Mr. KAPLAN. If he wants to put the manufacturer in a position where he will not be able to get raw materials so that he can run, a large proportion of his customers will be out of business. He will not be able to sell any woolen mills because there will be no woolen mills to sell to.

Senator SACKETT. That gets right back to the volume.

Mr. KAPLAN. Yes; we do.

Senator BINGHAM. Is it not probable that the percentage cost of a suit of clothes which is chargeable to wool is really very small and that the percentage chargeable to labor is far more than half?

Mr. KAPLAN. I do not know exactly.

Senator BINGHAM. I know this, that I was getting a piece of goods some years ago and I thought I was getting a real present but I took it to my tailor and said, "Here is a piece of goods, you make that up for me." He did, and he charged me just \$20 less than he charged me for a piece of goods that he bought himself. That is all I saved on a hundred dollar suit of clothes. Of course, you may say that does not apply to the cheaper grade of clothes, but we have

been told here that the percentage on a suit of clothes that is actually chargeable to wool is small and we all know that the percentage chargeable to labor is high. Unless you cut down the labor part in making a suit of clothes you will not have your Utopia of two suits of clothes grown where one grows now because it is dependent on the wool. Is not that obvious?

Mr. KAPLAN. That may be true, but the things that form part of any cheaper class of goods, depend more on raw material and it is a very important part.

Senator GEORGE. Are you a manufacturer?

Mr. KAPLAN. No.

Senator SIMMONS. You made one statement in this matter that seems to me to be fundamental. These rags are imported here also in the rough state or they are imported here in the carbonized state, one or the other. You said that the cost of carbonizing in England was as high as the cost of carbonizing in this country.

Mr. KAPLAN. Approximately, about the same price.

Senator SIMMONS. If that be true, then there is no reason for an increase of duty because of the carbonizing, if the cost of carbonizing there is identical with the cost of carbonizing here?

Mr. KAPLAN. Not as far as carbonizing in this country, they do not need the protection here.

Senator SACKETT. Don't they have to protect them against shrinkage?

Senator SIMMONS. Is there any difference in the cost abroad and here in carbonizing?

Mr. KAPLAN. No.

Senator SIMMONS. It is generally done by machinery?

Mr. KAPLAN. Yes.

Senator SACKETT. What about the shrinkage? Take rags, if there was a shrinkage of 50 per cent when they bring it over uncarbonized we would pay that 50 per cent.

Mr. KAPLAN. I do not quite get you.

Senator SACKETT. Not only the freight but the carbonizing cost.

Mr. KAPLAN. Yes.

Senator SACKETT. And you have to add to that cost of carbonizing whatever difference there is in the actual cost of the carbonizing and the amount of waste there is in the rags themselves in order to get at the specific duty, to protect the carbonizing in this country.

Mr. KAPLAN. No.

Senator SACKETT. Because the carbonizer does not produce uncarbonized rags in this country.

Mr. KAPLAN. For carbonizing purposes in this country he uses domestic rags.

Senator SACKETT. You said they did not use any domestic rags for carbonizing.

Mr. KAPLAN. Yes; they do.

Senator SACKETT. I asked you that question before and you said that you did and there should be protection to the carbonizer on domestic rags.

Mr. KAPLAN. No; there is no protection required.

Senator SACKETT. How much does he need compared with the imported?

Mr. KAPLAN. He does not need any because he buys raw material from the raw material buyer and that equalizes the difference.

Senator SACKETT. You told me when we talked before on the refuse of wools from those countries that they did not need it all.

Mr. KAPLAN. Yes; but they use refuse from the knitting mills. They use material from the knitting mills here. If they had sufficient of these classes of rags such as we bring in from abroad then we would not import them.

Senator SACKETT. Or if they were cheaper?

Mr. KAPLAN. Or if they were cheaper we would not import.

Senator SACKETT. This 7 cents is what we are trying to prevent them from being cheaper.

Mr. KAPLAN. Yes; but the 7 cents on rags is sufficient.

(The following statement was submitted for the record by Mr. Kaplan:)

Mixed cotton and rayon are being used with wool abroad every year in the manufacture of hosiery, underwear, sweaters, etc. Most of these cotton and wool, also rayon and wool rags, are collected in small weights from different mills and each mill may be using a different percentage of cotton or rayon with the wool. For this reason it is not practical to buy the rayon and wool, or cotton and wool rags uncarbonized. Under the current law these mixed rags are being carbonized abroad and shipped to this country, carrying the same rate of duty as the uncarbonized rags. It is our considered opinion that it will be impossible to compete with foreign countries on a great deal of these carbonized rags if assessed at 15 cents. We firmly believe that it will be impossible to import the mixed rags uncarbonized and to carbonize them here, considering that it will be necessary to pay 8 cents per pound duty on merchandise containing an unknown quantity of cotton or rayon, in some cases as high as 60 per cent, which is lost in carbonizing. Just as importers of raw wool pay a duty based only on its clean content, that is, on the actual poundage of clean wool contained after scouring, so also importers of rags should not be compelled to pay the 8 cents per pound tariff except on rags free from deleterious constituents.

It is claimed that the importation of rags for reworked wool works injury to the domestic wool growers, but an examination of the facts discloses that such is not the case, for whereas the domestic wools are almost entirely of the fine quality, the imported rags are of the coarser grade and are utilized in fabrics not requiring fine wool, and consequently they offer no competition. Moreover, this country uses no less than twice as much wool as is grown here, our consumption being 700,000,000 pounds to 800,000,000 pounds a year while the domestic production is only about 400,000,000 pounds, so that the woolgrowers obviously can not be jeopardized by the importation of rags.

STATEMENT OF R. L. KEENEY, REPRESENTING SOMERVILLE WOOLEN CO., SOMERVILLE, CONN.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. KEENEY. Mr. Chairman and members of the committee, I am appearing here as an individual woolen manufacturer.

Senator BINGHAM. Your mills are located where?

Mr. KEENEY. In Connecticut, I am proud to say.

Senator SIMMONS. You will get anything you want.

Senator BINGHAM. Thank you, Senator.

Mr. KEENEY. I want so very little, as I am going to explain to you shortly. Perhaps to bolster up my testimony a little I might say that two or three months ago I was elected by the executive committee of a large textile association in Worcester County, known as the Manufacturers' Textile Association, to represent them in tariff matters. That association has in it about 50 mills; they have 434 sets of cards, over 5,000 looms, and employ over 10,000 people. For

the most part those mills are manufacturers of low-grade fabrics which forces them to use by-products in order to meet these low prices. Our mill also uses a considerable quantity of reworked stuff.

Gentlemen, when I came down here Monday morning I had no intention of appearing on the stand; I came to listen and to learn, but as I sat here it seemed to me that a subtle attack, which I think was unintentional, as I think the gentlemen were laboring under a misapprehension, was being made on the card-woolen industry. I think statistics will bear me out when I state that the woolen end of our industry perhaps needs more assistance to-day than the worsted end, if that needs any assistance. Personally, I would ask you to leave us alone and let us solve our own problems.

Our curve has been down. We have been scraping on the bottom and I believe the curve is turning upward. But if you gentlemen in attempting to assist one industry injure another industry, you may put us back on the bottom again.

As I sat here the other day I wrote down a few questions which I asked myself and then I answered them for you. I am referring especially to section 1105, because that is the section that contains wool wastes, rags, and shoddies.

Senator SIMMONS. What proportion of these wastes, the articles described in section 1105, will you use for material as compared with the raw material?

Mr. KEENEY. To-day probably 50 per cent. That percentage changes as the price of wool goes up. We have certain conditions, Senator, in our market that we have to meet. For instance, one of our customers is going to put out an overcoat at a certain price. We figure our cost; we put our profit on and our selling cost, and in order to do that we use a certain percentage of long staple high cost material mixed with the shorter staple low cost material and get our fabric.

Right here I would like to bring out a point which I think I am correct on. You have heard here that if we stop 23,000,000 pounds of by-products coming in by putting up a prohibitive, we manufacturers will be forced to use domestic wool. My claim is that we will not be forced to use it because we can not use it. There is no possibility of using 90 cent or \$1 wool where we are now using 35 to 45 cents shortage. You are out of that class entirely. My claim is this: It will work against these gentlemen for this reason: Suppose in the making of fabric containing 50 per cent, we will say, dollar wool and 50 per cent 40-cent shoddy. My average cost of that batch is 70 cents. If you put on this prohibitive tariff you not only shut out the foreign market that we have but you raise our domestic market, because there may be a shortage.

Senator BINGHAM. You mean that shoddy goes up?

Mr. KEENEY. Shoddy goes up. My wool is still a dollar. Say it only goes up 10 or 50 cents a pound. I have 50 per cent of each kind. What do I do to get my cost down to 70 cents? I take out the wool and I put in more shoddy, and I will defy you gentlemen when I do that to pick out the two fabrics if I do not go too far.

Our problem is that in the manufacturing end we need the long-staple wool to card and spin our yarns and make the operation financially successful to the mill as well as to the employees, a great many of whom are working on piece work. Our problem to-day is to

get the short fiber into the garment in such a way that our help can make their wages and we can make a profit. When we do that and get that into a garment the working man gets a good garment when he buys it. I have seen cloths with 75 per cent of this re-worked stock and 25 per cent of wool. That I will defy any man with ordinary uses to wear out in two or three years.

Along this line I asked myself, What is the proper duty on by-products? I claim it should be the relative duty. It is the relative value and it has a relative use in the mill. In other words, these by-products are cheaper. Why should they carry the same duty that this high-priced wool carries? I claim that the relative duty should be as adopted in the House bill.

Certain exhibits were put on your table here Monday as coming in under the noil tariff. They could not come in under that. If they do the administration of the act will not be properly carried out. There is no question about some of those stocks being full value. They were full value and should carry full duty.

Senator BINGHAM. Do you think it would be possible to word the act so that noil could be limited in length?

Mr. KEENEY. I see no reason why it should not, because a noil such as shown here is not a noil. The length of a noil varies somewhat depending upon whether it is straight combed or recombed noil.

Senator BINGHAM. Which would you think would be the longest?

Mr. KEENEY. I would rather not answer that question because it is quite complicated. We do not buy many of those recombed noils.

Senator BINGHAM. I presume we can get that information from the Tariff Commission?

Mr. KEENEY. Yes, sir. The question was brought up whether these increased duties on by-products would materially increase the cost of the garment to the consumer. Gentlemen, there is not any doubt but what it will increase the cost materially to the consumer.

Senator BINGHAM. If you use the same amount of wool, but if you increase the amount of shoddy in it, it will not increase the cost?

Mr. KEENEY. It will not increase the cost but it will bring down the value somewhat.

Senator BINGHAM. Of course, it will increase a class of goods that will not last as long, so it increases the cost in that way.

Mr. KEENEY. In making that statement I might have contradicted myself slightly as to the first position I took. I do not claim that a piece of goods with 25 per cent shoddy and 75 per cent wool is as good a piece of cloth, but as you pick it up you will have hard work telling the difference.

Senator SACKETT. Have the prices in these cheaper cloths reduced over a period of the last seven years?

Mr. KEENEY. Have the prices gone down?

Senator SACKETT. Yes.

Mr. KEENEY. Prices have varied. I could not state to-day how they compare with prices five years ago.

Senator SACKETT. Of course, a great deal more of this material has come into this country in the last seven years than came in before?

Mr. KEENEY. These by-products?

Senator SACKETT. These by-products; yes. Has not the use of these by-products greatly reduced the cost of woolen cloth?

Mr. KEENEY. I do not think so. Our domestic market has been about the same but has kept our raw domestic material market from getting out of hand.

Senator SACKETT. From going up?

Mr. KEENEY. From going up. In the last two or three years there has been a big demand for broadcloth from the women's wearing part of our industry. Those broadcloths absolutely require fine noils. The demand became so heavy that the local market could not take care of it. The result was that they had to go abroad to get these fine noils.

Senator SACKETT. Was that because of the style demand or price demand?

Mr. KEENEY. Style demand. Everything that comes from the woman's department is style demand. If we could create more styles we could sell more cloth to the women.

I want to call your attention to the fact that the woolen mills have filed no separate brief here so far as the worsted mills are concerned. Our cares and troubles are somewhat similar. I will say that the worsted mills have been very generous in supporting things that would injure the woolen mills. Some of the spinners have not been so lenient with us.

I want to also call your attention to the fact that the woolen mills or the mills that make the overcoatings for the workingmen come in between \$20 and \$35, or even less than \$20 per overcoat. As we use these raw materials along with the wool, if you increase the cost to us of these raw materials there is no question but what you are going to increase the cost of the garment to the workingman or else you are going to put us out of business.

Senator SACKETT. Did you hear the argument of the woolgrowers' association here the other day?

Mr. KEENEY. Yes, sir.

Senator SACKETT. What do you say as to that?

Mr. KEENEY. Will you specify which argument you refer to?

Senator SACKETT. The argument that the keeping out of these noils and rags and things would increase the demand for wool and improve the growers' position.

Mr. KEENEY. I thought I did answer that a few minutes ago when I gave you that example about the 50-50 proposition, changing it to a 75-25 proposition. In other words, we would use 25 per cent less wool if our shortage went up than we are buying to-day and they would sell us just 25 per cent less wool.

Senator SACKETT. But you would not increase the cost of your goods?

Mr. KEENEY. We can not sell our goods.

Senator SACKETT. I mean the effect of it would not be to increase the price of your goods.

Mr. KEENEY. It would not if we worked it that way. We might go to our customers and say, "We are through with that cloth; we can not buy the raw materials and can not sell you that cloth at that price any more." Probably he would then go to some other manufacturer.

Senator SACKETT. Then your answer is that it would not increase the amount of pure wool that is sold.

Mr. KEENEY. My opinion is that it would not.

Senator BINGHAM. The fact is that these 35,000,000 pounds of waste that come in displace 35,000,000 pounds of clean wool?

Mr. KEENEY. Yes.

Senator BINGHAM. If they were replaced by a demand for wool, or new raw wool of average grade value, the woolgrowers expect that that would greatly increase the demand and the price of their product. You will then increase the price of your wastes by reason of the higher tariff. You will increase the price of your raw material. I do not understand how you are going then to produce this overcoating at the same price at which you are producing it to-day.

Mr. KEENEY. If those conditions follow, I could not do it. Everything would go up. I am assuming that our wool is going to stay where it is.

Senator BINGHAM. What do you think you would have to charge for, say, 20-ounce cloth if the price of wool were doubled?

Mr. KEENEY. I can tell you this: In a 30-ounce piece of goods we probably use 40 ounces of stock to start with. In the cost of that fabric, roughly speaking, the material costs about half what the labor costs. You can figure 50 per cent of your material is doubled in cost.

Senator SIMMONS. You lay down this general proposition, that if by exclusion of these grades you have to use more wool the price you have to demand for your goods to make the profit will be greater and that higher price will probably lessen the volume of business which you will be able to do?

Mr. KEENEY. Yes, sir; it most certainly will.

Senator SIMMONS. And to the extent that it will lessen the volume of business you will be able to do, the woolgrower will lose the opportunity to sell 50 per cent of the material going into those goods.

Mr. KEENEY. The wool growers admit that they have one market and that is our industry. If you injure our industry they know that it injures them. They have no other outlet for their product. It has come to us and they are interested in keeping us prosperous. I consider the woolgrower just as much a manufacturer as our industry. I do not think they are farmers; I think they are manufacturers of wool fibers, and I think they should have every bit of protection that they need. We will take ours with the compensatory duty that you gentlemen think we are entitled to and we will go on and try to come through. But do not get it too high because we are up against that price proposition which we can not get away from. There is a \$25 overcoat that is highly advertised and they are not going to change that price without a terrific battle which I would hate to go through.

Senator BINGHAM. We have been told that there are a good many rags exported from the United States.

Mr. KEENEY. Yes, sir; statistics tell us that.

Senator BINGHAM. If this wool is made from these rags, why would not that give you what you want in lieu of these rags that are now coming in, if they are kept out by a higher duty?

Mr. KEENEY. The imported stock is very much more costly than the exported stock.

Senator BINGHAM. You mean they are softer rags?

Mr. KEENEY. They are of a poorer grade. They are inferior. In other words, the exports for the most part are made of materials that

we can not use on account of our high cost of labor. They send it over to those other countries where labor is cheaper. When anybody tells me the all-imported fabrics are wonderful fabrics I always think of the stuff that goes over there. But we can not use that stuff economically. If you force us to use it we may find some way to use it, but it will bring down the grade of our fabric. We will not be making as good fabric.

Senator SIMMONS. Suppose we put a duty on these wastes so high as to prevent their importation into this country altogether. That would materially affect your business. It would reduce the volume of your sales because you would then probably have to use practically all wool.

Mr. KEENEY. We make a great deal of these by-products in this country. We have to consume those.

Senator SIMMONS. But they are not adequate?

Mr. KEENEY. They have been at times, but at certain times they are not adequate. When the price gets out of hand we want some place to draw from outside of our own sources. If you put up a prohibitive tariff wall we are stuck.

Senator SIMMONS. If you could not get by-products here you would have to curtail that line?

Mr. KEENEY. Absolutely; it would go out of existence. Here is a peculiar thing about that by-product market. As the industry gets prosperous and cutters begin to cut fabrics these rags accumulate and they accumulate faster and faster as the industry gets more prosperous. The rags go down in cost because there is an over supply. It works the same the other way. Business gets slack. The cutters stop cutting and there is a scarcity of these rags in the market and the rags go up in price. It has happened many times in the last few years. It is a variable market that is controlled absolutely by the business of the industry. Whether or not we are busy depends a great deal on the price of these materials. It is the same way in the noils.

Senator BINGHAM. Your point is that the importation serves as the safety balance?

Mr. KEENEY. There is a balance there so if we get stuck we can reach over there and by paying a nominal duty we can get raw material and turn out materials to the people who require them. They will not pay the prices that some of the gentlemen have theoretically said they ought to.

Senator SIMMONS. If you take these shoddy goods off the market will the purchasers of shoddy goods buy woolen goods?

Mr. KEENEY. The chances are that there would be some other substitute put in there, such as rayon. We would take out the wool fibre and put in rayon fibre. These low grade mills are very much interested in your stopping that cotton fabric coming in under the cotton schedule. It should come in under the wool schedule.

BRIEF OF THE STERLING FIBRE CO., WALTHAM, MASS.

COMMITTEE ON FINANCE,
United States Senate.

GENTLEMEN: The Sterling Fibre Co. is engaged in the manufacture, sale, and distribution of cotton and wool pads and paddings used exclusively by the manufacturers of automobile bodies.

During the past year a wool has been developed which is used directly over the springs and under the mohair covering of the seat cushion. The wool used in this pad comes in its raw state as a knit rag and is picked and garnetted to put it in a fibrous state.

Our consumption of this material during the past year amounted to about 2,000,000 pounds, most of which was obtained in our domestic market. It has developed, however, that the domestic supply is not sufficient to provide for our needs, when it is considered that, in addition, woolen mills are large users of this same material, and we have found it necessary to go into foreign markets for an additional supply. It is expected that this demand will increase considerably this year.

The Sterling Fibre Co. respectfully urges that paragraphs 1101 and 1105 of the tariff act of 1922 be amended by inserting in paragraph 1101 and 1105 the following provision:

"Knitted woolen rags may be imported under bond in an amount to be fixed by the Secretary of the Treasury and under such regulation as he shall prescribe, and if within three years from date of importation or withdrawal from bonded warehouse, satisfactory proof is furnished that the woolen rags have been used in the manufacture of pads or paddings for upholstery purposes, the duties shall be remitted or refunded."

The Sterling Fibre Co. is one of the largest, if not the largest, individual consumers of knitted woolen rags in this country at present. The prospect of an increased demand for this product for use as upholstery paddings is very favorable, but the supply in domestic markets, not being sufficient to supply requirements, necessitates the purchase of foreign rags.

The present duty on woolen rags according to paragraph 1105 of the tariff act of 1922 is 7½ cents per pound and proposed legislation would increase this duty to 36 cents per pound. It is quite important, at this point, to point out the peculiar features of our industry as compared to the woolen industry as it is generally understood.

Wool or its substitutes and extracts heretofore have been used almost exclusively by manufacturers to be spun into yarns and thereafter woven or knitted into fabrics. We have never known wool shoddy in a fibrous condition to be used as padding. It must be borne in mind, at this point, that previous to the introduction of wool shoddy for padding purposes, cotton, jute, or horse hair were used exclusively, and wool has been adopted in the higher priced automobiles because of its softness and resilience, which increases the riding comfort of the car. Were the price of wool shoddy cheap enough and the supply ample, there is no doubt that automobile body manufacturers would adopt it for all cars as a seat padding.

CONCLUSION

In conclusion it may be stated that a free tariff on woolen rags for upholstery padding purposes would be beneficial for all parties concerned, in that no division of the woolen industry, either producer or manufacturer will suffer through such action.

The wool growers will benefit greatly by the consumption of woolen rags for such a purpose, in that these rags which formerly were imported for purposes of spinning and manufacturing into fabrics, will now be used for padding purposes, thus making way for greater consumption of virgin wool.

Furthermore, materials used for padding purposes, namely, cotton, jute, and horse hair, are allowed to come into our country free of duty, and, as woolen rags in this instance are used for this same purpose, our industry feel that they are entitled to similar provisions.

Under the proposed tariff it will be possible for a concern to manufacture this pad in Canada and ship into this country at a price with which our industry could not compete. The reason for this is that rags come into Canada free of duty. After manufacturing same into pads, they may be shipped into this country under paragraph 369 of the tariff act of 1922 at a 35 per cent ad valorem duty.

Respectfully,

STERLING FIBRE CO.,
37 River Street, Waltham, Mass.

TOPS, YARNS, AND WOVEN FABRICS OF WOOL

[Pars. 1106-1109]

STATEMENT OF H. V. R. SCHEEL, REPRESENTING BOTANY WORSTED MILLS, PASSAIC, N. J.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. SCHEEL. I am vice president of the Botany Worsted Mills and have been an officer of that company for a number of years. I am an engineer by training.

We desire specific duties instead of ad valorem duties on woolen and worsted manufactures, said specific duties to be proportionate to American conversion cost.

Senator SACKETT. What paragraph are you speaking to?

Mr. SCHEEL. Paragraphs 1106, 1107, 1108, and 1109.

I intend showing that such specific duties are the safe duty protection for American labor and American manufacturers under present and future conditions, as we see it.

Senator BINGHAM. Do you wish any changes made in paragraph 1106?

Mr. SCHEEL. Yes, sir.

Senator BINGHAM. What is your specific change?

Mr. SCHEEL. I have wording here that is in the specific duty form; but I would like to leave that to the last.

Senator BINGHAM. We would like to know what you are talking about, first.

Senator GEORGE. You had better tell us now so that we will understand what you are advocating.

Senator BINGHAM. You want it changed to read in the way that you have prepared here on these sheets that you have submitted to the committee?

Mr. SCHEEL. Yes, sir. The first part is just the same as the present law, speaking of paragraph 1106.

Senator BINGHAM. You read it and I will follow it in the present law.

Mr. SCHEEL (reading):

Wool, and hair of the kinds provided for in this schedule advanced in any manner or by any process of manufacture beyond the washed and scoured conditions, including tops, but not further advanced than roving, 37 cents per pound and 20 per centum ad valorem. Said ad valorem duty is the minimum alternative to the following: On grades up to 45s 13 cents per pound; 46s to 50s, 14 cents; 58s, 15 cents; 60s, 16 cents; 64s and 70s and finers, 17 cents. But if the materials have not been combed, the duty shall be 3 cents per pound less, and if the material has been advanced into the roving stage, the duty shall be 6 cents per pound more, and if the material has been dyed or colored in any way, there shall be a further additional duty of 9 cents per pound, and if the material consists of fibers other than sheep's wool, to an extent greater than 10 per cent by weight, there shall be a further additional duty of 3 cents per pound.

Senator BINGHAM. Did you submit this to the Ways and Means Committee?

Mr. SCHEEL. No, sir.

Senator BINGHAM. This is the first time that it has been proposed, is it?

Mr. SCHEEL. Yes, sir. My argument is confined to the duty now offered in the form of the ad valorem duty which is protection to the American laboring man and the American manufacturer. My argument has nothing whatever to do with the compensatory duty on tops, yarn or cloth, which, arising out of the wool growers' protective duty on raw wool, expressed as a specific duty, is in the specific form also.

As to the tops, specific duty instead of ad valorem duty on wool and worsted manufactures, specifics proportioned to American conversion cost.

I shall not recount the inherent strength and weaknesses of the several forms of ad valorem duty. Suffice it to say that specific duties bring the venue within the United States, avoid intentional or unintentional undervaluations, avoid discrimination in favor of the low standard of living country, and are of unchanging uniform protection even when the cost or value of the raw material is high or low or goes up or down. Europe is proceeding with its planned economic reconstruction, and within the next half decade the nations of the world will be swept into the most intense international business competition the world has ever seen, in my opinion. Our resources and an inventionlike technical facility, especially in some branches have provided us with a way of living which is the envy of the world. In the struggle for trade our huge domestic market can not escape becoming the objective for other manufacturing nations.

The tariff is our first line of economic defense, and if its form is not such as to most effectively meet the attack of powerful foreign competition its weakness will facilitate the breaking down of our comfortable habits of life.

There is one clear principle upon which tariff protection can be based which is independent of market fluctuations of raw material, which will not be outflanked by changes in world markets and which will really achieve the goal of helping the working people to remain steadily employed at present wage levels. Aside from the tariff, profit in our industry is a matter of style, merchandising, efficient production and turnover. A properly designed tariff coupled with competition among domestic manufacturers will do no more than assign the biggest money prizes to the manufacturers who score the highest on these grounds.

If the aim of the tariff is to equalize domestic and foreign costs, if the aim of the tariff is to keep a man at work and hold his income where it is and his buying power where it is, it would seem a logical step to adjust the duty according to a scale which would protect the present wage standard. The protection of the American standard can be achieved by making it impossible for the American manufacturer to be penalized by the fact that he pays the highest wages in the world. Money for wages is spent in converting raw material into finished products. Overhead costs, in the last analysis, are wages, too; even taxes. The only other item in conversion cost, a relatively small one, is supplies.

If the tariff is based on conversion costs, the American manufacturer will have a scientifically adjusted protection now denied him, and there would be no danger or excuse for lowering wages to meet foreign competition.

In separating the elements of that something called value, foreign value, United States value, American value—in separating that value into raw material cost and conversion cost it is perfectly plain that the foreign manufacturer only has an advantage in conversion costs. Through the addition of a duty on raw material. We may say that the costs of the material are the same to foreign and domestic converters. Since the material costs are equal the outsider is able to bring his goods up to the boundary of the United States at a lower cost, and it is the fact of low wage levels unhindered by a proper tax which may provide the importer with an opportunity to pour through our gates an unceasing stream of goods converted by foreign labor.

It is apparent that there is no reason why wages should be lowered if they cover the transformation to the finished product. Such a scale of duties would perform the function always desired by the tariff protective to American labor and give the efficient manufacturers the opportunity to make a profit out of efficient management and invested capital.

Where ad valorem rates are levied, the product as valued for duty includes raw material costs plus conversion cost. It is a matter of indifference to the customhouse what percentage is labor and what share of the value is raw material. The duty remains the same; but it makes a vital difference to the American manufacturer and the American working man, because such uniform application of the duty discriminates against them in favor of the country with the lower standard of living; and the lower a particular foreigner's conversion cost, the greater the relative saving to the foreign fabric maker if the cost of the raw material goes down. Thus the lowest wage country is benefited most by such a change in the home commodity market.

Gentlemen, under the present ad valorem form of duty two pieces of cloth are offered for entry. One is composed of expensive raw material with small conversion cost, and its declared value is really \$1. Another piece of goods is of cheap material with a higher conversion cost. Its value is also a dollar.

The duty in the ad valorem form says that the rate shall be 50 per cent of the value. That is the protection to the American manufacturer. Fifty per cent of a dollar is 50 cents. Fifty cents on one piece of fabric as protection for a small conversion cost in some cases is too much—more than is needed, I mean. Fifty cents in the case of the other piece of cloth is insufficient for the therein-contained high conversion cost.

The result of that is that in the past the American manufacturer has been kept from making, in general, goods that have high conversion cost content.

Two articles have the same conversion cost and are offered for import, but have different material costs. By the operation of the ad valorem system 50 per cent results in different figures, yet the conversion cost of each of those articles is the same, and they should therefore be, if correct, the same protection to the American manufacturer. All of the ad valorem forms of duty vary the amount of protection possessed by the American manufacturer, depending upon the vagaries in the price of wool. The higher the cost of American labor and skill the less chance the domestic manufacturer has of competing with imported material. The present forms of tariff

handicap those who wish to produce the finest goods for home consumption.

Based upon values, tariffs might appear large, but based solely on conversion costs the percentages are about their proper amount justifiably in the rate given to American labor.

If over a period of time the price of wool has changed, then during that time the degree of protection offered to us, the American manufacturers, has changed, because with the change in the price of material there is a change in foreign cost, a change in the foreign value, a change in the dutiable base and, by the application of the same percentage as demanded by law, a change in the amount of duty protection.

That phase of this whole matter has come to be of striking and essential importance to us in the wool and worsted business, because within the recent past, since the hearings in the House, the changes in the prices of wool have been very considerable.

Senator BINGHAM. And the woolgrower is given his definite specific protection per pound without regard to the price?

Mr. SCHEEL. Yes, sir.

Senator BINGHAM. That being, as near as can be obtained, the difference between the cost of shepherds in Europe and shepherds in the United States?

Mr. SCHEEL. Yes, sir. The woolgrower's problem is the manufacturer's problem. He has a plant and a product. His plant consists of his sheep and his land and his fences. His product is wool. His costs run more nearly by the sheep day than they do by the value of the product. Therefore a specific duty for him is more correct.

Senator BINGHAM. And his cost accounting system is the amount which he has to spend in raising one ewe one year?

Mr. SCHEEL. Yes, sir.

The Mallett Service publishes in regular course prices on English tops, several grades, June 7, 1928, January 3, 1929, and June 3, 1929, showing the percentages of difference from 14 to 3½ pence drop in price in a year, or from 25 to 13 per cent drop in a year. I would like to have permission to have that included in the record.

Senator BINGHAM. Very well. Where is that from?

Mr. SCHEEL. Mallett Service.

Senator SIMMONS. For the information of the committee, what is Mallett Service?

Mr. SCHEEL. It is a dealer service. It is information in a statistical form that is circulated among buyers of top wool and yarn all over the world.

Senator BINGHAM. Does Mallett get out a weekly giving information on anything else except wool?

Mr. SCHEEL. I do not know.

Senator SIMMONS. Is that regarded as a reliable source of information throughout the world?

Mr. SCHEEL. Yes. People depend upon it for making purchases in this country.

(The figures from Mallett Service (Weekly Wool Chart), dated June 20, 1929, as of June 6, 1929, are as follows:)

Tops (English) grades	A Price (pence) June 7, 1928	B Price (pence) January 3, 1929	C Price (pence) June 3, 1929	Drop in price, A to C (1 year) in pence	In per cent, A to C (1 year)	C per cent of July, 1914	C per cent of average 1909-1913
70s Merino.....	56½	50	44	12½	22.1	133	154
64s Merino.....	55	47½	41	14	25.5	127	15½
60s Super.....	53½	45½	40	13½	25.2	127	150
60s Ordinary.....	52	44½	39	13	25	126	149
58s Crossbred.....	47	39½	35	12	25.5	132	142
56s Crossbred.....	41½	35	32	9½	22.9	135	145-
50s Crossbred.....	32	29	27	5	15.6	132	142
48s carded.....	26½	24	23	3½	13.2	133	148-
40s prepared.....	26	22½	22	4	15.4	136	154

Mr. SCHEEL. If we look at the last portion of this chart [exhibiting same to committee] we will see that the change in the price of wool over the period from 1921 to the present time is in the shape of a low value in 1921-22, and continuing above that value since then and, since the first of the year, a very marked decline.

The present law was drawn in 1921-22. Since that time wool values both here and abroad have been very substantially above the then figures. I submit that it can be said that since the law was passed in 1922 there has been more protection to the American manufacturer than can be said to have been the intention of Congress in 1921-22.

Upon the decline in wool prices down to to-day, the level of 1921-22, we are where we were then as to value, and to-day yarns and cloths are on an importing basis. If the duty were in the form of a specific it would not go up and down in proportion to the way that wool goes up and down. If it were based upon the conversion cost in America of the particular yarn or fabric we would have a defensible base for our conclusion. The law says that the difference in cost shall be equalized as between America and the principal competing country abroad. We reach a conclusion as to what we estimate the difference in cost is, and then we express it in the form of a percentage of value and fool ourselves.

Senator GEORGE. You come very near to price fixing, do you not? That can not be done.

Mr. SCHEEL. I do not get that, Senator.

Senator GEORGE. Your scheme carried out, you say, would prevent any of these fluctuations up and down.

Mr. SCHEEL. In the duty protection.

Senator BINGHAM. Fluctuation in the duty, not in the price of the goods.

Mr. SCHEEL. No; the price of the goods would go up and down just the same, but the protection of the American manufacturer would be constant.

Senator GEORGE. You really would give him the conversion cost in this country?

Mr. SCHEEL. A proportion, a fraction of it.

Senator GEORGE. You would want it all, would you not?

Mr. SCHEEL. No, sir. My idea is that two-thirds of the American conversion cost is demonstrably the difference in cost between here and abroad. These figures are on the basis of two-thirds.

Senator BINGHAM. You ask for a specific duty to cover the other third?

Mr. SCHEEL. No. If the cost of producing a pound of yarn in this country is calculated, then the duty on that yarn should be 66 cents.

Senator BINGHAM. When you say "producing," you mean converting from the raw wool into a pound of yarn?

Mr. SCHEEL. Yes.

Senator BINGHAM. What is the cost of doing that abroad?

Mr. SCHEEL. Thirty-three cents.

Senator BINGHAM. Is there that difference?

Mr. SCHEEL. I think that can be demonstrated.

Senator BINGHAM. Let us see you demonstrate it.

Mr. SCHEEL. That would take a long time. That is a matter for investigation—

Senator BINGHAM. Since we do not want to take a long time to-day, I would like to have you put that in the record as a supplementary statement, if you can show that difference.

Senator SIMMONS. Let us not get away from this question that he has raised with reference to the substitution of specific duties for ad valorem duties. It is very interesting. I want you to develop that point pretty thoroughly.

Senator BINGHAM. Yes; I am interested in that, too, Senator.

Senator SIMMONS. I do not want him to get away from it.

There is one thing I would like to ask you. I understood you to say that the 1922 act gave a little bit more protection than the lawmakers probably intended?

Mr. SCHEEL. Yes, sir; considerably so.

Senator SIMMONS. You mean, with reference to the manufacturer?

Mr. SCHEEL. Yes, sir.

Senator SIMMONS. Not with reference to the woolgrower?

Mr. SCHEEL. No, sir.

Senator SIMMONS. Then your idea is that the woolgrower was already on a specific basis?

Mr. SCHEEL. Yes, sir.

Senator SIMMONS. And they accurately measured the protection to which he was entitled?

Mr. SCHEEL. Yes.

Senator SIMMONS. Have his benefits been maintained during the years that have elapsed? As the result of that raise and the specific rate of duty he was granted, has his prosperity been maintained during the years that have elapsed since the passage of the act?

Mr. SCHEEL. His protection has been constant. I think we look as to individual years to the circumstances of weather conditions, and look at the growth and present condition of his industry for our answer—

Senator SIMMONS. That is not the question. Has his protection been constant and sufficient?

Mr. SCHEEL. Yes, sir. I do not know whether it is sufficient or not, but it has been constant.

Senator BINGHAM. I wish the Senator would divide those two questions.

Senator SIMMONS. All during this period has it been as effective as it was in the beginning, or has the value of his protection fluctuated?

Has its effectiveness during that period been sometimes sufficient and sometimes insufficient? That is what I am getting at. I do not know that I express myself with accuracy because I am not familiar with the technical language.

Mr. SCHEEL. Out of the experience of my own company I think there has been an effectiveness there, because in the last year or two we have bought much less foreign wool than we had previously.

Senator SIMMONS. In earlier years?

Mr. SCHEEL. The woolgrower can answer that question best for you. I think that the circumstance of a hard winter or a mild winter is one of the very important controlling factors there.

Senator SIMMONS. I understood you to be making the point that his protection was accurately measured.

Mr. SCHEEL. Yes.

Senator SIMMONS. And that your protection, being ad valorem, was not accurately measured?

Mr. SCHEEL. That is correct.

Senator SIMMONS. That his protection had been effective; that although affected itself by circumstances, it had been reasonably effective, while yours had not.

Mr. SCHEEL. I think that is a true statement. I would subscribe to that statement and answer yes.

Senator SIMMONS. And that is because the one is specific and the other is ad valorem?

Mr. SCHEEL. Yes, sir.

Senator SIMMONS. Your theory is that being specific, the yardstick is the same all the time?

Mr. SCHEEL. Yes, sir; on our costs, Senator. Our labor is the same all the time. That does not go up and down with the price of wool. Our costs are the same.

Senator SIMMONS. But where the duty is ad valorem, then that yardstick shifts every time there is a drop or rise in the value of the manufactured product?

Mr. SCHEEL. Yes, sir.

Senator SIMMONS. And therefore it has a fluctuating value?

Mr. SCHEEL. Yes, sir.

Senator SIMMONS. It is liable to shift overnight?

Mr. SCHEEL. Yes. In some of our lines of goods 30 per cent of a dollar of cost is material and 70 per cent is conversion cost. We have other fabrics in which it is 50-50. Some other concerns in the industry make materials in which the cost of material is a much larger percentage than 50-50—70-30, for instance. There is a shifting going on all the while and will continue to go on in our industry all the time if the ad valorem form of duty is continued. It is due to the circumstance that wool is something that has nothing to do with manufacturing ability or experience. I point out that these are very striking and signal events [indicating on chart] that we can not blink; and there are more people who think that wool is going to be lower in price than think it is going to be higher in price.

Senator SIMMONS. Following that, you may find some day that you have too much protection, and wake up some morning, again, and find that you have too little.

Mr. SCHEEL. Yes, sir.

(The chart referred to is printed in the testimony of Walter Humphreys, *infra*.)

Senator BINGHAM. I want to see if this is your theory. Suppose that the value of a pound of a certain grade of wool is \$1 and the ad valorem duty is 50 per cent. You then get a protection on that article of 50 cents per pound, do you not?

Mr. SCHEEL. The dollar represents the cost of a pound of yarn.

Senator BINGHAM. You get a protection of 50 cents, so far as the wool content is concerned?

Mr. SCHEEL. Yes, sir.

Senator BINGHAM. We are not speaking, now, of the labor cost; but you are getting on the wool content alone a protection of 50 cents?

Mr. SCHEEL. Yes, sir.

Senator BINGHAM. Which becomes part of the difference in the labor cost between the United States and foreign countries?

Mr. SCHEEL. Yes, sir.

Senator BINGHAM. The price of this particular grade of wool for some reason or other goes to \$2: you then get a protection of \$1, which gives you a profit of 50 cents over what you need?

Mr. SCHEEL. If we could collect it. That is perfectly true.

Senator BINGHAM. On the other hand, the price may drop from \$1 a pound to 50 cents a pound, in which case you only get 25 cents protection, which means 25 cents less on the difference in the cost of labor. Is that the idea?

Mr. SCHEEL. That is exactly the idea.

Senator BINGHAM. And what you are asking for is a specific which will cover the difference in the cost of producing the different grades of goods, so that no matter whether wool goes up and you may make more profit on the ad valorem, or whether it goes down and you may make a loss on it, you are always covered so long as the difference in labor costs remains and you get that protection?

Mr. SCHEEL. Yes, sir. Personally, I do not want to have to be in the position of saying to 3,500 people at the Botany Worsted Mills, "I am sorry that wool happens to have gone down. Automatically the protection has decreased. Therefore we have to suggest to you that rather than have no work, you take a reduction in wages."

And it is because our people understand that that some of them ask what they can do, and some of them came down and appeared before you day before yesterday.

(The witness submitted the following table on prices in 1929, scoured basis.)

	1929					
	January	February	March	April	May	June
Ohio fine Delaine (shrinkage, 60 per cent).....	115	110	107	100	100	95
Territory, fine and fine medium.....	100	100	98	98	95	95
Texas, 12 months.....	108	105	102	100	95	95
Ohio 3/8 (shrinkage, 48 per cent).....	107	105	96	90	86	86

Senator SACKETT. Let me ask you a question or two: Does not this argument that you are making apply to all textile manufacturers whether it is wool or cotton, jute, or silk, or rayon?

Mr. SCHEEL. Yes, sir.

Senator SACKETT. The fact that there is a special duty on wool raising it above the import price does not affect your argument in any particular.

Mr. SCHEEL. No, sir.

Senator SACKETT. During the years from 1921 to 1924 or 1925, as shown by this chart, your protection on manufactured wool products was raised.

Mr. SCHEEL. Yes, sir.

Senator SACKETT. During that same period did you get the full value of that protection?

Mr. SCHEEL. No, sir.

Senator SACKETT. Or did the domestic competition, allowing themselves ample capacity for all the needs of this country, meet that protective duty due to the cost of labor production?

Mr. SCHEEL. Yes, sir; it did.

Senator SACKETT. From 1925 to 1928 you were not getting as high a protection on your manufactured output by reason of the dropping cost of wool.

Mr. SCHEEL. It reduced the protection.

Senator SACKETT. And your protection, then, was measured without the influence of domestic competition and reduced to the minimum that is allowed you according to the price of wool.

Mr. SCHEEL. Domestic competition continued to be the controlling factor, I believe.

Senator SACKETT. After you get down below the cost of production on your manufacturing costs, then domestic competition can not go much further without showing a loss to everybody.

Mr. SCHEEL. No, sir.

Senator SACKETT. Whereas in the high-priced wool the domestic competition can cut it down materially.

Mr. SCHEEL. Yes, sir.

Senator SACKETT. In other words, in a rising market and high-cost wool you do not get the full value of the protection; and in the low market and with a falling cost of wool you practically get a sufficient protection.

Mr. SCHEEL. Yes, sir; and the alternative is that concerns by and large are going to have to decide to go into the importing business.

Senator SACKETT. As a side line?

Mr. SCHEEL. As a principal line in their production. Take the position of our company. We came to this country under the McKinley tariff. We are most tariff-conscious. We are to-day determining whether we will not have to arrange to go to the lowest standard of living country in the world and arrange for the importation of tops and yarn, and cloth in the gray and standard colors, because we have a country wide selling organization; we have a dyeing and finishing ability that will handle goods in the gray. We have a properly organized and efficiently operating spinning department; but if competition, potential, from abroad is going to deprive us of the ability of using our spinning department, our dyeing and finishing departments, and our weaving department, we had better beat them to it; and that is why, as an officer of the company, I have been spending as much time as I have in the study and attention to this matter because, gentlemen, we do not want to go abroad.

Senator SACKETT. One other question in order to bring it out: Is not the effect of an ad valorem duty such as is now levied, a penalty upon the high-grade manufactured goods?

Mr. SCHEEL. Yes, sir.

Senator SACKETT. And is it not a benefit to the low-grade manufactured goods in comparison?

Mr. SCHEEL. Yes, sir.

Senator SACKETT. And is not that the reason why in America we have not competed to the same extent with the fine goods of Europe that we have in the low goods of Europe?

Mr. SCHEEL. In our opinion, and in the opinion of my associates, it is the outstanding reason why that is so and the effect on the industry—it is interesting at this point, if you will permit me, to call attention to the fact that we are rigged to spin 60, 70, and 80, the fine numbers, but in order to keep busy we run to coarse numbers although they are outside our domain a little bit. We run them without profit rather than shut them down, which makes us competitors with our associates in the industry; and we had to develop sufficient capacity for coarse numbers to run our equipment which we would much prefer to run on 60s, 70s, 80s, and corresponding fine cloths.

Senator SACKETT. Is not that also true in the manufacture of cotton goods?

Mr. SCHEEL. I believe it is. I think it is more significant in the woolen industry because cotton as a raw material figures at 15, 18, and 20 cents per pound for the usual goods where wool is in the dollars.

Senator SACKETT. But that is a matter of degree.

Mr. SCHEEL. Absolutely and only degree.

Senator SACKETT. It is a matter of degree, and only degree; and if the duty on cotton manufacturing were specific per pound it would have the effect there of increasing production of fine goods which were short in this country and perhaps decreasing somewhat the number of spindles that were running on the coarse goods.

Mr. SCHEEL. Yes, sir; on the coarser numbers.

Senator SACKETT. One other question: What is the effect of an ad valorem duty on foreign countries according to their varying costs of labor? Does it not have the effect of permitting the country with the lowest cost of labor to import into this country at a better profit than the country with the highest cost of labor?

Mr. SCHEEL. Absolutely.

Senator SACKETT. And if the specific is used does it not enable us to compete not only with the lowest country but with the highest country as well?

Mr. SCHEEL. Yes, sir.

Senator GEORGE. In other words the lowest cost country would still have the biggest profit.

Mr. SCHEEL. But there would not be a bonus by the American people of the low standard living country in proportion to the low standard of living.

Senator GEORGE. But the identical profit would be there.

Mr. SCHEEL. No, sir. The profit would be larger on an ad valorem basis.

Senator GEORGE. The profit would be larger.

Mr. SCHEEL. Yes, sir.

Senator GEORGE. Suppose you can make an article in Japan for 25 cents and under the American Tariff that particular article is sold here for one dollar; and suppose you can make the same article in Germany for 50 cents and it is sold here for one dollar; and some other country has a cost price of 75 cents and the article is still sold here for one dollar; the actual profit is measured simply by the production cost in the country.

Mr. SCHEEL. No.

Senator GEORGE. Why?

Mr. SCHEEL. If it is an ad valorem duty on the article of say 50 per cent—

Senator BINGHAM. Say 100 per cent.

Mr. SCHEEL. The profit to the Japanese producer is the difference between the 25 cents, his cost, plus 50 per cent of 25 cents, the duty—that is 37½ cents; and his profit is 62½ cents.

Senator GEORGE. Oh, I understand that, yes.

Mr. SCHEEL. In the case of Germany with the cost of 50 cents or in the case of the other country with a cost of 75 cents the profit is smaller.

Senator GEORGE. Certainly; I know that; but the low-cost country goes right on under either scheme, getting the advantage over the higher-price countries.

Senator BINGHAM. They would not get as much under the specific duty, because under the specific duty it could be adjusted to meet the American manufacturing cost and the Japanese article instead of paying 12½ cents duty would pay a higher duty.

Mr. SCHEEL. That is right.

Senator SACKETT. If on all textiles the duty on manufacture was made specific, future tariff bills would only have to change according to the rate of wages paid in this country.

Mr. SCHEEL. Yes, sir.

Senator SIMMONS. Have to change how?

Senator SACKETT. Future tariff bills would only have to change duties according to the values of the rate of wages in this country.

Senator SIMMONS. Yes.

Mr. SCHEEL. I take it they would be concerned from time to time in checking the actual conversion costs in this country.

Senator SACKETT. But the rate of wages would be 90 per cent, or 85 per cent, or some such per cent of the variance, or changes, in specific duties.

Senator GEORGE. Let me ask you this: If specific duties were substituted for ad valorem duty, and those specific duties are kept at an adequate level, you would have an advance in the cost level in this country would you not?

Mr. SCHEEL. No, sir; I do not think so.

Senator GEORGE. You do not think so.

Mr. SCHEEL. I think there would be a protection to the American manufacturer that would be uniform. I think that prices would probably stay about where they are because the American manufacturer has learned that by advancing prices his profit is not necessarily greater. What he needs and wants is turnover. If he can get production, involved in that is a saving to him, which is a profit.

Senator GEORGE. And you do not think that the fixing of the specific or ad valorem duties would result in raising prices.

Mr. SCHEEL. I think it would in a good many cases. I think it would result in lowered protection in other cases; but, by and large, the effect would not be serious, nor necessarily permanent, because of the lower scale of tariff that would result, also the reduction of overhead.

Senator BINGHAM. Is this a fair statement, to say that in the textile industry specifics would tend to operate against the manufacturer making an unexpected and somewhat concealed profit when wool went up, and at the same time, in the event of the lowering of the cost of raw materials, it would operate directly against cutting down the number of laborers employed, or the time which they could be employed? Because the manufacturer obviously would not continue to operate at a loss; he would have to cut down his force.

Mr. SCHEEL. Yes, sir.

Senator BINGHAM. He would have to either cut down their wages or the number of days of their employment, because nobody can make him run at a loss.

Mr. SCHEEL. Yes, sir.

Senator BINGHAM. Whereas under ad valorem if the thing happened to go up he would get a very increased profit without anybody knowing very much about it.

Mr. SCHEEL. If he took advantage of the duty.

Senator BINGHAM. And probably he would not want to increase the wages of his laborers more because then when the thing fell they would not want to come down.

Mr. SCHEEL. That is true.

Senator BINGHAM. It seems to me that it is a very fair scheme both for the taxpayer and the laborer.

Mr. SCHEEL. Yes, especially for the laborer.

Senator BINGHAM. Have you anything else to offer?

Mr. SCHEEL. Yes, sir.

Senator BINGHAM. I mean any other proposed amendments.

Mr. SCHEEL. We can not meet foreign competition by reducing wages.

Senator BINGHAM. As far as I am concerned you have made your case on that.

Mr. SCHEEL. All right. You have paragraph 1106.

Senator SIMMONS. I would not want to say that he has made a case, but he has made a very good argument.

Senator BINGHAM. Do you want to ask Mr. Scheel any other questions about this matter he has been talking of?

Senator SIMMONS. No, I do not. I think I fully understand it.

Senator BINGHAM. Do you, Senator George?

Senator GEORGE. No; I understand his position.

Senator SACKETT. There is one question I would like to ask. I do not know whether you can answer it or not: In all textile manufactures, including cotton, silk, jute, rayon, and wool, have we in this country an overproductive capacity?

Mr. SCHEEL. Yes, sir; we have now except possibly in the case of rayon, which is rapidly approaching the overproduced condition.

Senator SACKETT. So that there we have an opportunity for domestic competition to take advantage of all novel methods—

Mr. SCHEEL. Not alone within a particular industry, but the industries are competitive with each other.

Senator SACKETT. Yes.

Mr. SCHEEL. Cotton is reaching over into wool. Wool is reaching over into cotton; rayon is reaching into silk; silk is reaching into wool.

Senator SACKETT. And domestic competition would take care of the new ideas sufficiently to reduce unit costs?

Mr. SCHEEL. Yes, sir.

Senator SIMMONS. Would you apply this same rule to the whole textile industry?

Mr. SCHEEL. I see no reason why it should not be. I do ask that it be applied to us in our wool and worsted industry.

Senator SIMMONS. Do you know any reason why, if it should be applied to you, it should not be applied to cotton?

Mr. SCHEEL. No, sir.

Senator SIMMONS. Or applied to silk?

Mr. SCHEEL. No sir; I see no reason why it should not be.

I would like to mention one other new thing that we see, and that is the use of substitute fibers. The rayon industry has, as one of its by-products, rayon waste. Rayon waste does blend rather well with some qualities of wool. That means that the material, instead of a pound of straight wool, is a pound, half of which is wool and half of which is silk or rayon waste. When the foreigner does that his value of material goes down—his foreign value goes down—and our protection evaporates into thin air.

Senator SACKETT. That is the same thing as the use of rags.

Mr. SCHEEL. Yes, sir.

Senator BINGHAM. Do you have another amendment to offer?

Mr. SCHEEL. Yes. I have an amendment here I propose to sections 1107, 1108, and 1109.

(The proposed amendments submitted by Mr. Scheel are as follows:)

PAR. 1106. Wool, and hair of the kinds provided for in this schedule advanced in any manner or by any process of manufacture beyond the washed and scoured conditions, including tops, but not further advanced than roving, 37 cents per pound and 20 per cent ad valorem. Said ad valorem duty is the minimum alternative to the following: On grades up to 46s, 13 cents per pound; 46s to 50s, 14 cents; 56s, 15 cents; 58s, 15 cents; 60s, 16 cents; 64s, 70s, and finer, 17 cents. But if the materials have not been combed the duty shall be 3 cents per pound less, and if the material had been advanced into the roving stage, the duty shall be 6 cents per pound more and if the material has been dyed or colored in any way there shall be a further additional duty of 9 cents per pound, and if the material consists of fibers other than sheeps' wool, to an extent greater than 10 per cent by weight, there shall be a further additional duty of 3 cents per pound.

PAR. 1107. Yarn, wholly or in chief value of wool, valued at not more than 50 cents per pound, 27 cents per pound and 30 per cent ad valorem; valued at more than 50 cents but not more than \$1 per pound, 40 cents per pound and 35 per cent ad valorem; valued at more than \$1 but not more than \$1.50 per pound, 40 cents per pound and 40 per cent ad valorem; valued at more than \$1.50 per pound, 40 cents per pound and 45 per cent ad valorem. Said ad valorem duties are the minimum alternatives to the following: Worsted yarn up to and including 2/20 worsted count 33½ cents per pound; on yarns from 2/20s to 2/30s, inclusive, ¼ cent per number above 20s additional to 33½ cents; on yarns from 2/30s to 2/50s, inclusive, 1 cent per number above 30s additional to 41 cents; on yarns from 2/50s to 2/60s, inclusive, 1½ cents per number above 50s additional to 61 cents; on yarns 2/60s to 2/70s, inclusive, 2 cents per number above 60s additional

to 74½ cents; on yarns finer than 2/70s 2½ cents per number above 2/70s additional to 94½ cents; but if the worsted yarn is single yarn and not twisted there shall be a reduction in this duty of the 2-ply yarn of 15 per cent thereof and if the twists in the ply yarn or single yarn are more than 50 per cent greater than for normal warp twist yarns or if the yarn be fancy or compound yarn, there shall be an additional duty of 50 per cent thereof, and if the yarn is colored, dyed, or printed in any manner, there shall be additional duty charged as follows: When dyed before spinning 10 cents per pound and when in the ply yarn there will be one or more ends of color or shade different from any other end in the ply yarn, there shall be an additional duty of 10 per cent of the duty; if dyed after spinning 8 cents per pound; and if the material consists of fibers other than sheeps' wool, to an extent greater than 10 per cent by weight, there shall be a further additional duty of 3½ cents per pound, and on woolen yarn up to and including 10-single worsted count 20 cents per pound; counts 10 to 20, inclusive, 2.8 cents per number above 10s additional to 20 cents; counts finer than 20s worsted count 3 cents per number finer than 20s additional to 48 cents per pound, but if the yarn is twisted there shall be an additional duty of 20 per cent of the duty, and if the yarn is colored, dyed, or printed in any manner, there shall be an additional duty charged as follows: when dyed before spinning 10 cents per pound; and when in the ply yarn there are one or more ends of color or shade different from any other end in the ply yarn, there shall be an additional duty of 10 per cent of the duty; if dyed after spinning, 8 cents per pound, and if the material consists of fibers other than sheeps' wool, to an extent greater than 10 per cent by weight, there shall be a further additional duty of 3½ cents per pound.

PAR. 1108. Woven fabrics, weighing not more than 4 ounces per square yard, wholly or in chief value of wool, valued at not more than 80 cents per pound, 40 cents per pound and 50 per cent ad valorem; valued at more than 80 cents but not more than \$1.25 per pound, 50 cents per pound and 50 per cent ad valorem; valued at more than \$1.25 but not more than \$2 per pound, 50 cents per pound and 55 per cent ad valorem; valued at more than \$2 per pound, 50 cents per pound and 60 per cent ad valorem: *Provided*, That if the warp of any of the foregoing wholly of cotton, or other vegetable fiber, the duty on the fabric valued at not more than \$1 per pound, shall be 40 cents per pound and 50 per cent ad valorem; valued at more than \$1 per pound, 40 cents per pound and 55 per cent ad valorem. Said ad valorem duties are the minimum alternatives to the following: For cloths with worsted fillings ½ cent per yard for each pick per inch, or for cloths with woolen filling 1¼ cents per yard for each pick per inch, plus five-fourths of the average duty on the component yarns in the fabric per pound of fabric, but if the woven fabrics are undyed and/or unfinished, there shall be a reduction of 30 per cent per pick per yarn, and, if the fabrics are printed, there shall be an additional duty of 5 cents per yard; and, if the fabrics have been finished with a result other than ordinary mill finish, there shall be additional duties as follows: Face cut, teaseled and/or napped, 15 cents per yard; curl finish, — per pound; sheen finish, 5 cents per yard; extra sheen or hot plate finish, 10 cents per yard.

PAR. 1109. (a) Woven fabrics, weighing more than 4 ounces per square yard, wholly or in chief value of wool, valued at not more than 60 cents per pound, 26 cents per pound and 40 per cent ad valorem; valued at more than 60 cents but not more than 80 cents per pound, 40 cents per pound and 50 per cent ad valorem; valued at more than 80 cents but not more than \$1.50 per pound, 50 cents per pound and 50 per cent ad valorem; valued at more than \$1.50 but not more than \$2 per pound, 50 cents per pound and 55 per cent ad valorem; valued at more than \$2 per pound, 50 cents per pound and 60 per cent ad valorem. Said ad valorem duties are the minimum alternatives to the following: See paragraph 1108.

(b) Woven felts and articles made thereof (including belts and bolting, endless or otherwise), finished or unfinished, wholly or in chief value of wool, shall be dutiable at the rates provided in subparagraph (a).

Senator SACKETT. You have been sitting here during this testimony and have heard the discussion upon the argument that rags and shoddies and noils should be increased. Would not that have the effect of increasing, on the ad valorem basis, the protection of the American woolen manufacturers?

Mr. SCHEEL. No; I think not.

Senator SACKETT. Just on the argument that you made a moment ago that the reduction in the use of the lower grade material reduced the protection abroad.

Mr. SCHEEL. I think it would have the opposite effect because if there were an increase in the duty on rags, then fewer rags would come in, more rags would be in supply in Europe, the price for rags would come down in Europe, and that would mean that foreign value would tend to be lower and the United States value would tend to be lower and, therefore, our protection as manufacturers would be lower.

Senator SACKETT. That is the point I was making.

Mr. SCHEEL. Yes, sir.

Senator BINGHAM. You think it would be a good idea to leave the duty on rags at about what it is now, do you?

Mr. SCHEEL. Why, I have promised myself to say nothing about the position of the woolgrowers. You asked me the question and I will answer it this way: We, in our mill, use no rags. We fear the effect that I just spoke of. We are afraid that goods we do make will be importable.

Senator BINGHAM. At a lower price?

Mr. SCHEEL. At a lower price.

Senator BINGHAM. You are a worsted or woolen manufacturer, or both?

Mr. SCHEEL. Both, sir. We utilize our own noils in the production of our cloths, noil spun on the woolen system in flannels and in broadcloths, and certain overcoatings.

Senator GEORGE. What is the production, if you know—I do not think it has been specifically stated by anybody—what is the production of woolens and worsteds, in value, in the United States—the domestic production?

Mr. SCHEEL. I think \$600,000,000 is the figure.

Senator BINGHAM. That was given to us yesterday by Mr. Hobbs—\$600,000,000 as I remember it.

Senator GEORGE. That is the total domestic production.

Mr. SCHEEL. Yes, sir.

Senator GEORGE. What is the amount of the total import?

Mr. SCHEEL. The total imports are \$21,000,000 of foreign value.

Senator GEORGE. \$21,000,000.

Mr. SCHEEL. Yes, sir. That is equivalent, as I have figured it to at least \$45,000,000 of displaced American manufacturers.

Senator GEORGE. What percentage?

Mr. SCHEEL. That is about, by quantity, 4 per cent.

Senator GEORGE. About 4 per cent?

Mr. SCHEEL. But those 4 per cent of imports are goods that compete with the goods that they compete with. There is no competition in certain lines.

Senator GEORGE. I understand, of course the foreign manufacturer has to get into the market some way; and when he has a specialty, or high-priced commodity he probably pushes that particular line in this country.

Mr. SCHEEL. Yes.

Senator GEORGE. And the competition is just, as I understand it, the inevitable result of the tariff.

Mr. SCHEEL. Yes.

Senator GEORGE. You could not avoid it unless you put an embargo on them.

Mr. SCHEEL. But I point out that the situation is changing under us.

Senator GEORGE. Yes, that is true; I understand that. You say there are about 4 per cent of imports. What are our wool and worsted export? What export have we?

Mr. SCHEEL. None, I think.

Senator GEORGE. We have none. We have some raw wool export, have we not?

Mr. SCHEEL. I do not think so.

Senator GEORGE. There has been quite a good deal of testimony here about rags, a certain amount of rags going abroad.

Mr. SCHEEL. Yes, I think that is true.

Senator GEORGE. And we bring in rags.

Mr. SCHEEL. Yes.

Senator GEORGE. You do not know, though, what the value of those exports is?

Mr. SCHEEL. No. Most of the rags, or many of the rags that go out, I understand are used up in making second hand suits.

Senator GEORGE. What is the unemployed in the entire industry in the country as near as you can estimate it?

Mr. SCHEEL. I think the degree of operation to-day in the industry is in the neighborhood of 60 per cent.

Senator GEORGE. And what is the total number of people employed in the industry; do you know?

Mr. SCHEEL. My information is that it is about 500,000 in the entire industry—200,000—

Senator BINGHAM. I thought Mr. Hobbs said yesterday about 200,000.

Mr. SCHEEL. There are about 200,000 within the membership of the association.

Senator GEORGE. That is what I understand, yes. Then you have a large unemployment there to absorb even if you take this entire 94 per cent.

Mr. SCHEEL. Yes, sir.

Senator GEORGE. And so your problem is really one within the industry in a large measure.

Mr. SCHEEL. Yes, sir; I pointed to that.

Senator GEORGE. Yes, I think you have made a very fair statement.

Mr. SCHEEL. I pointed to that. I said that the responsibility of management was in style, in production.

Senator GEORGE. Yes.

Mr. SCHEEL. More merchandising and in—

Senator SIMMONS. Your imports, however, are mostly high priced goods.

Mr. SCHEEL. Yes, sir; with the high labor content.

Senator SIMMONS. Your exports are largely of the lower grades of articles.

Mr. SCHEEL. We do not consider that there are any exports. The exports that are tabulated are the exports that we just referred to, the exports in rags.

Senator SIMMONS. They are not manufactured products?

Mr. SCHEEL. No.

Senator BINGHAM. But are in the shape of rags?

Mr. SCHEEL. In the shape of rags.

Senator SIMMONS. You said, I think, that the woolen industry did not export any manufactured products at all.

Mr. SCHEEL. No, sir. Our wages are three times what they are abroad.

Senator SIMMONS. It is the waste that you export.

Mr. SCHEEL. Certain wastes that are gathered and sold to Bulgaria and——

Senator GEORGE. One other question I would like to ask—were you through, Senator?

Senator SIMMONS. I have just one further question to ask. If that be true, if your foreign competition is confined practically exclusively to the high price goods of your industry why do you want to disturb the present duties upon any except that class of goods that is subject to this foreign competition?

Mr. SCHEEL. I am arguing that the form of the duty should be changed to a specific duty because I point to the decline in values.

Senator SIMMONS. We are not talking now about specific duties or ad valorem duties; I am talking about protection as a whole and I am asking you the question if the competition is as you claim, and if as you say the imports are not more than 4 per cent and they apply almost exclusively to the higher class products of your industry, why should you want to disturb the present duties upon the lower class goods? Why would you not be satisfied with some increase upon the duties of the higher goods?

Mr. SCHEEL. That has been the result in the new bill. The new bill leaves the moderate priced goods with their old ad valorem percentage protection. It says that goods valued at more than \$2 shall receive 60 per cent instead of 50 per cent ad valorem protection, the idea being that prices indicate a larger degree of conversion cost and, therefore, the fine goods should get the protection and the medium and low priced goods are left practically where they are.

Senator SIMMONS. Then you are not asking for any increases except upon these higher priced articles.

Mr. SCHEEL. That was the argument before the Ways and Means Committee. I am; yes.

Senator SIMMONS. Now, give us the line of demarcation between that class of goods that is subject to foreign competition and that class of goods which you produce not subject to foreign competition. What is the line of demarcation?

Mr. SCHEEL. Of course, facts would indicate that. Unfortunately facts as to imports are in a very mixed up condition due to the fact that the paragraph is a short one, the classification is simple, and the classification by kinds of goods runs only as far as the letter of the law indicates.

Senator SIMMONS. Could you not establish the dividing line between these two classes, the boundary line, by the number of yarns, or something of that sort?

Mr. SCHEEL. Yes, sir; by picks or by the count of yarn. That is the wording in this suggested law. It can not be done by value.

Senator BINGHAM. You would be satisfied if the wording in the suggested law was made so that the specific duty applying to the

cheaper grades of cloth would not increase the duty of that cloth over what it is to-day provided that you could get a specific duty on the high grades of cloth to equalize your production costs.

Mr. SCHEEL. In principle, yes. I say in principle because I have no knowledge of the degree of protection obtainable in 1928 when prices were twenty per cent higher than they are now on moderate priced goods. The protection on our line of goods expressed in the form of a percentage of the American conversion cost under the present law is in the degree of 40 per cent, which is proper if the assumption is correct that foreign costs are 60 cents for conversion when they are \$1 over here. We know different than that; we know that competition in Germany and even in England—we do not have much competition from England in our goods—is in the degree of 30 cents when it is one dollar with us. Therefore the feeling that a dollar spent here should be protected 66 cents in the duty.

Senator SACKETT. Mr. Scheel, how long would an investigation take on an individual case to determine what the specific duty ought to be to take the place of the ad valorem? It would cover quite a range of investigation, would it not?

Mr. SCHEEL. Not as much as one would think, I believe. I think among the evidence submitted to this committee in the brief of the national association and other evidence that I have heard there are indications of costs here and abroad. We read the papers and read that the Bradford spinners are reducing their wages about 10 per cent. Immediately that attacks the basis of the conversion costs relatively here and abroad that much.

Senator SACKETT. It would require quite an investigation, however, to cover the whole line of textiles through the Tariff Commission to determine whether we were making our specifics one rate or another; and here is the point that I would like to suggest: If the committee should determine that the manufacturers of textiles ought to be put on a specific basis, the whole investigation would take a year or two to determine all the specifics properly. Would it not be possible to adopt the higher rates of ad valorem tending the determination of the specifics?

Mr. SCHEEL. In general your suggestion, I think, is very much in order, wherefore the form in which this has been put, namely, let us keep it where it is and go on to specifics where we know they are right. I do not think it would take more than two or three weeks to determine a set of specifics, because these are the facts. The Tariff Commission experts are very competent. We have a wool institute which is marshalling facts through the aid of certified public accountants and experts in the industry. There is a disposition in the industry itself to lay the facts on the table; and there is an interest in this matter because, gentlemen, we are beset by a tremendously great fear, a fear that in spite of ourselves we are going to find ourselves in an unenviable situation.

Senator SACKETT. Bearing in mind the fact that an investigation would take several months if it were passed upon at all, and that this suggestion of yours is a revolutionary change of the whole system of tariff protection in the textile industry and it is going to be quite a problem to work it out, and work it out fairly to the consumer of the goods as well as to the manufacturer, what I was trying to find was a way by which the result could be accomplished even if it took a

longer time than the date of the production of the bill to make the investigation.

Mr. SCHEEL. May I make a suggestion specifically in just that connection? Let section 642 if it is retained, that is investigation of methods of conversion, let that include special mention of specifics in proportion to the American conversion costs.

Let paragraph 336—that is the flexible provision and the equalizing of competitive conditions, let that make appropriate reference to specifics proportionate to American conversion costs.

Let paragraph 402—that has to do with values—define what specifics proportionate to the American conversion costs are.

And let, to the extent that it is possible, by the time it becomes necessary to act, on this bill, there be inserted in the law itself specifics instead of ad valorem with an open door to further change.

Senator SACKETT. That is what I was driving at.

Mr. SCHEEL. After further investigation from the pernicious ad valorem from to the specific.

Thirteen per cent of our imports, by value, to-day are on the ad valorem form—only 13 per cent. The second largest revenue producer, the wool industry, is on ad valorem, except for wool. The time has come, gentlemen, to adopt that logical, economically sound system that is defensible from the standpoint of that which it is intended to protect—work and the working men in America, the cost of living in America, and the cost of converting raw material into finished product.

Senator SIMMONS. One witness yesterday—I do not remember what his name was—gave us a table. It might have been day before yesterday. I think, according to that table, Great Britain was producing at about one-half the American cost; Germany was producing at about one-fourth of the American cost, and I think Czechoslovakia was producing at a still lower cost. In fixing your specific rate, would you want to fix it based upon the lowest cost in any country at which they are potentially able to compete?

Mr. SCHEEL. I would intelligently apply the principle expressed in the present law of the principal competing country, but I would consider the principal competing country that country which is the principal competing country as to a narrower class of goods than lumping all the imports together and going to England for it, the fact being that challis are coming in from Japan and France. They are not making them in England. England is out. Broadcloths are coming in from Czechoslovakia in preference to Germany, and they can not make those in England. So that, looking at the goods with the attempt or urge that there be attempted an intelligent interpretation of the principle expressed in the present law—

Senator SACKETT. You would differentiate between the classes of goods that are coming in—

Mr. SCHEEL. Yes, sir.

Senator SACKETT. Rather than take the principal importing country as a whole?

Mr. SCHEEL. Yes, sir. For instance, take the matter of tops.

Senator SIMMONS. Then you would combine the whole and work out your problem on a combination of the whole, or work out your problem as the result of the facts in one line of competition and the facts in the other line of competition in any country.

Mr. SCHEEL. I would take the advice of economists that are trained in the scrutiny of problems like that.

Senator SIMMONS. It would be a very complex problem.

Mr. SCHEEL. Not to an expert economist. There are those in the Tariff Commission to-day.

Senator BINGHAM. Would you be satisfied if the Congress should adopt this in principle and leave to the Tariff Commission experts the working out of the details with the approval of the President?

Mr. SCHEEL. Yes, sir.

Senator BINGHAM. I notice in a recent dispatch of the Associated Press from Manchester, England, that the British costs are about to be cut in the cotton industry.

Mr. SCHEEL. Yes, sir; also wool.

Senator BINGHAM. And that announcement has been posted that 200,000 employees in the cotton spinners are to have their wages reduced by nearly 13 per cent; and a similar reduction is to be placed in the weavers which affects nearly 200,000 operatives.

Mr. SCHEEL. Yes, sir; and in the evidence before the Ways and Means Committee of the House there is an item in the form of a complaint from the Bradford spinners in the woolen industry of the relatively higher cost now and before the war in their country and in France and expressed it this way, that if the parity of wages between France and England were to-day the same as they were before the war English wages would be less than half of what they are to-day. In other words, wages in England are disproportionately high, meaning that when we base our competitive conditions on England we are not striking at the real basis for the differential cost that we suffer from in competition.

Senator SACKETT. Mr. Chairman, is it possible to have that graph that was presented by Mr. Scheel put into the record? If not the whole of it I would like a portion of it put in the record.

Senator BINGHAM. I think so.

Senator SACKETT. I would like to have that done for the sake of the necessary argument on the floor.

Senator BINGHAM. Very well; that will be done.

Senator GEORGE. Is there the same rapid and wide fluctuations in cotton as there is in wool? Of course, cotton is relatively a cheaper product.

Mr. SCHEEL. Yes, sir.

Senator GEORGE. Have you anything comparable to the New York Cotton Exchange in the woolen industry?

Mr. SCHEEL. No, sir.

Senator GEORGE. Can you fix your prices over the future, that is what I am getting at, do you have future trading, hedging?

Mr. SCHEEL. No, sir.

Senator GEORGE. You do not have that in your industry?

Mr. SCHEEL. No, sir.

Senator SIMMONS. Senator Sackett, the graph that you want inserted in the record is statistical in its character.

Mr. SCHEEL. Yes, sir.

Senator SIMMONS. And you are introducing this into the record without any verification?

Senator BINGHAM. It is published by the National Association of Wool Manufacturers, a very responsible association, represented

yesterday by Mr. Hoobs; and, of course, it will be put into the record merely for what it may be worth.

Senator SIMMONS. I understand that, but if the wool manufacturers present a brief can we not require some verification? In this graph you are presenting a volume of data to be used in this hearing for which data there is no verification as to who made it and its accuracy, whatsoever.

Mr. SCHEEL. I obtained these figures from the secretary of the national association, who told me that they are from the same source as the figures which have been published for years by the association without criticism.

Senator SIMMONS. All I was suggesting is that whoever compiled this data and made this draft is not here to make a statement that it represents statistical facts well established.

Mr. SCHEEL. Mr. Humphreys is here, sir. I suggest that you ask him for that statement now, if you will.

Senator SIMMONS. This is a very important document.

Senator SACKETT. I suggest that we put Mr. Humphreys on the stand.

(Mr. Scheel submitted the following brief:)

BRIEF OF BOTANY WORSTED MILLS, PASSAIC, N. J.

GENTLEMEN: In response to your request the writer addresses himself particularly to the matter of the bases for the suggested specific rates proportionate to the American conversion costs which should replace the protective duties now in the ad valorem form, or to which the presently suggested ad valorem duties would be the alternative minimum.

The presentation will be considered under the four following heads:

1. What fundamental relationship can be agreed upon as measuring the degree of protection necessary in general as between American conversion costs and foreign conversion costs?

2. Why?

3. What is the relationship of the several American conversion costs for clearly definable classifications of the manufactured products?

4. Why?

General.—In general it is to be recognized that technical skill in the several countries competitive with the United States of America varies less in woolen-worsted manufacturing than in most lines; the woolen-worsted industry is one of the oldest industries in the world and "American methods" offers less advantage to our world competition, relatively, than in most lines; more of skill and more of machinery has come from abroad to us than from us to abroad, relatively, to other lines. The productivity per employee-hour is more uniform in the woolen worsted industry throughout the world than in most industries. The worsted industry is one originally transplanted from Germany and old Austria as a result of tariff protection, the woolen industry, by and large, similarly from England, and continuing research, new development, new skill, and inventiveness have been and are more largely imported and importable than exportable by us.

In our industry profit is a matter of style, merchandising, efficient production, and turnover. The sole purpose of the tariff is to equalize costs of production here and abroad, so that the products of American labor shall not be displaced by foreign goods, on account, say, of style, except at a cost which includes proper allowance for the American standard of living cost in the production of the manufactured article. There should be no burden upon the American manufacturer's "efficient production" on account of the high standard of living of the American laboring man; there should be no idleness to labor on account of an unprotected "highest wages in the world." This protective duty should be specific, not some arbitrary fraction of an amount or value which varies with changes in the primary raw material (raw wool) value, specifically tied close (in effect and by definition) to that with which it is related and to which it is the protection.

(1) In the woolen/worsted industry the degree of protection, in general, should be 66% per cent of the American conversion cost, that is, the duty for any group

of manufactured articles should be 66½ per cent of the American conversion cost of the highest conversion cost article in the group.

(2) *Great Britain.*—The conversion costs per yard, entire conversion cost, of goods made by one concern, having similar plants producing similar goods here and in England show the United States of America plant conversion costs to be 2¼ to 2½ times the English plant conversion costs. A comparison of certain individual wage rates seems to show the United States of America costs to be from 2.16 to 3.32 times the British costs. We deny that the United States of America labor is 23 per cent more efficient than British labor—piece-rate incentive result in substantially equally efficient productions on similar machines.

In general, overhead and supplies costs run in proportion to the differences in labor costs because, in the last analysis, all overhead costs are labor, as, for the most part, are also supplies; but England is reducing wages in the textile industry; England is complaining of the relatively higher costs England has than has France, Germany, Italy or Czechoslovakia. The agitation in England for duty protection on woolen/worsted manufactures indicates her costs to be fundamentally higher than those of the other European countries.

In a sense, it is unfair to look to England for the standard cost of foreign goods. Style and "imported" sell much of her product here irrespective of price and there are no figures indicating the percentage of goods imported for this reason.

Germany.—Until recent months our American companies had interests in German mills making goods like our own. In our opinion the German costs (total) are in proportion to United States of America costs as 30:100. German woolen/worsted industry has had a complete reorganization on the efficiency side and today is fully as efficient as is the American industry.

Germany's wage rate figures show ratios of 2.88 to 3.58—United States of America rates relative to German rates. Germany's economical spinning ability is probably second to no country in the world.

France.—France has an almost completely rejuvenated machinery equipment. Her industry is new since the war, when invading German forces demolished her woolen/worsted factories. In addition to the producing ability indicated by wage rate ratios of from 3.08 to 4.94, many of her goods have a style appeal which sell them in spite of a tremendous manufacturers' profit—many of these goods will be sold in the future also.

Czechoslovakia.—Costs here are admittedly the lowest in the world except from the Orient and efficiencies almost as high as any country. The "association tariff" or wage schedule for woolen/worsted workers shows the maximum weekly pay for mill mechanics, carpenters, electricians, etc., practiced at their trade five years after completion of their apprenticeships, to be \$4.20 per week compared with \$35.00 in the United States of America. Surely the duty protection against Czechoslovakia should be not less in cents per yard than against Great Britain even if Czechoslovakian goods have little popular style appeal.

3. The several American conversion costs with what is believed are fairly satisfactory definitions for classifications are indicated in the capitalized portions of the following suggested paragraphs 1106, 1107, 1108, and 1109. It is believed that paragraphs on carpets, pile fabrics, blankets, and knit goods can be developed within a very short time.

PARAGRAPH 1106

Wool, and hair of the kinds provided for in this schedule advanced in any manner or by any process of manufacture beyond the washed and scoured conditions, including tops, but not further advanced than roving, 37 cents per pound and 20 per centum ad valorem. Said ad valorem duty is the minimum alternative to the following: On grades up to 45s, 13 cents per pound; 46s to 50s, 14 cents; 56s, 15 cents; 60s, 16 cents; 64s, 70s, and finer, 17 cents; but if the materials have not been combed the duty shall be 3 cents per pound less, and if the material had been advanced into the roving stage, the duty shall be 6 cents per pound more and if the material has been dyed or colored in any way, there shall be a further additional duty of 9 cents per pound, and if the material consists of fibers other than sheeps' wool, to an extent greater than 10 per cent by weight, there shall be a further additional duty of 3 cents per pound.

PARAGRAPH 1107

Yarns, wholly or in chief value of wool, valued at not more than 50 cents per pound, 27 cents per pound and 30 per centum ad valorem; valued at more than 50 cents but not more than \$1 per pound, 40 cents per pound and 35 per centum

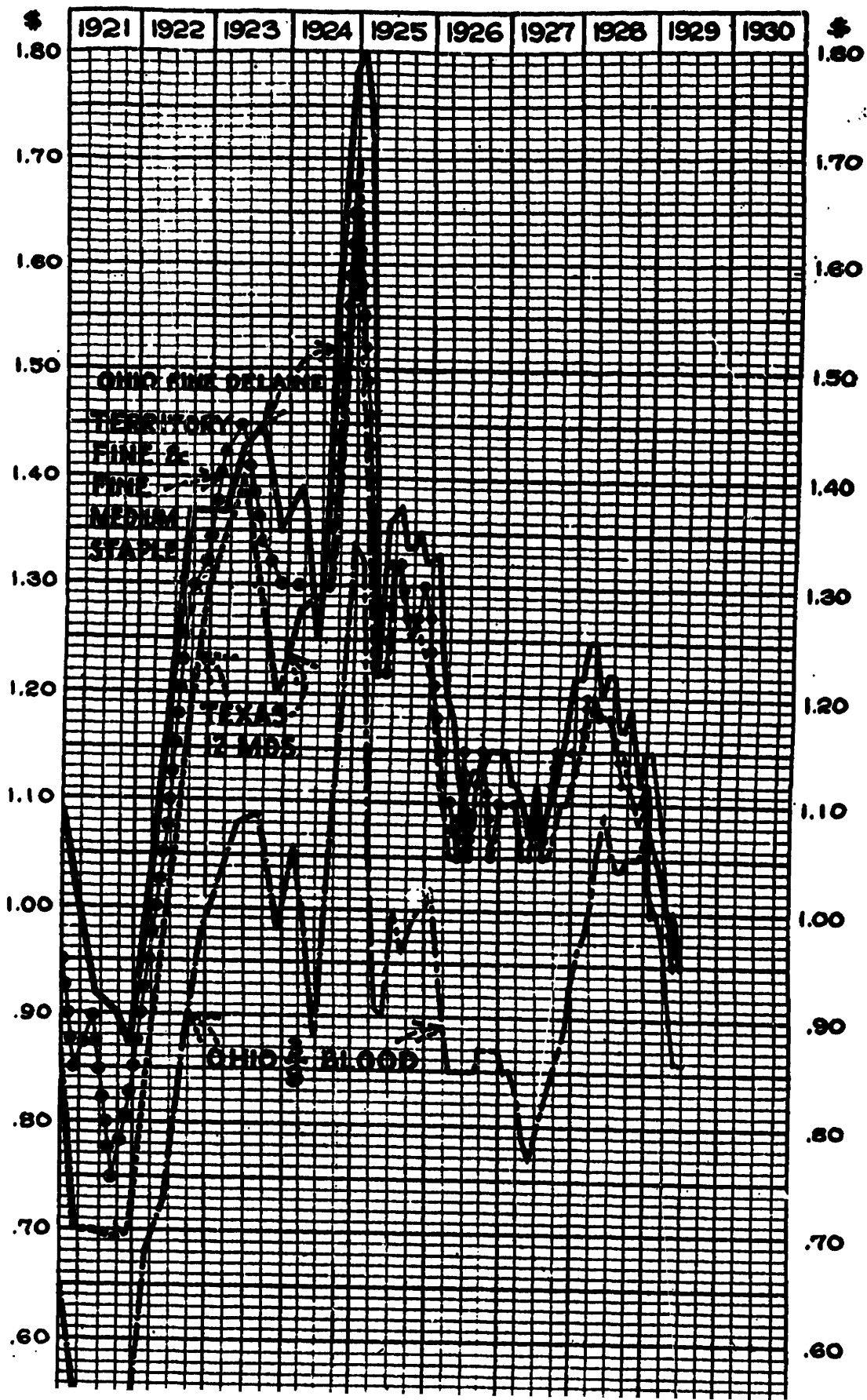
ad valorem; valued at more than \$1 but not more than \$1.50 per pound, 40 cents per pound and 40 per centum ad valorem; valued at more than \$1.50 per pound, 40 cents per pound and 45 per centum ad valorem. Said ad valorem duties are the minimum alternatives to the following: Worsted yarn up to and including 2/20 worsted count 33½ cents per pound; on yarns from 2/20s to 2/30s, inclusive, three-fourths of 1 cent per number above 20s additional to 33½ cents; on yarns from 2/30s to 2/50s, inclusive, 1 cent per number above 30s additional to 41 cents; on yarns from 2/50s to 2/60s, inclusive, 1½ cents per number above 50s additional to 61 cents; on yarns 2/60s to 2/70s, inclusive, 2 cents per number above 60s additional to 74½ cents; on yarns finer than 2/70s 2½ cents per number above 2/7s additional to 94½ cents; but if the worsted yarn is single yarn and not twisted there shall be a reduction in this duty of the two-ply yarn of 15 per centum thereof and if the twists in the ply yarn or single yarn are more than 50 per centum greater than for normal warp twist yarns, or if the yarn be fancy or compound yarn, there shall be an additional duty of 50 per centum thereof, and if the yarn is colored, dyed, or printed in any manner, there shall be additional duty charged as follows: When dyed before spinning, 10 cents per pound, and when in the ply yarn there will be one or more ends of color or shade different from any other end in the ply yarn, there shall be an additional duty of 10 per centum of the duty; if dyed after spinning, 8 cents per pound; and if the material consists of fibers other than sheep's wool, to an extent greater than 10 per centum by weight, there shall be a further additional duty of 3½ cents per pound; and on woolen yarn up to and including ten single worsted count, 20 cents per pound; counts ten to twenty, inclusive, 2.8 per centum per number above tens additional to 20 per centum; counts finer than twenties worsted count, 3 cents per number finer than twenties additional to 48 cents per pound; but if the yarn is twisted there shall be an additional duty of 20 per centum of the duty, and if the yarn is colored, dyed, or printed in any manner, there shall be an additional duty charged as follows: When dyed before spinning, 10 cents per pound; and when in the ply yarn there are one or more ends of color or shade different from any other end in the ply yarn, there shall be an additional duty of 10 cents of the duty; if dyed after spinning, 8 cents per pound, and if the material consists of fibers other than sheep's wool, to an extent greater than 10 per centum by weight, there shall be a further additional duty of 3½ cents per pound

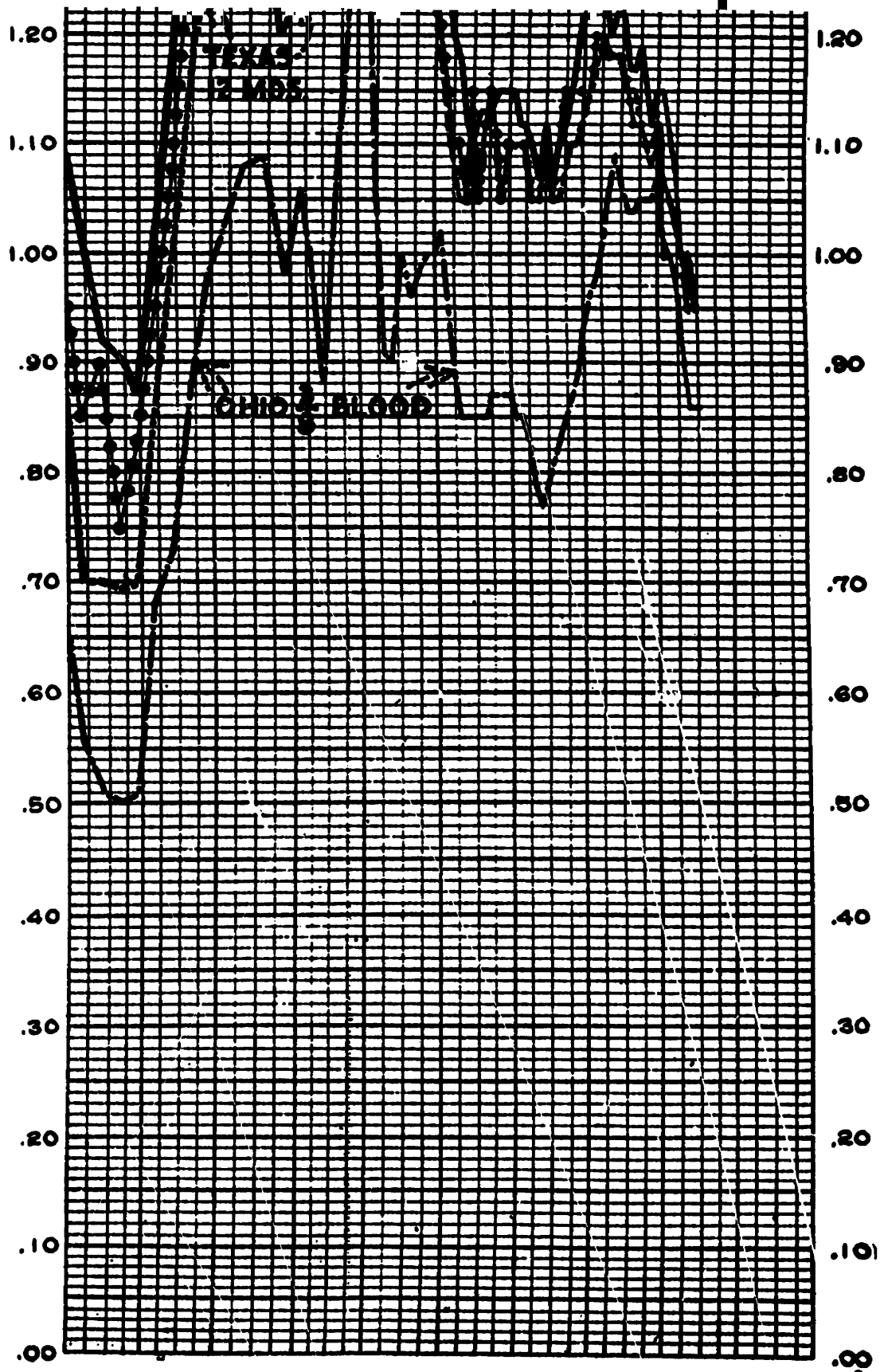
PARAGRAPH 1108

Woven fabrics, weighing not more than 4 ounces per square yard, wholly or in chief value of wool, valued at not more than 80 cents per pound, 40 cents per pound and 50 per centum ad valorem; valued at more than 80 cents but not more than \$1.25 per pound, 50 cents per pound and 50 per centum ad valorem; valued at more than \$1.25 but not more than \$2 per pound, 50 cents per pound and 55 per centum ad valorem; valued at more than \$2 per pound, 50 cents per pound and 60 per centum ad valorem: *Provided*, That if the warp of any of the foregoing wholly of cotton, or other vegetable fiber, the duty on the fabric valued at not more than \$1 per pound, shall be 40 cents per pound and 50 per centum ad valorem; valued at more than \$1 per pound, 40 cents per pound and 55 per centum ad valorem. Said ad valorem duties are the minimum alternatives to the following: For cloths with worsted filling ½ cent per yard for each pick per inch, or for cloths with woolen filling 1½ cents per yard for each pick per inch, plus ¼ of the average duty on the component yarns in the fabric per pound of fabric, but if the woven fabrics are undyed and/or unfinished, there shall be a reduction of 30 per cent per pick per yard, and, if the fabrics are printed, there shall be an additional duty of 5 cents per yard; and if the fabrics have been finished with a result other than ordinary mill finish, there shall be additional duties as follows: Face cut, teasled and/or napped, 15 cents per yard; curl finish— per yard; sheen finish 5 cents per yard; extra sheen or hot plate finish 10 cents per yard.

PARAGRAPH 1109

(a) Woven fabrics, weighing more than 4 ounces per square yard, wholly or in chief value of wool, valued at not more than 60 cents per pound, 26 cents per pound and 40 per centum ad valorem; valued at more than 60 cents but not more than 80 cents per pound, 40 cents per pound and 50 per centum ad valorem; valued at more than 80 cents but not more than \$1.50 per pound, 50 cents per pound and 50 per centum ad valorem; valued at more than \$1.50 per pound but not more than \$2 per pound, 50 cents per pound and 55 per centum ad valorem;





valued at more than \$2 per pound; 50 cents per pound and 60 per centum ad valorem. Said ad valorem duties are the minimum alternatives to the following: (see paragraph 1108.)

(b) Woven felts and articles made thereof (including belts and belting, endless or otherwise), finished or unfinished, wholly or in chief value of wool, shall be dutiable at the rates provided in subparagraph (a).

4. The suggested duties are at 66 $\frac{2}{3}$ per cent of the American Conversion Costs as developed out of the researches of the Wool Institute and from the cost records of representative concerns and from the public tariffs of commission top-makers, spinners, and dyers and finishers. They have been the subject of lengthy and detailed discussion by representatives of not less than 15 concerns in and around Boston, Passaic, and Philadelphia, and, in our opinion, are relatively to each other representative, accurate, and a fair average.

Respectfully submitted.

HENRY VAN RIPER SCHEER.

Subscribed and sworn to before me, this 2d day of July, 1929.

BEATRICE M. MORGAN, *Notary Public.*

STATEMENT OF WALTER HUMPHREYS, BOSTON, MASS., REPRESENTING THE NATIONAL ASSOCIATION OF WOOL MANUFACTURERS

(The witness was duly sworn by the chairman of the subcommittee.)

Senator BINGHAM. Mr. Humphreys, did you have anything to do with the preparation of this table of fluctuation in wool prices?

Mr. HUMPHREYS. Yes, sir.

Senator BINGHAM. Where did you obtain your information?

Mr. HUMPHREYS. I obtained it from the secretary of the Boston Wool Trade Association, which has provided quarterly the varying fluctuations in wool prices for years; and the chart from which that is drawn has been published, I think, since 1895.

Senator SACKETT. Are they correct?

Mr. HUMPHREYS. They are correct so far as I know. They have received attention throughout the country and the world.

Senator BINGHAM. What are they based on?

Senator SIMMONS. The graph, according to his statement, is compiled on information furnished by this association.

Mr. HUMPHREYS. Yes, sir; but they are prices obtained from actual sales in Sumer Street in Boston, Mass.

Senator BINGHAM. Those prices are published from day to day?

Mr. HUMPHREYS. They are published from day to day.

Senator BINGHAM. And this is merely a compilation of the day to day prices of wool of all these different grades in the Boston market. Is that it?

Mr. HUMPHREYS. Yes, sir.

(The graph submitted by Mr. Scheel, which Senator Sackett requested to be embodied in the record, faces this page:)

STATEMENT OF FRANK W. HORKA, REPRESENTING THE BOTANY FOREMEN'S ASSOCIATION, PASSAIC, N. J.

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SACKETT. What is the subject matter that you wish to talk about?

Mr. HORKA. This is the tariff, gentlemen, on wool.

Senator SACKETT. Plain wool?

Mr. HORKA. No; on manufactured wool.

Senator BINGHAM. 1106, 1107, 1108, and 1109.

Mr. HORKA. Gentlemen, may I introduce myself as the chairman of the Foremen's Association of the Botany Worsted Mill, having been employed there for the last 23 years and knowing the condition of the people who have sent us here, who urged us to come down and speak for them before you gentlemen, because it is the foreman that is directly with the people connected and knows the condition of the people, and we urge you gentlemen that you will do everything in your power, because we know the ailment of our workers and ourselves, and it is our bread and butter, which we need and which is affecting us considerably in the last few months, and we feel it every day more and more on account of not enough protection of the tariff. And the same confidence that the workers have in us to send us here, we have the same confidence in you gentlemen that the people of this country have who send you gentlemen here to Washington to represent us, and we urge you that you do what you think is best. We are not giving you any statistics, because we are not acquainted with them, but we know the ailments of our workers and ourselves, and that is their bread and butter.

Senator GEORGE. You mean you are not working full time?

Mr. HORKA. Not working full time; no, sir.

Senator GEORGE. How much are you working?

Mr. HORKA. We are working, practically since the last three years, or probably more, the last year and a half or so, we are only working about 65 per cent to 70 per cent.

Senator GEORGE. Sixty-five to seventy per cent? What is your line of business?

Mr. HORKA. Spinning and manufacturing of cloth, worsted and wool.

Senator GEORGE. Woolens?

Mr. HORKA. Woolens; yes, sir.

Senator BINGHAM. Woolen fabrics?

Mr. HORKA. Yes, sir.

Senator GEORGE. You think the whole trouble is that the tariff is not high enough?

Mr. HORKA. That the tariff is not high enough, yes, sir.

Senator GEORGE. Might it not be that you could get commodities, get goods, so high in this country that other people could not buy them? Would not that have the same effect? What you need is orders in your business.

Mr. HORKA. Yes, sir; that is what it is.

Senator BINGHAM. You also need to maintain your present rate of wages?

Mr. HORKA. To maintain the present wages; yes.

Senator BINGHAM. You want to secure employment at full time at your present rate of wages?

Mr. HORKA. Yes, sir.

Senator BINGHAM. And with the present state of the business, that can not be done, because there is not enough business to go around?

Mr. HORKA. There is not enough business to go round on account of the tariff.

Senator BINGHAM. Because the foreign goods come in and undersell you, and the foreign workers get much less than you do per hour?

Mr. HORKA. That is what it is, sir.

Senator SIMMONS. You do not represent the mill owners? You represent the mill workers?

Mr. HORKA. I am the chairman of the Foremen's Association, which consists of 215 foremen, and we employ at the present time about 3,800 people. I don't know the exact figures, because it is different every week or so.

Senator BINGHAM. Are there other foremen present? Is Mr. Belli present?

Mr. HORKA. Yes.

Senator BINGHAM. Is Mr. Joerger here?

Mr. HORKA. Yes, sir.

Senator BINGHAM. And Mr. Miller?

Mr. MILLER. Yes, sir.

Senator SIMMONS. I want to find out whom you represent.

Mr. HORKA. We are representing the workers.

Senator SIMMONS. You are the foremen of these factories?

Mr. HORKA. Yes, sir; and we know the ailments of the workers.

Senator SIMMONS. What do you produce in these factories?

Mr. HORKA. Wool and worsteds.

Senator SIMMONS. Both wool and worsted?

Mr. HORKA. Yes, sir.

Senator SIMMONS. Where are the mills located?

Mr. HORKA. The Botany Worsted Mills are in the State of New Jersey.

Senator SIMMONS. You say there is an unemployment situation there?

Mr. HORKA. Yes, sir; pretty bad.

Senator SIMMONS. How long has that been the situation in New Jersey?

Mr. HORKA. It has not been a hundred per cent since I can remember. I don't know when, but it is growing worse.

Senator SIMMONS. But it never is 100 per cent, is it?

Mr. HORKA. No; but at the present time and since about a year and a half ago, and it is growing worse, we feel that it is going from bad to worse.

Senator SIMMONS. Up to a year and half ago the conditions were all right? You had employment?

Mr. HORKA. No; they were not what they should have been either.

Senator SIMMONS. They were not 100 per cent, but there was considerable steady employment?

Mr. HORKA. No; not steady employment at all either.

Senator SIMMONS. Well, what period in your history would you say there was steady employment?

Mr. HORKA. It was during the war period.

Senator SIMMONS. There has been no steady employment since the war period?

Mr. HORKA. No steady employment since; no.

Senator SIMMONS. One witness just said that the price of raw wool had doubled since the war as compared with the price of raw wool before the war. Has the price of manufactured goods gone up in response to the higher price of raw material?

Mr. HORKA. Well, that I am not acquainted with, sir. I have not got the details and I am not in a position to say.

Senator SIMMONS. Are you in as good condition now as you were in 1922, before 1922?

Mr. HORKA. They are not.

Senator SIMMONS. Did you get into better condition after 1922?

Mr. HORKA. Did we get what?

Senator SIMMONS. In better condition?

Mr. HORKA. Yes; the industry was in healthier condition than what they are to-day.

Senator SIMMONS. In 1922?

Mr. HORKA. Absolutely.

Senator SIMMONS. How about 1923?

Mr. HORKA. In 1923 I think it began to decrease a trifle. I can't say.

Senator BINGHAM. Now tell us this: Within the last two years have more of your workers been employed or been thrown out of work?

Mr. HORKA. In the last two years more have been thrown out.

Senator BINGHAM. In the last two years unemployment in your industry has decreased?

Mr. HORKA. Has decreased?

Senator BINGHAM. No; increased. Has there been an increase or decrease in unemployment?

Mr. HORKA. Unemployment has increased; yes.

Senator BINGHAM. Unemployment within the last two years has increased?

Mr. HORKA. Yes, sir.

Senator BINGHAM. More workers have been thrown out of work? You testify to that of your personal knowledge? You all agree to that?

(The delegation from the Botany Worsted Mills answered "yes" in concert.)

Senator SACKETT. You make the highest grade cloths of any mills in this country, do you not?

Mr. HORKA. We do.

Senator SACKETT. Expensive cloths?

Mr. HORKA. Yes, we do, sir.

Senator SACKETT. And you are asking here that this ad valorem duty, which is placed on goods of \$2 and upwards, be raised from the present 60 per cent to some other figure? Is that what you are after?

Mr. HORKA. Well, I could not answer, because I am not acquainted—I do not know the difference between the different duties, but what I am asking for, representing the people that urged us to come here, is to give us a better duty, as you gentlemen see fit.

Senator BINGHAM. What you are representing to us is evidence that your industry comes under the head of the President's proclama-

tion for the Congress when he said that there were certain industries where unemployment was increasing and that we ought to take notice of that and see what could be done through a tariff to make more employment?

Mr. HORKA. More employment; yes, sir.

Senator BINGHAM. You do not know anything about the items or the amounts, but you know that you are not being employed as much as you were two years ago?

Mr. HORKA. No.

Senator GEORGE. You say your employment began to fall off in 1923?

Mr. HORKA. I don't quite recollect whether it was 1923, but it run for about a year or two. I haven't got the statistics.

Senator GEORGE. It has gradually placed more and more men out of work for the last four or five years?

Mr. HORKA. I do know that in 1922 it was——

Senator GEORGE (interposing). Pretty bad?

Mr. HORKA. Very good.

Senator GEORGE. And since then you have gradually increased the number of men out of work?

Senator BINGHAM. Now, get your years straight. [Laughter.] I want you to know what years you are talking about, and you want to tell the truth about these years. Now, we are interested in these last seven years since the last tariff bill was enacted in 1922.

Senator GEORGE. Well, Mr. Chairman, don't lead the witness. [Laughter.]

Senator BINGHAM. I want the witness to be informed as to what you are leading him into. [Laughter.]

Senator GEORGE. Now, you have got more men out of work this year than you had last year?

Mr. HORKA. We have.

Senator GEORGE. You had more out of work last year than you had the year before?

Mr. HORKA. I believe we had.

Senator GEORGE. And that was true of the year prior to that? So that——

Senator BINGHAM (interposing). Wait a minute. The witness has not answered that yet.

Senator GEORGE. He answered a while ago.

Senator BINGHAM. This witness is not going to be confused if I have anything to say about it.

Senator GEORGE. He is not going to be confused if I have anything to say about it. Now, this witness has come here just like other witnesses and assumed that the whole trouble is the lack of a tariff.

Senator BINGHAM. Well, this witness is testifying to unemployment. That is all he knows about.

Senator GEORGE. That is all I am asking him about, how many men were out of employment.

Mr. HORKA. I do not know, sir.

Senator SIMMONS. Just one moment. I suggest that when one member of this committee is examining a witness, that he be allowed to go through his examination before interruption.

Senator BINGHAM. I am sorry I interrupted him.

Senator GEORGE. Now, if you can just give us the number of men that were out of employment in 1923, 1924, 1925, 1926, 1927, and at this time—if you can give us those numbers?

Mr. HORKA. I can not give you those numbers, Mr. Senator. I haven't got the statistics. I am not in that capacity to possess those statistics.

Senator GEORGE. Well, you know how many men are at work in your business in the mills?

Mr. VAN BILDERBECK. I can answer that.

Senator SIMMONS. He is not a witness.

Senator BINGHAM. Yes; they have all been sworn.

Senator SIMMONS. But they all can not testify at the same time.

Senator BINGHAM. This witness says he can not answer the question; here is a witness who can answer it.

Senator SIMMONS. Let him answer it when he gets his turn.

Senator GEORGE. You are satisfied with your answer that you first made to me, that since about 1923 there has been a gradual slackening of employment in your particular business, and it is greater now than it has been?

Mr. HORKA. Yes.

Senator GEORGE. All right.

Senator BINGHAM. Will you give us those figures?

STATEMENT OF HENRY H. VAN BILDERBECK, REPRESENTING THE BOTANY FOREMEN'S ASSOCIATION, PASSAIC, N. J.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. VAN BILDERBECK. I am with the Botany Woolen Mills since 1914, in the capacity of foreman, and since May 1 of this year as a member of its personnel department.

When the Botany Foremen's Association was organized in 1927 I was elected as its treasurer and have been chairman of this organization from January, 1928, until May, 1929.

The reason for my being here is this: On March 23, 1929, there was sent by the Botany Foremen's Association, over my signature, a letter to the Hon. James J. Davis, Secretary of Labor. I believe, and with me the members of our organization believe, that this letter is of so much importance and expresses so well the thoughts and expectations of the rank and file of our workers and their foremen, that we beg of you to have the contents of same put into the records of this committee. If I may do so, I would like to read to you a few paragraphs of this letter in the hope that it may be of some help to this committee in its difficult task of settling the tariff question now before the Nation, and also be of some help to us textile workers, who expect so much from this committee, and of all of those who are trying to do what is right for American industry and American workers. I would like to read a few paragraphs of this letter:

Colonel Johnson at that time pointed out—

That was at one of our meetings. Colonel Johnson, I think you all know, is president of our concern.

Senator SIMMONS. Is that your letter?

Mr. VAN BILDERBECK. This is the letter I wrote to the Hon. James J. Davis; yes. [Reading:]

Colonel Johnson, at a meeting we held, pointed out what the result had been of previous so-called free trade or tariff-for-revenue only. He pointed out how this very mill had started out to buy in Europe, following the election of Mr. Wilson, sufficient yarn and finished cloth to be the equivalent of practically the operation of the mill. Then the war intervened, but had this plan been carried out, it would not have been American labor but German and Austrian labor which would have been employed to supply our American markets.

It was further pointed out at that time—

Senator BINGHAM. Now, I do not want to interrupt your reading the letter, but I would like to get an answer to the question that Senator George asked. You said you have the statistics about the unemployment. I would like to get that answer.

Mr. VAN BILDERBECK. All right, Mr. Chairman. We come here to the next paragraph:

May we point out to you the fact that in 1917, with war as a tariff, the machinery of this mill was operated 100 per cent; in 1918 with the war still operating as a tariff but with a slackening in November and December because of armistice, we worked 85 per cent; from 1922 to the present date under the Fordney-McCumber tariff, we have been gradually going down and it will interest you to know that the figures for the past four years are: 1926, 29.6 per cent—

Senator BINGHAM. What is that?

Senator GEORGE. Unemployment?

Mr. VAN BILDERBECK. That is people working.

Senator BINGHAM. Wait just a minute. I do not quite understand that figure. What is that 29.6 per cent?

Mr. VAN BILDERBECK. The figures for the last four years.

Senator BINGHAM. Is that the percentage of people employed on what basis?

Mr. VAN BILDERBECK. Going back to 1917 it was 100 per cent.

Senator BINGHAM. You call 1917 100 per cent?

Mr. VAN BILDERBECK. It comes down to the end of 1918 to 85 per cent; from then on it went gradually down to 1926, when it came down to 29.6 per cent.

Senator BINGHAM. It was 29.6 per cent in 1926, as compared with 100 per cent in 1917?

Mr. VAN BILDERBECK. Yes. We had the war on, acting as an absolute tariff.

Senator BINGHAM. And it came down in that time from 100 to 29?

Mr. VAN BILDERBECK. Yes, sir. In 1927 it was 39.1 per cent.

Senator BINGHAM. It had improved then?

Mr. VAN BILDERBECK. It went up. In 1928 it was 35.1 per cent.

Senator GEORGE. Down again?

Mr. VAN BILDERBECK. Down again. And for the first three months of this year it was approximately 41 per cent. This last is due to a large extent to the management taking a chance making goods hoping that they can be sold.

It will also interest you to know that in 1917 we employed an average of 6,359 workers. The highest point for the last four years is 3,300 people.

Senator BINGHAM. The highest point for the last four years was 3,300 out of formerly what?

Mr. VAN BILDERBECK. Nearly 7,000. I think I can give the exact figures.

In 1917 we had employed 6,359 workers.

Senator BINGHAM. How many people are there looking for jobs in Passaic now?

Mr. VAN BILDERBECK. A great number. I happen to be with the personnel department of one of our mills, the Botany Worsted Mill, and I can assure you that at both the Botany and the Garfield Worsted Mills we have mobs coming to our employment office.

Senator BINGHAM. If you had an increase in your business due to the tariff or any other cause, how many of these workers, additional workers, could you give employment to, provided you had the orders?

Mr. VAN BILDERBECK. That is all according to how the orders come in.

Senator BINGHAM. But I mean, what is the amount of unemployment—what are the number of laborers that are seeking employment that you can not employ to-day? Is it 100 or 200?

Mr. VAN BILDERBECK. It is in the hundreds.

Senator BINGHAM. It runs into the hundreds.

Mr. VAN BILDERBECK. Yes, sir.

Senator SACKETT. You make the highest grade goods of these cloths that are made in this country, do you not?

Mr. VAN BILDERBECK. I have never been a production foreman and I could not give you any details on that.

Senator SACKETT. You do not make cheap goods?

Mr. VAN BILDERBECK. No; I do not think we do.

Senator SACKETT. And any increase in the duty would not affect the cost of cheap clothes?

Mr. VAN BILDERBECK. Well, that is something that I could hardly answer.

Senator BINGHAM. That is a pretty hard question for a foreman to answer, I think.

Mr. VAN BILDERBECK. Of course, if the management saw fit to go into the manufacturing of cheap grades of goods, it seems to be the sense of the management to-day, the trend of the management to-day—we might be able to do some business that way.

Senator SACKETT. But as a matter of fact, you have been doing a high grade business? You can tell us that?

Mr. VAN BILDERBECK. I think as a rule we do.

Senator SACKETT. All right.

Senator SIMMONS. During the war, when you employed all these men, did you have any war contracts?

Mr. VAN BILDERBECK. I can not go into the details of that, because I do not know.

Senator BINGHAM. Were you making O. D. cloth?

Mr. VAN BILDERBECK. Well, we made a lot of khaki that I know of. I have seen it going through the machines, yes.

Senator GEORGE. You said that in three months of this year, the first three months or last three, I have forgotten which, but anyway three months, you have had about 41 per cent of your labor employed, maximum labor force, and that they were making goods with the hope of selling them. Do you mean to say that you have got some goods made up that you have not sold?

Mr. VAN BILDERBECK. Well, that is something I could not tell you anything about. I do not know.

Senator GEORGE. Well, you used the expression "with the hope of selling."

Mr. VAN BILDERBECK. That information comes from the management.

Senator GEORGE. That is your information that they were making them beyond orders, just merely hoping to dispose of them?

Mr. VAN BILDERBECK. Yes.

Senator GEORGE. And that accounts for the increase in your labor employment during the last three months?

Mr. VAN BILDERBECK. Yes, sir.

Senator SIMMONS. Can you tell us how many men were employed in that factory or industry that you represent before the war began, the World War?

Mr. VAN BILDERBECK. Before the war began? I can not tell you that, because I started in the Botany Worsted Mills in 1914.

Senator GEORGE. You are representing the laborers here in your industry?

Mr. VAN BILDERBECK. Yes, sir.

Senator GEORGE. You came down here for them?

Mr. VAN BILDERBECK. For the laborers and also for the foremen.

Senator GEORGE. Were you asked to come by the owners, the mill owners?

Mr. VAN BILDERBECK. We were asked to come down here by our own membership and also by the management.

Senator GEORGE. All right.

Mr. VAN BILDERBECK. And we happen to be in the Botany Worsted Mills the medium between the management and the workers.

Senator GEORGE. I am not questioning that the employment is low. I am not questioning that at all, but it is well enough to consider, whenever your unemployment does run large, that it may not be altogether due to the fact that you have not got too high a tariff, but it may be due to the fact that you have gotten prices so high—I mean the industry, not you—until your consumption has simply fallen off.

Mr. VAN BILDERBECK. Well, Senator George, I have no way of knowing that.

Senator GEORGE. I do not think you could state that, but I presume one of the other witnesses can state it.

(Mr. Van Bilderbeck submitted the following letter for the record:)

BOTANY FOREMEN'S ASSOCIATION BOTANY WORSTED MILLS,
Passaic, N. J., March 23, 1929.

Hon. JAMES J. DAVIS,
Secretary of Labor, Washington, D. C.

MY DEAR MR. SECRETARY: On the 5th of April there will be a meeting of our organization, which is, as you will note by the head of this letter, representing the foremen. There will be meeting with us jointly the association of clerks and other executives. This is a representation of about 400 men and women in charge of departments within this mill.

We know from conversations that we have had during the past two weeks, that probably the leading question that will be propounded to us is, "What is the meaning of the series of published articles which appear from time to time quoting leading representatives as stating that there will be only minor changes in the tariff, and that 'American valuation' is not to be considered."

It will interest you to know that about three months prior to the election a similar meeting of this same body was held and our vice president, Col. Charles F. H. Johnson, appeared before us and for the first time in the history of this mill, 40 years' existence, a political question was brought before the organization as an economic one. The reason for doing this was that throughout this entire section there has been a smoldering resentment against prohibition plus a personal

admiration for Al Smith, plus a certain disgust for oil and other scandals which led to a general feeling that the only possible protest that could be voiced would be a Democratic party vote particularly as the Democratic party was promising that there would be no damage done so far as tariff was concerned.

Colonel Johnson at that time pointed out what the result had been of previous so called free trade or tariff "for revenue only". He pointed out how this very mill had started out to buy in Europe, following the election of Mr. Wilson, sufficient yarn and finished cloth to be the equivalent of practically the operation of the mill. Then the war intervened, but had this plan been carried out it would not have been American labor but German and Austrian labor which would have been employed to supply our American markets.

It was further pointed out at that time that the war acted as an automatic tariff of the very best kind because it was an absolute shut-out of all importations. It was further pointed out that the tariff which the Republicans had put into effect following the election of Harding had undoubtedly proved very effective for most of the industries in this country and that the country generally had prospered, but so far as the textile industry was concerned it had proven, and still is, an absolute failure and that the recognition of this fact would result in changes in the tariff protecting the textile industry to such an extent that the difficulties which at the present time confront us would be very largely overcome.

Our vice president at that time appealed to us to lay aside our personal preferences, our prejudices, and our protests, and from that time we supported the stated tariff policy of the Republican party. We feel that this was the position taken by most workers throughout the United States. We were strengthened in our belief that assistance would come from the fact that there was not one Republican speaker either on the radio or in halls, nor was there a publication of an inspired article which did not promise tariff relief. We heard tariff from September to November and the reason that we are writing directly to you is that you speaking to us in the Armory at Passaic on an evening of last October, following a speech which you had made in Paterson on the same evening, and both of which were listened to by textile operatives in this section, promised definitely that the nonemployment and the difficulties confronting our industry would be tremendously helped by the election of the Republican candidate.

That election took place and all we have heard since the election are reasons why the tariff should not be changed, how good it has been, and how prosperous everybody is. May we point out to you the fact that in 1917, with war as a tariff, the machinery of this mill was operated 100 per cent; in 1918, with the war still operating as a tariff but with slackening in November and December because of armistice, we worked 85 per cent; from 1922 to the present date under the Fordney-McCumber tariff, we have been gradually going down and it will interest you to know that the figures for the past four years are: 1926, 29.6 per cent; 1927, 39.1 per cent; 1928, 35.1 per cent; and for the first three months of this year, approximately 41 per cent, this last due to a large extent to the management taking a chance making goods hoping that they can be sold. It will also interest you to know we employed in 1917 an average of 6,359 workers. The highest point for the last four years is 3,300 people.

If conditions are not changed there is every likelihood of a further decrease in the number employed because of the increasing ability of Europe, with a lower standard of living, lower wage scale, longer hours, and the foreign base for tariff valuation, to put goods on the American market at a price less than the American mill can produce the same goods.

We find it difficult to understand the opposition to the elimination of what we consider to be lying foreign valuation. We can not understand how you can reconcile the same rate against the varying conditions. A yard of goods which may be made in England and costs, say \$1 for example, will have a rate applied against that cost. The same identical article manufactured in Germany may cost 90 cents and therefore your tariff rate would be applied on your foreign valuation against 90 cents. The same article in Czechoslovakia will probably cost 45 cents and your tariff is then applied against this valuation. The result is a 10-cent differential against England so far as Czechoslovakia is concerned with a 45-cent differential against Germany on the same basis, to say nothing about the fact that the differential against us is that we don't work.

It seems to us as workers, that American valuation is the only honest valuation, positively fair not only to us but to all others, and should be promptly approved. This was recognized in the chemical industry which had suffered more than any other industry in the country and was given American valuation. This has proved successful both for capital and labor, yet the textile industry which

admittedly has suffered from foreign competition and is practically put out of business is denied the right to that which undoubtedly prove helpful.

We would appreciate it very much indeed if you would be good enough to give us some idea as to what we should say when these questions are being hurled at us by men and women working under us. In fact we extend to you herewith a most cordial invitation to come and be present at our meeting and listen to the questions and answer them yourself.

Sincerely yours,

H. VAN BILDERBECH, *Chairman.*
JOHN BELLI, *Secretary.*

STATEMENT OF JOHN BELLI, REPRESENTING THE BOTANY FOREMEN'S ASSOCIATION, PASSAIC, N. J.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. BELLI. Gentlemen, I am employed as a foreman in the Botany Woolen Mills now for the last 21 years. I am also the secretary of the Botany Foremen's Association, which was organized for the purpose of creating a better understanding between the management, the foremen and the workers. I may just read the objects of our organization:

1. To create a better understanding between management, foremen, and workers.

Senator BINGHAM. You can put that into the record without reading it, if you wish.

Mr. BELLI. All right.

(The matter referred to appears hereafter.)

We are down here for the purpose of urging you gentlemen, and even the men, that you give us a better protective tariff than what we have in force to-day. You can see by the figures that were given that in 1917 we had employed over 6,000 people; we have to-day only 3,500.

Just two weeks ago I received an order to lay off 17 workers. It puts a foreman in such a horrible position when he has to choose those who have to be laid off. In fact, I will tell you how I did it. I just let them draw out whoever had to be laid off. It is true us foremen continue to work and we are also paid, but it is not a pleasant situation, a pleasant thing to see all those who are unemployed hanging around the streets and passing remarks while we are going to work.

I am the president of the Lincoln Republican Club of Clifton, an organization of over 270 members, and at the last election the only thing that got our members to vote for Mr. Hoover for President was just this tariff question, because there are three cities surrounding this center of wool industry, and about 75,000 people depend largely upon the wool industry.

Just to give you an illustration, a friend of mine lives next door to me. He works two weeks and he is off two weeks. Every time he sees me going to work—well, there is a certain jealousy in this man, and it is all over the same way.

As I said before, our full capacity is 6,300, and we have to-day only 3,500 employed. You may say, "Well, this other half can pick up other things, can go into other industries," but we built our homes around this mill; we have been working for many years in this mill; we know nothing but that; and to leave the job that we have, that we have the experience, that we receive fair wages—it is hard. I know

many of them that only work two weeks and two weeks off, but they hate to move away from the place, hoping that you will pass a tariff which will help our industry and will help to protect our workers and our American standards of living. That is what we are out for and that is what we are down here for. We want to protect our own living, and there is no man in this world that should be denied that. We are born and we are entitled to live and to a living. We understand that such must be in return for certain work.

Senator BINGHAM. Your five minutes is up.

Mr. BELLI. And just to cut it short, gentlemen, I think that you ought to take into consideration the conditions of Passaic, the city of Passaic, the city of Clifton, and the city of Garfield, who are largely dependent upon our mills. We work only with a force of 3,500 people, but even that force is not working full time. Next week our mill will be closed down, and so on. We only work 35 hours a week, even with the force that we have to-day, and I think, gentlemen, that it is the present tariff that does not help our industry.

We are not here to suggest that you should adopt American valuation or United States valuation or specific duties or conversion cost, but we are here to ask you as protectionists to protect our work and to protect our American standards of living. I thank you.

(Mr. Belli submitted the following constitution and by-laws of the Botany Foremen's Association, Passaic, N. J.):

CONSTITUTION AND BY-LAWS OF THE BOTANY FOREMEN'S ASSOCIATION,
PASSAIC, N. J.

ARTICLE I

The name of this Association shall be: The Botany Foremen's Association.

ARTICLE II

OBJECTS

The objects of this association shall be:

SECTION 1. To create a better understanding between management, foremen, and workers.

SEC. 2. To encourage fellowship among members.

SEC. 3. To keep in touch with the best modern production methods and industrial management.

SEC. 4. To provide an opportunity for the exchange of ideas and the discussion of common problems.

SEC. 5. To assist the fellow member in his social and economical life.

SEC. 6. To promote and cooperate toward the improvement of conditions and production, which shall benefit both the employer and employees.

ARTICLE III

OFFICERS

The officers of this association shall consist of a chairman, vice chairman, secretary, treasurer, three trustees, and a board of representatives.

ARTICLE IV

MEMBERSHIP

SECTION 1. The membership of this association shall be made up of general foremen, foremen, and assistant foremen employed by the Botany Consolidated Mills Inc., at the Botany Worsted Mills, Passaic, N. J.

SEC. 2. To be eligible for membership, applicant must present proof of qualification complying with section I of this article and must be a person of good moral character.

SEC. 3. Applications for membership must be endorsed by two members in good standing of applicant's department and must be approved by a majority vote of the board of representatives.

SEC. 4. When for any reason a member's connection with the Botany Consolidated Mills (Inc.) shall cease, or the qualifications of position according to section I of this article, no longer exists, his or her membership shall automatically terminate.

SEC. 5. No initiation fee is required to join the association but the dues shall be \$3 a year, payable at the rate of \$1 every four months in advance.

SEC. 6. Any member who shall be in arrears for dues for a period of eight months shall be dropped from the membership of the association.

SEC. 7. An ex-member who has lost, through some reason, his membership in this association may be re-admitted in the same manner as a new applicant.

ARTICLE V

DUTIES OF OFFICERS

Chairman

SECTION 1. The chairman shall preside at all meetings of the association and of the board of representatives. He shall appoint all standing and special committees. He shall call all special meetings of the association either at his discretion or at the request in writing of five members. He shall call all special meetings of the board of representatives either at his discretion or at the request of three of its members.

Vice chairman

SEC. 2. The vice chairman shall discharge the duties of the chairman in case of his absence or at his request.

Secretary

SEC. 3. The secretary shall keep a record of the membership of the association and also a record of the minutes of the meetings of the association and of the board of representatives. He shall conduct all the correspondence of the association and issue all notices.

Treasurer

SEC. 4. The treasurer shall be the custodian of all the funds of the association. He shall keep a regular account thereof and shall submit a report at each regular meeting of the association and of the board of representatives. He shall receive and record all dues of the members and deposit all funds of the association in a bank selected by the administration. He shall pay all bills found correct for payment by the trustees.

Trustees

SEC. 5. The trustees shall examine all bills presented to the association and order the payment, when found correct. They shall examine the financial yearly report of the secretary and treasurer and supervise all accounts of the association.

Board of Representatives

SEC. 6. The board of representatives shall consist of members selected from each department. They shall elect from and by themselves the general officers and constitute the management of the entire association. They shall represent their respective departments at the meeting of the board of representatives and shall act also as officers of their department's group of members in the transaction of their minor affairs concerning exclusively to their department.

ARTICLE VI

ELECTIONS

SECTION 1. All the officers of the association shall be elected for the term of one year at the annual meeting, which shall be held on the second Friday in January of each year.

SEC. 2. The members of the board of representatives shall be elected by the groups of their respective departments at least one week before the annual meeting in January.

Sec. 3. Each department shall be entitled to one representative regardless of the number of members therein. However there shall be 1 representative to every 10 members or 1 more over that if it exceeds one-half of 10 members.

ARTICLE VII

DUTIES OF MEMBERS

It shall be the duty of every member to observe scrupulously the constitution and by-laws of this association; attend its meetings when ordered; preserve above all his good, moral character; be faithful, progressive, and a good cooperater in his work.

ARTICLE VIII

MEETINGS

The regular meeting of the board of representatives shall be held on the second Friday of each and every month at 5 p. m. in the foremen's room at the Botany Worsted Mills. The meetings of the entire membership shall be held in the recreation room of the Botany on the last Friday of each third month at 8 p. m.

ARTICLE IX

EXPULSIONS

Any member may be expelled from the association who may be found guilty of malversation in office, or guilty of such conduct as may be injurious to the interest of the association.

ARTICLE X

IN THE EVENT OF DEATH OF A MEMBER

SECTION 1. In case of death of a member, the secretary shall send a letter of sympathy to his survivors and a floral piece, as a last tribute to the deceased.

Sec. 2. A delegation of six, composed of one member from each department, shall be appointed by the chairman to visit the home of the deceased, attend the funeral at the expense of the association, and act as pallbearers, if the family of the deceased so desires.

Sec. 3. The total expense for flowers and funeral attendance shall not exceed the sum of \$25 for each case.

ARTICLE XI

SALARIES

The secretary shall receive a compensation of \$25 per year for the secretarial work of the association.

ARTICLE XII

ORDER OF BUSINESS

At all regular meetings of the association, the order of business shall be:

1. Roll call.
2. Reading of minutes of the previous meeting and correspondence.
3. Reports of officers and committees.
4. Election of new members and propositions for memberships.
5. Unfinished business.
6. New business.
7. Collection of dues.
8. Report of the treasurer.
9. Adjournment.

ARTICLE XIII

RULES OF ORDER

The rule of order which shall govern the proceedings of this association shall be the common parliamentary law as laid down in Cushing's Manual.

ARTICLE XIV

AMENDMENTS

This constitution and by-laws may be amended by two-thirds vote of the members in good standing and present at any special or regular meeting of the board of representatives and of the entire membership; provided, that such amendment shall be in writing and read from the floor, first at the meeting of the board of representatives before its approval, and then at the general meeting of the entire membership.

**STATEMENT OF JACQUES E. JOERGER, REPRESENTING THE
BOTANY FOREMEN'S ASSOCIATION, PASSAIC, N. J.**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. JOERGER. I have been employed by the Botany mill since 1904. Since 1917 I have been a foreman in the spinning department, worsted yarns.

I am not a technician nor have I got any statistics, but I am just simply here as a foreman to bring before you the deplorable conditions that exist in our mills to-day. As you have already heard, we have 3,500 people working there, whereas a normal number of employees is about 6,500.

Now, I think that with an adequate tariff protecting our workmen, to enable them to work and live on a level that they are living to-day, or even a higher level, to increase their hours of work, to give them better working conditions, I think we can ask this committee to support us in giving us a tariff. What methods you are going to use, what means you are going to do that by, does not concern us. What we want is protection for the American workingman, and to keep the foreign material out of this country, and I think that is what this industry needs to-day.

I thank you, gentlemen.

Senator SIMMONS. I remember about 18 months ago, I think—maybe not that long, maybe less than 12 months—there was some discussion in the Senate with reference to underemployment, unemployment. I remember that Senator Wagner, of New York, made a speech in regard to this unemployment while the Fordney-McCumber bill was in full blast. I participated in that myself. We were called down and it was denied that there was any material unemployment; that is to say, such unemployment was something like normal—always more or less unemployment. Now, that was the condition that obtained under the Fordney-McCumber bill. I have not heard very much talk lately about unemployment until we begun to write a new tariff bill; now, when we begin to write a new tariff bill the atmosphere is full of these declarations with regard to unemployment. I do not hear anybody denying it now.

Mr. JOERGER. Mr. Senator, I can not go into the details of that, because I do not know anything about it.

Senator SIMMONS. I was just giving that little bit of history preliminary to some questions I wanted to ask you.

Were you in the employ of these mills before the war?

Mr. JOERGER. Yes, sir.

Senator SIMMONS. What were the conditions then, before the war?

Mr. JOERGER. Before the war? In 1912, after President Wilson was elected.

Senator SIMMONS. Let us go a little beyond that, before he was elected.

Senator SACKETT. Let him finish.

Senator SIMMONS. I will let him get through.

Mr. JOERGER. President Wilson was elected in 1913. We worked three days a week then.

Senator SIMMONS. Then the war came on?

Mr. JOERGER. Then the war came on.

Senator SIMMONS. And then what was the situation?

Mr. JOERGER. Then our work was still under the average until we started to participate in the war, then we received an increase, and received Government orders by which we increased.

Senator SIMMONS. Then when we went into the war this apex of employment in the mills that you refer to took place, and you had 7,000 men working then?

Mr. JOERGER. About that time I went into the war?

Senator SIMMONS. About that time you went into the war?

Mr. JOERGER. Yes.

Senator SIMMONS. Did you have any material to supply war contracts?

Mr. JOERGER. Partially.

Senator SIMMONS. Except for war purposes, was there no great increase in the production of wooden goods in your factory, was there?

Mr. JOERGER. I can not give you an exact answer. Senator. I know we were working to full capacity.

Senator SIMMONS. Of course, you were busy with other things; there was a production of wooden goods, so the demand fell off.

Mr. JOERGER. Yes, sir.

Senator SIMMONS. Then, were there any important increases in demand was increased for these goods continuously during the war, and

many mills were working to full capacity. I remember

one in my mill at Winston-Salem, their capacity, I think,

was taken to the full part of the time during the war in manufacturing goods for the Government. Some years ago I was engaged in probably

the same business. I remember that sort, that were needed by the Government in quantities.

Now, the number of men in your mill to-day is not much greater than the number in 1912, is it?

Mr. JOERGER. Not after the tariff was passed by President Wilson.

Senator SIMMONS. Not after the tariff was passed, but before the tariff was passed?

Mr. JOERGER. Before the tariff was passed we were working—

Senator SIMMONS (interposing). About the same as you are now?

Mr. JOERGER. No, sir; about 6,000.

Senator SIMMONS. Now, when the new tariff bill was passed in 1922, did not that have a tremendous effect in increasing the number of men employed in your mill?

Mr. JOERGER. That I can not tell you. I can only remember one time working to full capacity.

Senator SIMMONS. That was much more recently than the other. You remembered about the other. Now, what was the effect of the 1922 act upon the number of men employed in your mill?

Mr. JOERGER. I can not give you an exact answer to that. I know we have not been working to full capacity since 1917.

Senator SIMMONS. Since 1917?

Mr. JOERGER. Yes, sir.

Senator SIMMONS. Then the 1922 act did not materially increase the number of employees in your mill?

Mr. JOERGER. Not to full capacity.

Senator SIMMONS. Has there been any decline since 1922 in the number employed?

Mr. JOERGER. Yes. We have been, as I say, working on a small force and it has been fluctuating.

Senator SIMMONS. And growing less? The number of employed men in the mills has been growing less all the time since 1922, with slight fluctuations up and down, but always getting less?

Mr. JOERGER. That I can not answer.

Senator SIMMONS. You can not answer that?

Mr. JOERGER. All I can tell you is that we have been working—the last year that we were working full capacity was 1917.

Senator SIMMONS. Your activity was greatly increased by the act of 1922, was it not?

Mr. JOERGER. As I say, I am a production foreman.

Senator SIMMONS. But you ought to know something about the tariff because you say that—

Mr. JOERGER. I am not a technician, nor do I pay much attention to that.

Senator SIMMONS. I was wondering, if this tariff act of 1922 had not increased the employment in your mills, why do you expect that another increase in that tariff will accomplish that result?

Mr. JOERGER. For the simple reason, Mr. Senator, that you can take a paper from the metropolitan section every day, even in your Washington Post to-day, and you have advertisements from different firms with imported goods for sale at a very low price.

Senator SIMMONS. Well, we have always had imported goods for sale.

Senator GEORGE. Suppose I were to tell you that in the south there are several million people who can not buy the goods at all that you make, your finer goods, and they have virtually quit buying, would you not think that would have some effect on your business, to lose that many customers? Is not that a thing that you gentlemen representing labor ought to think of, along with the increase in price?

Mr. JOERGER. Now, Mr. Senator, I can only answer that by saying this: As I said before, I am in the production end. Those questions we leave up to the management.

Senator GEORGE. You and I are just plain ordinary citizens and don't you know that you have got to have customers as well as a high price?

Mr. JOERGER. That we have to have customers?

Senator GEORGE. Yes.

Mr. JOERGER. And that is what we are looking for, is customers.

Senator GEORGE. But how are you going to get them?

Mr. JOERGER. By a protective tariff.

Senator BINGHAM. You feel that the customers will come if you get the tariff?

Senator GEORGE. That is your price end. How is that going to help the farmer down in any part of this country who hasn't got any protection and can not get any on his products?

Mr. JOERGER. I say give the farmer protection.

Senator GEORGE. How are you going to do it?

Mr. JOERGER. That is up to you, not up to me. [Laughter.]

Senator GEORGE. You are willing to go with us for the debenture? We tried that but we did not get anywhere.

Mr. JOERGER. There must be something the matter with it. [Laughter.]

Senator GEORGE. There is something the matter with it. It would give some protection to the fellow who is not getting any protection, and most of our colleagues who live in big mill sections were against it.

Mr. JOERGER. That is your side of the story. Now we would like to hear the Republican side of it. [Laughter.]

Senator GEORGE. You seem to be pretty well fed up on the Republican theory.

Mr. JOERGER. I have been a Republican all my life.

Senator GEORGE. Did you pay your own way down here?

Mr. JOERGER. No, sir; the firm did. We demanded of the firm to pay our way.

Senator GEORGE. Who paid your way? I want to put that in the record.

Senator BINGHAM. He said the firm paid it.

Mr. JOERGER. And I want this put in the record, that we demanded that the firm pay our way.

Senator GEORGE. And the firm is the manufacturer?

Mr. JOERGER. The firm is the manufacturer.

Senator GEORGE. A manufacturer of woolens?

Mr. JOERGER. Woolens and worsteds.

Senator GEORGE. Woolens and worsteds. How many men did they send down here?

Mr. JOERGER. Five.

Senator GEORGE. And the firm is paying the way of all of them down here?

Mr. JOERGER. Yes, sir.

Senator GEORGE. All right.

Senator SACKETT. Do you know anything about the cost of cloth, selling prices of cloth?

Mr. JOERGER. I do not, Mr. Senator.

Senator SACKETT. Do you know the quality of the goods that you manufacture?

Mr. JOERGER. I am in the yarn but not in the fabric.

Senator SACKETT. But you do not know anything about the quality of cloth, whether it is high grade or low grade?

Mr. JOERGER. No, sir; I would not want to be an expert on that, passing on the quality.

Senator BINGHAM. What would you think of a firm that had workmen who were asked to testify about unemployment, that were too stingy to pay their way down to Washington?

Mr. JOERGER. I would say, give them a low tariff. [Laughter.]

STATEMENT OF CURT MILLER, REPRESENTING THE BOTANY WORKERS' ADJUSTMENT COMMITTEE, PASSAIC, N. J.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. MILLER. Gentlemen, I will not take up much of your time. I have been employed as a machinist in the Botany Worsted Mill for the last seven years. I am chairman of the workers' adjustment committee. The functions of this committee are to settle all grievances and complaints that the workers bring before the committee with fairness and justice.

The Botany Worsted Mills of Passaic, N. J., employ about 3,500 people. I do not know much about the American or United States valuation, but I do know that the foreign valuations are no good to us workers. Keep imported goods out of this country and give those thousands that are out of work a chance to make a living.

Senator SIMMONS. Would you keep all imported goods out of this country?

Mr. MILLER. It would be better for us.

Senator SIMMONS. You mean it would be better in your business or better for all business?

Mr. MILLER. For all business.

Senator SIMMONS. You would not let any imports come into the country at all?

Mr. MILLER. Yes, sir. Will the importers give us work? I say no. They never did; they never will. All we ask is give us work and plenty of it, and it is you gentlemen that can be of great help to us in getting work. This will not only help the 3,500 which are employed in the Botany Mills but will increase our working force by hiring those who are laid off on account of lack of work.

Again I ask you, give us work. I thank you.

Senator GEORGE. Who buys your goods? Who buys the goods you make?

Senator BINGHAM. He wants to know whether you are in the selling department.

Senator GEORGE. No; I do not. I am asking this witness the question, who buys your goods?

Mr. MILLER. The goods?

Senator GEORGE. Yes; the goods you make in the mill.

Mr. MILLER. I am a machinist.

Senator GEORGE. Oh well, now, you are telling us what you need. You are telling us what the mill needs. Who buys your goods?

Mr. MILLER. The customers.

Senator GEORGE. Who are your customers?

Mr. MILLER. That I do not know.

Senator GEORGE. Do you know how much of your goods, your particular goods, are imported, how much are being brought in now?

Mr. MILLER. I could not say that either, but all you have to do is to look in the paper or go into the stores and see all kinds of foreign goods.

Senator GEORGE. Do you know anything about what per cent is being imported?

Mr. MILLER. No; I do not.

Senator GEORGE. You do not know anything about that? You got your information where?

Mr. MILLER. Information about what?

Senator GEORGE. That you are telling us.

Mr. MILLER. The workers.

Senator GEORGE. From the workers?

Mr. MILLER. I am chairman of the adjustment committee and I see that every day.

Senator GEORGE. But you came down at the expense of the firm?

Mr. MILLER. I did.

Senator GEORGE. The manufacturer?

Mr. MILLER. Yes, sir.

Senator GEORGE. You came down at the expense of the manufacturers?

Mr. MILLER. Yes, sir.

Senator GEORGE. That is all.

STATEMENT OF FRANK J. NOLAN, NEW YORK CITY, REPRESENTING THE WOOL FABRICS GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.)

[Woven fabrics of wool, pars. 1106 and 1109]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. NOLAN. Mr. Chairman and gentlemen, the National Council of American Importers and Traders includes in its membership a large number of the largest and best department stores, clothing manufacturers, and jobbers of this country. And, therefore, I consider them the direct medium of contact with the consumer, and probably best qualified to set forth different ideas from what I think has been presented before the committee here. It seems that the majority of the witnesses here all are asking for increases; and, as I understand it, from President Hoover down, the idea of this revision was primarily for the interest of agriculture and such industries as were suffering from competition so that they could be given relief accordingly.

You have heard much about the woolen industry from the raw wool viewpoint, and also from the manufacturers. I am not going to argue against the wool growers' contentions. If they need protection, gentlemen, give it to them. But I hope you will bear with me and look at it from the layman's viewpoint—the consumer's viewpoint.

Senator BINGHAM. Are you also speaking from the importers' viewpoint?

Mr. NOLAN. No; I am not interested in raw wool. I am interested in fabrics; but I am speaking, as I said before, for most of these concerns who are interested in the manufacture and sale of it; and I again reiterate I am not arguing against it, but I am going to try to show you the reaction of the public in view of these facts.

Our wool, as late as 1928, as a commodity, stood twelfth in our list of imports, and represented 2 per cent of their total value.

Senator BINGHAM. Where do you get those figures?

Mr. NOLAN. I got these from the Department of Commerce and the Tariff Commission. I can verify all these figures. I will not go into detail about these things, but speak rather generally. My informa-

tion is that our sheep have increased 23 per cent; our production of wool has increased 28 per cent.

Senator SIMMONS. You mean since 1922?

Mr. NOLAN. Yes; during this act.

Senator SIMMONS. During the existence of this act?

Mr. NOLAN. Our importations of raw wool has decreased 32 per cent. Now, it seems that the decrease in production can be accountable to the protection granted in this tariff. That is one fact; and, likewise, the statistics of the Department of Commerce show that our wool consumption has steadily declined from 696,000,000 pounds in 1922 to 538,000,000 pounds in 1928; and imports of woven fabrics of wool have decreased likewise.

Now, gentlemen, if the facts were the result of that, these decreases, or increases in this famous schedule (K) would be justified; but how can we answer the public as to the reason for it? It is admitted, and I was glad to hear Mr. Scheel, who just testified here a while ago—because if he had not I was going to bring it out anyhow—state the small amount, the insignificant amount, of stuff that comes from abroad. Foreign woolen fabrics are not competitive with our industry here in that it is a different class, principally for style, quality, and finish; and I will speak about that a little more later.

Senator BINGHAM. While you are on that may I ask whether this imported stuff goes into the manufacture of stuff used by the poor people?

Mr. NOLAN. Statistics show that the majority of the stuff that has been imported is in the high brackets of the tariff provisions—I think about 91 per cent of the imports go in the high brackets.

Senator BINGHAM. Is it not true, then, that most of what comes in from abroad goes into the manufacture of clothing bought by fairly well to do people rather than in clothing bought by the poorer people?

Mr. NOLAN. Yes, I would say that the majority of our imports of cloth, from the quality and price basis, go into the highest priced clothing; I should have said in the beginning of my remarks that I was speaking for the Merchant Tailors' Society of New York with affiliations in practically every large city in the country.

Senator BINGHAM. The merchant tailors use more of the imported woolens than the large manufacturers of ready made goods do, do they not?

Mr. NOLAN. I would say there that there is no basis on which we can give you figures on that.

Senator BINGHAM. Do you know of any house making ready made clothing that uses a large amount of imported woolens?

Mr. NOLAN. Yes, here are some samples these houses use (producing samples of cloth). I understand these houses in Rochester last year paid to the Government over \$400,000 in duty on imported fabrics. There is another little angle: We are helping in the revenue of the Government. If we do not get them from that source we have got to get them from somewhere else; and it has some influence upon our taxation.

Senator BINGHAM. Does the Rochester firm to which you refer make a high-grade piece of goods?

Mr. NOLAN. Yes; very high grade and their prices are likewise very high—in fact just a little bit below the custom tailors' prices.

It is interesting to note that in the testimony before the Ways and Means Committee one of the Congressmen there tried to bring out the fact that the tailors showed prospective customers imported goods because there was more profit on the imported fabrics than on domestic fabrics. That is untrue, because a tailor has a set price of \$125 or \$150 for suits, and it is obvious that the cheaper fabric a customer picks out the more his profit will be. As a rule the imported fabrics will cost him on an average, to be fair, of about twice as much as the domestic price. In other words it is obvious that if the customer picks out an imported fabric costing the tailor about \$8 a yard, and the tailor's profit on such a suit would be less than if the customer picks out a fabric that costs him \$4 a yard. His selling price is constant. That was stressed very much before the Ways and Means Committee—that the tailor would impress upon the prospective buyer the merits of imported fabrics. I come back at that by saying that the reason for its being stressed was probably due to the law itself in that fabric importations have to show the country of origin.

Senator BINGHAM. Is it not also true that the tailor quite frequently tells his customer that the imported fabric will stand up better than the domestic fabric?

Mr. NOLAN. In some instances it does, according to the fabric; but I do not want to stand on the false promise, or make any claim, that imported goods in every instance are better than domestic goods.

Senator BINGHAM. That was not my question. What I said was this: Is it not true that the tailor frequently tells the customer that he would advise him to buy imported fabric because he will get better satisfaction out of it and there will be less shrinkage, and so forth?

Mr. NOLAN. No; not shrinkage.

Senator BINGHAM. Well, that they will hold their shape better than the domestic fabric?

Mr. NOLAN. I think that is a matter for the tailor himself. There are differences in dye and in the quality of the fabrics. I do contend that the production of fine fabrics in this country is very much limited. I do not think there are more than six mills making very fine products that are comparable with the high grade fabrics from abroad. What is the reason for that? Simply because the demand is not here, just as Mr. Scheel said. I was glad that he admitted it because he and I are rather pro and con on the tariff in certain things. Understand I am not a radical, I voted the Republican ticket, the same as a good many of us did, and our firm stands on the principle of fair protection and all that, because we believe that when there is prosperity and people can buy fine woollens better times are here for everybody because the people have more money to spend.

But we are against an increase in the ad valorem, to be specific here, to make it larger. I am against any further increase in ad valorem in these two paragraphs, 1108 and 1109; and we feel very sure that the gentlemen of the Congress will have to answer to the public later on if this famous Schedule K is increased and ultimately the cost is passed on to the general public.

Senator BINGHAM. You refer to Schedule 11, do you not?

Mr. NOLAN. Yes, sir.

Senator SIMMONS. Schedule 11 is the same as Schedule K.

Mr. NOLAN. The House pushed the ad valorem up to 60 per cent. That is the maximum ad valorem—over \$2 a pound. In the Payne-Aldrich tariff the maximum ad valorem there was 55 per cent, which was 44 cents a pound—55 per cent.

Senator BINGHAM. You seem to think that there is liable to happen to us after this tariff that which happened to others after the Payne-Aldrich tariff?

Mr. NOLAN. I am glad you get my point.

Senator SIMMONS. I believe you qualified that by saying you voted the party ticket.

Mr. NOLAN. I did.

Senator SACKETT. Is he attempting to use coercion as to the argument?

Senator BINGHAM. I do not know whether it is coercion or oppression. I am not sure. [Laughter.]

Mr. NOLAN. Well, a diplomat tries to straddle. What I wish to emphasize here is the fact that the ad valorem has been pushed up to 60 per cent in both paragraphs and that is the highest it has ever been in any of our tariffs.

Senator SACKETT. What would it add to the price of a yard of goods?

Mr. NOLAN. If you figure up the relative amounts, it would mean a mark-up of 50 cents a yard on suitings and probably 75 cents a yard on overcoatings—that is fine goods I am speaking of.

Senator SACKETT. And how many yards of goods does it take to make a suit of clothes?

Mr. NOLAN. Roughly from $3\frac{1}{4}$ to $3\frac{1}{2}$ yards, and for an overcoat from $2\frac{1}{2}$ to $2\frac{3}{4}$, from $3\frac{1}{4}$ to $3\frac{1}{2}$.

Senator BINGHAM. While you are talking on that line, before you begin on your next classification, how much will this increase in the tariff as put in by the House on these finer goods increase the actual cost that goes into a suit of clothes in cents?

Senator SACKETT. \$1.87½.

Mr. NOLAN. In figures about 50 cents a yard, roughly.

Senator BINGHAM. It would increase it 50 cents a yard?

Mr. NOLAN. Yes; roughly.

Senator BINGHAM. And if it takes less than 4 yards the increase would be less than \$2 in the price of a suit of clothes that costs \$100 or more; is that right?

Mr. NOLAN. Yes, sir.

Senator GEORGE. That would not be the total increase in the cost of the suit.

Mr. NOLAN. No, as Mr. Goldman testified—and he represents the clothing industry—he showed yesterday that in every process of handling the merchandise the cost pyramids on account of added overhead, so that eventually it is about three times as much when it reaches the ultimate consumer.

Senator BINGHAM. And the tailor will probably charge you \$2 more for your suit of clothes?

Mr. NOLAN. No; I do not think so, because the New York tailors have already figured out that if we push our cloth up 50 to 75 cents a yard it will mean probably about \$5 more on a suit of clothes. They are getting more now, because the fine tailors along the avenue are asking about \$125 and for high grade values \$150 and \$165 for suits and

\$165 to \$250 for overcoats; so that no matter what you do, these fine fabrics will come in; and I am glad to lay these samples before you in order that you may make a comparison of the foreign fabrics with the fabrics of this country.

Senator GEORGE. They will continue to come in unless you have a prohibitive tariff; will they not?

Mr. NOLAN. Yes, sir.

Senator GEORGE. That is if people want to buy them they want that particular thing?

Mr. NOLAN. The fastidious customer will always indulge his taste according to his pocketbook.

Senator GEORGE. Unless you have an embargo.

Mr. NOLAN. Absolutely.

Senator GEORGE. Then he might go abroad and buy.

Mr. NOLAN. But the unfortunate part, gentlemen, is that several people have advocated practically what amounts to embargoes; and I do not think that that is the general opinion or expectation of the domestic industry. They do not want to see that. I think this fine merchandise which comes into this country serves as a stimulation to the domestic manufacturers particularly, because the production of most of our materials here is confined to the medium-priced fabrics where they go on a mass-production basis and sell to the clothing making up trade.

Senator, the sample that you picked up just then happens to be a fabric that we get as high as \$24 a yard for; and right there is another one that we get \$18.75. That is pure llama.

Senator BINGHAM. Do not say "pure llama," because this is not llama wool.

Mr. NOLAN. Not llama?

Senator BINGHAM. This never was on a llama's back. It came from some other kind of an animal, because the llama has very coarse hair. This probably came from alpaca.

Mr. NOLAN. When you get down to that I beg to differ with you, Senator. When you get down to the basis of the fleece of the llama—and the same with the cashmere—underneath the top fleece there is a very fine fleece which adheres to the skin, close to the skin.

Senator BINGHAM. You mean to say that it is finer than the alpaca?

Mr. NOLAN. Yes.

Senator BINGHAM. Then the ancients did not know what they were doing when they bred them for carrying animals rather than wool-bearing animals?

Mr. NOLAN. Cashmere—pardon me—I said "llama" I meant "cashmere".

Senator BINGHAM. All right.

Mr. NOLAN. I admit the error—it is cashmere.

Senator BINGHAM. Do not start talking about llamas around here.

Mr. NOLAN. If you gentlemen want to see these samples they are offered for exhibits. These come from the particular concern about which I spoke to you, the large clothing manufacturer in Rochester; and they have divided their fabrics into foreign and domestic; and incidentally, the buyer of the concern, which is one of the largest in the country, making the finest ready made clothes, is now abroad; and his statements show on the back of each sample submitted here

as exhibits his reasons for buying these abroad. They are bought not only from a price basis, but also for style, weave, and to meet certain requirements of his business. That group [indicating] is foreign, and these [indicating] are domestic.

In his scheme of buying, the foreign fabrics and the domestic fabrics dove-tail. There are certain fabrics which he can purchase cheaper here, as a result of which he does it; and there are certain fabrics that he gets cheaper abroad; and vice versa. But, as I said, it is in the general scheme of buying for which that is done.

And then, another thing I wish to point out is just to show these other fabrics: Here are comparable imported and domestic fabrics with the relative selling prices marked on them to show that practically those clothes are copied and sold here on a much cheaper basis. I submit these as another exhibit.

Senator SIMMONS. You said the import of these fine goods was a stimulant to our manufacturers. What do you mean?

Mr. NOLAN. In design.

Senator SIMMONS. You think our manufacturers begin to copy them after a while?

Mr. NOLAN. Yes. There are some fabrics there, foreign and domestic, the exact thing except in the actual quality, but the design is there; it is copied and sold at the cheaper price as per the tickets marked thereon.

Senator SIMMONS. Then you mean that as a result of these importations our own producers improve their designs very much?

Mr. NOLAN. That is admitted, gentlemen. In fact, Mr. Stevens admitted that in his testimony, that the foreign fabrics stimulated the domestic mills to produce new styles. As a result foreign styles were copied and used for that purpose.

Another fact which I want to emphasize is that the impression abroad is that the depression in our industry is due to this competition from abroad. Of course we know that is not so, but I was rather interested in the workmen who came here the other day—four or five of them—from Mr. Scheel's plant in that they seemed to think that the tariff was the cause of their ills.

There is a case where we know that the business is gone. I do not think it will ever come back with former status in this country, due to the fact that wool is being used less and less each year, inasmuch as cotton, silk, and rayon have made inroads into that field. The women are wearing less, as any observing gentleman will notice. So that the woollen business in this country naturally is in a depressed state; and as a result those mills in the dry goods business are converting their looms to a large extent into men's wear, and that makes the condition all the worse, in my humble opinion, in that they go ahead and they enter another field of competition which is already overcrowded, working probably on reduced production on account of the surplus of looms. They get into that field where competition is keen and they cut each other's throat. Mr. Scheel stated that. It is a vicious circle.

With regard to that I have figures here, statistics compiled by the Federal Reserve Board. They say that few women now-a-days make their own apparel because it is easier and cheaper to obtain it ready made. This has removed the retailer—the department stores—as an important outlet to the consumer, which fact is substantiated by

Federal reserve statistics. In 8 out of their 12 districts in April, 1926, such sales had fallen off by fully 9½ per cent below the same month of the previous year; and in April, 1928, it had decreased 18.1 per cent. In the New England districts the ratio of sales of woolen dress goods to the total sales of all store departments was 54 per cent in 1927 and but 39 per cent in 1928.

In the Chicago Federal reserve district the ratio of the sale of woolen dress goods to the total sales of all store departments was 78 per cent in 1926, 66 per cent in 1927, and but 58 per cent in 1928.

As a result of this, as I stated before, the looms are gradually being converted into men's wear.

Yesterday I got this telegram from New York. I am going to submit that in evidence, setting forth here the report of a gentleman who happens to be a stockholder in the Botany mills which Mr. Scheel represents, in which he sets forth evidence and testimony with regard to the main mills in the district whence those workmen appeared the other day, those men that came here and were asking for work, protection, and an embargo—they did not want anything to come in. Unfortunately they do not get the proper aspect. They believe that the tariff will cure their ills. So I submit that and also these samples—

Senator SACKETT. What was that telegram?

Mr. NOLAN. Here it is.

Senator SACKETT. Do you not want to read it into the record?

Mr. NOLAN. Can I offer it without reading it?

Senator SACKETT. We will not know anything about it if you do that.

Mr. NOLAN. He says he believes Botany running 200 men's wear looms and several hundred additional from time to time on Army cloth contracts possibly also automobile cloth fabrics account of depression in women's wear field. Here is another mill in the same district, it is Forstman-Hauffman—Forstman dropped men's wear production entirely about right after war when he had his well-known phenomenal success with Bolivia cloths for which he changed all his looms and has not gone back into men's wear production since. He also says that the Gera mills, Passaic, formerly exclusive women's wear mill are now running steadily about 150 looms on men's wear, also the large 7,000 loom—formerly exclusive women's wear—Pacific mills in Lawrence, entered the men's wear production field with at least about one thousand looms a few seasons ago.

In connection with that telegram there are remarks from the same party about these fabrics made in the mills in that district showing where they had copied his fabrics; and, incidentally this man is a stockholder of the Botany mills. He controls some mills, domestic mills and at the same time imports; and his statement is attached thereto showing that certain fabrics which he had brought from abroad were being made in some of these mills. The designs had been copied and made on a cheaper basis and were selling for less.

With regard to domestic production I would refer you to the figures compiled by the Department of Commerce stating that woolens and worsted goods fell in value and in yardage. I will not mention the figures because they are in too much detail here; but I want to make this mention: That while in 1928, of which Scheel spoke, there was a depression in the industry and hard times in the textile districts—and this Wool Institute, incidentally, I believe, represents about 60

per cent of the country's loomage, stated that there were losses in six large mills operating 37 per cent of the total looms in the country amounting to about five and one-half million dollars in 1928; but these were more than offset by the earnings of 22 moderate-sized mills; but it was not stated that the gain equalized the losses. I refer to all the mills.

The other important thing I want to dwell upon is the fact that the tariff as now proposed eliminates wool-content provisos. That wool-content proviso was incorporated in the act of 1922 evidently for a reason. It has now been eliminated. Just why, I do not know. I advocate its reinstatement for these reasons:

The importer at the present time of fabrics such as gabardine, some of which I offer here—there instead of the cotton content being the warp, it is the filling. The filling is all cotton, and it is made that way so as to make it impervious to the weather and be able to pack in the fine cotton thread counts closer so as to make the fabric what it is. In the present tariff we get the benefit of that in that we pay the duty only on the wool content. That wool-content provision comes in both paragraphs on fabrics over 80 cents a pound. It has been cut out. We advocate its retention.

Senator SIMMONS. You mean it has been cut out of fabrics over 80 cents?

Mr. NOLAN. Over 80 cents a pound. The wool-content provisos have been eliminated entirely from paragraphs 1108 and 1109 in the present act. Of course, the cotton-warp provision still remains in the present tariff, that is paragraph 1108, but it has been cut out as far as the wool content is concerned where it is the other way in the fabric. In other words you have got the fact that in the old tariff if it were all cotton or other vegetable-fiber warp we still got that benefit, but we are cut out of the wool-content provision in both paragraphs.

Now, with regard to the ad valorem—I am going back to that for a minute. I believe there have been testimony and briefs filed with regard to the competition on fine overcoatings from abroad; and I will compromise my former statement about the limitation of ad valorem to this extent, adding in a proviso that no ad valorem exceed 50 per cent, as at present, except in the fourth bracket, that is the bracket there on more than \$1.50 and not more than \$2. Granted there with a proviso that it would only apply to fabrics over 14 ounces per square yard. That is the same terminology as is used in the tariff now.

Senator SACKETT. Why do you make that proviso?

Mr. NOLAN. For the simple reason, as I stated, there has been a brief filed before the Ways and Means Committee on that subject about the competition of overcoatings coming from abroad; and I think if that proviso is put in there it will take care of the overcoating situation.

Senator SACKETT. The theory of your argument, then, is that the present condition of the woolen industry is not due to imports of the high-class goods?

Mr. NOLAN. Absolutely.

Senator SACKETT. And if the tariff were raised it would not benefit either the workmen in the mills or the mills themselves, because internal competition amongst them and the lessened use of woolen goods has destroyed their market to a large extent. In fact, as I

have said before, figures gathered from all over the country show that the use of wool has decreased. Another thing that has a bearing on the decreased consumption of wool is the fact, as was testified the other day that they make up an extra pair of trousers with a suit, more and more, so that a man will have two pairs of trousers and, naturally, by alternating he is going to make his suit last longer; and that has a big bearing on the consumption of ready-mades to-day.

Senator BINGHAM. Is it not also true that in the high grades in the fabrics imported for the more expensive market that there has been a tendency in styles and fashions within the last few months to turn away from silk to wool?

Mr. NOLAN. From silk to wool?

Senator BINGHAM. Yes.

Mr. NOLAN. In what, men's wear?

Senator BINGHAM. No; in ladies dresses. Is there not a tendency to use more wool and less silk?

Mr. NOLAN. No, Senator.

Senator BINGHAM. A few years ago it was just the other way.

Mr. NOLAN. You were out of the room when I talked about that and I discussed the figures which I gave on the situation taken from the Federal reserve which showed just the contrary.

Senator BINGHAM. What has the Federal reserve got to do with it?

Mr. NOLAN. They compile statistics in their respective districts.

Senator BINGHAM. Do you claim they control fashions?

Mr. NOLAN. No; but the Federal reserve statistics in 8 out of their 12 districts showed a lessened consumption.

Senator BINGHAM. But those statistics would not be available for a change in the fashions that have taken place within the last two months.

Mr. NOLAN. Wool to-day stands about fourth in sales as far as dress goods are concerned. Formerly I think it was possibly cotton. That is having a very close run now with rayon. Even the silk industry is feeling the impress of rayon; and that was dwelt upon just recently in a meeting of the Wool Institute where the vice president in charge of the merchandising in one of the largest department stores in New York emphasized that fact.

Senator BINGHAM. Do you mean to tell me that looking ahead for the next 12 months you do not anticipate an increase in the importation of fine woollens for women's clothing?

Mr. NOLAN. I do not. The imports of dress goods have decreased, and have been practically throughout the life of this act. It is the same way in our line, in the men's, where our own statistics show they have been gradually decreasing. The last year probably is the smallest year that we have had.

Senator BINGHAM. I will not dispute you about last year.

Mr. NOLAN. They have been going down. Anyhow they have not been increasing. It is the same in dress goods. That means the 3.59 per cent of imports to domestic production visualizes the insignificance of the imported fabrics; and I maintain and contend that those fabrics will come in. They should come in. There should be no embargo. They are necessary to stimulate styles; and they have a utility in our commerce here which is manifest.

Senator BINGHAM. Do you think that the increase of price on a suit of clothes from \$125 to \$130 amounts to an embargo? Surely you do not want us to believe that?

Mr. NOLAN. Yes; but when you get into the ready-made clothes the situation is different because there they have competition in the ready-made clothing industry that is just as keen as it is in the domestic market in their production. They have certain price levels at which they sell at wholesale and as soon as they disturbed that price level and began to increase it, it would have a tendency to decrease consumption; and it certainly would have the effect of increasing our clothing costs; and I doubt very much if the farmer is going to get the benefit.

Senator SIMMONS. These imports are of goods, not ready-made clothing.

Mr. NOLAN. I am speaking of clothing.

Senator SIMMONS. I am speaking of the imports of woollen goods; you are speaking about clothing.

Mr. NOLAN. Yes, sir.

Senator SIMMONS. There is no importation of ready made clothes is there?

Mr. NOLAN. Oh, yes. There is going to be a gentleman follow me who will speak about that phase of the situation.

Senator SIMMONS. That is a matter I wish to inquire into and find out the extent of.

Mr. NOLAN. He specializes in that and is going to follow me later on.

Senator SIMMONS. Yes. But your general theory is, if I have followed you correctly, that the wool manufacturers like the cotton manufacturers have suffered very much in recent years on account of the lesser use of their——

Mr. NOLAN. Demand.

Senator SIMMONS. Demand for their product—lesser demand for their products—and that increasing the price will not relieve that situation but will aggravate it.

Mr. NOLAN. Tariff is not the panacea of their ills.

Senator SIMMONS. Exactly. That is the basis of your theory?

Mr. NOLAN. That is my theory. Furthermore, if our mills with their present equipment were running at full time I believe it has been estimated that there would be an overproduction in this country of about 25 per cent. So, even with our present equipment they can not run them either full time or with full help.

Senator SIMMONS. That situation in the cotton industry probably is, in a measure, due to the fact, as you are aware, of our women wearing less clothes and men wearing less cotton goods, but it is also due to the fact that silk goods became the fashion in this country and displaced cotton goods.

Mr. NOLAN. Absolutely. There has been a cycle of silks.

Senator SIMMONS. And to some extent that has affected wool?

Mr. NOLAN. To a large extent.

Senator SIMMONS. And the introduction of rayon will probably react on silk?

Mr. NOLAN. It has already

Senator SIMMONS. Then it is just a part of a procession.

Mr. NOLAN. It is a part of the cycle of styles and the result is the other industries are affected and suffer accordingly. So it is not tariff; it is just as you have stated.

(The telegram and letter submitted by Mr. Nolan are as follows:)

[Telegram]

FRANK J. NOLAN,
Care Hotel Washington, Washington, D. C.:

Believe Botany running 200 men's wear looms and several hundred additional from time to time on Army cloth contracts, possibly also automobile-cloth fabrics account of depression in women's wear field. Forstman dropped men's wear production entirely about right after war when he had his well-known phenomenal success with Bolivia cloths, for which he needed all his looms, and has not gone back into men's wear production since. Gera mills, Passaic, formerly exclusive women's wear mill, are now running steadily about 150 looms on men's wear. Also the large 7,000-loom, formerly exclusive women's wear, Pacific mills, in Lawrence, entered the men's wear production field with at least about 1,000 looms few seasons ago. Best wishes.

H. ERNSTBERGER.

H. ERNSTBERGER & Co.,
New York, June 22, 1929.

Mr. F. J. NOLAN,
Chairman Woolen and Worsted Division,
National Council of American Importers and Traders (Inc.),
Washington, D. C.

MY DEAR MR. NOLAN: Complying with your request for a few samples, which you can use as an outstanding proof that imported fabrics do not undersell domestic fabrics, I have chosen a few illustrations, although we just as well could send our entire line of imported goods down to Washington and convince the lawmakers that imported fabrics are very fair competition and that they are 99 per cent always in price way above domestic prices. You know we are not only importers, but are also selling agents for domestic mills and besides run and finance one mill entirely ourselves, so I believe we should know what we are talking about.

As the first illustration I am sending you sample of our quality "Pomona," which we originally imported three years ago, still import in very small quantities, and which we have sold from \$4.25 to \$4.37½, 6-10-60 terms. We also made this cloth ourselves in one of our domestic mills, but last year the Botany Worsted Mills copied this cloth and produced the fabric in their Garfield Worsted Mills, which they control, and became subsequently one of their outstanding numbers, after we had made a market for the cloth. They are again making and selling this cloth for next season under the name "Constanza," at \$2.97½, 6-10-60, \$1.27½ below our price.

Next to this I have picked for an outstanding comparison J. B. Steven's & Co.'s "Cresenda" sold for the coming season by them at \$2.82½ less 10 per cent, a copy and imitation of two similar fabrics we have brought out a year ago, one is our quality "Velomole," which we are again selling this year at \$4.87½ less 6 per cent, and our quality 5496, which we are offering and selling at \$5.67½. You will admit that the quality Cresenda of Steven's is merely an imitation of our quality Velomole in a melange mixture, same as in our quality 5496, but the main reason why I have selected these two numbers is to show at what ridiculously low prices these two mills are marketing their goods, which perhaps is the reason, surely as far as the first named mill is concerned, why they have not been able to declare any dividend for the past four years, I myself am a stockholder of the Botany and know what I am talking about.

As a comparison in the low-end women's wear fabric field I am sending you inclosed original sample of American Woolen Co., quality, 21494, an all-wool fabric, which they are selling this year in carload lots at \$1.35 less 10 per cent, against which we have been able to sell our quality 2299, which contains 23 per cent cotton, between \$2 and \$2.25, according to risk and customers. On the face of it quality 2299 looks like a better fabric, but intrinsically the American's 21494 is better, only they do not use the same amount of ingenuity; in other words, they do not apply sufficient technic to finish 21494 properly, so that it commands a price somewhat nearer to what we are getting for 2299. Quality 2299, as said before, contains over 29 per cent cotton and the rest is shoddy, whereas the American's cloth is all shoddy, also one of the reasons why this

so-called big company has been paying such handsome dividends in the last five years.

In the fancy fabric field I could of course send you hundreds of illustrations, but thought it best to merely send you a number to show that style, even if made out of poor quality is able to command price. Our quality 11147 we brought out beginning of the season, very cleverly made, contains 40 per cent cotton and is sold by us at \$2.25 less 6 per cent. Frederick D. Laurence & Co. copied this style as near as they could in an all-wool fabric which they are slaughtering at \$1.57½ less 10 per cent.

Furthermore, as an illustration from another angle I am sending you a sample of one of Forstman & Huffmann's most successful fabric, with which they created a very successful business for last spring and again for this fall, their quality "Creola," which they sold at \$4.37½, but which is being copied, as you will see from inclosed sample by one of their competitors, the Roubaix Mills, and sold at \$3.37½, a very splendid illustration to show the lawmakers that either Forstman & Huffman or the American manufacturers don't need an additional tariff protection, when they can make at least \$1 a yard profit over their competitors' fabric, or their competitors, in this case the Roubaix Mills, don't know their business and slaughter their goods at a suicidal price, in which instance a tariff double as high as the present one will not help them either.

In the lower, lightweight dress-fabric field where really very little goods are imported and about which Mr. Scheel, of the Botany, has been "bellyaching" so much, I am sending you sample of a well-known fabric brought out by A. D. Jularid at \$1.87½ less 2 per cent in a riot of patterns and colors, whereas we have a similar quality, not as fine, but always more in the latest styles and colors, which we sell never below \$1.97½.

As mentioned to you the other day over the telephone, if you have a chance to get back at Mr. Scheel, of the Botany Worsted Mills, in reference to his statement which he recently made in Washington that the reason why 2,000 of their looms are idle, is because they can not compete any more with the imported challies, is not because challies are imported in such enormous quantities, since there are hardly any imported at all, but because challies are as dead as doornails and not wanted at any price, as same were only good as long as women wore long skirts and blouses; there is no use for challies since the American flapper revolutionized the women's wearing apparel.

My original intention was to send you considerably more of such illustrations, but after carefully again considering the whole matter, I thought it would be better policy to just confine myself to a few outstanding facts, although it does not take an expert to go over the market and find out in no time that foreign woolen and worsteds as a rule are sold from 15 to 20 per cent higher than domestic goods, without exception at least 10 per cent higher.

The only thing that a higher tariff will do is there will be still less novelty fabrics used, with the consequence of still more depressing the business of the domestic manufacturers, who have since the war adopted the suicidal policy of just making a few qualities and copying one another's qualities and designs, creating a price competition among themselves, which has practically ruined them, and if it was not for foreign fabrics, which stimulate the market again from time to time, this situation unquestionably would be still worse.

With best wishes, I am, sincerely yours,

H. ERNSTBERGER.

(Mr. Nolan submitted the following brief.)

BRIEF OF THE WOVEN FABRICS OF WOOL GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.)

WOVEN FABRICS OF WOOL AND WORSTED, PARAGRAPHS 1108 AND 1109

NOTE.—The part shown in roman type is the existing tariff act of 1922; the part proposed to be omitted from the law is inclosed in black brackets; the new matter recommended to existing law is in italic type.

PAR. 1108. Woven fabrics, weighing not more than four ounces per square yard, wholly or in chief value of wool, valued at not more than 80 cents per pound [37] 40 cents per pound and 50 per centum ad valorem; valued at more than 80 cents but not more than \$1.25 per pound [45] 50 cents per pound [upon the wool content thereof] and 50 per centum ad [valorem:] valorem; valued at more than \$1.25 but not more than \$2 per pound, 50 cents per pound and 55 per centum ad valorem; valued at more than \$2 per pound, 50 cents per pound; 60 per centum ad

valorem: Provided, That if the warp of any of the foregoing is wholly of [cotton] cotton, or other vegetable fiber, the duty on the fabric, valued at not more than \$1 per pound, shall be [36] 40 cents per pound and 50 per centum ad [valorem] valorem; valued at more than \$1 per pound, 40 cents per pound and 55 per centum ad valorem.

PAB. 1109. [a] Woven fabrics, weighing more than four ounces per square yard, wholly or in chief value of wool, valued at not more than 60 cents per pound, [24] 26 cents per pound and 40 per centum ad valorem; valued at more than 40 cents but not more than 80 cents per pound, [37] 40 cents per pound and 50 per centum ad valorem; valued at more than 80 cents but not more than \$1.50 per pound, [45] 50 cents per pound [upon the wool content thereof] and 50 per centum ad valorem; valued at more than \$1.50 but not more than \$2 per pound, [45] 50 cents per pound [upon the wool content thereof] and [50] 55 per centum ad [valorem] valorem; valued at more than \$2 per pound, 50 cents per pound and 60 per centum ad valorem.

[b] Woven felts and articles made thereof [including belts and belting, endless or otherwise], finished or unfinished, wholly or in chief value of wool, shall be dutiable at the rates provided in subparagraph [a].

I am chairman of the "wool fabrics group" of the National Council of American Importers & Traders (Inc.), and as such am here to supplement our brief and my personal testimony (pp. 6405 to 6422, inclusive, Vol. XI, "Hearings before the Ways and Means Committee—Tariff Readjustment, 1929").

As the result of testimony that has gone before, it was discovered certain changes in the tariff, enacted in 1922, are now absolutely necessary to equalize for tariff purposes conditions here and abroad. This is true of certain paragraphs of the immediate Schedule XI, one particular instance being the cheap cotton and wool cloths classified under paragraph 921 of the present act, at 40 per cent, and now changed to paragraph 906 at 60 per cent in the proposed act.

First, let me reiterate our opinion that sensible people must admit the necessity of reasonable protection to home industries and agriculture, particularly due to the gradual industrial rehabilitation and economic adjustments of other nations since 1922. It would not only be disloyal but unsound judgment to argue otherwise. The encouragement of prosperity at home stimulates production and consumption and our whole structure of trade, including the consumer, is benefited.

EFFECT OF PRESENT TARIFF ON WOOL

No doubt, the woolgrower is to be considered, for tariff purposes, an adjunct or integral to agriculture, and therefore have the woolen schedule come within the scope of tariff revision. If the wool growers and manufacturers need further protection, let them have it; but it is evident President Hoover in calling for this extra session of Congress, certainly expected reason to predominate and not to run riot with increased and unnecessary prohibitory rates, calculated eventually to create embargoes and without a doubt, retaliatory actions from other involved nations. Our State Department—and no doubt your own committee—already have on file protests from a long list of them, and certainly caution and discretion should be exercised if we are to hold their friendship and permit our products to enter their markets. Who can foretell the disastrous results possible, if our exportable surpluses are seriously curtailed with resultant slowing up of our mass production tendencies and consequent effect upon employment and capital?

It is not the purpose here to argue the proposed changes in rates on the raw wool nor discuss the woolgrowers' problems except that it might be interesting to note from a statistical viewpoint that as late as 1928, raw wool as a commodity stood twelfth in our list of imports and represented 2 per cent of their total value. Furthermore, your attention is directed to the remarks incorporated in the subcommittee's "report to accompany the proposed act" and Chairman Hawley's comments when introducing the bill into the House. From that it is ascertained said subcommittee, of which he was a member, used for their calculations in arriving at the rate of 34 cents per pound, clean content, cost of production statistics in connection with slightly under 2,000,000 sheep in but seven States, whereas it is well known there are approximately 44,545,000 in the whole country.

Probably these particular seven States were picked to advantage on account of the high cost of production in same; but are they to be representative of the majority of the sheep elsewhere in this country? The United States census showed we had approximately 36,186,000 sheep January 1, 1922, whereas there were approximately 44,545,000 sheep in January, 1928, or in other words, an increase of 8,359,000 sheep or 23 per cent. Incidentally we have now about 11 per cent of the world's sheep and rank third among the sheep-raising countries

of the world. The world production of clothing wool was shown to be as follows: 2,000,000,000 pounds in 1922, of which the United States produced 267,713,000 pounds; and in 1928 we produced 347,600,000 pounds, or 13 per cent of the world's production. These latter figures show our increased domestic production as approximately 28 per cent. Importations of raw wool during act of 1913 (free) averaged yearly 274,000,841 pounds and for the act of 1922 (31 cents per pound clean content) averaged yearly 172,000,920 pounds, showing an average yearly reduction during the current act of 102,615,000 pounds, or almost 32 per cent. In summary, therefore, it can be seen with our present protection on raw wool that our sheep have increased 23 per cent, our production of wool 28 per cent and our importations of raw wool have decreased 32 per cent. Despite this, an additional 10 per cent in duty is now under consideration before your committee. Had the facts been the reverse of the above, certainly there would be some justification for increasing the protection necessary. Probably the recent drop in wool prices from their inflated values has spurred the situation; but has it not been contended that our present method of a specific duty on raw wool grants the necessary protection in just such an instance?

EFFECT OF AD VALOREMS

The House listened to the demands of the wool growers and naturally by mathematical formulas had to increase the compensatory rates on the cloths and other manufactures of wool also; but did it necessarily follow that the ad valorem rates should be increased to the extent proposed. The Tariff Commission emphasized in its 1927 Tariff Information Surveys (p. 79) on paragraphs 1108 and 1109 that for the duties collected on imports of 1925 the average ad valorem was 70.47 per cent of the total duty. This is important because with such a high relative proportion it obviously follows that further increases of ad valorem rates as now proposed will have serious effect on fabrics already protected. In fact, from recent surveys of the Tariff Commission, it was ascertained that the annual average equivalent ad valorem rates for these two paragraphs, during the present act from 1922 to 1927, inclusive, was 72.07 per cent; or breaking it into finer figures, 68.16 per cent for paragraph 1108 and 72.52 per cent for paragraph 1109.

When H. R. 2667 was reported to your committee, it was found these two paragraphs under discussion showed three additional brackets in the former (par. 1108) and two additional in the latter, resulting in a finer classification of fabrics, by value per pound, than in the present act, to all of which compound rates of duty apply. To compensate for the proposed increase of 3 cents per pound, scoured content (10 per cent ad valorem equivalent) accorded raw wool, the specific duties in both paragraphs were increased proportionately in conformity with the same formula used in framing the act of 1922, based upon data supplied in the Report of the Tariff Board on Schedule K.

At that time it was figured 100 pounds of scoured wool (31 cents per pound, scoured content) yielded about 69.615 pounds worsted cloth, requiring roughly a 45 cents per pound compensatory duty on cloths made entirely of worsted or wool. Upon cheap woolens and worsteds of value under 80 cents per pound, the compensatory duties were less on the presumption of their smaller content of pure wool. Therefore, no argument is offered here against the mathematics of arriving at the increased compensatory duties as now proposed, provided it is found necessary to increase the duty on scoured wool from 31 cents to 34 cents per pound, clean content.

However, it was also noted the ad valorem rates had also been advanced in both paragraphs upon fabrics falling within the medium and high value brackets. It is quite possible there was a necessity to break up these paragraphs into more and finer value groups, in order to spread more evenly the protection where needed, and also ascertain more clearly for statistical purposes into which value brackets certain imports predominate; but certainly other facts would preclude increasing the ad valorem rates to the extent now contemplated. In paragraph 1108 it is proposed to increase the ad valorem duty 5 per cent on fabrics between \$1.25 and \$2 per pound, and also 5 per cent on cotton or vegetable warp fabrics, value over \$1 per pound. Can there be any justification for this in a paragraph controlling principally dress goods and linings under 4 ounces per square yard, when it was shown in the tariff survey of 1927, regarding these two paragraphs, that the ad valorem rates accounted for about 70 per cent of the duties collected? Granting the reasons set forth by the Ways and Means Committee in its "Basis for a report on the proposed act," its own subcommittee on the woolen schedule stated therein, "Owing to general use of estimates in arriving at this figure, a

protective rate of 55 per cent is recommended on those valued at more than \$2 per pound." Apparently the subcommittee recommendation was ignored by the Committee of the Whole, inasmuch as fabrics over that value in both paragraphs were raised instead to 60 per cent, and the 55 per cent rate was applied to lower-priced fabrics in the value brackets just under \$2 per pound.

ELIMINATION OF WOOL-CONTENT PROVISOS

Furthermore, the proposed rates in both paragraphs entirely ignore the wool-content provision which now exists in the act 1922. In paragraph 1108 of the latter, fabrics over 80 cents per pound pay 45 cents per pound duty "upon the wool content thereof," and 50 per cent ad valorem. By this method the specific rate is not levied against any other fiber content presuming, and correctly so, the ad valorem rate on the value of the whole fabric to be amply protective. It might be stated this provision was introduced into the act 1922, evidently for good reasons. In most instances, it relates to weave decorations of small yarn content by weight and from a customs viewpoint, there has been no difficulty of administering this classification. Usually, the importer has obtained a correct analysis from the manufacturers, regarding the construction of the cloth; and where this has not been obtained, the appraiser can arbitrarily estimate very closely the proper allowance with resultant refund of duty. In paragraph 1108 (act 1922), dress goods and linings, regardless of value, with warp wholly of cotton or other vegetable fiber, pay 36 cents per pound on the total weight of the fabric and 50 per cent ad valorem; but it will be seen that to offset this somewhat, the specific rate is reduced.

With regard to paragraph 1109 (act 1922), dealing with cloths over 4 ounces per square yard, this same policy is followed by mentioning that the specific rate 45 cents per pound, apply "upon the wool content" on cloths in the highest bracket valued at more than 80 cents per pound. This therefore allows for the cotton or silk decorations, usually stripes in fancy weave cloths, and also for the cotton weft characteristic in the construction of gabardines (as per sample herewith). This latter class of fabrics is used for coatings and sport wear and the weft is made all cotton, not only to make it cheaper but also to pack in the fine filling yarns more closely, so as to make the cloth practically impervious to the weather. The cotton content usually runs on an average from 25 to 35 per cent of the total weight of the fabric.

If the proposed act intends to make an exception or lower rates for cotton warp fabrics in paragraph 1108, why not accord the same privilege to the heavier fabrics included in paragraph 1109, and particularly to gabardines, just mentioned, in which the weft rather than the warp is all cotton? In fact, the Tariff Commission in its "Tariff Information Surveys of 1927" (p. 78), particularly regarding paragraphs 1108 and 1109, recognized the fairness of rate differentials in favor of fiber content other than wool.

DEPRESSION IN THE INDUSTRY

Unfortunately, our statistics are vague regarding domestic production of woolen fabrics under 4 ounces per square yard, but we do know the demand has fallen off tremendously, particularly since 1925, due to style changes in women's wear and the inroads of both silk and rayon for dress goods. This is a condition no tariff, however high, can remedy, and it is freely admitted among the trade that only by coordinated efforts of the mills, through new style creations and forceful sales promotion can there be any remedy to this situation. Furthermore, few women nowadays buy material to make their own apparel, as it is easier and cheaper to obtain it ready-made. This naturally cuts down the sales over the counter in retail stores where, already for years back, woolens took fourth rank in consumption. This has removed the retailer as an important outlet to the consumer, which fact is substantiated by Federal reserve statistics from 8 out of their 12 districts. In April, 1926, such sales had fallen off by value 9½ per cent below same month of previous year and in April, 1928, decreased 18.1 per cent. In the New England district the ratio of sales of woolen dress goods to the total sales of all store departments, was 54 per cent in 1927 and but 39 per cent in 1928. In the Chicago Federal reserve district, the ratio of wool dress goods sales to the total sales of all store departments was 78 per cent in 1926, 66 per cent in 1927, and but 58 per cent in 1928. As the result, the tendency has been to divert a number of looms from the making of women's wear to that of men's fabrics; but this also a dangerous risk for the mill owner to operate in another

field of business where competition must be met from the larger and longer established mills, making that type of merchandise in mass quantities. In order to make these adjustments of equipment, etc., the necessary economy of operation and reduction of overhead result in further unemployment.

The result is reflected in the latest biennial census of manufactures taken in 1928 by the Department of Commerce, wherein it was reported the manufacture of woolen and worsted goods fell from 579,788,935 square yards of value \$673,569,023 in 1925 to 550,267,799 square yards of value \$571,327,437 in 1927. This of course causes a depression in the industry and hard times in the textile districts result, but the Wool Institute (comprising about 60 per cent of the industry's looms) in a recent statement, refutes the impression that the industry as a whole is not on the road to recovery. It further stated the losses of six large mills, operating 37 per cent of the total looms in the industry, amounting to \$5,547,000 in 1928, were more than offset by the earnings of 22 moderate sized mills and that it had not been brought out the remaining mills equalized losses with gains.

EFFECT OF IMPORTS

Likewise, imports of woolen fabrics, paragraph 1108, under 4 ounces per square yard, have shown a steady decline since 1925, so that in 1928 they represented but 1,045,053 pounds, of value \$2,094,705. A portion of this was cotton warp linings and the balance was dress goods, representing weaves in designs and colors belonging to strictly novelty goods, always sought after in the ever-changing cycle of styles. Even so, we hear complaints from a few mills regarding some particular class of imported fabrics competitive with their own but should these few instances be the cause for a general rise in rates as contemplated? To the contrary, the introduction of such novelties from abroad serves a good purpose and is closely watched by stylers who are quick to utilize these novelties for similar or cheaper fabrics in their own mills, thereby stimulating demands for merchandise which had not previously existed. The same truth applies to the heavier fabrics controlled by paragraph 1109. The negligible amount of imports of this class in comparison with our domestic production, can not be considered as competitive. Some may say every yard imported causes a similar displacement in our domestic mill production but this is not borne out by facts. Imports of men's wear cloths go principally to the large clothing manufacturers or the jobbers.

It is well known that the bulk of our domestic mills make medium-priced fabrics in mass production on a low-cost basis to meet the greatest demand. This is contrary to the policy of the mills abroad, particularly in Great Britain, where quality, style, and finish are the first requisites. It is common knowledge over there they offer better inducements in the matter of more varied styles and other accommodations. Our manufacturers of high-grade ready-made clothing naturally find this to better advantage in the matter of styling their lines. The imported fabrics dovetail with the domestics in making up the various price levels of their merchandise. The jobbers as a rule sell to the high-grade merchant tailors who require the best and latest styles in fabrics to serve their fastidious trade. This phase of importing has always existed and will continue as long as men can indulge their taste for fine clothing. In consequence the jobber must carry large stocks of thousands of styles, the majority of which is sold in retail sales through the tailors. By way of contrast, it might be said that in the first fashion trend analysis of domestic styles recently issued by the wool institute, it was emphasized that the majority of such styling was subdued and similar in nature, resulting in undue price competition. In fact, the organization is trying to co-ordinate the domestic woolen industry and to put its finger upon the sore spots of internal, rather than external ailments.

According to the Tariff Commission, the combined volume of imported light and heavy weight fabrics in 1925 was but 3.59 per cent of our domestic production. The United States Chamber of Commerce stated in its pamphlet (p. 27), *Our World Trade in 1928*, imports woven fabrics of wool had fallen off in that year 17 per cent below those of 1927, and furthermore stood fortieth in the list by value of imports. Furthermore, the majority of our imports are woollens rather than worsteds, as evidenced in the statistics for 1928. In that year, woolen imports were 7,598,548 pounds, value \$14,072,849, as against worsteds 1,081,858 pounds, value \$2,981,149. Approximately 75 per cent of these came from Great Britain, who pays the highest labor cost and per capita tax of foreign countries. Furthermore the element of labor in the conversion costs of woollens is less than in worsteds, thereby reducing the necessity of higher ad valorem as now proposed.

A brief was introduced before the Ways and Means Committee of a domestic mill, stating that a considerable portion of imported overcoatings competed with their highly specialized fabrics. This statement may be disputed to a certain extent for certainly but a small percentage of the imported fabrics reach the same class of trade to which they sell their De Luxe product; and furthermore, the imported overcoatings cover a wider field of construction, price and utility. Probably if the same high-powered sales promotion and advertising were exercised on all of their fabrics as on their one well-known trade-marked specialty, their profits might be increased through greater production induced by cheaper prices.

EFFECT UPON THE CONSUMER

A recent investigation by members of the staff of the University of Wisconsin determined that the wool growers of the principal western states represented 6.8 per cent of the farmers and with the present 31 cents per pound, scoured content duty, are getting an annual average benefit of \$43,000,000.00. Under the proposed rate, this would approximate \$47,000,000. The Government collects in duty on the imports of wool and manufactures thereof a yearly average of \$69,000,000. To these sums is added the increased cost of shoddy, mungo and other woolen substitutes of value about \$13,500,000, together with interest, taxes and insurance of about \$6,000,000. With these products passing through the wool buyer, the spinner, the cloth manufacturer, the clothing manufacturer and the retailer, the original cost \$125,000,000, is probably pyramided so that the ultimate consumer will pay \$300,000,000. Will the wool grower benefit if a reaction is caused by restricted purchases due to the increased prices of wool clothing? Will the Tariff resolve itself into increased taxation on the masses for the benefit of the classes? Congress must decide but the public holds the answer.

It is most important to point out that just last week the Tariff Commission by way of comparison compiled an analysis showing equivalent ad valorem for act 1922 and the present House bill based upon the quantity and value of imports during 1928, and for the wool schedule in the former it was 49.64 and for the latter 58.07 or an increase of 8.43.

CONCLUSION

In summary, it is known that in the Payne-Aldrich tariff of 1909, the highest ad valorem rate on woolen dress goods and cloths was 55 per cent and it will be recalled Chief Justice Taft, at that time President, then declared the famous Schedule K as indefensible.

Therefore, we submit that the practice of "wool-content provisos" now in paragraphs 1108 and 1109, present act, be continued, and furthermore, that the highest ad valorem rates in same in no instance be higher than those which existed in the Payne-Aldrich Act, under which, during its total duration, the annual average equivalent ad valorem rate for fabrics controlled by paragraph 1108 was 100.97 per cent, and for fabrics under paragraph 1109, was 96.49 per cent, or with a combined average for the two paragraphs of 98.01 per cent.

COTTON AND WOOL MIXED GOODS

[Pars. 1108 and 1109]

STATEMENT OF JOSEPH D. HOLMES, REPRESENTING W. H. DUVAL CO., NEW YORK CITY

[Including pars. 906 and 922]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. HOLMES. Gentlemen of the committee, I am appearing on behalf of W. H. Duval Co., New York, importers of Italian cotton mixed wools.

In the bill there has been made a special paragraph, 906—

Senator BINGHAM. The cotton schedule?

Mr. HOLMES. Yes. This advances the rate on certain cotton mixed cloths.

Senator BINGHAM. Is it your wish to have it transferred to the wool schedule?

Mr. HOLMES. My wish is to have paragraph 906, which is especially aimed at our small importation of cotton mixed cloth from Italy—we respectfully ask that paragraph 906 be removed from the bill and we be restored to paragraph 922 under which we have been importing these goods.

Senator SACKETT. This goes back to the cotton schedule?

Mr. HOLMES. Yes. It was Mr. Treadway's idea that because there is a small percentage of wool in these goods there should be a higher duty on them. All this is given in our briefs and in circulars which I have sent to the committee, and I will not take up much of your time with it.

This new paragraph has caused serious anxiety in Italy and may lead to a reduction of our export trade which has been rapidly growing with that country.

This is a letter from one of our manufacturers:

If the intention of America is to shut hermetically any possibility of import from old Europe, we don't know how this continent will be able to buy American commodities or how to pay to America the war debts.

We poor Italy, so small in territory, so crowded with active working people, charge on wool textiles 5 per cent more or less of duty. And you know how developed is now our wool industry and the constant need of work for it. But we have lemons, oranges, flowers, vegetables, etc., to export to England, Czechoslovakia, Germany, etc., and must keep open our doors to industrial products.

This is from "S. P. E. D. I. T.":

The situation of the European woolen manufacturers in regards to the importation to the States wants a special consideration. The importation is about totally of mixed cotton and woolen tissues and sums only to about \$1,000,000 per annum: in such fabrics the cotton represents the raw material of more value and for such a reason they are classified under the tariff of a 40 per cent ad valorem. The Italian products represent four-fifths of the total importation of the States in these types, but against them the most awful attempt that has ever been attempted is being tried: as to these it is not the question that the percentage should be raised, but that the whole system should be modified; that is to say, it is requested that they be taxed according to their value in America instead of on their cost in Italy.

Here the position of Italy is painfully and extremely clear; while she is compelled to buy about \$70,000,000 per annum of cotton from the States, these would now want to prohibit her the miserable importation there of only \$1,000,000 per annum and exactly of such cloths in which cotton is the raw material of chief value.

It is also to be noted that differently to other Italian industries, which import to the States, our wool manufacturers, although they have only developed lately in this line of tissues, is now marvelously increasing and so much that the Americans themselves are astonished. As the interested people said during the hearings at the Committee on Ways and Means, the wool industry of Italy has imposed herself on the American market not only for her prices, but especially on account of her original designs in the fabrics.

I would state here, as I have stated before the other committee and in this circular, that these goods are being copied here by the American mills. They have followed our styles, copied them, and are making them apparently at a profit.

Senator SACKETT. How much have the imports increased in the last seven years?

Mr. HOLMES. The imports have only been in the last three years.

Senator SACKETT. What have they shown?

Mr. HOLMES. Our own is about \$600,000. The total is less than a million.

Senator SACKETT. What are the total imports for the three years?

Mr. HOLMES. I have not got the figures for the previous two years, but they have been growing, say, \$300,000 to \$500,000; the last year about \$600,000.

Senator SACKETT. I thought you said it was a million.

Mr. HOLMES. The total imports, according to the Government statistics, were a little less than \$1,000,000.

Senator SACKETT. What was it the year before?

Mr. HOLMES. That I do not know. There is no question but that it has been growing.

Senator SACKETT. But how much? We want to see whether it needs protection or not, and that is the only way we can tell.

Mr. HOLMES. If you are going to take every kind of importation, whether it is a million dollars' worth or more, and call it a loophole—

Senator SACKETT. I am not calling it a loophole. I am asking you whether these imports have grown in the last three years.

Mr. HOLMES. The importation certainly has grown in the last three years. It has developed, as we say, on account of showing these very handsome styles in this cheap fabric [producing samples].

Senator SACKETT. What is this fabric? What is it made of?

Mr. HOLMES. It is made of cotton and shoddy.

Senator SACKETT. Is there any pure wool in it?

Mr. HOLMES. No; no pure wool in it.

Senator SACKETT. How much cotton and how much shoddy?

Mr. HOLMES. It has been analyzed at 75 and 25.

Senator SACKETT. Seventy-five per cent wool?

Mr. HOLMES. Seventy-five per cent cotton, under paragraph 921, which is now 922, "All manufactures, wholly or in chief value of cotton, not specially provided for." As I say, they are being copied here.

Senator SACKETT. What is the cost of production in Italy?

Mr. HOLMES. They are goods that are sold here at 70 cents. They cost there about 40 cents. There are two ocean freights—

Senator SACKETT. I am not talking about freights. You know the tariff is fixed upon the difference between the cost of production at home and abroad. Can you give us any figures on that?

Mr. HOLMES. No; except that the goods are being copied here in identical patterns and at even less price.

Senator SACKETT. And yet the imports are growing?

Mr. HOLMES. Yes—we claim, because we get up these handsome styles and we furnish styles which are being copied very largely here. There are goods made up in imitation of ours.

Senator GEORGE. Most of your imports are style goods?

Mr. HOLMES. They are all style goods.

Senator GEORGE. Is not that very largely true of all woolen and worsted imports?

Mr. HOLMES. That I do not know. I imagine, in the higher grade goods, around \$4 or \$5, more depends on quality than style.

Senator GEORGE. Quality and specialty goods?

Mr. HOLMES. The bulk of the importation of woolen cloth to this country is high priced stuff.

Senator GEORGE. I was asking if the bulk of the imports of wool and worsted really is not style goods or special quality goods.

Mr. HOLMES. That I could not say. I should judge from my experience with merchant tailors that the label compelled to be put on the goods, "Made in England," "Made in France," and so on, has as much to do with the sale of it as the style. We make almost the same styles here and we make just as good styles here, and we make just as good cloth here. One of our members is the owner of a mill in Connecticut, so we are in favor of protection; but you cannot shut out high priced woollens by putting a duty on them.

I will call attention, if I may, to this item which Mr. Duval thinks is a mistake in the bill.

Paragraph 1109 under the old bill provided for the wool content thereof. The bill now proposes to make the wool duty of 50 cents per pound apply upon the entire weight of the fabric instead of "upon the wool content thereof." The duty is now entirely assessed on the wool basis. Twenty or 25 per cent of virgin wool will make a cloth of chief value wool, which in a cotton mixed fabric means a duty of 50 cents a pound on the cotton in the mixture, or the same duty on cotton as upon wool. Mr. Duval submits that that must be a mistake.

Senator SACKETT. Where do you get your cotton from that you manufacture these goods of in Italy?

Mr. HOLMES. We do not manufacture them, you know; we are only the importers. The cotton comes from the United States.

Last year \$75,000,000 worth of cotton was bought by Italy from the United States.

Senator SACKETT. Do you use any Egyptian cotton?

Mr. HOLMES. No, sir. We use the cheapest cotton we can get.

Here is a schedule of exports to Italy for 11 months to December 1, 1928, from United States Government figures, monthly summary of foreign commerce, December, 1928:

	Quantity	Value		Quantity	Value
Copper.....pounds..	102,716,500	\$15,628,500	Coal.....tons..	176,000	\$846,000
Zinc.....do.....	3,327,000	201,000	Tractors.....do.....	1,954	1,107,000
Lard.....do.....	21,743,000	2,810,000	Automobiles.....do.....	2,464	1,958,000
Wheat.....bushels..	6,621,500	8,640,700	Gasoline.....barrels..	1,290,900	5,572,700
Rubber tires.....do.....	80,553	893,000	Kerosene oil.....do.....	160,000	508,000
Cotton:			Fuel oil.....do.....	402,800	635,000
Bales.....do.....	661,000	70,596,000	Lubricating oil.....do.....	249,000	2,236,000
Pounds.....do.....	354,736,700		Cylinder oil.....do.....	197,400	2,330,000
Pine wood...1,000 feet..	23,188	1,073,900	Paraffin wax.....pounds..	48,900,000	1,975,000

Senator GEORGE. Practically all of the cotton used in these fabrics is American cotton?

Mr. HOLMES. All that goes into our stocks is American cotton.

Senator BINGHAM. Does Italy manufacture a large amount of cotton cloth?

Mr. HOLMES. No, sir. It is for home consumption. These goods pay two ocean freights.

For your information I desire to file with you the following facts which I believe will be of interest in connection with proposed change in our tariff laws:

First. We originated and developed the present imports of low grade men's wear fabrics from Italy in which the raw material of chief value is cotton. We handle over 80 per cent of all such im-

ports, the volume of which in 1928 was less than \$750,000 while Italy bought from us in the period (United States Government statistics) \$70,596,000 of raw cotton.

We do a very small volume of similar business with Czechoslovakia. These are the only two countries apparently where conditions permit them to compete in a small way on such goods under the present tariff.

Second. Each of our mills has been visited by a representative of the Treasury Department, and, while it is distasteful to foreign manufacturers to give such information, our arrangements with each mill required them to exhibit their books and give full information desired as to costs of raw material and various manufacturing processes, and in every instance such information was promptly and freely supplied.

Third. United States values: While this basis may be practical on staple materials, such as chemicals, it is absolutely impractical on fancy textiles, both because of the varying prices at which the same grade of merchandise is sold, the question of changing styles and coloring being a large element of selling value.

Fourth. Prominent Italians who are very proud of the comparatively small business which they have developed with us in this class of goods through their clever manipulation of raw material and especially through their artistic styling of such merchandise are greatly perturbed over the possibility of a change in classification which could only be considered by them as direct increasing their imports from this country.

Fifth. There seems to be no practical manner of classifying low manipulated textiles made from mixtures of cotton, wool rags, silk, rayon, and hemp waste other than according to the one raw material of chief value in the mixture, and to change this method of classification with the deliberate object of shutting out the comparatively small amount of such goods from Italy with an insignificant amount from Czechoslovakia, causing them to buy much less from us.

Sixth. A piano is part wool, the hammers being covered with fine wool felt, and in this case it is comparatively easy to figure textiles, composed of several different raw materials (some animal and some vegetable), it would be exceedingly difficult to segregate and value for duty purposes each of the raw materials.

Seventh. We strongly urge that the classification of textiles according to the raw material of chief value be retained at least where the manufacturers of any country permit an inspection of their books and records, and furnish all information as to the cost of their product and the prices at which they sell the same fabric in their home market.

Eighth. The American manufacturers of similar goods has ample protection under the present tariff, as is clearly demonstrated by their copying our largest selling designs every season at lower prices. It is a style proposition and these imports actually supply the business to the American Mills to the extent of thousands of designs in fabrics of better quality which they are able to sell at lower prices.

If there is any further information which you may desire in connection with such goods, it will be our pleasure to furnish same promptly upon request.

WOVEN FELTS

[Par. 1109(b)]

LETTER FROM HON. PARKER CORNING, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW YORK; BRIEF OF THE
WOVEN FELT INDUSTRY

Senator GEORGE. Congressman Parker Corning, of the twenty-eighth district of New York, has submitted a brief on behalf of the Albany Felt Co. and some 10 or 11 other manufacturers with reference to subparagraph (b) of paragraph 1109. The brief relates largely to phraseology and suggestions are made with reference to changes in the House phraseology. I would like to put it in the record.

Senator SACKETT. Is it sworn to?

Senator GEORGE. No; it is not sworn to, but it relates largely to phraseology. I do not know who prepared it, but I would like to put it into the record for the information of the committee on the points covered.

(The letter of Congressman Corning and the brief attached thereto are as follows:)

ALBANY, N. Y., June 24, 1929.

Senator WALTER F. GEORGE,
Washington, D. C.

MY DEAR SENATOR: In writing you on June 21 regarding the papermakers' felt matter I inadvertently marked the wrong paragraph in the brief.

The language this industry would like to have substituted for the present wording of the bill is found at the bottom of page 4 and top of page 5 and not on page 3, as I indicated.

I should appreciate it, therefore, if you would disregard the brief that accompanied my letter of the 21st and substitute the one I am inclosing in which the proper paragraph has been marked with blue pencil.

Sincerely yours,

PARKER CORNING.

BRIEF OF THE WOVEN FELT INDUSTRY

To the FINANCE COMMITTEE OF THE SENATE:

GENTLEMEN: This petition is made by the woven, woolen felt industry, comprising 11 separate textile manufacturers, and which are all the manufacturers in the United States engaged in such industry.

The reason for this petition is brought about by the recent action of the Ways and Means Committee of the House of Representatives, as set forth in paragraph 1109 of H. R. 2667, subparagraph (b).

Paragraph 1109 reads as follows:

"(a) Woven fabrics, weighing more than four ounces per square yard, wholly or in chief value of wool, valued at not more than 60 cents per pound, [24] 26 cents per pound and 40 per centum ad valorem; valued at more than 60 cents but not more than 80 cents per pound, [37] 40 cents per pound and 50 per centum ad valorem; valued at more than 80 cents but not more than \$1.50 per pound, [45] 50 cents per pound (upon the wool content thereof) and 50 per centum ad valorem; valued at more than \$1.50 but not more than \$2 per pound, [45] 50 cents per pound (upon the wool content thereof) and [50] 55 per centum ad valorem; valued at more than \$2 per pound, 50 cents per pound and 60 per centum ad valorem.

"(b) Woven felts and articles made thereof (including belts and belting, endless or otherwise), finished or unfinished, wholly or in chief value of wool, shall be dutiable at the rates provided in subparagraph (a)."

The foregoing language is not entirely satisfactory for the reasons hereinafter set forth.

Before going into such reasons it seems desirable to set forth the history of this legislation leading up to its enactment.

In the tariff acts of 1861, 1862, 1864, 1867, 1885 and 1894 woven, woolen felts, used largely in the manufacture of paper, were specifically mentioned. Subsequent to the act of 1894 woven felts were not specifically set forth, and we believe upon the theory that such products were amply covered by the general heading of woven fabrics wholly or in chief value of wool.

The brief of the woven, woolen felt industry, submitted to the Ways and Means Committee, and reported at page 6429 of the hearings, sets forth the need of specific mention of its products as well as the exact language desired by the industry in any new tariff act.

While there is every indication that the Ways and Means Committee sought to grant the exact relief asked for—and this is borne out by the report of such committee accompanying the bill—we believe the language used will not accomplish this purpose. Also, it is believed the substitution of language was prompted, not from any objection on the part of the committee to the language suggested by the industry, but rather by the belief on the part of the bill drafters that a clearer and more concise phraseology could be provided.

The industry, however, feels, from its greater knowledge of its own products and from its experience with the customs courts, that the language used by the Ways and Means Committee bill is not clear and unambiguous, but rather is so vague that litigation must of necessity follow its enactment.

In order, therefore, that there may now be a full understanding of the purpose of the enactment, a description of the products sought to be covered by the paragraph and a short statement as to their nature follows:

First of all, the "woven, woolen felts," here sought to be covered should not be confused with "felts not woven," which latter product has long had specific mention.

The term "felts" as used in each case, however, has no doubt arisen from the fact that each such article derives its strength or binding quality from the "felting" or "fulling" manufacturing process.

The woven, woolen felts in question are essentially textile products. They are identical in their manufacture with any other textile fabric or woven cloth, except that here tensile strength is of prime importance, and, as said before, such strength is imparted by heavy "fulling" or "felting," a squeezing or pounding operation which binds the individual wool fibers together.

When ready for use, these woven felts are usually endless—that is, similar in form to a belt—but occasionally are made up in the piece like any other woolen cloth. In widths they range from as small as 20 inches to as large as over 300 inches and in length from 3 feet to 235 feet.

The larger use for these woven, woolen felts is on paper-making machines, but the industry makes these same felts and other similarly woven and heavily fulled products in varying forms and by different names, as machine clothing for many kinds of machines, such as printing, dyeing, tanning, filtering, laundering cloth and silk finishing and other like uses.

Also, these identical woven and heavily fulled products are sometimes in the form of woven jackets or sleeves for roll covers on various machines, sieve or color cloths for carrying colors on a wall-paper printing machine, etc., and, while they are made, throughout all their processes, in the same manner as the so-called felts, and require the very same protection as felts, they are not so designated in the trade, but are known as "jackets" or "sieve cloths," etc.

Reference is made at this time to the brief of the industry and to the testimony presented before the Ways and Means Committee at the hearings held prior to the preparation of its bill and particularly to the language suggested to such committee.

The paragraph suggested reads as follows:

"PAR. 1112 (a). Felts, belts, blankets, jackets, or other articles of machine clothing, when woven, wholly or in chief value of wool, as units or in the piece, finished or unfinished, weighing more than four ounces per square yard; valued at not more than 60 cents per pound, 24 cents per pound and 40 per cent ad valorem; valued at more than 60 but not more than 80 cents per pound, 37 cents per pound and 50 per cent ad valorem; valued at more than 80 cents but not more than \$1.50 per pound, 45 cents per pound upon the wool content thereof, and 50 per cent ad valorem; valued at more than \$1.50 per pound, 45 cents per pound upon the wool content thereof and 50 per cent ad valorem."

It will be noted that the language suggested by the industry in its brief presented to the Ways and Means Committee mentions felts, belts, blankets, jackets, or other articles of machine clothing. While it was not desirable to mention every one of the similar products made by the industry, it did seem necessary to refer to belts and blankets, as the custom courts in its decisions used such terms in designating woven woolen felts and the suggested use of each such term was intended to remove all doubt as to the meaning of Congress.

With these facts now more clearly presented, it is believed your committee will readily appreciate that there is grave doubt as to whether all types of woven, woolen felts are unequivocally covered by the language proposed in H. R. 2667, subparagraph (b) of section 1109.

To repeat, this section reads as follows:

"(b) Woven felts and articles made thereof (including belts and belting, endless or otherwise), finished or unfinished, wholly or in chief value of wool, shall be dutiable at the rates provided in subparagraph (a)."

From an examination of subparagraph (b) it will be seen that the language "woven felts and articles made thereof" is ambiguous, or at least, is open to several constructions, which, with full knowledge of the products themselves, the court decisions, and the probable construction to be given the language in the House bill, we believe, would work a great hardship on this industry. For example, a jacket or a sieve cloth or any other identical product of this industry might be construed by the courts to be not a felt nor yet an article made thereof, but rather something else which had never been a felt and not covered by the paragraph, and which more properly should be classified under the so-called basket clause covering manufactures not specially provided for.

It is believed that, without varying or enlarging upon the intention of the Ways and Means Committee, the language used by that committee can be clarified and as a result this industry will not after the passage of the act be subjected to the litigation which it has encountered in the past and which we believe the proposed language of the House bill if unchanged will bring forth.

To this end, therefore, the following language is suggested and with the request that it be substituted for the language of the House bill:

"(b) Felts, belts, blankets, jackets, or other articles of machine clothing, for paper making, printing or other machines, when woven, wholly or in chief value of wool, as units or in the piece, finished or unfinished, shall be dutiable at the rates provided in subparagraph (a)."

Respectfully submitted.

Albany Felt Co., Albany, N. Y.; Appleton Woolen Mills, Appleton, Wis.; Draper Bros. Co., Canton, Mass.; F. C. Huyck & Sons, Albany, N. Y.; Knox Woolen Co., Camden, Me.; Lockport Felt Co., Newfane, N. Y.; Orr Felt & Blanket Co., Piqua, Ohio; Philadelphia Felt Co., Frankford, Philadelphia, Pa.; Shuler & Benninghofen Co., Hamilton, Ohio; The Waterbury Felt Co., Skaneateles Falls, N. Y.; H. Waterbury & Sons Co., Oriskany, N. Y.

WOOLEN KNIT FABRICS, HOSIERY, GLOVES, UNDERWEAR, AND OUTERWEAR

[Par. 1114]

STATEMENT OF J. J. PHOENIX, NEW YORK CITY, REPRESENTING THE NATIONAL KNITTED OUTERWEAR ASSOCIATION

(The witness was sworn by the chairman of the subcommittee.)

Mr. PHOENIX. Gentlemen, you have been very patient. You have had a flood of oratory here on wool and by-products and I have no criticism as to the rates they desire or to the protection that they need, but I want to call your attention to one thing. If they get all they have asked for, the total difference in the volume of the earnings of our factories would be five or six million dollars. These things have been so close to their eyes that they have not seen or taken into consideration the fact that this past year alone there has come into

this country \$75,000,000 of manufactured products of wool, and that there has been paid over \$40,000,000 of duty, and that that is on \$115,000,000 foreign valuation. And that has displaced American products of wool to the extent of not less than \$150,000,000 to \$175,000,000. There is another thing here in this year, this past year, a total displacement value to manufacturers of woollens that exceeds in value the total wool clip of the United States of the past year. I submit to you that in order to make their contention valid and to secure for them the amount of protection that they need, that they have to go further than the rate on wool and the rate on by-products, they have to say to you gentlemen, you must not consider our customary cost or rates sufficient to protect the manufacture of wool in the United States, but not let this flood of stuff continue to come in here and to displace our wool products.

Senator SACKETT. Would not compensatory duties on manufactures increase?

Mr. PHOENIX. We want the protective duties on manufactures increased.

Senator SACKETT. That is the compensatory duty based on wool.

Mr. PHOENIX. The specific duty based on wool is to take care of the duties on raw wools and has nothing to do with our problem, I might say in passing that the criticism levied against Schedule K as proposed in the present wool schedule, is not directed against the grower of wool—that has some duty—but it is all piled on the manufacturer. The manufacturer is not running away. He has labor, he has that piled up and he is protected by a high rate of duty.

Senator BINGHAM. Tell us right away exactly what duties you want in the bill.

Mr. PHOENIX. I can not give you the duties and the changes in the bill without giving a reason for them.

Senator BINGHAM. Give the reason afterwards. I want to know what you are talking about.

Mr. PHOENIX. The rates we have asked for are 60 per cent on knit fabrics.

Senator BINGHAM. Paragraph 1114, knit fabrics, in the piece—that is 1114-a.

Mr. PHOENIX. Yes; and we ask 60 per cent.

Senator BINGHAM. Instead of 40 per cent?

Mr. PHOENIX. Instead of 40 and 50 as now.

Senator SACKETT. Do you want it 60 in both cases?

Mr. PHOENIX. There is none imported in the lower brackets.

Senator SACKETT. You want 60 cents instead of 40?

Mr. PHOENIX. We want 60 instead of 50. There is no 40. We want the elimination of the brackets and reduction on the basis of the imports as illustrated.

Senator BINGHAM. You want 50 raised to 60 and 40 eliminated?

Mr. PHOENIX. Yes.

Senator BINGHAM. You want them both raised to 60?

Senator SACKETT. He wants the elimination of the \$1 a pound and more than a dollar per pound and put them all on one rate.

Mr. PHOENIX. Yes. Now, 1114 (b), hosiery, gloves and mittens. For similar reasons we want the elimination of the lower brackets and a similar rate of duty of 65 per cent placed upon all importations.

Senator SACKETT. Sixty-five cents per pound?

Mr. PHOENIX. No, sir; 65 per cent.

Senator SACKETT. Instead of 50 per cent?

Mr. PHOENIX. Yes.

Senator SACKETT. Did you ask the House for that?

Mr. PHOENIX. Yes.

Senator SACKETT. Did you appear before the Ways and Means Committee?

Mr. PHOENIX. Yes.

Senator GEORGE. You want also the specific to remain in there?

Mr. PHOENIX. That specific is to remain as compensatory for wool.

Senator BINGHAM. What else?

Mr. PHOENIX. On outerwear we want the elimination of the lower brackets and 70 per cent substituted.

Senator BINGHAM. 70 per cent instead of 50?

Mr. PHOENIX. Yes. In asking those rates we are not asking adequate protection, but asking more protection.

Senator SIMMONS. You are satisfied with the compensatory rate, that is the rate protecting you against the duty you have to pay on wool?

Mr. PHOENIX. The compensatory rate should vary with relation to whatever is granted wool.

Senator SIMMONS. You are not complaining of the compensatory rate?

Mr. PHOENIX. Of one and a half times the duty on manufactured wool.

Senator SIMMONS. You are not complaining of that. What you are asking is that the rate allowed the manufacturer for the conversion of this wool into cloth shall be increased?

Mr. PHOENIX. Yes.

Senator BINGHAM. Now we know what you want, let us have the reasons.

Mr. PHOENIX. In all the former tariffs, protective tariffs, the average has been 93 per cent, and in the present bill the average is 63 per cent. We have had the fabricated duty on our wool, and on our raw material, and at the same time it decreased the total duty on goods from the manufacturing processes, hence our industry has suffered and suffered materially and will continue to suffer because of that discrimination. The imports under previous Republican tariff laws have been from \$490,000 per year in the entire bracket to about \$984,000 per year. Under the present law they have averaged nearly \$5,000,000 a year. That \$5,000,000 is not an extraordinary amount when taken in the aggregate compared with the \$155,000,000 which the Tariff Commission allows us for protection last year.

Senator SACKETT. How would that amount of money compare with the weight of the wool?

Mr. PHOENIX. I will give you some illustrations of that later if you will permit me.

Senator SACKETT. Money has decreased in value since the war and the number of pounds of your reduction would be quite material.

Mr. PHOENIX. Yes, that is very true. To carry on this line, imports have not only increased substantially, but they increased those first four months 22 per cent over the increases of the four months in last year. Here is an interesting thing. It has been my duty to visit the knit goods industries as they are scattered throughout the

world. I have been in knitting mills in China, Japan, throughout the middle of Europe, Western Europe and in this country, and I have found precisely the same type of machine used in all of those countries. There is no particular strain or type of machine developed anywhere. The machines are common throughout the trade. There is the common machine run by power automatically. It is geared by the manufacturer to a certain type of quantity which gives the best average production. In the factories I have been in I have not observed that the dumb machine knows whether it is being operated by a Chinese or a Japanese, a middle European, a Britisher or an American, and that the average production is probably exactly the same with these machines in whatever country they are used.

To get the picture before you of the situation, I want to call your attention to this fact, that according to the figures of the industry conference board the average wage of the knit goods worker in the United States for several months last year was \$22.85 per week. According to the best reports we were able to gather the British earnings amounted to \$10.55 per week average. That is skilled and unskilled labor. In Germany it is \$8.52 per week; in France, \$6.59; and in Czechoslovakia, Austria, and Italy, grouped together, \$4.58 per week.

The machinery will produce approximately the same wherever it is operated, and so we have taken for illustration the higher protected rate that you have given us in the present law and that the Ways and Means Committee accorded us in the present bill, and that is 50 per cent duty. Taking that 50 per cent duty with the British average wage, you will find that we are absolutely discriminated against so far as maintaining the integrity of our own market.

I would say that the interesting fact is that if we were to get the compensatory duty of labor incidental to our industry upon the British production it would have to be raised to 216 per cent. As it is Great Britain sends to us the best of our knitted sweaters, the best of our knitted gloves, a great majority of our wool hose and scarfs and other fancy garments.

If we add that 50 per cent duty to France, we find that in order to get a total compensatory we would have to have 258 to offset the labor charge in the United States and France sends us all sorts of goods.

I will use Germany as an illustration, \$8.52. Germany formerly sent us lots of children's knit goods, like links and links for infants to wear. That trade has very largely disappeared into Austria because of the lower cost of labor, but Germany has developed a substantial amount of sweaters and a substantial amount of other knit goods, particularly boys' jersey suits and these jersey suits have come in here to the extent that they have seriously injured the American producer, some seventy odd factories manufacturing jersey suits. These jersey suits have displaced the equivalent of about 10 per cent of the high quarter blood cloth that is raised in the United States, just that one item of children's jersey suits. Reference is made to that in the brief submitted to the Ways and Means Committee.

Germany is given the same 50 per cent with Great Britain and we would have to have 258 per cent gross protective duty to take care of the labor involved, and France the same. France would take 346 per cent. France gives us nothing but fancy goods, imported goods.

The manufacturers of France work in the homes, running from \$1.50 to \$3 or \$4 a week, and if they put that kind of labor up against our American labor, which is done in our factories and not in our homes, you observe it is a very interesting contrast.

The middle European countries, Czechoslovakia and Austria, have developed very largely the control of the importation of infants' wear and certain fancy novelties of knit goods. Their average wage is \$4.58 a week of 48 hours, and if we were to get a compensatory duty on that labor alone it would amount to about 498 per cent.

Now, gentlemen, I have just a moment more to talk to you. The Knitted Outerwear Association has stood firmly for many years in favor of the American valuation system as the only equitable basis upon which we could operate in this country, giving such rate of duty as you see fit, based upon the American cost of production. If that is not obtainable, then we must insist that the best possible fight be brought to bear upon some other form of domestic valuation basis, so that there can be ironed out some of these inequalities. It is absurd to think that some of our greatest retail distributors in this country and jobbers will take styles imported from France and take them to Austria and have them made there and brought back to the great department stores, just as they take their woolens from buyers, and do the same thing so that they can say that they were made in Vienna and sell them to American women at \$27.85. I have some exhibits here to confirm these statements, and we ask your sincerest consideration for these rates that we have asked.

Senator GEORGE. What is the domestic production this year of your industry?

Mr. PHOENIX. Our domestic production of the goods I am speaking of?

Senator GEORGE. You are speaking of all knit goods?

Mr. PHOENIX. All knit goods, according to the inventory made by our Knitted Outerwear Association, the total products the past year were \$225,000,000 or \$226,000,000 knitted cloths.

Senator GEORGE. That is dollars?

Mr. PHOENIX. Dollars, \$226,000,000 value.

Senator SACKETT. What were they the year before?

Mr. PHOENIX. There has been no special change in a year or two, but there has been a very definite decrease since 1920, when the total was about \$285,000,000 or \$286,000,000. My figures do not coincide exactly with the figures of the Tariff Board because they have eliminated the cloth people and have taken their figures on the basis of 775 manufacturers whereas we have included something over 1,000 manufacturers.

Senator GEORGE. Your domestic production is \$226,000,000?

Mr. PHOENIX. Yes.

Senator GEORGE. What is the total import production according to your figures?

Mr. PHOENIX. Total import production about \$5,000,000 foreign valuation.

Senator GEORGE. About \$5,000,000?

Mr. PHOENIX. Yes, but you have to bring that down to other imports to equalize it on gloves and mittens, slightly over \$4,000,000 domestic production, and gloves and mittens would be \$281,000, and 80 per cent of those imports coming into the United States at a

value of \$1.62 per dozen pairs. That absolutely crucifies the development of making that merchandise in the United States and therefore none of it is made here.

Senator GEORGE. They have only been able to get \$5,000,000 out of \$226,000,000 produced in this country?

Mr. PHOENIX. Our total production of hose in this country is \$3,044,000, and the imports of golf hose amounts to \$600,000.

Senator GEORGE. Style has something to do with that. It is style, is it not? People who play golf want a particular sort of hose.

Senator SACKETT. You said imports have risen from about \$600,000 in 1922 up to \$5,000,000?

Mr. PHOENIX. No. If you get that impression it was a mistake on my part. I said that under the previous Republican protective tariffs the imports of foreign knitted goods had run from something over \$400,000 to less than \$6,000,000 as a maximum under the provisions of the protective tariff.

Senator SACKETT. What were they in 1922 when this bill came into effect?

Mr. PHOENIX. It is in the report.

Senator SACKETT. You know approximately.

Mr. PHOENIX. On page 217 of textile imports and exports it shows that there were imported over \$1,356,000 in 1922.

Senator SACKETT. In 1923 it was \$4,739,000 and this year \$5,000,000 and in those years in between it practically stood still?

Mr. PHOENIX. Yes.

Senator SACKETT. With all that great difference in cost of production in these countries, there must be some reason why you are holding your own all through this operation and increasing your domestic production.

Mr. PHOENIX. We are decreasing our domestic production very seriously.

Senator SACKETT. How much has your domestic production decreased?

Mr. PHOENIX. Twenty-five per cent.

Senator SACKETT. Then that means people are not using your goods, because there has not been any increased imports.

Mr. PHOENIX. Progressively lowered prices of imports have permitted an increased total of merchandise to come in.

Senator GEORGE. But these do not show it, your dollar—you have only \$5,000,000, and it has not increased any since 1923.

Mr. PHOENIX. Yes; foreign countries do not touch that grade of men's and women's ordinary sweaters and boys' ordinary sweaters. Those are not the ones that are affected. They are not made in general on the other side. The stuff that is affected is certain groups of knitted ladies wear. Manufactures of infants wear are failing continually. The leading manufacturer of infants knitted outerwear has practically ceased manufacturing in this country and is now importing from Austria.

Senator SACKETT. And you are asking an increase of ad valorem on all that stuff, not alone on these specialties.

Mr. PHOENIX. The ad valorem on merchandise that comes in is compensatory as a whole. We will never shut out all of that stuff. There is a certain amount of foreign goods that will come in. Our contention is that they should pay a proportion of it.

Senator BINGHAM. There will be some unhappy people if you keep them all out.



Senator SIMMONS. If I understand you, you say you use about the same kind of machinery everywhere, and, therefore, as I understand, there is no difference in machinery cost in production here and abroad. The only difference is in the labor cost.

Mr. PHOENIX. The machinery of Europe costs less than the machinery here.

Senator SIMMONS. That may be, so far as machinery is concerned, but the machinery that puts the output out is the same as here.

Mr. PHOENIX. Roughly, I think, 10 or 12 per cent.

Senator SIMMONS. You say there is a broad difference in the labor cost?

Mr. PHOENIX. Yes.

Senator SIMMONS. To cover that difference in the labor cost you propose to increase the 60 per cent and 70 per cent. That 70 per cent is levied upon the foreign cost of the selling price of the goods, the exportable price of these goods, not only the labor cost in this country, but all the other costs in those goods. Do you get my point? To compensate for this difference in labor cost you propose 70 per cent. It will be not upon the labor cost in the foreign article, but 70 per cent of the entire cost of the foreign article, so that your 70 per cent would apply to the labor cost at that price, not only to the labor cost, but to every other cost that goes into that product.

Mr. PHOENIX. We are entitled to the proportion of the prices involved in the conversion cost. We have a double conversion cost.

Senator SIMMONS. Your contention awhile ago was based upon the difference in labor cost?

Mr. PHOENIX. Yes.

Senator SIMMONS. And to measure the difference in labor cost you would have to have 70 per cent. That 70 per cent is not 70 per cent more than the labor cost abroad, it is not 70 per cent of the total labor cost abroad. It is 70 per cent of the the total cost abroad.

Senator BINGHAM. If you could not get 250 per cent of the labor cost abroad you would not know about the rest of it.

Mr. PHOENIX. No; 70 per cent is the possible obtainable figure. We would exempt specific duties on wool, transfer the total ad valorem equivalent, and we would still be below a protective tariff.

Senator SIMMONS. You might need that 200 per cent because the cost of production abroad is that much less than here, but you are asking now for 70 per cent upon the total value of exportable value of these goods to measure this difference in labor cost.

Mr. PHOENIX. It costs one-third to build factories similar to ours in Europe, and one-third less than here to buy machinery, and it would cost less than half to set it up. It is the total composite labor cost.

Senator SIMMONS. The only thing you pointed out a while ago was the higher labor cost.

Mr. PHOENIX. I am using that, using that as a measuring stick to show the necessity for increases in duties, if we have such an experience in the next four years, with 400 failures such as we have had in the last four years.

(Mr. Phoenix submitted the following brief:)

BRIEF OF THE NATIONAL KNITTED OUTERWEAR ASSOCIATION

The national association of the knitted outerwear industry appeared before the Ways and Means Committee of the House of Representatives at the hearings with respect to the proposed tariff act of 1929 (H. R. 2667), and presented available

facts and statistics, in an effort to demonstrate to the committee that this industry depends for its very existence upon the enactment and maintenance of a tariff schedule which would adequately protect its more than 40,000 workers and \$100,000,000 of invested capital.

The proposed tariff act of 1929, as reported to the House of Representatives and passed by it, does not give the knitted outerwear industry adequate protection.

The industry and its tariff committee regret, that by their presentation of the condition of the industry and its necessities, they have been unable to convince the House of Representatives and its committee of the seriousness of the industry's position and the absolute need for protection.

We therefore appear before your committee and on behalf of this great subdivision of the textile industry ask for the protection promised to labor and industry in the platforms of the major political parties.

In order that your committee have before you the existing schedule, the schedule in the proposed tariff act of 1929, and the rates for which we stand, we submit the following comparison. (Reference is made only to protective rates and not compensatory rates given for the protection of another branch of the industry:)

Bracket	1922 act	1929 act	Industry's request ¹
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
Paragraph 1114 (a):			
Knitted fabric up to \$1 per pound.....	40	40	} 60
Knitted fabric over \$1 per pound.....	50	50	
Paragraph 1114 (b):			
Hose, gloves, and mittens up to \$1.75 per dozen pairs.....	35	35	} 65
Hose, gloves, and mittens over \$1.75 per dozen pairs.....	50	50	
Paragraph 1114 (c):			
Knitted underwear, not more than \$1.75 per pound.....	30	30	} 60
Knitted underwear, over \$1.75 per pound.....	50	50	
Paragraph 1114 (d):			
Outerwear up to \$1 per pound.....	40	} 45	} 70
Outerwear up to \$2 per pound.....	45		
Outerwear more than \$2 per pound.....	50		

¹ The rates recommended are based upon the use of the foreign or United States value as defined in paragraph 402, H. R. 2867. Should any other basis of valuation of imports be used by your committee, we respectfully ask for an opportunity to convert the measure of protection of the above recommended rates to such basis.

The knitted outerwear industry also desires to recommend several changes in phraseology in the section of the proposed tariff act of 1929 for more exact and efficient administration; see second section of this brief.

RATE OF DUTY

It is of the utmost importance that we adequately bring home to your committee the absolute necessity for at least the rates of duty recommended by the industry.

We do not propose to repeat here all the facts and arguments submitted to the Ways and Means Committee of the House of Representatives, for that is available to your committee in the record of hearings before Ways and Means Committee Volume XI, page 6460, et. seq. We will here present only such facts as are necessary for the proper understanding of our position, and which facts were not available for presentation to the House committee.

In addition to the facts contained in our House brief, we desire to point out that 1929 imports of wool knit goods continue to show an increase over a similar period of 1928 as follows:

Imports January, February, March, April

Wool	1929		1928	
	Quantity	Value	Quantity	Value
Fabrics.....pounds.....	3, 521	\$18, 591	10, 831	\$68, 868
Knitted outerwear.....do.....	142, 377	768, 580	100, 866	561, 624
Gloves and mittens.....dozen pairs.....	12, 124	23, 557	15, 669	29, 494
		810, 728		659, 986

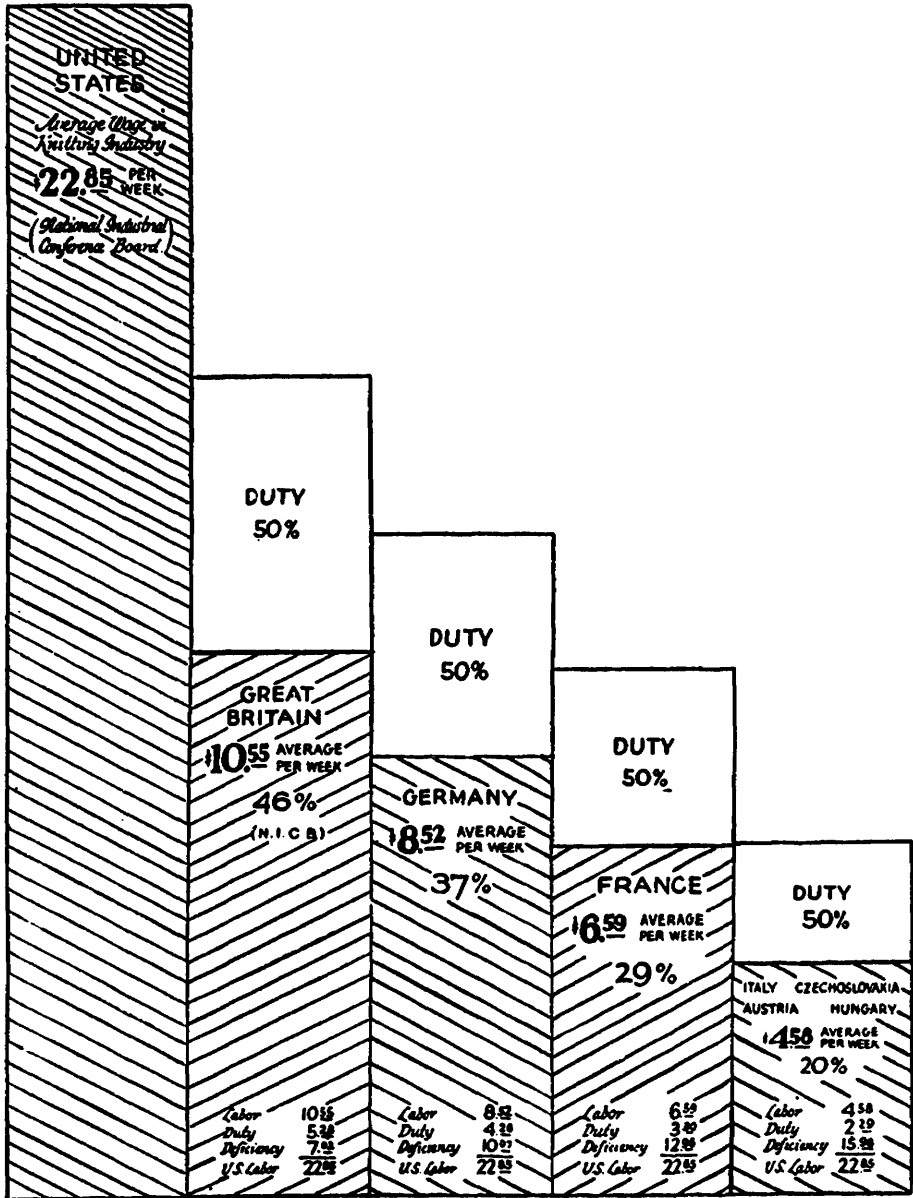
Increase 22.8 per cent.

These importations come from countries where wage scales and other costs are fractional as compared with American wages.

It is important to note that definite realignment of the foreign sources of knit-wear imports is taking place because of changing economic conditions in the respective foreign countries of export which are constantly favoring the low-cost countries and proportionately increasing the threat of foreign competition to our American manufacturers.

We present below the latest wage figures paid in this industry in the principal exporting countries, as compared with the United States wages. We have prepared this in graphic form.

(We regret that the wage figures prepared by the Bureau of Labor Statistics were not available; but the figures used represent the average wages of male and female labor, skilled and unskilled, in the respective countries.)



Importations from Great Britain are practically limited to the finest grade, higher quality sweaters, gloves and golf socks, because the British average wages in the knitting industry are higher than in other exporting countries, and they can not compete on the lower priced merchandise with such countries.

Germany, on the other hand, has recently been furnishing our domestic market with large quantities of boys' jersey knitted suits, and is also making inroads in the trade in golf socks and gloves.

French importations are of the novelty type, while the extremely low labor-cost countries of Italy, Austria, Czechoslovakia, and Hungary are shipping alarmingly increasing quantities of infants' wear and sweaters and have already displaced Germany to some extent as the supplier of this merchandise, because Germany now has somewhat higher labor cost, although as compared with the United States, it is still less than one-half.

Your committee should also be advised that Japan, with its still lower cost, is now procuring from this country and from the machinery-producing centers of Europe, knitting machinery of the same types now used in middle Europe and in this country for the production of knitted wear and its sale in our markets.

NEED FOR HIGHER RATES

The critics of our tariff position point out to the continued existence of our industry despite foreign importations as proof that we can weather the competition of these low-cost producing countries.

Is it necessary, before securing tariff protection, that an industry be dead or dying?

We believe that when we point out to reasonable men that merchandise produce at between one-sixth to one-half of the labor cost in the United States is coming into the markets of this country, logical deductions will be made and steps taken to protect domestic labor and industry from disaster.

As a matter of fact, as soon as the foreign producer is educated to the requirements of the consuming public here and the minimum cost at which the merchandise can be produced in this country, he begins to flood the American market with that particular merchandise and stifles American competition in that particular branch of knitted outerwear.

Such has been the case in the manufacture of knitted wool gloves and mittens, where formerly the American production amounted to \$7,500,000 and now \$4,000,000. This branch of the industry is dying, and now we are told that gloves need no protection, because we have no glove manufacturers of any account in this country with whom foreigners compete.

The same development is now taking place in the boy's jersey suits branch, an industry employing 3,000 workers with a productive capacity of over \$10,000,000. The infiltration into the American markets of a comparatively large quantity of cheaply made foreign goods has forced these manufacturers to compete upon a less-than-cost basis. Some have failed, others have retired, and the rest are facing and taking these losses, in the hope that their Government will recognize their position and give them tariff protection. If this hope fails this branch of the knitted outerwear industry will be put out of business, except as to the most inferior qualities.

The same condition has now developed in the production of knitted infant's and children's wear, wherein a large proportion of the cost of production is hand labor, in which American labor can not possibly compete against the home hand labor of Czechoslovakia and Austria.

Some firms in the industry are deserting this branch of the business and crowding other already crowded branches, and those that remain and can not go into other branches of the business will be forced to discontinue or adopt the foreign home or cottage type of production.

And so, to a lesser degree perhaps, to-day all other branches of this industry are affected. It is only a question of time before the foreign producer will control this market.

The only protection is an adequate tariff rate.

MACHINERY

The machinery used by the industry here and abroad is identical. The speed at which these machines operate is the same. The difference in cost is purely that resulting from different wage scales paid, fully set forth in our House brief.

EFFECT OF IMPORTS

The importations as reported in foreign valuation, while appearing small in volume as compared with American production, displaced nearly \$15,000,000 of American merchandise, out of a total of about \$155,000,000 according to the United States census for 1927; and 10 per cent, distributed throughout the United States, is sufficiently destructive to act as a definite depressant of the American manufacturers' prices and wages. The effect of this constant market depression is well illustrated by the fact that in 1923, there were 1176 establishments in this industry in the United States, as against 775 in 1927, according to the United States census, a shrinkage of 401 establishments; while the production in 1923 totaled \$240,000,000, according to the census, and in 1927 totaled \$155,000,000. (In the production figures, we have added knitted fabrics to the total reported by the Census Bureau under the heading of knitted outerwear.)

The loss of 401 establishments is largely accounted for by failures and liquidations, and it is a well-known fact that this industry has had five years of unsatisfactory, meager profits.

We wish to impress upon your committee the additional fact that the damage done to knitted outerwear by imports, can not be accurately measured by the value of the imports, unless those imports be analyzed. We present below an analysis of some of the imports by types of goods, showing the quantity in American valuation that such imports displaced, and the total American production of these items.

	Domestic production	Imports	Displaces
Gloves and mittens.....	\$4,543,901	281,683	750,000
Golf hose.....	3,044,728	600,000	1,200,000
Infant's wear.....	7,755,851	800,000	1,600,000
Boys' Jersey suits.....	10,675,000	1,350,000	7,500,000
	26,019,480	4,981,683	11,050,000

¹ Largely imported as clothing, we believe.

WHO BENEFITS?

A consumer receives no benefit, generally speaking, from importations at saving cost under American prices, as illustrated by Exhibits A, B, and C, attached to this brief. In each of these cases the American reproduction cost would necessitate the sale of American-made merchandise to the retailer at such a price as would bring about approximately the same retail selling price as that of the imported article, but it is apparent that the cost of the imported article to the retailer is considerably less and its consequent markup considerably more on the imported merchandise. In other words, the proper protection for the American manufacturer would deprive the retailer in question of the ability to make the difference in profits, and would insure that much more employment of American labor, without increasing the ultimate cost to the consumer.

Our request for a 60 per cent ad valorem duty on fabrics is in line with the House provision on woven fabrics, which were granted a maximum of 60 per cent ad valorem, but for which a 65 per cent maximum was shown to be necessary and was requested by the weavers.

We maintain that a 60 per cent ad valorem duty on knitted fabric is necessary for adequate protection, and that additional protection is necessary for the additional labor expended in converting the fabric into finished garments. It is illogical to provide the same ad valorem protection on both fabrics and finished garments. We therefore have provided in our recommendation for 65 per cent on hosiery and gloves and 70 per cent on outerwear.

SECTION NO. 2

The elimination of multiple brackets in paragraph 1114 and the setting up of but one bracket appears logical for the reason that the bulk of importations in each case fall within one bracket:

(a) Fabrics, 92 per cent under high bracket in 1928.

(b) Ninety-six per cent of hose under high bracket in 1928, 80 per cent of gloves under low bracket in 1928.

(d) Ninety-seven per cent outerwear under the high bracket in 1928.

It seems to this industry a needless complication to provide multiple brackets under the circumstances.

EXHIBIT A

Purchased retail from R. H. Macy & Co., June 1929.

Reproduction cost in New York mill

Materials.....	\$7. 94
Labor, direct.....	9. 99
Labor, indirect.....	6. 37
<hr/>	
Cost to manufacture, United States.....	24. 30
Discount on selling price (8 per cent).....	3. 12
Commission on selling price (10 per cent).....	3. 90
Expenses on selling price (17 per cent).....	6. 33
Profit on selling price (3½ per cent).....	1. 25
	<hr/>
	39. 00

Selling price per dozen, \$39.

In cost of material, labor constitutes 40 per cent of value.

In cost of finished article, labor constitutes 67 per cent of value.

Purchased at retail New York City, \$3.69.

Probably cost retailer, \$27 per dozen.

EXHIBIT B

Purchased retail from R. H. Macy & Co., June, 1929.

Reproduction cost in New York mill

Materials.....	\$8. 34
Labor, direct.....	10. 06
Labor, indirect.....	8. 52
<hr/>	
Cost to manufacture, United States.....	26. 92
Discount on selling price (8 per cent).....	3. 36
Commission on selling price (10 per cent).....	4. 20
Expenses on selling price (17 per cent).....	7. 14
Profit on selling price.....	. 38
	<hr/>
	42. 00

Selling price per dozen, \$42.

In cost of material, labor constitutes 40 per cent of value.

In cost of finished article, labor constitutes 70 per cent of value.

Purchased at retail New York City, \$4.64.

Probably cost retailer, \$36 per dozen.

Bleyle boys' jersey knit suits, imported March 30, 1929

	Whole- sale	Retail
German cost, coat, "Otmar".....	\$2. 18	\$3. 26
German, cost, trousers, "Geni".....	1. 28	1. 91
Total German cost.....	<hr/> 3. 46	<hr/> 5. 17

Weight, 102 pounds each.

Duty as clothing

30 cents specific.....	\$0. 306
45 per cent ad valorem.....	1. 557
	<hr/>
Total duty.....	1. 86
	. 14
	<hr/>
Total United States landed.....	5. 46
Add 50 per cent United States retail.....	2. 73
	<hr/>
	8. 19

Freight, insurance, etc., 4 per cent

Duty as knit goods

45 cents specific.....	\$0. 459
50 per cent ad valorem.....	1. 73
	<hr/>
Total duty.....	2. 19
	. 14
	<hr/>
Total United States landed.....	5. 79
Add 50 per cent for United States retail.....	2. 89
	<hr/>
	8. 68

Freight, insurance, etc., 4 per cent.

EXHIBIT C

Purchased retail from R. H. Macy & Co., June, 1929.

	Reproduction cost in New York mill
Materials.....	\$3. 78
Labor, direct.....	3. 15
Labor, indirect.....	5. 75
	<hr/>
Cost to manufacture, United States.....	17. 68
Discount on selling price (8 per cent).....	2. 40
Commission on selling price (10 per cent).....	3. 00
Expenses on selling price (17 per cent).....	5. 10
Profit on selling price (6 per cent).....	1. 82
	<hr/>
	30. 00

Selling price per dozen, \$30.

In cost of material, labor constitutes, 40 per cent of value.

In cost of finished article, Labor constitutes, 78 per cent of value.

Purchased at retail New York City, \$2.74.

Probably cost retailer, \$22.50 per dozen.

BRIEF OF THE HOSIERY GROUP OF THE NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.), AND OTHER IMPORTERS OF HOSIERY

[Woolen hosiery]

Wool hosiery is now provided for in paragraph 1114 of the tariff act of 1922 as follows:

"PAR. 1114. * * * Hose and half hose, * * *, wholly or in chief value of wool, valued at not more than \$1.75 per dozen pairs, 36 cents per pound and 35 per centum ad valorem; valued at more than \$1.75 per dozen pairs, 45 cents per pound and 50 per centum ad valorem."

As wholesale dealers in domestic and imported hosiery, we filed two briefs with the Committee on Ways and Means (Tariff Readjustment, 1929, pp. 6442-6447), requesting that the ad valorem rate on wool hosiery, regardless of its value, be made 40 per cent instead of 50 per cent on the better hosiery and 35 per cent on

the cheaper hosiery. We also requested that clocked (embroidered) wool hosiery, which is now dutiable as embroidered wearing apparel, be excepted from the embroidery paragraph (par. 1529, H. R. 2667) and made dutiable under the wool hosiery paragraph (par. 1114, H. R. 2667).

The House of Representatives made no change in the ad valorem rates of duty on wool hosiery in paragraph 1114 but increased the rate on embroidered wearing apparel from 75 per cent ad valorem (para. 1430, tariff act of 1922) to 90 per cent ad valorem (par. 1529, H. R. 2667).

We therefore renew our request for a uniform ad valorem rate of 40 per cent on wool hosiery in paragraph 1114 and we particularly urge that "clocked" (embroidered) wool hosiery be excepted from the embroidery paragraph (par. 1529, H. R. 2667) and made dutiable under the wool hosiery paragraph (par. 1114, H. R. 2667), where it properly belongs.

The reasons for our recommendations are as follows:

1. The total importations of wool hosiery from all countries are only 7 per cent of the domestic production.
2. The importations of wool hosiery are now only one-half of what they were in the year 1922.
3. The amount of the present duties on wool hosiery (in dollars per dozen pairs) is now more than four times as much as the amount of the duties (in dollars per dozen pairs) in 1915.
4. The importation of wool hosiery should be encouraged as the new patterns and styles created abroad furnish inspiration to the domestic industry.
5. Practically speaking, the imported wool hosiery is not similar to the domestic product. In the few instances where the lines compete, the price of the domestic hosiery is lower.
6. The small amount of embroidery on "clocked" wool hosiery does not justify its classification as embroidered wearing apparel at a higher rate of duty than the rate applicable to other wool hosiery.

I. THE TOTAL IMPORTATIONS OF WOOL HOSIERY FROM ALL COUNTRIES ARE ONLY 7 PER CENT OF THE DOMESTIC PRODUCTION

According to the Summary of Tariff Information, 1929, recently compiled by the United States Tariff Commission, the domestic production of wool hosiery for the year 1927 (the last year for which statistics are available) was:

Quantity (dozen pairs)	5, 185, 735
Value	\$15, 457, 711

These figures refer to all-wool hosiery and hosiery made of wool and cotton.

From the same source we also learn that the importations of wool hosiery in the years 1927 and 1928 were as follows:

1927:	
Quantity (dozen pairs)	379, 203
Value	\$2, 471, 441
1928:	
Quantity (dozen pairs)	373, 096
Value	\$2, 388, 368

From the above figures it will be seen that the total importation of wool hosiery from all countries amounts to only seven per cent of the domestic production.

II. THE IMPORTATIONS OF WOOL HOSIERY ARE NOW ONLY ONE-HALF OF WHAT THEY WERE IN THE YEAR 1922

According to the statistical tabulation of Textile Imports and Exports, 1891-1927, published by the United States Tariff Commission, the importations of wool hosiery for the period from January 1 to September 21, 1922 (the date of enactment of the present tariff law), were 609,887 dozen pairs valued at \$3,905,044 and for the remainder of that calendar year 143,897 dozen pairs valued at \$993,021. The total importations for the entire year of 1922 were accordingly 753,784 dozen pairs valued at \$4,898,065. The importations of wool hosiery for the calendar year 1928, as given by the same authority in its Summary of Tariff Information, 1929, were 373,096 dozen pairs valued at \$2,388,368. From this it will be seen that the importations of wool hosiery are now only one-half of what they were at the time the present tariff act became effective.

III. THE AMOUNT OF THE PRESENT DUTIES ON WOOL HOSIERY (IN DOLLARS PER DOZEN PAIRS) IS NOW MORE THAN FOUR TIMES AS MUCH AS THE AMOUNT OF THE DUTIES (IN DOLLARS PER DOZEN PAIRS) IN 1915

The year 1915 is used for comparison, because that is the first full year for which the duties collected on wool hosiery are separately reported. According to the United States Tariff Commission's statistical tabulation of textile Imports and Exports, 1891-1927, the amount of duties collected in the year 1915 amounted to \$66,952. The imports for that year amounted to 70,053 dozen pairs. The weighted average duty for the year 1915 was, therefore, \$0.955 per dozen pairs.

From the same source it appears that the amount of duties collected in 1927 (the last full year for which statistics are available) was \$1,552,272. The imports for that year were 379,203 dozen pairs. This shows a weighted average duty in 1927 of \$4.093 per dozen pairs.

It will thus be seen that the amount of the present duties on wool hosiery (in dollars per dozen pairs) is now more than four times as much as the amount of duties (in dollars per dozen pairs) during the year 1915.

IV. THE IMPORTATION OF WOOL HOSIERY SHOULD BE ENCOURAGED, AS THE NEW PATTERNS AND STYLES CREATED ABROAD FURNISH INSPIRATION TO THE DOMESTIC INDUSTRY

Importations of wool hosiery come principally from England and Scotland, which have long been famous for the patterns and styles as well as for the quality of the yarns used in the manufacture of their wool hosiery. The British manufacturers specialize in the production of novel patterns and designs in small quantities. It is a simple matter to place an order with them for special patterns in lots of 25 dozen pairs or even less. On the other hand, in the United States the manufacturers in practically all instances decline to change their machines to make special patterns for quantities of less than 1,000 dozen pairs.

This is a vital distinction between the domestic and imported lines, owing to the ever changing desires of the purchasing public and the constant demand for something new and different.

The domestic lines are usually made up twice a year, spring and fall. Because the foreign manufacturers are willing to accept orders for small lots it is possible for the importers to carry wool hosiery embodying many new and attractive ideas of foreign origin. When a pattern or design becomes popular and a great demand is created for it in this country the domestic manufacturer then copies it. In this way the importation of wool hosiery is a distinct benefit to the domestic industry, first, because of the aptitude of the domestic manufacturers in incorporating in his own product those foreign creations which prove to be best and most popular, and second, because of the resultant increase in demand for the domestic product which is produced on a quantity basis. On account of the willingness of the foreign manufacturers constantly to exercise the patience and skill necessary in making up and executing new patterns and styles of wool hosiery the importations should be encouraged. They have been, still are, and will continue to be an inspiration to the American manufacturer, and have practically created a new industry in this country, an industry which is no longer confined to the staples.

V. PRACTICALLY SPEAKING, THE IMPORTED WOOL HOSIERY IS NOT SIMILAR TO THE DOMESTIC PRODUCT. IN THE FEW INSTANCES WHERE THE LINES COMPETE THE PRICE OF THE DOMESTIC HOSIERY IS LOWER

The essential difference in the imported and domestic lines of wool hosiery lies in the better appearance and softer texture of the former. This difference is readily seen by any purchaser of discernment. It is due to a different treatment of the wool yarns and a difference in the climatic conditions abroad.

The imported lines of ladies' wool hose sell from \$2 to \$5 per pair retail. The domestic lines of ladies' wool hose sell from \$1 to \$2 per pair retail.

The imported lines of wool half hose sell from \$1.50 to \$3.50 per pair retail. The domestic lines sell from 50 cents to \$1 per pair retail. The price ranges of the domestic lines applies to everything produced in the United States which is sold in large quantities to the jobbing trade by the leaders in the domestic industry, such as the Phoenix Hosiery Co., the Interwoven Stocking Co., and Nolde & Horst.

The following comparison illustrates the difference between the United States selling prices of the domestic and imported wool hosiery in the very few cases where the lines compete.

Domestic sample X compared with imported sample B

Wholesale price of X (domestic).....net per dozen pairs.. \$18. 00
 Wholesale price of B (imported).....do..... 23. 50

The above items are ladies' hose composed of wool and silk. Samples were filed with the Committee on Ways and Means.

Ribbed hosiery, which constitutes a substantial part of the importations, is practically unobtainable in this country.

Though no statistics of the exports of wool hosiery from this country are available to us, we know from actual observation that hosiery made in this country is sold in Europe in competition with foreign hosiery. We have seen the domestic product on display in shops in Germany, Italy, Austria, Belgium and France at practically the same retail prices as the foreign hosiery. This statement applies particularly to the product of the Holeproof Hosiery Co. and the Interwoven Stocking Co.

VI. THE SMALL AMOUNT OF EMBROIDERY ON "CLOCKED" WOOL HOSIERY DOES NOT JUSTIFY ITS CLASSIFICATION AS EMBROIDERED WEARING APPAREL AT A HIGHER RATE OF DUTY THAN THE RATE APPLICABLE TO OTHER WOOL HOSIERY

"Clocked" wool hosiery was included in the wool hosiery paragraph of the tariff act of 1913. It was omitted from the wool hosiery paragraph of the tariff act of 1922. As a result, the small amount of embroidery on "clocked" wool hosiery has made it dutiable under the provision for embroidered articles in paragraph 1430 of the present tariff act at the rate of 75 per cent ad valorem. The high rate applicable to embroidered articles, which was undoubtedly intended to cover luxuries, applies to even the cheapest grades of wool hosiery, slight as the "clocking" may be. Furthermore, the embroidery rate is applied to the whole value of the finished article, no matter how little of the value is represented by the cost of the "clocking." Some of the cheapest wool hosiery is "clocked." It is not a luxury.

To make matters worse, the House of Representatives recently increased the rate of duty in the embroidery paragraph from 75 per cent ad valorem (par. 1430, tariff act of 1922), to 90 per cent ad valorem (par. 1529, H. R. 2667). If that unusually high rate remains in the tariff bill as enacted and is applied to "clocked" wool hosiery it will make the cost of same altogether, prohibitive and cut off completely the very small quantity of such hose that is now imported. At the same time no one will be benefited, because the imported clocked hose is dissimilar to anything produced in the United States.

We, therefore, respectfully request that the provision for "clocked" wool hosiery be restored to the wool hosiery paragraph in the proposed tariff act.

CONCLUSION

The undersigned, wholesale dealers in domestic and imported hosiery, are confident that the Committee on Finance will recognize the recommendations contained herein as reasonable, and will adopt them in the proposed tariff law.

Respectfully submitted,

Hosiery Group, National Council of American Importers and Traders, (Inc.), 45 East Seventeenth Street, New York, N. Y.; Associated Merchandise Corp., New York; Brown, Burrell Co., Boston; S. L. Gilbert & Co. (Inc.), New York; H. Jacquin & Co., New York; Krueger, Tobin Co., New York; F. A. MacCluer, New York; Van B. Moler Co. (Inc.); New York; Moore & Fisher (Inc.), New York; Raymond Turk & Co., New York; Rubens & Meyer, New York; Tams & Horn (Inc.), New York; Taylor & Watson (Inc.), New York; E. M. Townsend & Co., New York; Alex Lee Wallau (Inc.), New York; Westminster (Ltd.), New York.

MEN'S AND BOYS' CLOTHING

[Par. 1115(a)]

STATEMENT OF EDGAR B. WALTERS, NEW YORK CITY, REPRESENTING THE WHOLESALE IMPORTERS MEN'S AND BOYS' WOOL CLOTHING GROUP, AND CLOTHING IMPORTERS GROUP OF THE NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.)

(The witness was duly sworn by the chairman of the subcommittee.)

Senator BINGHAM. Mr. Walters, you represent the National Council of American Importers and Traders?

Mr. WALTERS. I represent the clothing group of that council. And I also represent a group of clothing importers not members of the council.

Senator BINGHAM. What particular paragraph are you interested in?

Mr. WALTERS. Paragraph 1115.

Senator BINGHAM. (a) or (b), or both?

Mr. WALTERS. (a).

Senator BINGHAM. And your proposal is what?

Mr. WALTERS. Do you want to know what my proposal is?

Senator BINGHAM. I would like to know what your proposal is, what you propose, and then we will hear the argument.

Mr. WALTERS. First, we are asking that men's and boys' clothing be put into a separate paragraph and not lumped together with Japanese challis from Japan, Coolie coats, mufflers, scarfs, and things of that sort, because it is a staple industry and one of the largest industries in the country.

Senator SACKETT. Men's and boys'?

Mr. WALTERS. Men's and boys' clothing. The men's and boys' clothing of the country is about \$1,500,000,000 annual production. And yet our imports are put into a basket schedule along with all sorts of woolen novelties for women.

Senator BINGHAM. Just a minute. Before you get into that; you not only want it in a separate paragraph, but I assume you want some duty on it?

Mr. WALTERS. Do you want to know the paragraph we suggest for the duty?

Senator BINGHAM. Yes.

Mr. WALTERS (reading):

Men's, youths', and boys' woolen clothing, not knit or crocheted, manufactured wholly, or in part, composed wholly or in chief value of wool, comprising overcoats, topcoats, raincoats, reefers, mackinaws, coats, vests, trousers, knickerbockers or shorts, whether imported separately or as suits or ensembles, whether ready-made or custom-made, valued at not more than \$4 per pound, 35 cents per pound and 15 per cent ad valorem.

Senator BINGHAM. Thirty-five cents, did you say?

Mr. WALTERS. Yes, sir.

Senator BINGHAM. Thirty-five cents per pound and 15 per cent ad valorem?

Mr. WALTERS. Yes, sir.

Senator BINGHAM. The present law gives you 45 cents per hundred and 50 per cent ad valorem, does it not?

Mr. WALTERS. Yes, sir.

Senator BINGHAM. And you want a decrease?

Mr. WALTERS. No; the present law gives the lower bracket.

Senator BINGHAM. Valued at more than \$4 per pound the present law gives—

Mr. WALTERS. Valued at not more than \$4, I said, Senator.

Senator BINGHAM. I misunderstood you. Valued at more than \$2, but not more than \$4.

Mr. WALTERS. We are suggesting two categories, because nothing can come in under that \$2 a pound in the way of clothing, to speak of. Our people would not have it.

Senator BINGHAM. Then you are suggesting 35 cents a pound?

Mr. WALTERS. Everything below \$4 a pound we are asking for 35 cents a pound.

Senator BINGHAM. That is instead of the 33 cents per pound in the House bill?

Mr. WALTERS. That is right.

Senator BINGHAM. And you are asking for 15 per cent ad valorem instead of 45 per cent ad valorem, the present tariff?

Mr. WALTERS. That is right.

Senator BINGHAM. All right, go ahead.

Mr. WALTERS. And valued at more than \$4 per pound, 45 cents per pound, and 20 per cent ad valorem.

Senator BINGHAM. Instead of the present law which is 45 cents per pound and 50 per cent ad valorem?

Mr. WALTERS. That is correct. Nearly all the articles we import are valued at more than \$4 per pound, and therefore are subject to a rate of duty in the act of 1922, as you have stated, 45 cents per pound and 50 per cent ad valorem. That will be covered by the provision in the House bill 2667, at 50 cents per pound and 50 per cent ad valorem.

The people I represent import probably more than 90 per cent of such clothing as I have described that come into the country.

Senator BINGHAM. Are those imports increasing or decreasing?

Mr. WALTERS. They are vanishing just now.

Senator SACKETT. Will you give the figures on them?

Mr. WALTERS. Yes, sir; I will give you the exact figures, Senator.

Senator GEORGE. You say they are vanishing?

Mr. WALTERS. They are vanishing just now. They were passing out.

We believe the present rates are very much too high, and in support of this I desire to present to your committee certain facts and statistics.

First, I will make a general statement, if I may, very short. Prior to the Fordney-McCumber Tariff Act (the act of 1922) a small trade was being built up in this country on men's ready-made suits and overcoats of British manufacture, the importation of which probably approximated 1 per cent of the domestic production. After this act became effective, that is to say, within a year or two after it was adopted—it takes a year or two to get these goods out to the trade and for them to have experience in making comparisons of values, and so forth—after this act became effective the volume of these importations gradually declined—they began to decline, and declined every year, until to-day the importation of suits is practically prohib-

ited. There is an embargo on suits practically. And the importation of men's and boys' clothing in general has declined to a fraction of 1 per cent of the domestic production. We can show that it is less than one-quarter of 1 per cent. I think it is less than one-eighth.

Senator SIMMONS. That includes both men's and boys' clothing?

Mr. WALTERS. That includes both men's and boys' clothing. We have to say men's and boys' clothing for the reason that it is difficult to describe the difference. Very often a man 50 years old will wear a smaller size than a boy of 12 or 14, and we class the whole thing together as men's and boys'. There is practically no boys' clothing coming into the country; it is practically all what might be termed men's, but for the purpose of this paragraph we say "men's and boys'."

Available statistics do not show separately the imports of men's and boys' woolen suits and overcoats, as the Department of Commerce reports up to 1927 combine all imports of woolen wearing apparel of every description, even including hats and hat bodies of wool felt, coolie coats for women, or Japanese challis from Japan, and raincoats, mufflers, bath robes, riding breeches, spats, and many other novelties. Now many of these novelties may need a duty of 50 per cent. That we are not competent to say. But those staple, ordinary clothes, everyday suits for men, do not need it. That is the reason we are asking for a separate paragraph for men's and boys' suits.

Senator BINGHAM. Where are these suits made that might be imported if the tariff were reduced?

Mr. WALTERS. All in England. They make all of the suits and overcoats that come into the country. I say "all"—I do not mean to say that some tailor might not send a suit.

Senator BINGHAM. Do you mean to say that the importation of English overcoats is vanishing?

Mr. WALTERS. Well, I will show you the statistics and they will tell you whether they are or not.

Senator BINGHAM. Ocular testimony will tell you that that would not be so.

Mr. WALTERS. Ocular testimony?

Senator BINGHAM. Have you ever been to a big football game?

Mr. WALTERS. I have.

Senator BINGHAM. Did you see a good many English overcoats there?

Mr. WALTERS. I have seen a good many English overcoats there, yes.

Senator SIMMONS. Have you ever been to an agricultural fair?

Mr. WALTERS. I have, Senator.

Senator SIMMONS. Did you see any there?

Mr. WALTERS. None.

Senator SIMMONS. There is a difference between a football game and an agricultural fair.

Senator BINGHAM. Do I understand that the farmers in their demand for relief wish to wear foreign-made overcoats?

Senator SIMMONS. Not that I know of.

Senator BINGHAM. Well, if so we want to know about it.

Mr. WALTERS. But you will find them in the Yale bowl, Senator; that is the reason we sell some.

Senator SIMMONS. I do not see why they should not be able to wear them as well as others.

Mr. WALTERS. Quite right.

Senator SACKETT. That is what we are engaged in doing.

Senator SIMMONS. Yes; that is what we are engaged in doing.

Senator BINGHAM. Not that they should wear foreign overcoats?

Senator SIMMONS. Oh, yes; that they be put upon an economic equality with the balance of the people of the country.

Mr. WALTERS. President Hoover says of these things that international commerce is the life-blood of trade, and that these things you call luxuries are not luxuries any more. I believe he said that in Rio in his last speech.

The department statistics for imports of this wearing apparel of every description that we are talking about under paragraph 1115 are:

In 1922 imports were \$4,259,760. I will not read every year, but I will come on down to 1928, and it stands at \$4,828,281, with the hat bodies and the hats of wool felt taken out. So that we have for imports here, under paragraph 1115, wearing apparel of every description, \$4,828,281.

Senator SIMMONS. Imports \$4,000,000.

Mr. WALTERS. \$4,828,281. Those are the department's statistics.

Senator BINGHAM. It is your idea that the clothing trade is making too much money?

Mr. WALTERS. I am going to come to that subject in a moment.

Senator SIMMONS. Before you get to that subject. What per cent is that of the domestic consumption?

Mr. WALTERS. I have got that figured out for you just a little later, if you will let me come to it in order.

Now these wool felt hats became fashionable for women during 1925 and during subsequent years and caused a considerable increase in the importations under this paragraph, that is to say, the importations under paragraph 1115 took a jump in 1924, 1925, 1926, and 1927, but the department has now separated them so we have now the net figure of \$4,828,281 for the imports of all kinds of wearing apparel of every description, not knit. So this leaves a very small percentage to apply for the staple clothing of men and boys.

Now to get at more accurate statistics and find out just what is coming in in the way of men's and boys' suits we have gone to the Federation of British Industries because they supply all that we bring in. The imports of men's and boys' woolen suits and overcoats come from the United Kingdom. That includes Great Britain and Northern Ireland.

We have been advised by the Federation of British Industries that the exports of men's and boys' woolen suits from Great Britain and Northern Ireland to the United States of America, as shown by statistics in the London customhouse, averaged for the years 1922, 1923, 1924, and 1925—I will give you each year separately if you would like to have it—but they averaged about £500,000 sterling, or approximately that. One year they went up to £570,000. The top seems to be approximately \$2,800,000 in 1924. In 1925 it dropped to £196,960 sterling, or \$2,400,000, using \$5 as a convenient conversion of a pound. In 1926 they dropped to £454,694 sterling, or \$2,250,000. In 1927 another drop to £363,652 sterling, or approximately \$1,800,000. In 1928 they were £290,500 sterling, or approximately \$1,452,500.

Now the imports for 1928 of \$1,352,500 comprised men's and boys' overcoats, \$1,170,000—those are the overcoats you speak of seeing, Senator—and of men's and boys' suits, \$282,500. That probably a little more than covers some of our wealthy people who have accounts with London tailors, because all custom-made clothes that are shipped into the country are classified along with the ready-made, and I have the statistics here from London customhouse furnished us by the Federation of British Industries, and I would be glad to put them in the record if you would like to have them.

Senator SACKETT. How many do you suppose come in duty free with travelers?

Mr. WALTERS. That is a guess, Senator. It depends on how much courtesy is extended to these people at the ports.

Senator SIMMONS. How many Congressmen and Senators go over to Europe in the summer?

Mr. WALTERS. That would be a hard guess. I would not want to make a guess at it.

Senator SACKETT. We know some that will not go this summer.

Senator BINGHAM. Yes; we know several that would like to go. Every business man that goes abroad and wants to wear a British suit, if he has that kind of a squint in his eye which tells him that a London tailor can make better clothes than a New York tailor, comes back with a suit under the \$100 limit on which he pays no duty, of course.

Mr. WALTERS. That is right. Now, I am quoting from a published report of the Tariff Commission, 1929, for the use of the Committee on Ways and Means of the House of Representatives. Statistics are not available to show the domestic production of wool clothing similar to that included under the provisions of paragraph 1115. The Bureau of the Census records only a part of the production of made-up articles, and no data have been recorded by that bureau for custom-made products. I will read a paragraph from page 1726 of the Summary of Tariff Information, 1929, schedule 11, compiled by the United States Tariff Commission for use of the Committee on Ways and Means of the House of Representatives:

Some conception of the magnitude of the wool-clothing industry may be gained from the reliable estimates of the value of materials consumed by it. The figures available indicate that in 1925 about \$600,000,000 worth of wool fabrics, in addition to large quantities of cotton, silk, and other commodities, were used.

That seems to bear out the figures I just heard here; \$600,000,000 worth of wool and worsted fabrics.

The total value of the materials employed, including thread and buttons, is therefore probably more than three-quarters of a billion dollars annually.

That is the raw material of the clothing manufacturer.

Of the \$600,000,000 worth of woollen and worsted fabrics purchased for men's and women's clothing, in 1925, about \$390,000,000, or 65 per cent, were consumed by manufacturers of men's garments, and \$210,000,000, or 35 per cent, in women's garments.

Now, \$390,000,000 of woollen and worsted cloth purchased by men's clothing manufacturers would indicate a value of their annual production of \$1,300,000,000 when converted into finished clothing at the wholesale selling price. Finished garments for men are about

three and one-third times the value of the woolen cloth used in producing them. That is the general average of the trade.

The Department of Commerce gave out a statement on March 17, 1927 (figures shown in Census Bureau reports of 1925) as follows:

Establishments engaged primarily in the manufacture of men's clothing (not including contract shops) reported for 1925 products valued at \$1,029,203,850.

These figures do not include contract shops. A contract shop is the same sort of a thing as an assembling plant for a motor car. That is, various little manufacturers cut and trim their goods and send them out to a contract shop and have them made. Those figures do not include that. And they undoubtedly do not include the makers of custom clothes.

Senator BINGHAM. Why do we not import ready-made men's suits from China, where the cost of tailoring is so very much less? Every one that goes to Peking buys two or three suits of clothes there for the price of one suit at home.

Mr. WALTERS. Chinamen do not know how to make clothes.

Senator BINGHAM. If they do not know how to make them the people that go there would not be so glad to buy them.

Mr. WALTERS. People go there and buy Chinese clothes? I never have seen any one with a Chinese suit on. Have you?

Senator BINGHAM. Well, I have worn them myself. And I have seen my friends wear them.

Mr. WALTERS. You mean a silk suit or something like that. I am speaking of men's and boys' woolen clothing.

Senator BINGHAM. I was not speaking of woolen clothing.

Mr. WALTERS. I am not posted on silk and cotton.

Senator BINGHAM. Well, take a palm beach suit, for instance. You can buy a palm beach suit made to order in Peking for \$10 gold. Why is there not more importation of that? This duty would not possibly keep that out when you think what you have to pay for a palm beach suit here.

Mr. WALTERS. They make palm beach suits in this country to sell for less than \$10 in some cases. I think I have seen them sell for \$8.50 made up here in this country. I say again that I am not posted on cotton clothing or silk clothing.

Senator SIMMONS. Did the statistics you gave a little while ago include all clothing?

Mr. WALTERS. No; those include men's and boys' wool clothing.

The manufacture of men's and boys' wool clothing in the United States is a highly systematized and well-organized industry. The Survey of Current Business, published by the Department of Commerce, in 1927 reported 24,300,000 of ready-to-wear woolen suits manufactured by 730 reporting establishments. This does not make up the total, for there are more than 1,700 manufacturing clothiers in the United States. From the same source it would appear that 5,580,000 overcoats were made in 1927. These figures, however, are far short of the total, as the returns were only collected from 730 establishments, and there are more than 1,700.

Our manufacturers of wool clothing enjoy the benefits of mass production to an unusual degree and to a far greater extent than Great Britain, and by reason of this great mass production, prices are consequently lower than prices of comparable imported wear.

Senator SACKETT. Have you got figures to show what ready-made clothing from England sells at in this country comparable to the American production?

Mr. WALTERS. Yes; I can give you an example of an overcoat. I can give you a concrete example. I haven't figures to show all the way through, Senator, but I can give you a concrete example on overcoats, and that is about the only thing that is coming in just now. I just happened to have this with me. It was something that was submitted to the House Ways and Means Committee, and I brought that one sample along with me.

Senator SACKETT. That is a heavy ulster?

Mr. WALTERS. That is what we call a winter overcoat.

Senator SACKETT. What does that sell at in this country under the present rates of duty?

Mr. WALTERS. Now that cloth—I haven't the coats with me, the coats were submitted to the Ways and Means Committee and were afterwards sold down here I believe—we haven't got them now. We can get them for you if you would like to see them. That piece of cloth was made up by a domestic manufacturer in Rochester, N. Y., known as the Fashion Park. That identical piece was made up by a manufacturer over in England, John Shannon & Sons Co., called the Shannon coat, both lined with satin. I will hand that to the clerk. The imported Shannon coat cost in England 144 shillings, or equivalent to \$34.99. The shipping, insurance, and landing charges on that are \$3.50; 50 per cent duty, \$17.50; 45 cents a pound, 6 pounds, \$2.70; or \$58.69 laid down on the sidewalk outside of the customhouse in New York.

Senator BINGHAM. What was the duty?

Mr. WALTERS. Fifty per cent and 45 cents a pound.

Senator BINGHAM. What was the total amount?

Mr. WALTERS. The ad valorem rate was \$17.50 tax and the 45 cents a pound was a further tax of \$2.70, making a duty of \$20.20 on that coat.

Senator BINGHAM. Yes; that is what I wanted, the total.

Mr. WALTERS. Yes. Now that coat is sold by the Fashion Park Co. of Rochester, N. Y., at wholesale sale price \$52.50, less 7 per cent. This other coat I am mentioning was net.

Senator GEORGE. What was the other cost?

Mr. WALTERS. \$52.50. It is a well-known cloth made in the northern part of Ireland. That is their selling price for that coat.

Senator SACKETT. That was the European? The European selling price f. o. b.?

Mr. WALTERS. Laid down outside of the customhouse; that was the United States cost. Laid down on the sidewalk.

Senator BINGHAM. No; what the Senator is asking is the corresponding cost of the European coat laid down.

Mr. WALTERS. Well, Fashion Park selling price is \$52.50, and the cost of laying this coat down outside of the customs is \$58.90.

Senator SACKETT. An advantage of \$6 to the American manufacturer?

Mr. WALTERS. No; you have got to distribute that coat from that customhouse, Senator. That costs something. You have got to go through the process of distribution. The coats themselves may come through in bulk, and they have got to be unpacked, and 12

shipped here and 20 there, and so on. So the cost would be a little more.

Senator BINGHAM. And yet they are being imported, as you stated, overcoats, to the extent of about one and a half million dollars?

Mr. WALTERS. Yes, sir.

Senator BINGHAM. Which means that wealthy people are willing to pay that much more for an imported coat even though the same thing is made at home of the same kind of cloth?

Mr. WALTERS. Which means another thing, Senator, that there are a lot of people that are struggling to stay in this business, making a heroic effort to stay in. That is the reason we have \$1,400,000 coming in.

Senator SACKETT. Another thing I want to ask you: If you reduce that duty to 20 per cent ad valorem what would be the two costs then?

Mr. WALTERS. If we put that to 20 per cent, the English wholesale selling price, and apply our cost of doing business—

Senator SACKETT. No; just give us the same comparison. That is all I wanted to get at. I am not trying to question it.

Mr. WALTERS. It would cost \$48.19 laid down outside of the customhouse, but we have got them to distribute. We have got to get the orders.

Senator SACKETT. I see. That difference would be the difference then between \$58 and —

Mr. WALTERS. No; it would be a difference between \$52.50 less 7 per cent, and \$48.19 net. Those are the terms the goods are sold on, and I am quoting the way they are sold.

Senator SACKETT. You are not quite getting what I would like. You said that the English coat laid down at the customhouse was \$58.69 at the present time under the present duty?

Mr. WALTERS. Yes.

Senator SACKETT. And under the 20 per cent duty it would be what?

Mr. WALTERS. \$48.19.

Senator SACKETT. Now that is a reduction of more than \$10 a coat?

Mr. WALTERS. That is about right. That is the cost though, Senator.

Senator SACKETT. Well, the comparative cost?

Mr. WALTERS. The comparative cost. Now the Fashion Park Coat is sold at \$52.50 less 7 per cent, so you take the 7 per cent off to get the exact comparison.

Senator SACKETT. What is that 7 per cent? About \$3.50?

Mr. WALTERS. In one case \$48.90 and in the other case \$48.19. But then over here it has got some more costs to be added on to it.

Senator SACKETT. I appreciate that.

Mr. WALTERS. Yes.

Senator BINGHAM. The only change the House made was to make this change in these expensive overcoats; a change of an additional 5 cents a pound, and since there are less than 3 pounds, that would be a change of less than 15 cents in the cost of the coat.

Mr. WALTERS. Yes; that is right. Did you wish their excuse for doing that? For these changes that were made? Not an excuse, but a reason, explaining the reason? But I have not been able to find out the reason. I read that they just did that, that was all.

Senator SACKETT. Now what would be the effect of that reduction in duty on the imports of those overcoats?

Mr. WALTERS. To 20 per cent?

Senator SACKETT. Yes.

Mr. WALTERS. The effect would be to increase the imports certainly up to a point. But our competition would soon take care of that in the United States. They would not let us get too far.

Senator SACKETT. Then if the competition would soon take care of it the only effect would be a reduction in the profit of the American manufacturer?

Senator BINGHAM. And the price to the consumer.

Senator SACKETT. And price to the consumer, and probably a lessening of wage to the worker.

Mr. WALTERS. I do not think so. I will just give you some illustrations of why I do not think so, Senator, in just a moment.

It is obvious that the United States production of men's and boys' woolen clothing greatly exceeds one billion dollars annually—we believe it exceeds two billion; and comparing the imports, using the figures of the Federation of British Industries, for 1925, \$2,400,000, the imports are a mere fraction of 1 per cent of the domestic production.

Under the rates proposed in the House bill a man's suit selling at \$20 wholesale, or 83 shillings—\$20 wholesale in England, wholesale price, is taxed \$12.50, and with freight and landing charges and clearance charges to get them outside of the customhouse means a tax of \$15 so far as the public is concerned.

This is not all the consumer will have to pay, since this tax of \$15 is on the wholesale selling price. The consumer must pay the cost of distribution and a profit of at least 50 per cent to the retailer.

Senator SIMMONS. How much?

Mr. WALTERS. At least 50. More than 50 per cent. Except in rare cases he must pay 60 per cent and more. Therefore the tax, as far as the consumer is concerned, is about \$24. That is what he has got to pay. That is what he is interested in.

Now I have not seen it urged anywhere that the domestic clothing industry is not in a prosperous condition. This is one branch of the textile industry that has not been down here and pleaded poverty.

Senator SACKETT. You must remember that we were not called in session to lower the tariff.

Mr. WALTERS. No. Although, if I understand it, this is to be a reconsideration, and where there are injustices they are to be corrected. That was my understanding. If I am wrong I will stand corrected. If there are any injustices I assume that they will be corrected. I think that this committee will want to correct any injustices they see.

Senator SACKETT. You made a statement a few minutes ago that if you reduced the tariff on that overcoat ten dollars and some cents that the domestic competition would soon take care of that difference. How would that improve your business if the domestic competition did take care of that reduction? Whoever it was charged to?

Mr. WALTERS. Well, I say the domestic competition will not let us get away with too big a volume of the business. They will reduce their prices and we will have a little more business, a little more volume, and we can live. We have got to pay our help.

Senator SACKETT. That is a presumption on your part, I take it, and you do not know that domestic competition will let you put in

any more or not. And then it seems to me that the only result is that the gentleman who seeks to buy a high class English overcoat will get it a little cheaper.

Mr. WALTERS. Will get it cheaper.

Senator SACKETT. That is the whole thing.

Mr. WALTERS. I think he will get it cheaper, and I think we will do more business.

Senator SACKETT. Well, you think so, but that is a presumption.

Mr. WALTERS. Well, I think it is very definite we will do more business.

In support of this statement that the domestic industry is in a prosperous condition I am going to give you two or three examples. In the New York Times of May 11th last there was an item to the effect that Richman Brothers, clothing manufacturers, have given to their 3,800 employees a gift of \$4,000,000 in the form of right to subscribe to the company's new capital stock at \$50 per share. The last sale of the company's old stock was \$380 per share.

Senator SACKETT. You do not mean to say that you under oath would say that that is a gift of \$4,000,000?

Mr. WALTERS. I am saying that this article in the New York Times—

Senator SACKETT. Says that?

Mr. WALTERS. Says that. But I am going to put the article in evidence, and they work it out in a table there so that you can see. The rights to the stock are worth that much, because the last sale of the company's old stock was at \$380 per share. That is what this article states.

It is stated in this item that the company paid a 100 per cent stock dividend in 1923; 25 per cent in 1926; and 10 per cent in 1927. The market value of the stock has grown from \$2,700,000 in 1921 to \$76,000,000 in 1929.

Senator BINGHAM. I should think you had better go into the manufacture of clothing rather than importing.

Mr. WALTERS. Well, I will have to borrow some money to do that, Senator.

Senator SACKETT. Is that the same amount of stock?

Mr. WALTERS. That is what the article says. I am going to put the article in evidence. It works it out in detail, the value of these rights. I have it right here.

Senator BINGHAM. If you would go into the manufacturing end there would be then more American labor employed.

Mr. WALTERS. I do not think you can employ much more American labor than we have got now.

In the New York Daily News Record of June 10, 1929, there is an item to the effect that Fashion Park Associates (Inc.)—it is that concern that I made the comparison with here—clothing manufacturers, owned by Rosenberg Bros. & Co., have acquired several retail stores within recent weeks having a retail sales volume of \$4,000,000 annually, and that these together with other retail stores acquired within the past 12 months by this company, have an annual retail sales volume of \$65,000,000. I want to put that article in evidence.

Senator BINGHAM. Well, we are not interested in newspaper articles unless they are affidavits.

Senator SIMMONS. Well, I do not know that we have been excluding discussions of that sort.

Mr. WALTERS. Well, this can be verified very easily. And if you would like a verification of them I think I can get that for you, Senator.

Senator BINGHAM. Very well.

Mr. WALTERS. We maintain that the importation of English-made clothing for men is a distinct advantage to the American industry. Our manufacturers have been and are to-day influenced by English styles.

The raglan coat is to-day a common article of domestic production and was copied from the English garment. The same may be said of the Chesterfield overcoat, and the D. B. box overcoat. These and other styles have become a matter of promotion and advertisement to a large degree.

Style copying is a world-wide practice, and I do not speak of this in any spirit of disparagement.

Senator SACKETT. Can you not copy styles without imports, excepting samples? In other words, the French women's wear people do send samples over here.

Mr. WALTERS. There is no such incentive to copy, Senator, as if a manufacturer goes out to sell a clothing store in Chicago, and that clothing store has got a few English coats hanging about in their windows and they are selling some of them. That manufacturer then has a great incentive to copy. But if you wait for the manufacturer to go to England and get a style he probably would not go.

Senator BINGHAM. Do you not think that the fact that several hundred thousand tourists arrive from abroad with foreign coats has a good deal to do with the domestic market?

Mr. WALTERS. It is not as appealing as the thing I have just mentioned.

Senator SACKETT. The trade then is different in men's wear than what it is in women's wear?

Mr. WALTERS. Yes.

Senator SACKETT. Women do not want to see the same article or wear the same article as another.

Mr. WALTERS. No. Well, we consider that the importation of English-made clothing is a benefit to our clothing manufacturers and not a detriment, and therefore the rates of duty should more fairly measure the difference between foreign and domestic costs.

Before closing I want to bring to the committee's attention one more point that I consider important in connection with the importation of men's clothing from England, and that is depreciated currencies. During the discussion of the last tariff, the Fordney-McCumber Act of 1922, great stress was laid on the question of depreciated currency as affecting rates of duty. I have not heard that this subject has been mentioned in the debate thus far on the pending measure.

Senator SACKETT. Would that not be taken into the question of the use of United States value?

Mr. WALTERS. Well, I am going to show that we have been operating under a rate that was based on the depreciated currency, but we have actually operated under a rate that has appreciated 52 per cent.

Senator SACKETT. That is all true, but if we adopt the plans that were discussed in the general committee, of the United States value, it would eliminate that.

Mr. WALTERS. I am not posted on United States value. I think perhaps it might help our business. I am not so sure about that.

As the imports of men's woolen clothing into the United States come in from Great Britain, it is well to consider the effect on these imports of the great appreciation in the value of the pound sterling.

The pound fluctuated from \$3.20 to \$4.25 for several years. It was this low price of sterling in 1920 to 1922 that was the basis for fixing the rate in the Fordney Act.

In 1925 the British Government put their pound sterling to par, or \$4.86. This in itself was equivalent to raising the duty by 52 per cent, figuring the 1920 low price of the pound sterling with the 1925 price at par.

There was no such corresponding change in the British prices of commodities, for by reference to the London Statist, quoting the average price of 45 commodities for Great Britain—that is the same system as our Federal reserve who quote the index for 20 basic commodities to establish the cost of living—their index figure in July, 1922, over there stood at 159.4; 1924, 162.8 (went up a little instead of down); 1925, 158; 1926, 148.2; 1927, 144.8; 1928, 142.8; March, 1929, 141.

It has declined gradually for the past six years, and in about the same ratio as those Federal reserve prices.

There is no way to explain this enormous decrease in the importation of men's woolen clothing from England in recent years than to consider that the duty of 65 per cent is now assessed on a much higher cost.

I quote from an official price list from one of the principal producers in England for a suit of standard material and apply the cost at wholesale at \$3.56 to the pound sterling, \$4 to the pound sterling, and 1925 par basis, \$4.86, to the pound sterling, applying the same rate of duty to each will show costs since 1925 very much higher in comparison.

We earnestly appeal to this committee to place men's and boys' wool clothing in a separate paragraph. They are now included with a large variety of articles made of wool. There is a vast difference between a coolie coat, or a scarf, and a man's overcoat or a suit. They are made by different industries, and the demand and selling conditions are entirely dissimilar.

I have prepared a brief, and I would like to have it made a part of the printed record. And I am attaching with it these newspaper articles.

Senator BINGHAM. They may be filed with the clerk.

Mr. WALTERS. I thank the committee for its courtesy.

(The brief submitted by Mr. Walters is as follows:)

BRIEF OF THE WHOLESALE IMPORTERS' MEN'S AND BOYS' WOOL CLOTHING GROUP

COMMITTEE ON FINANCE,
United States Senate, Washington, D. C.

We desire to protest against the increase in the rate of duty proposed in H. R. 2667, paragraph 1115 (a), on men's and boys' woolen clothing, and to earnestly petition for a separate paragraph on wearing apparel of this character with a

reduction of the rates of duty now assessed thereon in paragraph 1115 of the tariff act of 1922.

For convenience in comparison, we quote paragraph 1115 of the act of 1922 and the proposed paragraph 1115 (a) of H. R. 2667:

PAR. 1115—ACT OF 1922

Clothing and articles of wearing apparel of every description, not knit or crocheted, manufactured wholly or in part, composed wholly or in chief value of wool, valued at not more than \$2 per pound, 24 cents per pound and 40 per centum ad valorem; valued at more than \$2 but not more than \$4 per pound, 30 cents per pound and 45 per centum ad valorem; valued at more than \$4 per pound, 45 cents per pound and 50 per centum ad valorem.

PARAGRAPH 1115 (a)—H. R. 2667

Clothing and articles of wearing apparel of every description, not knit or crocheted, manufactured wholly or in part, wholly or in chief value of wool, valued at not more than \$2 per pound, 26 cents per pound and 40 per centum ad valorem; valued at more than \$2 but not more than \$4 per pound, 33 cents per pound and 45 per centum ad valorem; valued at more than \$4 per pound, 50 cents per pound and 50 per centum ad valorem.

We are importers of men's and boys' wool clothing and our imports are fully 90 per cent of all clothing of this character that is included within the last group of the above-quoted paragraphs, namely, "valued at more than \$4 per pound, 45 cents per pound and 50 per centum ad valorem" (par. 1115, tariff act of 1922), and "valued at more than \$4 per pound, 50 cents per pound and 50 per centum ad valorem" (par. 1115 (a), H. R. 2667).

While we believe that the present and the proposed rates of duty upon all wool clothing are too high, judging from the relation that imports bear to our great American production, we are devoting this brief to men's and boys' wool clothing, as these are the imports in which we are specially interested and of which we have particular knowledge.

Prior to the Fordney-McCumber Tariff Act (act of 1922) a small trade was built up in this country on men's ready-made suits and overcoats of British manufacture, the importation of which approximated 1 per cent of the domestic production. After this tariff act became effective the volume of these importations gradually declined, until to-day the importation of suits is practically prohibited, and the importation of men's and boys' clothing in general has decreased to a fraction of 1 per cent of the domestic production.

IMPORTS

Available statistics do not show separately the imports of men's and boys' woolen suits and overcoats, as the Department of Commerce reports up to 1927 combine all imports of woolen wearing apparel, including hats and hat bodies of wool-felt, coolie coats, or Japanese challis from Japan, and raincoats, mufflers, bath robes, riding breeches, spats, etc., while for 1927 to 1928 there has been a separation between hats and hat bodies on the one hand, and all of the other articles of woolen wearing apparel on the other.

These statistics are as follows:

1922:		
Jan. 1 to Sept. 21	-----	\$3, 328, 549
Sept. 22 to Dec. 31	-----	931, 211
		\$4, 259, 760
1923	-----	4, 424, 189
1924	-----	4, 854, 279
1925	-----	7, 505, 767
1926	-----	9, 698, 885
1927 ¹ wearing apparel not knit, exclusive of hats and hat bodies of wool-felt	-----	9, 940, 399
1928	-----	4, 828, 281

¹ We believe that there is some error in the statement of these figures for 1927, as it will be noted that while they purport to be the value of imports exclusive of hats and hat bodies of wool-felt, nevertheless, they are a trifle higher than the value of imports given for 1926, which include hats and hat bodies of wool-felt. From our general knowledge of imports of woolen wearing apparel, we are quite sure that there was no such increase in 1927, as would be indicated. It is probable that the value of the hats and hat bodies of wool-felt was not deducted from the total imports of wool wearing apparel.

We have been advised by the Federation of British Industries that the exports of men's and boys' woolen suits from Great Britain for the years 1924 to 1928, inclusive, were as follows:

1924, sterling 570,815 approximately.....	\$2, 800, 000
1925, sterling 496,960 approximately.....	2, 400, 000
1926, sterling 454,694 approximately.....	2, 250, 000
1927, sterling 363,652 approximately.....	1, 800, 000
1928, sterling 290,500 approximately.....	1, 452, 500

In 1928 the imports from Great Britain of \$1,452,500 comprised:

Men's and boys' overcoats.....	1, 170, 000
Men's and boys' suits.....	282, 500

AMERICAN PRODUCTION

Statistics are not available to show the domestic production of wool clothing similar to that included under the provisions of paragraph 1115. The Bureau of the Census records only a part of the production of ready-made articles, and no data have been recorded by that bureau for custom-made products.

We quote from the Summary of Tariff Information, 1929, Schedule 11, wool and manufactures of, compiled by the United States Tariff Commission for the use of the Committee on Ways and Means of the House of Representatives (p. 1726):

"Some conception of the magnitude of the wool clothing industry may be gained from the most reliable estimates of the value of materials consumed by it. The figures available indicate that in 1925 about \$600,000,000 worth of wool fabrics, in addition to large quantities of cotton, silk, and other commodities, was used. The total value of the materials employed, including thread and buttons, is, therefore, probably more than three-fourths of a billion dollars annually. Of the \$600,000,000 worth of woolen and worsted fabrics purchased for men's and women's clothing in 1925, about \$390,000,000, or 65 per cent, was consumed by manufacturers of men's garments, and \$210,000,000, or 35 per cent, in women's garments.

"The latest available figures on the value of men's and boys' ready-made wool suits, overcoats, separate trousers and pants, and reefers, are shown in the Census Bureau reports of 1925. These figures show that the value of products made by the regular factories amounted to about \$806,000,000, and about \$36,000,000 was received for work done on contract, or a total of \$842,000,000."

The figures shown in the Census Bureau reports of 1925, which were given out in a statement by the Department of Commerce March 17, 1927, are as follows:

Establishments engaged primarily in the manufacture of men's clothing (not including contract shops) reported for 1925 products valued at \$1,025,203.85, as compared with \$1,105,116,203 for 1923. Of the value of these products reported for 1925, men's suits amounted to \$467,802,808, and men's top and overcoats, \$145,766,608, or a total of \$613,569,416. These figures do not include contract shops and undoubtedly do not comprise the producers of custom-made clothes located in this country.

As stated in the Summary of Tariff Information:

"Producers of custom-made clothing are located in every city, as well as almost every town having a population of 5,000 or more."

In addition to men's and boys' wool clothing, there should be added to the figures given as domestic production, the value of women's woolen clothing manufactured in this country, in order to make a comparison between the total imports and the total domestic production, for the reason that women's woolen clothing is also classified under paragraph 1115. If the value of women's woolen clothing produced in this country in 1925 were added, the total domestic production would certainly be in excess of one and three-quarters billions, and probably \$2,000,000,000.

Comparing the imports of all woolen clothing included under paragraph 1115, for the year 1927, of \$11,970,341 (including hats and hat bodies of wool-felt) with the total American production estimated at \$2,000,000,000, the imports would be about one-half of 1 per cent.

Comparing the imports of men's and boys' clothing, using the figures of the Federation of British Industries for 1925 (\$2,400,000) with American production of over \$1,000,000,000, the imports are less than one-fourth of 1 per cent of the American production.

It would seem unnecessary to set forth these practically negligible percentages, but such comparisons are made in order to place before your committee a picture of an industry which now enjoys a protection by specific rates, and in addition an ad valorem rate of 50 per cent, and which will have such protection increased if the rates of duty proposed in H. R. 2667 are adopted. The estimates of values where actual figures are lacking, are, of course, open to question, but our knowledge of the fact that it is an extremely rare occurrence to find any of our male population wearing foreign-made clothing, tends to establish the estimates of values we have made.

PRICE COMPARISONS

We desire to make a comparison between an English overcoat manufactured by John Shannon & Sons Co., of London, and a domestic overcoat, which is known as the Fashion Park model, manufactured by Rosenberg Bros., of Rochester, N. Y., of identically the same material.

We also give a comparison in prices between a coat made by Graff & Co. of New York, and an imported Harris tweed coat. The prices given in these comparisons are the wholesale selling prices of the garments.

The cloth from which the Shannon coat and the Fashion Park coat are made is an all wool imported cloth, made in Ireland.

The figures are as follows:

Imported Shannon coat (satin lined):	
English wholesale men's 144/ equals.....	\$34. 99
Shipping, insurance, and landing.....	3. 50
50 per cent duty.....	17. 50
45 cents per pound duty (6 pounds).....	2. 70
	58. 69
Domestic Fashion Park (satin lined): Wholesale, men's.....	52. 50
	58. 69
Harris tweed:	
English wholesale, men's, 92/ equals.....	22. 36
Shipping, insurance, and landing.....	2. 24
50 per cent ad valorem.....	11. 18
45 cents per pound duty (4 pounds).....	1. 80
	37. 58
Graff & Co.: Wholesale, men's.....	31. 50

The above import prices are merely landed prices and do not include the overhead and profit necessary to make up sales prices in this country. The Shannon coat can not be landed in this country, duty paid, except at a price 11½ per cent higher than the domestic coat, and the imported Harris tweed coat 19 per cent higher than the coat made by Graff & Co.

The wholesale selling prices and retail prices in this country of the imported coats in question would be approximately:

	Wholesale to retailer	Retail price
Shannon coat.....	\$75. 00	\$110. 00
Fashion Park coat.....	52. 50	85. 00
Harris tweed coat.....	45. 00-50. 00	75. 00
Graff & Co. coat.....	31. 50	50. 00

These random comparisons are fairly representative of the fact that our imported garments, owing to the high rates of duty, are not on a fair competitive basis with similar garments made in this country. As a rule, if our imported garments were sold in the American market at duty-paid landed prices with no additions for overhead and profit, our prices would necessarily be higher than the wholesale prices of similar domestic garments. An addition of 25 to 35 per cent to our landed prices is a reasonable mark-up and the consequence is that our imported garments invariably sell at both wholesale and at retail, at prices considerably higher than the prices of garments made in this country by domestic manufacturers from the same fabric.



If the ad valorem duty were reduced to 20 per cent, our wholesale selling prices, including 25 per cent overhead and profit, would still be higher than the domestic prices of similar domestic garments. This may be illustrated by referring again to one of the above price illustrations:

Imported Shannon coat:

English wholesale price.....	\$34. 99
Shipping, insurance and landing.....	3. 50
Duty at 20 per cent ad valorem.....	7. 00
45 cents per pound duty (6 pounds).....	2. 70
	48. 19
Plus 25 per cent overhead and profit.....	12. 05
	60. 24
Domestic, Fashion Park.....	52. 50

This illustration is fairly representative of present day conditions in any attempted competition with the American industry. Eliminating the specific rate of 45 cents per pound would not alter the situation. Wholesale selling prices of English-made clothing would still remain higher than the selling prices of the domestic articles.

The manufacture of men's and boys' ready-to-wear wool clothing in the United States is a highly systematized and well organized industry. The Survey of Current Business, published by the Department of Commerce, reported 24,300,000 of ready-to-wear woolen suits manufactured by 730 establishments. This does not make up the total, for there are more than 1,700 manufacturing clothiers in the United States. From the same source it would appear that 5,580,000 overcoats were made in 1927. These figures, however, are far short of the total, as the returns were only collected from 730 establishments.

Our manufacturers of wool clothing enjoy the facilities of mass production to a far greater extent than Great Britain, and by reason of this great mass production, retail selling prices are consequently very much lower than prices of comparable imported wear, irrespective of the present duty. The statistical department of men's wear of the Fairchild Publishing Co., has compiled data bearing on the wholesale prices of what are termed standard suits and overcoats. No separation is made between suits and overcoats. The following figures were received through the Alexander Hamilton Institute:

Approximate wholesale selling price of standard domestic suit and overcoat

1914.....	\$13. 07
1922.....	26. 77
1927.....	25. 32
1928.....	25. 78

We do not import wool garments that can compete in price with those figures and could even if the present duties were entirely removed. What little competition there still remains is in the higher grades and in these grades we can not meet the selling prices of domestic garments. The sale of an English suit or overcoat is merely incidental in the trade and the high prices of these garments are not always a governing factor with the retail buyer. Certain English styles are often somewhat more compelling to the buyer than the element of price.

IMPORTATION OF ENGLISH GARMENTS BENEFIT TO DOMESTIC MANUFACTURERS

England is unquestionably the arbiter of men's styles for the whole world, and this is very clearly evidenced by the advertisements in the trade papers of this country of men's garments. Our domestic manufacturers have been and are to-day influenced by English styles in men's clothing. The Raglan coat is to-day a common article of domestic production and was copied from the English garment, originated by Lord Raglan in the early part of the last century. The English double-breasted square-shouldered coat is extensively copied by American manufacturers and the fact that the style is English has become a matter of promotion and advertisement to a large degree. The styles of Savile Row and Bond Street, London, are frequently referred to as stated, in the advertisements of our American manufacturers. The Chesterfield overcoat is one that is used by every American manufacturer. It is a medium length,

fly-front, single-breasted, and plain-back coat, sometimes with a center seam, and dates back to the time of the ninth Earl of Chesterfield, about 1854.

We do not refer to these facts in any spirit of disparagement toward our American clothing manufacturers. Style copying is a world-wide practice and foreign countries are quite as eager to consider and take up such innovations as we are in this country. We consider that the importation of English-made clothing is a benefit to our clothing industry and not a detriment, and such being the case, the rates of duty should more fairly measure the difference between foreign and domestic costs.

President Hoover, in his final speech at Rio de Janeiro, stated that he regarded international commerce as the "life blood of modern civilization," and that the high standards of living now prevailing have created a demand for so many articles that interchange of products between nations is an absolute necessity, not a luxury.

CONDITION OF THE DOMESTIC INDUSTRY

It is obvious that the American industry is not injured by the importations into this country of less than one-half of 1 per cent of the domestic production, and that such industry is in a very prosperous condition.

The makers of the Fashion Park coat, which we have listed in our comparisons, the Fashion Park Associates (Inc.), has at the present time outstanding preferred and common stock amounting to \$27,648,270 as its market value. It is paying a dividend of 7 per cent on the preferred and \$2.50 per share on the common, plus an additional common dividend of 3 per cent in stock; 3 per cent in stock at par is equivalent to approximately 4.3 per cent on the market value of the common stock. The dividends on the common stock, therefore, are equivalent to more than 6¼ per cent.

Hart, Schaffner & Marks have outstanding \$15,000,000 in stock.

These manufacturers are extending the scope of their business by acquiring stores throughout the United States. Within the last few weeks—and we quote from the Daily News Record of June 10—the Fashion Park Associates (Inc.), have acquired three stores on the Pacific coast known as Desmond's Stores, the volume of the retail sales of which is about \$4,000,000 annually. These stores together with the other stores acquired by this company within the past 12 months have an estimate annual volume of retail sales of \$65,000,000.

In the New York Times of May 11 there was an item to the effect that Richman Bros. have given to their 3,800 employees a gift of \$4,000,000 in the form of the right to subscribe to 50,000 shares of the company's new capital stock at \$50 per share. The last sale of the company's old stock was at \$380 a share. It is stated in this item that the company paid a 100 per cent stock dividend in 1923, a 25 per cent stock dividend in 1926, and a 10 per cent dividend in 1927. The market value of the stock has grown from \$27,000,000 in 1927 to approximately \$76,000,000 at the present time.

EFFECT OF INCREASE IN RATES ON PRICES TO CONSUMER

Under the proposed rates in H. R. 2667, a man's \$20 suit is taxed \$12.50, and when freight and packing charges are added, a tax of 75 per cent on a \$20 suit, or \$15.

We refer to statistics compiled by Standard Statistics of New York, showing the price level of various commodities:

	1913 as 100, 20 basic com- modities	Men's clothing, 1914, as 100
1928.....	141	172
1927.....	137	171
1926.....	142	174
1925.....	154	174
1924.....	147	175
1923.....	151	170
1922.....	138	168

Fordney act in September.

From these figures it will be seen that the index figure for men's clothing is 31 points higher at the present time than the index figure for the 20 basic commodities. This would indicate that the Fordney-McCumber Tariff Act has stabilized the price of men's clothing and has held it 31 points higher than the price of the 20 basic commodities.

CONCLUSION

All of the data that we have been able to gather, together with our own experience in the clothing trade, point to the fact that the present rates of duty are much too high, rendering importations prohibitory from strictly a price standpoint.

Importations to the extent of less than 1 per cent are negligible and can have no effect on the American clothing market.

Selling prices of English-made men's clothing are a great deal higher than domestic prices.

Aside from the question of style, price consideration in the sale of imported garments is becoming more and more important to the buyers of our merchandise.

The specific rates of duty on wool clothing plus the ad valorem rate of 50 per cent provided for in paragraph 1115 of the present tariff act, equals a straight ad valorem rate of approximately 65 per cent. This rate, at least on men's and boys' wool clothing, becomes practically prohibitory.

We believe that the compensatory specific rates should be reduced, and also the ad valorem rates on men's and boys' wool clothing, and that a separate paragraph should be provided for these articles. They are now included with a very large variety of articles made of wool. There is a vast difference between a scarf of wool and an overcoat. They are made by different industries and the demand and selling conditions are entirely dissimilar.

We, therefore, suggest the following paragraph:

"PAR. —. Men's, youths', and boys' woolen clothing, not knit or crocheted, manufactured wholly, or in part, composed wholly or in chief value of wool, comprising overcoats, topcoats, raincoats, reefers, mackinaws, coats, vests, trousers, knickerbockers or shorts, whether imported separately or as suits or ensembles, whether ready-made or custom-made, valued at not more than \$4 per pound—35 cents per pound and 15 per cent ad valorem; valued at more than \$4 per pound—45 cents per pound and 20 per cent ad valorem."

Respectfully,

EDGAR B. WALTERS.

Representing the Wholesale Importers' Men's and Boys' Wool Clothing Group, Magnus Imports (Ltd.), Burberry (Ltd.), Ben F. Binford, Arthur E. Hatch, Thistlecroft (Ltd.), Edgar B. Walters Organization (Inc.), and Chairman of the Clothing Importers Group of the National Council of American Importers and Traders (Inc.).

WOOL-FELT HATS AND HAT BODIES

[Par. 1115 (b)]

STATEMENT OF LOUIS M. COHN, NEW YORK CITY, REPRESENTING FELT AND STRAW GOODS IMPORTERS

(The witness was duly sworn by the chairman of the subcommittee.)

Senator BINGHAM. Tell us, first, just what it is you want, and then after that the reasons for it.

Mr. COHN. The subject under discussion, gentlemen, is the wool hat schedule, under paragraph 1115 (b) of the House bill.

May I ask you to please note the distinction between wool hats, wool bodies, and fur bodies. The fur felts come under an entirely different schedule.

Section (b) of paragraph 1115 is an entirely new section inserted by the House in the proposed bill. Formerly these goods were carried under the omnibus provision, 1115.

For the purpose of discussion let me say at the outset that the present rates in the present law of 1922 amount to compound rates of approximately 57½ to 65 per cent—

Senator BINGHAM. You have not told us yet precisely what change you want in the bill, if any.

Mr. COHN. We have stated it in our brief, that the duties we propose are a division in value, one division for bodies costing less than \$1.40 per pound and another division for bodies costing above \$1.40 per pound.

Senator SACKETT. You are an importer?

Mr. COHN. Yes, sir.

Senator BINGHAM. What page of your brief?

Mr. COHN. Page 23. Pages 24 and 25 will clarify it.

We formerly had a division according to the value of the article. The new section makes them all at one ad valorem rate, regardless of value.

Senator BINGHAM. Can you not tell us in a few words, without our having to pick it out of the brief?

Mr. COHN. Yes, sir. We propose a rate of 50 per cent where the value is less than \$1.40 a pound, and the present rate of 40 per cent ad valorem where the rate is above \$1.40 a pound; and the compensatory duty as fixed on the noils in the previous paragraph, 27 cents per pound.

Senator BINGHAM (reading):

* * * for hats, bonnets, caps, berets, and similar articles, manufactured wholly or in part of wool felt, 40 cents per pound and 75 per centum ad valorem.

You want it to be what?

Mr. COHN. Fifty per cent ad valorem where the value is less than \$1.40, and 27 cents per article, the same compensatory duty.

Senator BINGHAM. And 50 per cent ad valorem where the value is less than \$1.40 a pound?

Mr. COHN. Yes, sir.

Senator BINGHAM. And where it is over, what do you want?

Mr. COHN. Forty per cent ad valorem and 27 cents.

Senator BINGHAM. Forty per cent where it is a more expensive hat?

Mr. COHN. Yes, sir; and in addition thereto, where the body weighs less than 30 ounces, an additional 10 per cent.

Senator BINGHAM. In other words, you want the highest rate reduced from 40 cents per pound to 27 cents per pound on all of these classifications?

Mr. COHN. Yes, sir.

Senator BINGHAM. And you want the ad valorem rate reduced to 40 per cent on the more expensive body and 50 per cent on the less?

Mr. COHN. Plus an additional 10 per cent where the body is very small, in order to cover the differential in labor.

Senator BINGHAM. How does your proposal compare with the present tariff?

Mr. COHN. An increase of 3 cents per pound—10 per cent in some cases and 20 per cent in other cases.

Senator BINGHAM. It increases it 3 cents a pound?

Mr. COHN. Yes, sir.

Senator BINGHAM. Where do you get this 24 cents a pound [indicating]?

Mr. COHN. That is in 1115, the compensatory duty for the raw wool.

Senator BINGHAM. And the present ad valorem is 40 or 45?

Mr. COHN. The minimum is 40. We propose 50 and 40 with an additional 10 per cent to cover the small sizes.

Senator BINGHAM. You want the present minimum retained?

Mr. COHN. Not the values—

Senator BINGHAM. The minimum you are willing to have increased from 40 to 50?

Mr. COHN. Yes, sir; plus the additional 10 per cent where the size is somewhat smaller.

It practically amounts to a compromise between the present rates and the rates as proposed by the House.

Senator SACKETT. It is considerable of a compromise, is it not?

Senator BINGHAM. Before you go any further, I am curious to know what a pulled hat is.

Mr. COHN. This [exhibiting] is a hat body, sir. This [exhibiting] is a hood, right here. I imagine the word "pulled" is a misnomer. The intent, I believe, or the effort is to protect this particular type of body. This body has to be pulled out, partially by hand and partially by machine, in order to make it conform to a full crown with a brim; and the attempt, I believe, is to protect American labor that has to put into the hat the trimming, finishing it, and blocking it.

This [indicating] is essentially a raw material. This [indicating] is a semiraw material.

Senator BINGHAM. That has been pulled?

Mr. COHN. Yes, sir.

Senator BINGHAM. Is that a technical term in the trade?

Mr. COHN. No, sir; I would not say it was in international trade. It might be among the American manufacturers.

Senator BINGHAM. What is the right term?

Mr. COHN. I think the word "pulled" should be eliminated altogether.

Senator BINGHAM. What would correspond with it?

Mr. COHN. Stamped or blocked. The remaining two terms would be quite satisfactory. It is just possible that they might construe this hat as being pulled [indicating], because in the finishing of this hat, here [indicating] is the body before it has come to its finished condition. That might be construed as being pulled; and there is nothing to prevent a domestic manufacturer from coming along and saying this [indicating] is pulled, although there is no question in my mind that the House ever intended to protect this by an additional charge of \$3 a dozen or 20 cents per article.

These wool hats, as I stated before, are essentially raw material. They are sold by the importers to anywhere from 1,500 to 2,000 American factories. In other words, it is raw material for 1,500 to 2,000 American factories employing anywhere from 25,000 to 50,000 in labor.

Senator BINGHAM. Where do they come from?

Mr. COHN. Principally from Italy; the largest quantities have been coming from Italy. They are also made in France, Germany, Czechoslovakia, and England.

Senator SACKETT. Are they made in this country?

Mr. COHN. Yes, sir; by 12 American factories.

This [indicating] is an imported article. There is much argument as to whether it is a comparable article. It is particularly a style article.

This [indicating] is an article that was not in fashion for nearly eight years. From 1913 to 1922 there was no business in it whatever.

The old style was made like this [exhibiting]. That is what they were wearing two generations back.

About the year 1922 the European factories started to develop this particular body [exhibiting], which is thin, lightweight. It conforms to the sport mode that now prevails.

The 12 manufacturers who have petitioned for an increase to the House of Representatives, according to their own figures did a business of about 750,000 dozen in the year 1928. The figures of the Department of Commerce show approximately two and a half million dozen imported from all countries. In other words, the importations in 1928 were approximately three times the domestic production.

Much has been made of the difference in the costs of production, and on the face of it the figures may seem to bear out the contention of the American manufacturer. These figures as to cost of production have not been checked by the Tariff Commission, according to the House report, but the importers take the position that there is a difference in cost of production, but the difference is not entirely one of labor, but essentially one of the large difference in the cost of the raw material.

The question then arises, Why does not the domestic manufacturer use the same raw material that the European manufacturer uses? Our contention is that the American manufacturer as he is set up to-day can not possibly use the raw material that is employed by the foreign manufacturer.

There is one American manufacturer who, under the present tariff, gentlemen, produces more than 50 per cent of the entire American output, one factory in New England—the Merrimac Hat Co., of Amesbury, Mass.

Senator BINGHAM. Not the American output?

Mr. COHN. Yes.

Senator BINGHAM. What percentage of the American consumption is that?

Mr. COHN. Four hundred thousand out of 3,000,000 or more—only about between 12½ and 15 per cent. But they have been able to prosper for the past five years under the present tariff. We have figures here to show that they have increased and are producing 50 per cent of the total American production. They have increased their assets from a net worth not over half a million dollars, on an average, for the past four years—

Senator GEORGE. Did they appear before the Ways and Means Committee?

Mr. COHN. No. They are joined in a petition that will be presented by General Stotesbury. Their name appears in the petition but they have not appeared personally and, so far as I know, they are not in appearance here to-day before your committee.

I am able to prove just what I have told you about this firm by their own figures which they have submitted to financial agencies,

which figures were given to us since we appeared before the Ways and Means Committee, namely, that they have increased their assets in the year 1928 by \$422,000 after paying preferred dividends.

Senator GEORGE. From earnings?

Mr. COHN. Yes, sir.

Senator GEORGE. Not new capital?

Mr. COHN. No; not new capital. Their net worth to-day is nearly \$2,000,000, whereas five years ago their net worth was less than \$500,000.

Senator GEORGE. And they pay dividends?

Mr. COHN. Yes, sir.

Senator SACKETT. Do they do any other kind of business?

Mr. COHN. A small proportion of fur-hat business, which has nothing to do with this particular line of business. They take the raw material and complete it; and part of their profits may be due to working on the hat beyond this stage [indicating], partly in this stage [indicating], and also in finishing and making the hat ready for the consumer.

But in view of the fact that they produced 400,000 dozen they surely must have made a profit, in fact, a very handsome profit. We do not decry their efforts, because they are part and parcel of the same industry, after all, the hat business.

Senator SACKETT. Do they get their material from abroad?

Mr. COHN. I think they get some of it from abroad, but not much. They undoubtedly use American material.

Our contention is that they are the only people who have installed up-to-date machinery and who use modern methods to such an extent that they are able to compete right here in the market against us. Our contention is, further, that the remaining 11 hat manufacturers, with possibly the exception of one or two who are represented here to-day, have so far fallen behind in their methods, that their machinery, their plants, their equipment are so antiquated that they could not possibly manufacture under the tariff the present style of body. There is no question about that. Some of our members have investigated with the idea of purchasing some of these American factories, and they have found that much of the machinery is 35 years old. It is not possible that machinery that was designed for making this body [indicating] 15 or 20 years ago can make the type of body that is now demanded by the trade.

Senator BINGHAM. Where are these hats made in the United States?

Mr. COHN. The prosperous factory that I mentioned is in Amesbury, Mass. There are four or five in the eastern part of Pennsylvania, around Reading, and there are one or two in Massachusetts besides that.

Senator SIMMONS. Do you mean that all of these factories except the one you speak of, which is in Massachusetts, are using this old antiquated machinery?

Mr. COHN. Practically, yes sir; and they require a long fiber of wool as against the cheap short fiber wool that is used by the European manufacturer.

Senator SIMMONS. And by this manufacturer in Massachusetts?

Mr. COHN. That I will not say, sir, because they are making a better quality—this manufacturer who has been prospering is making

a much better product than his competitors. He is making it both by the use of better machinery and better methods and possibly by the use of better material.

A large part of the difference in cost, which we concede, between the foreign and the domestic, although not as much as the domestic manufacturer has made it appear, is due entirely to labor, but we claim that that difference in labor is more than compensated by the present rate under paragraph 1115. The present compound rate is between 57½ and 65 per cent—

Senator SACKETT. Is that a pure wool product?

Mr. COHN. It is made out of the wastes or noils, about 70 per cent noils and 30 per cent either Australian or American mixture of pure wool. The difference in cost, besides the labor, is due to the difference in material used.

According to the testimony presented before the House committee, the American manufacturer pays between \$1.20 and \$1.40 per pound for his raw wool and noils. There is a duty in the present tariff of 24 cents a pound on carbonized noils.

I just arrived from Italy myself on Monday morning. I visited every one of the 24 factories in Italy that are members of the parent association, and I found that the average price that they pay for wool that they use in these cheaper articles is between 66 and 75 cents a pound as against the American wool costing anywhere from \$1.20 to \$1.40 and, in some cases, I understand, as high as \$1.50. If you take off the compensatory duty on wool there is still a large discrepancy in the cost of the raw material. Aside from the difference in the cost of labor, a large part of the difference is due to the ability to use this much cheaper material as against the inability of the American manufacturer to use such cheap material.

Senator BINGHAM. Have the imports increased?

Mr. COHN. Tremendously, sir. There were two and a half million dozen, approximately, in 1928. There is a dispute about 1927, because the Department of Commerce did not segregate the figures, but I believe 1928 was more than double 1927.

Senator BINGHAM. So there has been an enormous increase of the imports, 300 or 400 per cent?

Mr. COHN. Yes, sir. Well, five years ago there were practically no imports. So that our contention, gentlemen, is that it is a style article. There was practically no vogue for it seven years ago. Five years ago the American manufacturer practically had the market to himself and he did not avail himself of it except this one manufacturer, who availed himself of the opportunity, when he had the market practically to himself, to modernize his plant.

Senator BINGHAM. There was no demand, was there?

Mr. COHN. A very large demand.

Senator BINGHAM. I thought you said there was no demand for this hat.

Mr. COHN. Seven years ago. But five years ago it increased very rapidly, sir.

Senator SACKETT. Do you supply the forms for the French market?

Mr. COHN. Yes, sir. Here [indicating] is a French hat against which the same protection has been offered. That is a comparable body [indicating] made by the Merrimac Hat Manufacturing Co. in the United States. That is the American hat [indicating]. A com-

parable body made in America now would cost \$7.53 as against the 3-ounce body that sells for \$3.50.

Senator SACKETT. That feels like a superior quality.

Mr. COHN. It is difficult to tell, but it is not superior to that [indicating].

Senator SACKETT. Do they not make hats of superior quality to the average imported hat?

Mr. COHN. To the low quality imported hat.

Senator SACKETT. I said, to the average imported hat.

Mr. COHN. I should say yes; it would be slightly superior, that is, slightly superior to the cheap Italian hats.

Senator SACKETT. Do the Italians make the French hats for them?

Mr. COHN. No. This [indicating] is made in France. They also make good quality Italian hats which I will show you one right here [exhibiting]. This is the better quality that is comparable with the American-made hat. Of the cheaper Italian hat I do not know whether there is such a thing as a comparable hat, because the production here is so small.

Please bear in mind that there are factories who claim they are not receiving quite the same price for their article as the American hat manufacturing companies that make a very superior article. The price is uniform. I have been asked the question before, whether by agreement or not. I can not tell that.

Senator BINGHAM. Then your charge is that the money they are making is due to the fact that they have modern machinery and better methods, in addition to the fact that they are making a better hat, and that is why they do a better business.

Mr. COHN. They make a better hat than the poor Italian hat, but not better than the good Italian hat.

Senator BINGHAM. A few moments ago you said they made a better hat than their competitors in this country.

Mr. COHN. Yes; and that is why they are making profit and still competing with the foreign hat that is brought in at a lower price, and they are joined here in the petition.

For example, this French hat, as I said before, would cost us \$7.53 as against their selling price of \$6.48 for this hat.

Senator SACKETT. What would the Italian hat cost?

Mr. COHN. The average would be in the neighborhood of \$4 25, sir. A good Italian hat would cost about \$5.56.

Senator SACKETT. With the duty paid?

Mr. COHN. With the duty paid, under the present rates, sir.

Senator SACKETT. Then it does undersell. You said the comparable quality would cost about \$5.50?

Mr. COHN. Comparable to the best American hat.

Senator SACKETT. I am talking about the Italian hat of the same quality as the American-made hat.

Mr. COHN. \$5.50.

Senator SACKETT. Then the American-made hat sells for \$6.50?

Mr. COHN. There is a difference to-day under the present tariff, but under the rates proposed it would be very much higher than the American hat.

Senator SACKETT. How much higher; a hat of comparable quality?

Mr. COHN. It would cost under the new tariff \$7.51, sir.

Senator SACKETT. And the American hat sells at what?

Mr. COHN. \$6.48.

Senator SACKETT. And the French hat sells now at what?

Mr. COHN. This French hat, landed, sells for \$6.75. It costs us in the neighborhood of \$6.12. The Italian hat is cheaper. We are absolutely competitive with them to-day on the French hat. They have no complaint against the better goods; in fact, they proposed only a rate of 65 per cent themselves when they came before the House, and the House has given 75 per cent all the way through, without any division as to value or the cost of the article.

Senator SIMMONS. Do you know why the House gave them more than they asked for?

Mr. COHN. It is a question whether they gave them more than they asked for in ad valorem rate, but a little bit less than they asked for in the compensatory wool rate. I believe it is a question of which particular body you might buy. The weight will determine whether it is higher or lower. In some cases it will be higher and in some cases lower.

One other point I wish to emphasize before concluding. There has been a \$3 protection given on this particular article. I am here to prove with invoices that it only cost \$2 to advance the hood from this stage [indicating] to this stage [indicating].

Senator BINGHAM. You mean, \$3 a dozen?

Mr. COHN. Yes, sir; 25 cents per article.

In addition to the word "pulled," which in our opinion, is more or less, if you will excuse the word, a joker, this might be construed likewise as being pulled [indicating], although the intent was to protect this article. But even eliminating the word "pulled" they have got 25 cents per article or \$3 a dozen protection; and there are invoices here to prove that we are having it done now for \$2 a dozen by American labor, anywhere in the country, and we have had offers to do it as low as \$1.50, whereas the protection is \$3 a dozen.

Senator SIMMONS. It costs \$2 a dozen?

Mr. COHN. For advancing them from this stage [indicating] to this stage [indicating].

Senator SIMMONS. That is per dozen?

Mr. COHN. Yes; and the House specifies 25 cents an article, whereas they are doing it for \$2 a dozen, and I myself have had it done and have received offers to have it done at less than \$2.

Here [exhibiting] are invoices to prove we have done it at \$2 in New York.

Senator SACKETT. That refers to either pulled, stamped, blocked, or trimmed, does it?

Mr. COHN. Yes, sir. Of course the attempt was to protect not only this [indicating], but also the hat ready for consumption.

Senator SACKETT. That is including finished hats?

Mr. COHN. Yes. We are not interested in finished hats. We are quite willing to give the American manufacturer our custom with regard to trimmed hats because he employs a vast amount of labor.

Senator SACKETT. What do you want to reduce it on?

Mr. COHN. The capelines.

Senator SACKETT. You did not quite understand me. That, you say, is a pulled hat [indicating]?

Mr. COHN. Yes.

Senator SACKETT. Is it a stamped hat?

Mr. COHN. Yes, sir.

Senator SACKETT. Is it a blocked hat?

Mr. COHN. Partially blocked.

Senator SACKETT. Is it a trimmed hat?

Mr. COHN. No, sir.

Senator SACKETT. Then you want to leave the trim at 25 cents per article?

Mr. COHN. Yes, sir.

Senator SACKETT. And change the other three from 25 to what?

Mr. COHN. It costs \$2 here. It costs us 90 cents to a dollar to do it in Italy or in France. We leave it to the committee whether a direct protection per dozen or 10 cents per article is not sufficient if it costs \$2 here or less to do it. Three dollars a dozen is practically exclusive and exorbitant.

Senator BINGHAM. Just what is the proviso that covers that?

Mr. COHN. It is at the bottom of page 26 of the brief. We have not provided for any protection at all on this particular item [indicating].

Senator BINGHAM. With the exception of capelines, hoods, or bodies?

Mr. COHN. This [indicating] is a capeline. These [indicating] are hood or bodies; bodies being another term for hoods.

Senator GEORGE. You say you sell to the American manufacturer?

Mr. COHN. Yes, sir.

Senator GEORGE. How many do you supply?

Mr. COHN. Between 1,500 and 2,000, and have employed 10 times as many wage earners as the 12 American factories who are petitioning for a higher tariff.

Senator GEORGE. Do they employ very many?

Mr. COHN. Two thousand two hundred. At the height of the season it might run as high as 75,000 people; it might run as low as 25,000. The city of New York, I believe, employs 40,000 at all times in the hat factories, and we sell the raw material to the hat factories and many of our customers have indorsed the brief that we have submitted.

Senator GEORGE. Where are those hats trimmed?

Mr. COHN. In the factories; they are blocked and trimmed in those factories.

Senator GEORGE. Are they trimmed in the—

Mr. COHN. It is only the better-grade goods that are trimmed in the fur belts.

Senator GEORGE. What does the l.w grade sell for?

Mr. COHN. It has been sold as low as \$1.50, but the average is between \$2.50 and \$3.50 retail. The proposed rate of duty would add a minimum of 45 or 50 cents to the hat at retail.

Senator GEORGE. The rate that the House gave?

Mr. COHN. The rate the House gave would increase the retail cost anywhere from 45 to 50 cents per hat at retail.

Senator GEORGE. These are hats that are used very widely; the volume of the trade is tremendous?

Mr. COHN. Yes, sir. Two and a half million dozen imported; 600,000 made here—36,000,000 hats. The average woman buys more than one.

Senator BINGHAM. What do they normally sell for?

Mr. COHN. At some stores you will see them as low as \$1, but the average price is from \$2.50 to \$3.50 retail.

Senator BINGHAM. This would increase the price 50 cents a piece?

Mr. COHN. Yes; the average cost would be in the neighborhood of \$1.25 to \$1.50 to us.

Senator GEORGE. The rates you propose would make some slight increase?

Mr. COHN. Yes; but it would benefit the industry.

Senator SACKETT. Tell me how this American factory that you say is making money and doing so well is able to do it when the Italian hats under the tariff we have been having come in at \$1 cheaper.

Mr. COHN. It comes in because they are making a better hat. It is comparable to the better quality Italian hat and French hat and the Czecho hat and the German hat.

Senator SACKETT. How can they do it when the Italian hat comes in at \$1 less?

Mr. COHN. Their hats do not sell for \$1.50; they sell at from \$3.50 to \$5 apiece.

Senator SACKETT. But you do not answer my question. You say the Italian hat of comparable quality comes in for \$5.50. How can they sell theirs at \$6.50?

Mr. COHN. It takes us on an average three and a half months from the time we order our goods until the time we get them. We have to order them in any one of thirty colors. They will make up the hats in any color you want 48 hours or 72 hours before you require them, and it is a tremendous advantage.

Senator SACKETT. Then it is only distressed orders that they are able to get?

Mr. COHN. No; they are working steadily, by their own testimony, night and day and they are fully occupied. They are people we can not sell to.

Senator SACKETT. They may be distressed orders just the same, because I do not see yet how comparable hats during the application of the present tariff can compete with the Italian hats.

Mr. COHN. If I were an American consumer with a tariff of \$1 a dozen I would prefer to buy from the American manufacturer.

Senator SACKETT. Why?

Mr. COHN. You can get the colors.

Senator SACKETT. You can get them more quickly?

Mr. COHN. Yes.

Senator SACKETT. That is what might be called distress orders?

Mr. COHN. Not if the firm is busy, sir, working to capacity.

Senator SACKETT. They may be working to capacity on distress orders.

Mr. COHN. Not all the year round, practically.

(Mr. Cohn submitted the following brief:)

**BRIEF OF THE AMERICAN ASSOCIATION OF FELT AND STRAW GOODS IMPORTERS
AND FORTY-SIX OTHER HAT COMPANIES**

The COMMITTEE ON FINANCE OF THE UNITED STATES SENATE:

The rates of duty provided for in paragraph 1115(b) of the tariff bill as it passed the House of Representatives operate to increase the duty paid upon wool felt hat bodies almost 100 per cent, an increase which it is respectfully submitted

is not justified, as will be shown by the facts hereinafter stated. Paragraph 1115(b) of the tariff bill provides as follows:

"(b) Bodies, hoods, forms, and shapes, for hats, bonnets, caps, berets, and similar articles, manufactured wholly or in part of wool felt, 40 cents per pound and 75 per centum ad valorem; and, in addition thereto, on all the foregoing, if pulled, stamped, blocked, or trimmed (including finished hats, bonnets, caps, berets, and similar articles), 25 cents per article."

Every effort will be made herein to avoid repetition of any of the testimony or evidence submitted to the Committee on Ways and Means of the House of Representatives when the tariff bill was before that committee and which will be found on pages 6482 to 6532 of volume 11 of the hearing before that committee. This brief will be devoted to the presentation of new matter in answer to the arguments presented by the hat manufacturers in favor of an increased duty. Many of the statements made in favor of the increased duty are unjustified by the facts, as will clearly appear hereinafter.

The subscribers desire it to be clearly understood at the outset that they have no objection to a proper increase in the tariff upon the articles in question. The subscribers are willing to have the tariff increased in order to protect American manufacturers and to equalize whatever differences may exist between the cost of production abroad and the cost of production in the United States. The subscribers do, however, vigorously oppose an unreasonable increase in the tariff based upon distorted facts employed to prove conditions which do not exist and to establish a differential much greater than is shown by the true facts.

PROPOSED TARIFF WHICH WE FEEL WILL EQUALIZE THE BUSINESS AND FULLY PROTECT ALL INTERESTS

Based on facts submitted below, as well as in our brief before the Ways and Means Committee, we believe that the following tariff will adequately protect all concerned:

"Bodies, hoods, forms, and shapes, for hats, bonnets, caps, berets, and similar articles, manufactured wholly or in part of wool felt, 27 cents per pound and 50 per cent ad valorem if costing less than \$1.40 per pound; 27 cents per pound and 40 per cent ad valorem if costing over \$1.40 per pound; and in addition, if weighing less than 30 ounces per dozen, 10 per cent additional ad valorem to be paid. In addition thereto, 25 cents per piece on all berets, trimmed felts, and blocked hats, with the exception of untrimmed capelines, hoods, or bodies."

SUMMARY OF IMPORTANT POINTS

(A) We would like the committee to consider that notwithstanding that domestic manufacturers know that a large quantity of more expensive hoods come into this market, they have made their comparison based on their estimated cost of the cheapest Italian hoods.

(B) We particularly ask of you to study our schedules covering hoods costing \$1.40 per pound and up. (G-H-I-IA.) A study of the above will stress the importance of two different tariff schedules, one to cover the cheaper qualities and one the better qualities.

(C) In estimating the cost of the imported bodies and for purposes of comparison, the domestic manufacturers have calculated the 2½-ounce cost based on a selling price of \$3.75. The bodies sold at \$3.75 were 65-gram, which equal 2.293 ounces. (See Webster's Dictionary to check weight.) Because these 65-gram bodies are made in a big size, the domestic trade have referred to them as 2½-ounce bodies, but they only weigh 2.293 ounces. Therefore, all cost calculations of the domestic manufacturers are 8 per cent in their favor, so that even granted everything they say is correct, they have still deliberately figured 8 per cent in their favor.

(D) Domestic manufacturers have in the past always sold, based on a price agreement, at one uniform price. They have done this for years.

(E) If the tariff is advanced almost 100 per cent, as proposed, it will be well to consider how this will affect the ultimate consumer. Wool felts are used by the poorer people as the better hats are made of fur, coming under a different schedule. An advance of even only \$1.20 per dozen to the importer will mean, after the hat has passed through the intermediate stages, either direct to the trimmed hat man or from jobber to retailer, an additional cost to the retailer of at least \$3 per dozen, and to the consumer of at least \$5 per dozen.

(F) Statements made by the domestic manufacturers are misleading, though as the subscribers were not prepared, the domestic manufacturers made so good an impression that the lower House granted even a higher rate than asked for by the domestic manufacturers. The following brief shows many weaknesses and misleading points of domestic manufacturers' claims.

(G) The hood which the domestic manufacturers complain of mostly and on which they make their entire case is the 65-gram imported hood of lowest quality made of wool costing 66 cents per pound in Europe. No domestic hoods are made of the equivalent of such cheap wool. Equivalent means 66 cents per pound plus the American duty of 24 cents per pound, or 90 cents per pound. Further, no domestic bodies are made as light as 2½-ounce. Therefore, as no domestic bodies are made to compete with this cheaper class of imported body, there is no justification for any advance at all, unless we wish to do it merely in order to raise costs or to stimulate business artificially by a fictitious advance in prices, and we are perfectly willing to do this to a moderate degree, if this is the policy of Congress. We have subscribed to this idea of raising the prices, even in our own proposed schedule, as submitted.

(H) Domestic manufacturers, in submitting their own cost, have figured \$1.35 per pound for wool for a 2½-ounce body, thus admitting that they are figuring on a different article made of more expensive wool and figuring on a heavier body than the 2.293-ounce body with which they have compared it.

(I) The new Dun's report on Merrimac, which has been issued since the statement before the Ways and Means Committee, shows that this past year their net surplus has been almost doubled. The end of 1927 it was \$466,545.75. The end of 1928 it was \$928,233.23, showing a profit of \$460,000 in round figures, net. In addition to this, however, dividend has been paid on 10,000 shares of 6 per cent cumulative preferred stock, so that the actual profit of the firm was over \$500,000, after deducting for taxes. This shows that this firm's showing for last year, which Merrimac in their own affidavit signed and claimed to be a disastrous year, was around \$100,000 more than 1927, hardly a showing of disaster.

HISTORY OF THE BUSINESS

Twelve wool felt hat manufacturers appeared in a group before the Committee on Ways and Means of the House of Representatives advocating an increase in the duties upon wool felt hats and hat bodies imported into the United States. An effort was made to show that most of these companies were experiencing great depression in business and were in need of protection to prevent total destruction of their business. The history of the business and conditions as they now exist will show that the duties imposed upon imports of this product have very little, if anything to do with the condition of the business of these companies.

Eight of these factories were incorporated between the years 1856 and 1888. One of these factories was incorporated in 1907. Most of those incorporated later were merely reorganized. On an average, most of the factories are at least 35 years old. In the early history of the factories and for a considerable period of years thereafter, wool felts were sold in very great quantities in the United States. As a consequence of this, these factories were at that time operated actively.

The vogue for felts dropped suddenly shortly prior to 1913 and, as so frequently happens in style lines, most of the firms manufacturing such products found themselves in a very unfortunate position. The Merrimac Hat Corporation and a few other companies, for reasons which will be explained hereafter, were able to recover from the slump in the wool-felt market.

The primary reason for the poor condition of the companies manufacturing wool felts in the United States is found in the fact that 90 per cent of the machinery now in use in those factories is the same machinery which was in use 35 years ago, whereas the methods of making hat bodies have improved so rapidly in that period that to-day they are as different from those of 35 years ago as are the methods of making automobiles to-day different from the methods used when automobiles were first produced.

The hat manufacturers repeatedly misled the Committee on Ways and Means of the House of Representatives by stating that whereas normal production of the American manufacturers was 25,000,000 bodies each year, they have produced only from 8,000,000 to 9,000,000 during the past few years. This is attributed to the tremendous importations. Anyone familiar with the industry, including those who made this statement, know full well that at no time in the last 15 years have 25,000,000 bodies been produced in one year in this country.

It is apparent, therefore, that the small production of the American factories is due, not to the increase in importation, but to the antiquated machinery used in the factories.

An analysis of the facts surrounding the companies making application for an increase in duty will indicate clearly that the financial depression which some of them feel is due in no part to the condition of the tariff.

Adamstown Hat Co. (Inc.), Adamstown, Pa.; George W. Bowlman & Co., Adamstown, Pa.; F. & M. Hat Co., Denver, Pa.: These three relatively small factories are under interlocking control. We are convinced that these factories are making money, and Dun's report on F. & M. Hat Co. shows the company worth more in 1929 than 1928. The other two firms refuse to submit figures but are reported to have ample resources and pay their bills promptly.

Bradford Hat Co., Haverhill, Mass.: This concern was formerly Emmons Bros. Emmons Bros. encountered financial reverses years ago and was taken over by its principal creditors. The dominating person among the principal creditors was a Mr. [redacted], who now owns the firm. The concern made the above-mentioned [redacted] defunct company and in no way can its present [redacted] conditions.

Edwin S. [redacted], Massachusetts, is a hat manufacturer which buys [redacted] and imports [redacted] it has been known only as a hat [redacted]. The company installed [redacted] wool-manufacturing machines to [redacted] bodies for its own needs. [redacted] stretch of the imagination could [redacted] considered a [redacted] body [redacted]. It has never sold to the trade, [redacted] manufacturing being confined solely to the [redacted] of bodies for its own use.

Matteson Hat Manufacturing Co., Boston, N.Y.: This company specialized years ago in a [redacted] of fur and wool. The [redacted] for [redacted] over 10 years ago and since then the [redacted] has been in operation. [redacted] has never sold hoods to the trade.

Hendel Hat Co., Reading, Pa.: This firm's [redacted] has recently been offered for sale. Mr. Hendel, the head of the company, is a very rich man. He has been heard to make the remark that his machines [redacted] did that it would cost him as much to put plants in the proper repair as it would to buy new machinery. For this reason he [redacted] up the plant.

Mohr Bros. Co. (Inc.) and Heintz & Miller Co., Reading, Pa.: These two companies are well-known, prosperous concerns.

Duchess Hat Works, Beacon, N.Y.: This [redacted] formerly made men's straw hats [redacted] wool-felt hats. The [redacted] of men's straw hats has been discontinued [redacted] and bodies must bear the overhead and expense of the [redacted]. [redacted] more, this concern is being managed by an estate, and [redacted] improvements can not be made in the factory except after [redacted] and tape has been gone through.

It will thus be apparent that the companies applying for an increase in tariff can trace no part of their financial difficulty, if indeed they have any, to the tariff situation.

As hereinbefore stated, wool-felt bodies went into total disfavor prior to 1913 because the bodies of that period were very thick and stiff. Unfortunately, a sample of the bodies made prior to 1913 can not be secured. A similar type, however, is presented to the committee and will be marked "Exhibit 1." It will be noted that this body is thick and stiff. It is the type of body to which the antiquated machinery now in use in most of the American factories is adapted.

Gradually, women adopted more and more sports clothing. They liked the soft, close-fitting hat. With the coming into style of close-fitting felt hats, European manufacturers began experimenting. New types of wool felts were worked out by employing better machinery with much finer combs and using totally different types of wool. They succeeded in making thin, soft hats which could readily be fitted to the head. Exhibit 2 shows the difference between this soft type of hat and the old type. The introduction of this type of hat into the United States and its importation in sufficient quantities revived the felt-body industry in this country and the demand for these bodies constantly increased.

Of all the domestic factories, the Merrimac Hat Corporation had the capital and foresight to follow quickly the European thought by installing whatever new machinery was necessary. For this reason they turned out a similar article. They have been successful and have been working day and night for several years.

It is respectfully submitted that Congress, in order to assist the hat manufacturers in their efforts to do the impossible, namely, produce the modern

wool-felt hat with 35-year-old machinery, should not almost double the rates of duty upon these articles.

THE PROPOSED DUTY IS EXCESSIVE

At the hearing before the Committee on Ways and Means of the House of Representatives, the question was raised as to whether or not the imported body is comparable with the hood produced by the Merrimac Hat Corporation. The question can be best answered by a comparison of certain exhibits and figures. The following exhibits are submitted herewith for consideration by the committee:

(1) Exhibit 3, one of Merrimac's hoods in 3.25-ounce, being sold to-day at \$7.50 per dozen less 2 per cent stiffened and \$7 per dozen less 2 per cent unstiffened.

(2) Exhibit 3A, one of Merrimac's hoods in 2.75-ounce, being sold to-day at \$6.25 per dozen less 2 per cent stiffened and \$5.92 per dozen less 2 per cent unstiffened.

(3) Exhibit 4, an Italian hood in 2.822-ounce, of which over 2,000,000 of a similar kind were imported last year.

(4) Exhibit 5, a French hood in 2.822-ounce, of which over 3,000,000 were imported last year.

There are also other types which are comparable, but these two have been selected as comparable with Merrimac's. The costs of these bodies last year are shown in Schedule A, annexed hereto.

Last year, Merrimac Hat Corporation sold their bodies for a little less than this year and we are, therefore, giving them a decided advantage.

In figuring imported cost calculations, 10 cents per dozen has been added to cover freight, insurance, transportation, and banking. Documents and invoices can be submitted to prove this statement.

Exhibit 6, submitted herewith, consists of a 60-gram body weighing about 54 or 57 grams, and a 65-gram body. These are both low-quality bodies imported in volume. It will be noted that the wool employed in these bodies is very inferior to that used in the domestic bodies. Nevertheless, they are soft in texture due to the use of good machinery. On the other hand, if these bodies were desired in light colors, they would be full of spots due to the poor quality of the wool. The domestic manufacturers use good wool and thus, even in their so-called cheap bodies, spotlessly clear goods are obtainable. Please note that wool bodies are sold as 3-ounce, 3¼-ounce or 65-gram, etc. This, as a rule, implies that 3-ounce, 3¼-ounce, or 65-gram weight of wool has been used in making the body. Owing to wastage of wool in manufacturing, the finished bodies usually weigh about 7 to 10 per cent less than the original weight.

It is, therefore, our contention that on the better quality of body, comparable with Merrimac's, present protection is practically adequate. On the cheaper qualities there is no just comparison possible, and thus there is no basis for an arbitrary advance in the tariff of 100 per cent. The proper basis for computing any necessary protection is to ascertain the actual labor cost of making the bodies in this country and in Europe and permit the tariff to cover any differential.

A comparison of the cost of production abroad and the cost of production in the United States will show the differential in labor between the United States and Italy. For the purposes of comparison, three schedules have been prepared and are submitted herewith:

Schedule B is based on 500 dozens per day (5 days a week) or 130,000 dozens per annum.

Schedule C is based on 750 dozens per day (5 days a week) or 195,000 dozens per annum.

Schedule D is based on 1,000 dozens per day (5 days a week) or 260,000 dozens per annum.

These schedules were compiled by a domestic factory. It will be observed that the labor on a 2½-ounce body, including mill but including all possible expenses and charges, amounts to—

Schedule B, \$1.84 per dozen stiffened; Schedule C, \$1.68 per dozen stiffened; and Schedule D, \$1.60 per dozen stiffened.

As a check-up on the above labor cost and taking Schedule C of \$1.68 per dozen as a basis, we shall compare this with Merrimac's total manufacturing cost, exclusive of wool. Merrimac sell their 2¼-ounce at \$6.25 per dozen stiffened and \$5.92 per dozen unstiffened. The above prices are less 2 per cent, which equals \$6.12 net and \$5.81 net, respectively. Granted that Merrimac makes only

\$0.75 per dozen on their hoods, though we are convinced they make closer to \$1 per dozen, this means a cost to Merrimac of \$5.06 per dozen for their 2½-ounce unstiffened body. A 2¼-ounce body equals 33 ounces, or 2¼ pounds. Granted that at an average price for the past few months, wool cost Merrimac \$1.50 per pound, which is what the factories making even inferior goods claim they must pay for good stock, this means 2¼ pounds at \$1.50 per pound cost \$3.09. Deducting the cost of this wool, \$3.09, from the total cost of \$5.07, this means that Merrimac's total manufacturing expense, including everything, as well as factory overhead, equals \$1.98 per dozen. This \$1.98 per dozen compares with \$1.60, \$1.68, and \$1.84 per dozen as per Schedules B, C, D, being figures submitted by the domestic factories.

You must remember that Merrimac's product is distinctly better than that of other American factories and has more labor in it, because while modern machinery is used, greater care is taken by Merrimac to produce a good body. Even then, on the basis of the above figures, it will be seen that \$1.98 covers total manufacturing expenses of a good quality, such as Merrimac's, so that on a poorer quality it will surely be less.

Now to compare this manufacturing cost with the cost of a poorer quality of body made by the Italian factories, please note that the average selling price, as per census figures, as well as per records in our own possession, has been \$1.29 per pound. Deducting 7 per cent from this as being the average net profit of the Italian factories, this means the Italian cost is close to \$1.20. Wool as used in these bodies, by actual knowledge as well as invoices seen, equals \$0.66 per pound on the average. If we deduct \$0.66 per pound from \$1.20 per pound, it will be seen that \$0.54 per pound covers all Italian manufacturing expenses. A 2½-ounce body equals 30 ounces or 1¾ pounds, and based on \$0.54 per pound, 1¾ pounds equals \$1.01 per dozen for 2½-ounce bodies. As compared to Schedule C, this would show \$0.67 per dozen difference, or if we converted \$1.68 per dozen for 30 ounces or 1¾ pounds, this would mean the domestic cost per pound equals \$0.89 per pound for popular priced bodies, as compared to the Italian cost of \$0.54 per pound, and compared to Merrimac's cost of \$0.96 per pound, based on a cost of \$1.98 per dozen for 33 ounces of 2¼ pounds.

We firmly believe that considering Schedules B, C, D, showing comparison with Italian production, and then using the above Merrimac manufacturing cost as a check-up, it will be clearly seen by your committee that the differential in order to protect the American industry will be very fully covered by schedule as proposed by us. In fact, on the 2½-ounce bodies it will be covered excessively, but in order to benefit the industry, we, nevertheless, have agreed to an additional 10 per cent ad valorem on hoods weighing less than 30 ounces to the dozen, merely in order to be so fair as to hope that your committee will adopt our recommendation on the tariff without alteration.

In considering the figures supplied by the domestic manufacturers, regard must be given to the fact that they are taken from census compilations. It is respectfully submitted that actual cost sheets should be demanded from the domestic manufacturers as the only source from which accurate information can be secured.

We particularly call to your attention, however, that if a factory has a potential capacity and is big enough, in spite of antiquated machinery, to turn out, say, 1,500 dozen per day, it obviously would be most misleading and unfair to figure the cost based on a production of 150 dozen per day, as this would be doctoring the overhead and saddling the cost with an overhead so excessive and out of proportion that the figures would be meaningless. In calculating foreign costs, the domestic manufacturers refer to the imported 2½-ounce bodies as being sold at \$3.75 by the importers. This is inaccurate in the extreme, as 65 gram is only equal to 2.293 ounces, and this automatically would place the manufacturers' calculations 8 per cent in their favor.

Reference to pages 6494 and 6495 of the Hearings of the Ways and Means Committee of the House of Representatives will show that domestic production in 1926 in dollars and cents was greater than in 1925. In 1927 it was greater than in 1926, and in all three years, 1925-1927, greater than in 1923. The figures for the first half of 1928 mean nothing and are misleading because the first six months of the year, from January to June, are dull months, the busy season starting from July 1.

Furthermore, a reference is made to 8,500,000 bodies imported in 1927 as compared with 25,000,000 in 1928. The figures show it was 18,500,000 and the increase was a normal growth due to supply and demand. The fact that the antiquated machinery in most of the factories is responsible for the reduction in domestic production is indicated by the fact that of the over 4,000,000 sold by

domestic manufactures in 1926 and 1927 the Merrimac Hat Corporation alone turned out about 3,000,000.

THE PRESENT DUTY UPON CAPELINES IS ADEQUATE

A capeline is a hood which has been partially pressed but requires further manipulation and fashioning before it becomes a ready-to-wear hat.

According to the manufacturers' brief on page 6495 of the House hearings, the total finished hats imported, including men's, ladies', and capelines, equaled 216,000 dozen, compared to 2,164,000 dozen hoods. Unquestionably over half of these finished hats are men's trimmed hats, leaving 100,000 dozen for ladies' hats. If we divide this in two, figuring half the quantity to be capelines and half ladies' finished hats, this means about 50,000 dozen capelines imported. From figures submitted by the importers, however, this figure is grossly exaggerated, but we will, nevertheless, take 50,000 as a basis. Fifty-thousand dozen imported capelines, therefore, compared to 2,160,000 dozen, is $2\frac{1}{2}$ per cent of the total importations. If we add the domestic production of, roughly, 8,000,000 hats (700,000 dozen) to the imported, this will mean the percentage of capelines is only $1\frac{1}{4}$ per cent of the total. In order to protect American labor, we expressed ourselves willing to have \$3 per dozen (25 cents per body) added to the cost of all trimmed, finished hats. This is obviously reasonable because finishing and trimming embodies hand labor which needs extra protection.

Capelines, on the other hand, which we submit as per Exhibit 8, are merely blocked out on hydraulic, and/or stamping machines embodying a machine process. The percentage of importations is from $1\frac{1}{4}$ to $2\frac{1}{2}$ per cent. The cost for capelining in Europe is \$0.90 to \$1 per dozen. We will submit invoices proving this. At the present rate of 40 per cent, there is, therefore, a protection of \$1.30 to \$1.40, plus the fact that packing of capelines, owing to their being placed in wooden cases, loosely packed, amounts to \$0.35 per dozen average, with insurance so that even at 40 per cent, the protection is \$1.70 to \$1.80. By whatever amount Congress raises the duty on hoods, capelines will be protected by that much more, without any additional 25 cents per hood.

On page 6492 of the House hearings, under reasons for changes, etc., it is stated that during 1927-28 domestic factories only worked 37 to 45 per cent of normal creating the impression that before then they worked normal.

The general selling price of domestic bodies has been 17 cents per ounce unstiffened or 18 cents per ounce stiffened, and a large part of these bodies are used unstiffened. At 17 cents per ounce the domestic selling prices are as follows: $2\frac{1}{2}$ -ounce, \$5.10 less 2 per cent, or \$5 net; 3-ounce, \$6.12 less 2 per cent, or \$6 net; $3\frac{1}{4}$ -ounce, \$6.63 less 2 per cent, or \$6.50 net; $3\frac{1}{2}$ -ounce, \$7.14 less 2 per cent, or \$7 net.

At the above prices, there is a satisfactory profit in it for any domestic manufacturer. Merrimac Hat Corporation sold at that price last season, though this year they are getting 30 to 32 cents per dozen more because they are shaving their body finer and making a little better product, and also because wool is higher and their body is in such exceptional demand. Consider, therefore, that last year and the year before Merrimac did sell at 17 cents per ounce and made close to \$1 per dozen profit, as shown by their statements, by selling at that price. Consider that by virtue of a tacit price agreement, all the domestic factories have been selling for some time at practically the standard price of 17 cents per ounce, and Merrimac until about six months ago sold at the same price. Thus, irrespective of quality, there has been one standard price. We leave it to you gentlemen to determine whether the ultimate consumer will not be taken advantage of, considering the above, and considering that almost a 100 per cent tariff raise has been proposed.

On the other hand, if we take Schedules B, C, and D, it will be seen that the labor on a 3-ounce body is \$1.71 per dozen. If we figure wool at \$1.35 per pound, a 3-ounce (average) body would thus cost \$4.75 per dozen net, which compared to a selling price of \$6 net shows its accuracy and reasonableness. If we figure even the same expense all the way through on a $2\frac{1}{2}$ -ounce body and allow nothing for the fact that handling a lighter body means quicker production, better yield out of materials, dyestuffs, etc., labor would be less. If we even figure the same labor, it would on that basis show a cost for the $2\frac{1}{2}$ -ounce body of \$4.25. We state, however, that it should be less, as obviously labor is less.

We call to your attention that importers paid import duties on felts of about \$4,000,000 during 1928. The proposed rates will make importations impossible—they are so exorbitant as to legislate the importers out of the wool-importing

business. If this is the intention of Congress, it is one story; if it is their intention to equalize and be fair, we feel they must consider the facts submitted above.

Further, we particularly wish to emphasize that the antiquated machinery of many of the so-called wool manufacturers is inadequate and would not do for the trimmed-hat manufacturers who sell direct to the retailers. These antiquated wool factories make up their own goods in an inferior way, sell them to middlemen, who in turn resell them to retailers, meaning extra profits all along the line. The retail hat at \$1.19 or \$1.98 in a halfway serviceable article will be a thing of the past and millions of women throughout the country will be the sufferers, as their cheap hats will cost them \$1 per dozen more. We would like Congress to realize this.

We also wish to point out that the domestic manufacturers have indicated that the increase would only mean \$0.15 per hat. They must note, however, that \$0.15 per hat to the importer means that the importer must make an extra profit on this—it means that the manufacturer will have to sell it at an increased profit and that the retailer will have to make an increased profit. Also they know that hats in wholesale prices jump from \$9 to \$10.50, \$12 to \$15. At present, the hats are being sold on the closest possible basis by manufacturers and retailers and any small advance will bring it in higher levels all along the line. Further, domestic manufacturers do not care to make the smaller bodies and can not make them suitable for the popular-priced hats. It will mean a material difference to millions of poor women and not a difference of a few cents, which impression is being attempted to be conveyed.

Hoods of the type imported into the United States should not be subject to a specific duty of 25 cents per article as they probably would be under the ambiguous language in paragraph 1115 (b).

Paragraph 1115 (b), after providing for the ad valorem duty, continues:

"And, in addition thereto, on all the foregoing, if pulled, stamped, blocked, or trimmed (including finished hats, bonnets, caps, berets, and similar articles), 25 cents per article."

It was surely not the intention of the House of Representatives to make the hoods as imported into the United States subject to the 25 cents per article tariff. This will appear from the discussion of the Committee on Ways and Means with respect to paragraph 1115. (P. 105 of the report of the Ways and Means Committee.) It is submitted, however, that the language is such as to include the type of hoods which are imported into the United States. As heretofore shown, capelines constitute a very small proportion of the total importations.

There is submitted Exhibit 9, showing a hood after it has been dyed, with the pointed tip before it has been shaped. Exhibit 10 shows this same body but with the tip stretched and pulled over a block. Exhibit 11 shows the same body after it has been shaved ready for delivery. Only by pulling the body over the block can the round-shaped crown, which is necessary for our customers, be secured. The fact that these hoods are pulled over a block in this early stage of development shows that there would be at least some question as to their being included in the provisions for specific duty. The 25 cents per piece duty should cover only berets and trimmed, ready-to-wear hats. This was the manifest intention of the Committee on Ways and Means and the language should be clarified to carry out that intention.

It is respectfully submitted that the concluding clause in paragraph 1115 (b) should read as follows: "and in addition thereto, 25 cents per piece on all berets, trimmed felts and blocked hats, with the exception of capelines, hoods, or bodies."

Your attention is called to the fact that throughout, the domestic manufacturers have been taking the cost calculation based on the cheapest Italian body made. This, obviously, is unfair. Instead of taking cost figures from a compilation of statistics, we will go by actual facts. The facts prove that the great bulk of the cheapest quality Italian bodies bought last year figure \$2.75 per kilo, which equals \$1.25 per pound. Deducting 7 per cent for Italian profit, this means \$1.16½ Italian cost. A great many cost considerably more. However, taking one table for the cheapest body, we derive a per pound cost, to which we have added freight and duty at the present rate. (See Schedule E.) We then have submitted a second table of the better quality, compared to Merrimac quality, which is shown on Schedule F.

You will observe that the wool used by all the domestic manufacturers is about the same or a little inferior to Merrimac's quality, but much superior to the imported quality, yet we claim that no domestic body is comparable with the imported, simply because through ignorance, or through incompetence, or on account of improper machinery, the domestic people have not made these bodies.

From tables submitted, it will be seen that the better quality bodies—that is, qualities comparable with Merrimac's, as per Schedules A, E, and F—show that the imported cost, even at to-day's tariff, is the same as Merrimac's selling price. Remember, this is our cost and Merrimac's selling price. This would seem quite in order when we consider that Merrimac's average profit, based on their statements, has been \$1 per dozen. It will be seen further that on the cheapest quality bodies, as per Schedules B, C, and D, the present rate would be ample if factories were working at fair capacity. Obviously, how can the factories expect to work at fair capacity when they have a price agreement and when the other factories for their inferior product have been asking the same price of 17 cents per ounce, as Merrimac has asked in past years for a far superior article? Even then, we would not oppose a slight advance on the cheaper goods, as we feel it would help improve our industry, though we reiterate that it is our general opinion that the present tariff, based on a post point of view, is not far from being correct as it stands.

DUTIES WHICH WE PROPOSE

It may surprise the committee to note that bodies can be produced at a low price in this market. This really is no surprise, however, when we consider that Merrimac, selling at the same price as the poorer bodies, can make \$1 per dozen by having sold 3-ounce at \$6 net. If we compare a domestic cost of \$4.25 on 2½-ounce with an imported cost of \$3.88, it will be seen that \$0.37 is the difference, which should be equalized. On the other hand, it will be seen that as the weights get heavier, the differential is less, as on the 3-ounce our figures show only \$0.13.

Further, it will be observed that we have calculated based on \$1.25 per pound which is a fair price. On the other hand, if we compare costs of the better qualities, it will be seen that the present tariff protection is quite ample. Therefore, we think it sound to propose two rates of duties:

One for bodies costing less than \$1.40 per pound, as suggested by the domestic manufactures themselves; and

One for bodies costing above \$1.40 per pound.

We think that two rates are sufficient. We also wish to adopt the policy that the percentage of ad valorem duty should cover the differential and that the specific per-pound duty should merely be enough to equalize the wool. In other words, the percentage duty should cover labor costs, the per pound equalizing the wool. In the former tariff, the wool was subject to 24 cents per pound duty. We propose that this be raised to 27 cents per pound, or whatever rate is adopted for the raw wool. This will mean a very slight disadvantage to the domestic manufacturer because a small percentage of net loss of wool, about 5 per cent, is lost in manufacturing, and yet the specific duty will be paid on this. The amount is so small, however, and Congress has as a rule adopted the policy of specific duty equalizing the raw material that we have taken no account for same, though 1 cent per pound additional duty would fully cover this, as well as fluctuation owing to evaporation.

Relative to the ad valorem duty, we recognize that the domestic manufacturers are somewhat handicapped in making the smaller weights (lighter than 30 ounces per dozen). Therefore, we propose that on bodies costing less than \$1.40 per pound, the tariff be raised to 50 per cent ad valorem, instead of 40 per cent, with an additional duty of 10 per cent on all bodies weighing less than 30 ounces per dozen. On hoods costing \$1.40 per pound and above, we maintain that the present rate of 40 per cent is sufficient on bodies weighing above 30 ounces per dozen, but that specific duty should be 27 cents per pound, though for below 30 ounces per dozen, we suggest an additional 10 per cent. We attach Schedules J and K based on cost of \$1.25 and \$1.35 per pound. We also attach Schedules G, H, I, and IA, based on \$1.45 per pound, \$1.60 per pound, \$1.75 per pound and \$1.90 per pound, on our new proposed schedule. We have added in our schedules our calculated domestic production cost for 2½ and 3 ounce. We have added next to the three higher brackets Merrimac's cost for 2¾ and 3¼ ounce, based on their making \$0.75 per dozen net on their bodies. As Merrimac's statements show a profit of approximately \$400,000 average in the last few years and as 60 to 70 per cent of their production is delivered in bodies, it is evident that we are figuring very conservatively when we only allow \$0.75 net profit for Merrimac, as compared to our three higher brackets, particularly so as Merrimac have admitted and readily will admit that based on their selling price of bodies, they net \$0.75 per dozen. We will also submit samples of imported bodies, comparable with Merrimac's, brought in at around the three higher brackets. Merrimac's annual statements show increased profits during each of the three past years.

We agree to an advance of 25 cents per piece—that is, \$3 per dozen—on all berets, trimmed hats of every description and all blocked hats, but not bodies. Plain capelines are to come in at the same rate as bodies. We believe the wording should be:

“In addition thereto, 25 cents per piece on all berets, trimmed felts, blocked hats, with the exception of capelines, hoods, or bodies.”

SCHEDULE A

	Price per pound	Weights	Price per dozen	Duty 40 per cent and 24 cents	Duty 75 per cent and 40 cents	Charges	Landed cost
French.....	\$1.77	2¾ ounces, 2¼ pounds.	\$3.66	\$1.97		\$0.10	\$5.73
Do.....	1.77	2¾ ounces, 2¼ pounds.	3.66		\$3.58	.10	7.34
Do.....	1.77	2.82 ounces, 2.116 pounds.	3.75	2.01		.10	5.86
Do.....	1.77	2.82 ounces, 2.116 pounds.	3.75		3.66	.10	7.51
Do.....	1.77	3¼ ounces, 2¾ pounds.	4.32	2.32		.10	6.74
Do.....	1.77	3¼ ounces, 2¾ pounds.	4.32		4.22	.10	8.64
Italian.....	1.70	2¾ ounces, 2¼ pounds.	3.51	1.90		.10	5.51
Do.....	1.70	2¾ ounces, 2¼ pounds.	3.51		3.46	.10	7.07
Do.....	1.70	3¼ ounces, 2¾ pounds.	4.14	2.24		.10	6.48
Do.....	1.70	3¼ ounces, 2¾ pounds.	4.14		4.06	.10	8.32
Do.....	1.90	2¾ ounces, 2¼ pounds.	3.93	2.08		.10	6.11
Do.....	1.90	2¾ ounces, 2¼ pounds.	3.93		3.78	.10	7.81
Do.....	1.90	2.82 ounces, 2.116 pounds.	4.03	2.12		.10	6.25
Do.....	1.90	2.82 ounces, 2.116 pounds.	4.03		3.87	.10	8.00
Do.....	1.90	3¼ ounces, 2¾ pounds.	4.64	2.45		.10	7.19
Do.....	1.90	3¼ ounces, 2¾ pounds.	4.64		4.46	.10	9.20

The above schedule covers samples submitted of imported bodies similar to Merrimac's showing comparative cost at to-day's duty and at the new duty rate proposed.

We refer you to our Schedules G, H, I, IA, J, and K, showing comparative costs under our proposed duty schedule.

SCHEDULE B

[Basis: Production, 500 dozen per day (5 days a week), 130,000 dozen per annum; sales, 130,000 dozen per annum (2½ ounces \$5.40 per dozen); (3 ounces \$6.45 per dozen); expenses, 130,000 dozen per annum]

	Stiffened body	
	2½-ounce	3-ounce
Manufacturing materials.....	\$26,000.00	\$26,000.00
Shipping cases (materials and labor).....	4,500.00	5,250.00
Shipping expense (labor).....	3,250.00	3,250.00
Direct labor manufacturing.....	130,000.00	130,000.00
General supervision.....	3,900.00	3,900.00
Power (labor).....	5,304.00	5,304.00
Light and power (fuel, etc.).....	19,500.00	19,500.00
Taxes (State franchise).....	351.00	421.00
Taxes (city).....	4,100.00	4,100.00
Insurance (fire, etc.).....	1,300.00	1,300.00
Insurance (workmen's compensation).....	950.00	950.00
Depreciation.....	8,750.00	8,750.00
Factory and machinery repairs.....	7,500.00	7,500.00
Salaries (general).....	18,000.00	18,000.00
Telephone and telegraph.....	1,200.00	1,200.00
Office supplies.....	1,200.00	1,200.00
Traveling expense.....	2,000.00	2,000.00
Audit expense.....	750.00	750.00
Incoming freight and express.....	1,000.00	1,000.00
Total.....	239,555.00	240,375.00

2½-ounce, 500 dozen daily:		
American labor (stiffened).....		\$1.84¼
Italian labor ¹ (unstiffened).....		1.11¼
Difference (per dozen).....		.73
3-ounce, 500 dozen daily:		
American labor (stiffened).....		1.85
Italian labor ¹ (unstiffened).....		1.11¼
Difference (per dozen).....		.73¼

¹ Italian labor, \$1.01¼; freight, \$0.10; total, \$1.11¼.

SCHEDULE C

[Basis: Production, 750 dozen per day (5 days a week), 195,000 dozen per annum; sales, 195,000 dozen per annum (2½ ounces, \$5.40 per dozen; 3 ounces \$6.48 per dozen); expenses, 195,000 dozen per annum]

	Stiffened body	
	2½-ounce	3-ounce
Manufacturing materials.....	\$39,000	\$39,000
Shipping expense (labor).....	4,875	4,875
Shipping cases (materials and labor).....	6,360	7,905
Direct manufacturing—labor.....	195,000	195,000
General supervision.....	3,900	3,900
Power (labor).....	5,304	5,304
Light and power (fuel, etc.).....	24,375	24,375
Taxes (State franchise).....	527	632
Taxes (city).....	4,100	4,100
Insurance (fire, etc.).....	1,300	1,300
Insurance (workmen's compensation).....	1,405	1,405
Depreciation.....	8,750	8,750
Factory and machinery repairs.....	7,500	7,500
Salaries (general).....	18,000	18,000
Telephone and telegraph.....	1,200	1,200
Office supplies.....	1,800	1,800
Traveling expenses.....	2,000	2,000
Audit expense.....	750	750
Incoming freight and express.....	1,250	1,250
Total.....	327,396	329,046

2½-ounce, 750 dozen daily:		
American labor (stiffened).....		\$1.69
Italian labor ¹ (unstiffened).....		1.11¼
Difference (per dozen).....		.56¾
3-ounce, 750 dozen daily:		
American labor (stiffened).....		\$1.69
Italian labor ¹ (unstiffened).....		1.11¼
Difference (per dozen).....		.57¾

SCHEDULE D

[Basis: Production, 1,000 dozen per day (5 days a week), 260,000 dozen per annum; sales, 260,000 dozen per annum (2½ ounces, \$5.40 per dozen; 3 ounces, \$6.48 per dozen); expenses, 260,000 dozen per annum]

	Stiffened body	
	2½-ounce	3-ounce
Manufacturing materials.....	\$52,000	\$52,000
Shipping cases (materials and labor).....	9,000	10,500
Shipping expense (labor).....	6,500	6,500
Direct manufacturing—labor.....	260,000	260,000
General supervision.....	3,900	3,900
Power (labor).....	5,304	5,304
Light and power (fuel, etc.).....	26,000	26,000
Taxes (State franchise).....	702	843
Taxes (city).....	4,100	4,100
Insurance (fire, etc.).....	1,300	1,300
Insurance (workmen's compensation).....	1,775	1,775
Depreciation.....	8,750	8,750
Factory and machinery repairs.....	10,000	10,000
Salaries (general).....	18,000	18,000
Telephone and telegraph.....	1,500	1,500
Office supplies.....	2,400	2,400
Traveling expense.....	2,500	2,500
Audit expense.....	750	750
Incoming freight and express.....	1,500	1,500
Total.....	415,981	417,622

2½-ounce, 1,000 dozen daily:		
American labor (stiffened).....		\$1.60
Italian labor ¹ (unstiffened).....		1.11¼
Difference (per dozen).....		.48¾
3-ounce, 1,000 dozen daily:		
American labor (stiffened).....		1.61
Italian labor ¹ (unstiffened).....		1.11¼
Difference (per dozen).....		.49¾

¹ Italian labor, \$1.01¼; freight, \$0.10; total, \$1.11¼.

SCHEDULE E

Weight of bodies	Purchase price per kilo	Basic price per pound	European price per dozen	Duty 40 per cent plus 24 cents per pound	Charges	Landed cost
2¼ ounces, 1¾ pounds.....	\$2.75	\$1.25	\$2.34	\$1.39	\$0.15	\$3.88
2¾ ounces, 2¼ pounds.....	2.75	1.25	2.58	1.53	.15	4.26
3 ounces, 2¼ pounds.....	2.75	1.25	2.81	1.66	.15	4.62
3¼ ounces, 2¾ pounds.....	2.75	1.25	3.05	1.81	.15	5.01
3½ ounces, 2¾ pounds.....	2.75	1.25	3.28	1.94	.15	5.37

SCHEDULE F

2¼ ounces, 1¾ pounds.....	\$4.20	\$1.90½	\$3.57	\$1.88	\$0.15	\$5.60
2¾ ounces, 2¼ pounds.....	4.20	1.90½	3.93	2.08	.15	6.16
3 ounces, 2¼ pounds.....	4.20	1.90½	4.29	2.26	.15	6.70
3¼ ounces, 2¾ pounds.....	4.20	1.90½	4.64	2.44	.15	7.23
3½ ounces, 2¾ pounds.....	4.20	1.90½	5.00	2.63	.15	7.78

SCHEDULE G

Weights	Price per pound	Price per dozen	Duty: 2½ ounces, 50 per cent and 27 cents; above 2½ ounces, 40 per cent and 27 cents	Charges	Landed cost	Merri-mac cost, allowing for 75 cents per dozen profit
2¼ ounces, 1¾ pounds.....	\$1.45	\$2.72	\$1.87	\$0.10	\$4.69	-----
2¾ ounces, 2¼ pounds.....	1.45	2.99	1.75	.10	4.84	\$5.17
3 ounces, 2¼ pounds.....	1.45	3.26	1.91	.10	5.27	-----
3¼ ounces, 2¾ pounds.....	1.45	3.54	2.07	.10	5.71	6.25
3½ ounces, 2¾ pounds.....	1.45	3.81	2.23	.10	6.14	-----

SCHEDULE H

2¼ ounces, 1¾ pounds.....	\$1.60	\$3.00	\$2.01	\$0.10	\$5.11	-----
2¾ ounces, 2¼ pounds.....	1.60	3.30	1.88	.10	5.28	\$5.17
3 ounces, 2¼ pounds.....	1.60	3.60	2.05	.10	5.75	-----
3¼ ounces, 2¾ pounds.....	1.60	3.90	2.22	.10	6.22	6.25
3½ ounces, 2¾ pounds.....	1.60	4.20	2.39	.10	6.69	-----

SCHEDULE I

2¼ ounces, 1¾ pounds.....	\$1.75	\$3.28	\$2.15	\$0.10	\$5.53	-----
2¾ ounces, 2¼ pounds.....	1.75	3.61	1.98	.10	5.69	\$5.17
3 ounces, 2¼ pounds.....	1.75	3.94	2.18	.10	6.22	-----
3¼ ounces, 2¾ pounds.....	1.75	4.27	2.36	.10	6.73	6.25
3½ ounces, 2¾ pounds.....	1.75	4.59	2.54	.10	7.23	-----

SCHEDULE IA

2¼ ounces, 1¾ pounds.....	\$1.90	\$3.57	\$2.30	\$0.10	\$5.97	-----
2¾ ounces, 2¼ pounds.....	1.90	3.93	2.13	.10	6.16	\$5.17
3 ounces, 2¼ pounds.....	1.90	4.20	2.33	.10	6.72	-----
3¼ ounces, 2¾ pounds.....	1.90	4.64	2.52	.10	7.26	6.25
3½ ounces, 2¾ pounds.....	1.90	5.00	2.71	.10	7.81	-----

We have only added 10 cents per dozen for expenses, though 15 cents is correct.

SCHEDULE J

Weights	Price per pound	Price per dozen	Duty: 2½ ounces, 60 per cent and 27 cents; above 2½ ounces, 50 per cent and 27 cents	Charges	Landed cost	American manufacturer's cost
2½ ounces, 1¾ pounds.....	\$1.25	\$2.34	\$1.91	\$0.10	\$4.35	\$4.25
2¾ ounces, 2¼ pounds.....	1.25	2.53	1.85	.10	4.53	-----
3 ounces, 2¼ pounds.....	1.25	2.81	2.02	.10	4.93	4.75
3¼ ounces, 2¼ pounds.....	1.25	3.05	2.19	.10	5.34	-----
3½ ounces, 2¾ pounds.....	1.25	3.28	2.35	.10	5.73	-----

SCHEDULE K

2½ ounces, 1¾ pounds.....	\$1.35	\$2.53	\$2.03	\$0.10	\$4.60	\$4.25
2¾ ounces, 2¼ pounds.....	1.35	2.79	1.95	.10	4.84	-----
3 ounces, 2¼ pounds.....	1.35	3.04	2.13	.10	5.27	4.75
3¼ ounces, 2¼ pounds.....	1.35	3.29	2.30	.10	5.69	-----
3½ ounces, 2¾ pounds.....	1.35	3.54	2.49	.10	6.13	-----

We have only added 10 cents per dozen for expenses, though 15 cents is correct.

Respectfully submitted.

AMERICAN ASSOCIATION OF FELT AND STRAW GOODS IMPORTERS,
By MAURICE POLLAK.

Henry Pollak (Inc.), Sydney Simmer (Inc.), Rosen-Brandt (Inc.), Salfelts, Arrow Hat Works, Adele Hat Co., A. Koenigsberg, Noble Hat Co., R. Belth Co. (Inc.), Rena Hat Co. (Inc.), Charles Rothenberg & Co. (Inc.), Chelsea Hat Co. (Inc.), Marigold Hat Co., O'Connell Hat Co., Henri Hat Co., Marcy Hat Co., Jay-Gee Hat Co., Early Hat Co., Robison & Appel, Sobel Bros., Frank P. Schell & Co., Colonial Hat Co., Rosen-Sussman, Feldman & Blank (Inc.), Novelty Hat Co. (Inc.), Adore Hat Co., Fairfield Hat Co., Kartiganer Bros., Louison Hat Co., Metro Hat Co., Burt Hat Co., Park Central Hat Co., Rolly Hat Co., Marwin Hat Co., American Bud Co., Alvy Hat Co., Consolidated Hat Co., D. Fagan & Sons, Harmony Hat Co. (Inc.), LaTour Hats (Inc.), Norma Hat Co. (Inc.), Quintette Hat Co. (Inc.), Skolnick-Schack Co. (Inc.), Federal Hats (Inc.), Kanrich & Feiner, all of New York City; Catalina Hats (Inc.), San Francisco, Calif.

DISTRICT OF COLUMBIA, ss:

Louis M. Cohn, being duly sworn, deposes and says that he is president of the American Association of Felt and Straw Goods Importers (Inc.); that he has read the foregoing brief and knows the contents thereof; that the facts therein set forth are true to the best of his knowledge, information, and belief.

LOUIS M. COHN.

Subscribed and sworn to before me this 26th day of June, 1929.

[SEAL.]

RUTH C. ROWE,
Notary Public.

STATEMENT OF LOUIS W. STOTESBURY, NEW YORK CITY, REPRESENTING THE WOOL FELT HAT MANUFACTURES

(The witness was duly sworn by the chairman of the subcommittee.)
Senator BINGHAM. You represent the wool felt hat manufacturers?

Mr. STOTESBURY. I represent certain of them. I will just read off the names.

Senator BINGHAM. You represent the other side of this picture?

Mr. STOTESBURY. Yes, sir. I represent Adamstown Hat Co., (Inc.), Adamstown, Pa.; George W. Bollman & Co., Adamstown, Pa.; Bradford Hat Co., Haverhill, Mass.; Dutchess Hat Works, Beacon, N. Y.; F. & M. Hat Co., Denver, Pa.; Merrimac Hat Corporation, Amesbury, Mass.; Henry R. Miller Co., Reading, Pa.; Mohn Bros. Co. (Inc.), Reading, Pa.; Edwin S. Pickert Co., Foxboro, Mass.; Matteawan Manufacturing Co., Beacon, N. Y.; Hendel Hat Co., Reading, Pa.; C. F. Kessler & Co., Reading, Pa.

They are the 12 manufacturers for whom I first undertook the study of this matter in the latter part of the year 1927.

Senator GEORGE. Do they constitute all the manufacturers?

Mr. STOTESBURY. According to the report of the Department of Commerce they account for 17 for 1927. I know of two others. One is represented here himself, and I know of another concern. That would make 14; but the other 3 I can not locate.

But it appeared in the latter part of 1927 that something was the trouble with the wool felt hat industry. It is an old industry in the United States, dating back to 1850.

Perhaps I should mention that besides representing these concerns as an attorney, through my family I have an interest in the Dutchess Hat Works at Beacon, N. Y., so that my interest is more than a professional interest.

So I undertook at that time to study the situation. It appeared that all statistics in regard to the industry prior to the year 1927 were concealed under the general classification of wearing apparel, and it was only by reason of apparent increases, perhaps, in the proportion of wool felt hats and wool felt hat bodies that the department had, of its own motion at the beginning of 1927, begun a separation of the record, so that we have no statistical information that goes back of 1927, save as appeared in a report by the vice consul of the Milan district that was made in February, 1928, and he made a special report upon the industry, in which it was stated that imports of this commodity from Italy had jumped from 106,000 in 1924 to 4,000,000 in 1927.

At the beginning of 1928 the Department of Commerce established a further separation of the returns, so that for 1928 we have the hat body separated from the hat, so that statistics from that time on were obtainable.

As the result of that study that was made and the large difference in cost of production that appeared, just so that you may have in mind the various proceedings in the matter, there were in April, 1928, presented to the Tariff Commission studies in regard to the matter giving the foreign cost of production, showing Italy to be the principal competing foreign country, and an application was filed for action under the flexible clauses of the tariff act and an examination had been had at the several factories by representatives of the Tariff Commission, but no formal investigation had been ordered at the time Congress took up the study, and, so far as we know, further action at the time was suspended, and we went before the Ways and Means Committee bringing the information down to date and there filed a brief with the Ways and Means Committee besides the oral testimony.

This is from the records that were furnished at our request from the port of New York:

The first six months of 1927 imports from Italy to the United States amounted to 149,313 pounds. In the second six months of 1927 they jumped to 758,199 pounds, an increase in the second six months over the first six months of 400 per cent.

In the first six months of 1928 imports from Italy jumped to 1,917,036 pounds, an increase over the corresponding six months of 1927 of over 1100 per cent.

The first four months of 1929 the imports from Italy amounted to 1,099,077 pounds, a further increase over the first four months of 1928 of 40 per cent.

Imports for the year 1927 from Italy amounted to 984,474 pounds; in 1928 to 4,248,286 pounds, an increase for the year of 331 per cent.

The imports of this commodity from all countries during 1927 amounted to 1,757,833 pounds; in 1928, 5,345,439 pounds, an increase of 200 per cent in quantity and 163 per cent in value.

In a tabulation that was prepared by the American Tariff League giving a list of 66 commodities and a comparison of increases in imports for the first ten months of 1927 and 1928, the importation of wool felt hats and wool felt hat bodies led all other commodities by more than 100 per cent.

Perhaps I should have referred to the reasons given by the committee on Ways and Means for separating this section from the general wearing apparel or making a separate classification of the wool felt hat. The following reasons were stated:

On the basis of 1928 total imports for consumption of wool wearing apparel, not knit or crocheted, more than 78 per cent of the quantity and 60 per cent of the value constituted hats and hat bodies.

The second reason was that "the present duties levied upon hats and hat bodies are far from sufficient to equalize differences between domestic and foreign costs of production."

Domestic production in 1927 totaled about 7,356,000 units—

Senator SACKETT. What are units—single hats?

Mr. STOTESBURY. Yes, sir.

In 1928, 6,600,000, showing a decrease, at the time of the enormous increases in importations, in consumption of 10½ per cent.

The production in the first five months of 1927 amounted to 3,619,596 units; in the first five months of 1928, 498,091 pounds, or 3,183,244 units; and in the first four months of 1929, 2,492,328 units.

That is besides the decrease from 1927 to 1928 there has been a further decrease of 21 per cent shown by the comparison of the four months period of each year. Comparing the four months production in 1929 with 1927 there is a falling off in production of 31 per cent.

Senator BINGHAM. What do you say to the claim made by the previous witness that that is due largely to defective or old-fashioned machinery?

Mr. STOTESBURY. Mr. Chairman, that statement was made out of a clear sky, the witness who last addressed the committee having appeared after we had concluded before the Ways and Means Committee. But I can assure you that the domestic factories are equipped with the most up to date machinery and prepared to turn out a high character of product.

Senator BINGHAM. You are both testifying under oath. One says that they are equipped with the latest and most up to date machinery, and the other says they have got old-fashioned machinery. I suppose it is all a matter of opinion.

Senator SIMMONS. What do you say about his statement that this Massachusetts company is making enormous profits while the balance of you are not making any?

Mr. STOTESBURY. My friend who last testified before your committee made that statement before the House Ways and Means Committee, and he was asked:

Do you mean to say that the Merrimac Co. is producing a much higher quality hat body than this [indicating]?

Mr. COHN. Yes, sir.

At page 6521 Mr. Cohn was asked:

You have wanted us, as committeemen, to infer that this one prosperous concern, the Merrimac Hat Co., makes an article that is superior in the trade, comparable with your imported article, at 17 cents?

Mr. COHN. No, sir; I did not.

Mr. TREADWAY. You did not intend to infer that?

Mr. COHN. No, sir; I did not.

Mr. TREADWAY. Then, why bring them in as being prosperous?

Mr. COHN. Because 11 competitors, who are joining in the petition with them, are selling that other article at the same price as the Merrimac Hat Co.

Mr. TREADWAY. I see that, but it does not seem to me that you are using a fair illustration, because you yourself say that the Merrimac hat people are not making that article.

Mr. COHN. They make a better article.

The fact is that the Merrimac Hat Co. makes a fur-felt hat, which of course you understand is an entirely different product. They make a straw hat and they have advanced so that they have avoided, to an extent, competition from Italy. I do not know where Mr. Cohn got the information, but he makes the statement that they are producing 50 per cent of the American consumption. If that be a fact, you can see that with the amount of importation, the Merrimac taking 50 per cent, it leaves little to go around among the other manufacturers; and the result has been that since this matter was first started the Hendel Hat Co. has closed down and gone out of business; the Henry R. Miller Co. has gone out of the finishing of hats.

Senator BINGHAM. You stated that their machinery was up to date in these other factories. When was it put in?

Mr. STOTESBURY. They have kept right up to the advance in the art. Last summer when the representatives of the Tariff Commission visited these factories I was asked to report there at the time, and I went around with them and I have since seen the photographs of the machinery that is used in the foreign mills and I have seen it here and I have been as yet unable to determine any difference in the machinery or in the art of hat making.

Senator SIMMONS. I understood the last witness to say, or at least to imply, that this Massachusetts concern was making the same hat that you are making, except that it is making probably a better hat, and it is of the same general design, the same general material, and that they are making 50 per cent of the total production of that article in the United States; that they are making a very large profit in competition with the Italian product, and that you, representing the other members who signed the petition, by reason of the

fact that your machinery was not up to date, your management probably not as efficient, were making probably no profit at all or very little profit as compared with the profit of the Massachusetts concern.

Do I understand you as saying that the Massachusetts concern is not making 50 per cent of the output of these hats; that it is not making the big profit that the last witness said it was making, and that you are making no profits?

Mr. STOTESBURY. I can say that the industry itself is making no profit, according to my information.

Senator SIMMONS. Do you include this mammoth concern in Massachusetts?

Mr. STOTESBURY. No, sir; I have not information as to that. It is news to me about what they are making. They did not make it in competition with this Italian product.

Senator SIMMONS. Why did they join in the petition, then?

Mr. STOTESBURY. They would not make that same hat; and whether they have succeeded here in making a better hat of this size or dimension and in making it out of fur, I do not know. My own impression was that they were making quite a distinct product.

Senator SIMMONS. In other words, you think that the Merrimac Co., if it is making the large profits that the last witness stated it was, is making them out of some other product than these particular kinds of hats?

Mr. STOTESBURY. Absolutely, Mr. Chairman.

Senator SIMMONS. That is some inference of yours, is it not? Have you any information about it? I do not think we want to have your speculation or your inferences. I think we want you to speak, if you are going to speak at all, as result of knowledge or of information based upon something that is substantial and reliable.

Mr. STOTESBURY. I will confine myself to that and show the difference in the actual cost of production of the comparable article and what provision has been made for it. It leads to irresistible inferences, but I will not indulge in them. All I hope to do is to present facts, and then we will see why it is impossible to compete with the foreign product.

Senator SIMMONS. Before you do that, I wish you would answer the question that I asked some time ago. In these other factories that you are more familiar with—not the Merrimac factory—when was their machinery installed? How long has it been since they bought any new machinery?

Mr. STOTESBURY. I think they have been buying machinery, if there is an improvement, right up to the last year.

Senator BINGHAM. You think so; but when was most of their machinery bought?

Mr. STOTESBURY. Mr. Bollman is here, and I think he had better answer that. He is a manufacturer. I know the Dutchess bought machinery in 1917 and 1918. There was an improvement in a form of bumper, and there has been some improvement in the form of the former on the carding machine. They have kept right up to date on that; and that is within the last—right up to 1926 and 1927.

Senator BINGHAM. Are you prepared to state under oath that the machinery used in making these hats, which is operated by the Merrimac Co., is no more up to date than that owned and operated by the other companies?

Mr. STOTESBURY. I am prepared to say that 90 per cent of it—there may be some special thing in there that I do not know about, but I have been unable to find it out. The representatives of the Tariff Commission were there, and I do not know a single thing—I have got pictures of the Merrimac processes and of the Dutchess shown there [indicating], and I can see no difference in the machinery.

Senator BINGHAM. With the committee's permission I will interrupt this witness a moment and call the other witness back and ask him what he meant by old-fashioned machinery.

(Witness temporarily withdrawn.)

ADDITIONAL STATEMENT OF LOUIS M. COHN

Senator BINGHAM. Mr. Cohn, on what did you base your statement about this old-fashioned machinery?

Mr. COHN. In the first place, I have been in one or two of the domestic factories myself.

Senator BINGHAM. Which ones have you been in?

Mr. COHN. E. S. Pickert and the Bradford Hat Co., four or five years ago. I am informed about the Merrimac, that theirs is entirely new, by Mr. Pollock, one of my colleagues in this association. Theirs is entirely new machinery. In addition, my colleague, Mr. Pollock, has been in negotiation with many of these domestic manufacturers in the past five years with the idea of buying some of them and has had all of the facts and figures presented to him with regard to their machinery with the idea of purchasing it. He is an importer, I will say.

Senator BINGHAM. What specific improvements in machinery have been made within the last ten years?

Mr. COHN. The very fact that a machine is new, a carding machine. I refer to particularly—the principal thing being the teeth on the wheels—if it is very old, if it has been used for a great many years, it is bound to be the fact that the teeth are worn out.

Senator BINGHAM. Do you have to buy a new machine to get new teeth, or do they put in new teeth like they do in people?

Mr. COHN. An old machine is highly inefficient. I would venture to say that of the 350 carding machines that are in the 24 Italian factories, nearly 275 have been purchased within the last nine years and the bulk of them within the last four years.

Senator BINGHAM. What is your information with regard to those two that you have visited?

Mr. COHN. The two that I visited and the rest I have been informed of by Mr. Pollock—

Senator BINGHAM. Never mind about what you have been informed. When was the machinery bought?

Mr. COHN. Much of it was used in 1898 and 1910. I was there in Haverhill myself.

Senator BINGHAM. They are still using it?

Mr. COHN. Yes, sir.

Senator SIMMONS. You said that you had some data there with regard to the machinery.

Mr. COHN. I thought so, but I do not see the data of the machinery.

Senator SIMMONS. Is the gentleman that you spoke of a while ago your partner?

Mr. COHN. He is a competitor of mine. He was the gentleman who was listed to speak. I came here on a day's notice to speak in his place.

I want to offer a statement furnished by R. G. Dun & Co. on the Merrimac Hat Manufacturing Co.

Senator BINGHAM. It may be filed with the clerk.

STATEMENT OF LOUIS W. STOTESBURY—Resumed

Senator BINGHAM. What do you say to that, General Stotesbury?

Mr. STOTESBURY. I say that the statement as to what he himself says—it is only imagination. The machines have not changed in type; but that they have been allowed to get into disrepair, I deny. I say that the type of carding machine that is shown on that photograph there [exhibiting] is the latest thing in the art of carding machinery, according to my information, and that they have been kept in perfect condition. There is no fault in the character of machinery used. It has been a condition of labor comparison between this country and abroad that has made this, possibly.

If you will notice, there are some 14 or 15 operations in the making of the hat body from the raw wool material, and a large percentage of it is in the hand labor; and the statement that was made that it was the machinery that enabled them to use a different grade of material is not correct, according to my information; that they can take an inferior grade of wool or noils and by a hand treatment of that, by specking, and so forth, which is so much cheaper, that they can perhaps use an inferior grade and get a better result—

Senator BINGHAM. One more question before you go on. Are you prepared to tell us about the business of the Merrimac Hat Co., what proportion of it is in fur hats, what is in straw hats, and what is in wool felt hats?

Mr. STOTESBURY. I am not, Mr. Chairman.

Senator BINGHAM. Can you get that information for us?

Mr. STOTESBURY. Yes, sir.

Senator BINGHAM. We would like to have it, because I have been furnished with a statement by a reputable mercantile house as to the state of their books and the state of their business, and if it is going to mean anything we have got to know what proportion of their business is wool felt hats and what proportion is something else.

Senator SIMMONS. If they are making half of the output of these felt hats they must be kept pretty busy making all felt hats.

Mr. STOTESBURY. I understand they have been busy. They have, as is well recognized, a very splendid selling organization, too. But if it is anything like the others, from what I know of these other concerns—the Dutchess, I know, has lost a very large amount of money in the last three years.

I want to go on, if I may, and show the manner in which this provision that is included in the present proposed bill was worked out.

Senator SACKETT. Will you tell us, first, what proportion of the total required by the American manufacturer of hats is furnished by your mills?

Mr. STOTESBURY. In 1927 the American mills furnished 45 per cent of the total consumption. In 1928 the imported article constituted over 80 per cent of the total domestic consumption.

Senator SACKETT. The difference was made in the amount of demand, I suppose. The American mills furnished the same quantity in 1928, did they not?

Mr. STOTESBURY. Oh, no. They went down 10½ per cent. They went down from 7,356,000 to 6,600,000.

Senator SACKETT. Are they prepared to furnish the total requirements?

Mr. STOTESBURY. They are prepared to furnish, without any overtime, 25,000,000 units. The total consumption ran up to 33,000,000 units, so that on a fair basis of competition it still leaves a reasonable margin to be supplied by a suitable imported article, but they ought to come in on a basis so that the domestic manufacturer can compete on a fair basis and not under the differences which I will show you exist.

The consumption increased from 15,831,000 units in 1927 to 33,952,116 in 1928. That was over a hundred per cent. It would seem our production was falling off as indicated; 93.82 per cent of the quantity and 90.24 per cent of the value came in under that lowest product. That is valued at less than \$2 per pound. In addition to what went into consumption of this imported product the reports secured through the department show that in October, 1923, there were 4,866,000 hat bodies, valued at \$1,063,000, in warehouses ready for immediate release.

The evidence presented to the Tariff Commission and at the hearing before the Ways and Means Committee established the actual cost of production in the United States in that depleted condition under which they were operating, from 37 to 43 per cent at \$2.70 per pound and \$5.08 per dozen.

The cost of production in Italy, there having been no specific investigation to determine that, had to be worked out in various different ways. The consular report already referred to, that of Vice Consul Jaeckel, showed that these Italian hat bodies were selling at wholesale in Italy—Monza was the center of the industry—at \$1.18 a pound. The highest valuation that was put upon the product by the examiners in the port of New York during January, 1928, was \$1.29 a pound; in July it ran as high as \$1.38; in September, \$1.29 per pound; and in November \$1.20 per pound. The average, I think, was \$1.29.

Senator SACKETT. I have a great deal of difficulty in following you because you switch away from dozens to units and units to pounds, and I will be switched if I can tell which you are talking about. I am trying to follow you, but there is that difficulty.

Mr. STOTESBURY. I will be very careful about that, Senator. This valuation was the valuation per pound. In stating the cost of production abroad determined in these various manners I stated it both in pounds and in dozens, but I will be careful to designate it when I refer to it again.

So that by the consular reports stripped back to cost of production by methods that are referred to in the tariff act, by the valuation that was placed upon the product in the port of New York on entry and by the selling prices in the wholesale market in this country stripped back to cost of production, the Italian valuation was placed at \$1.10 per pound or \$2.06 per dozen.

So that the actual difference in cost of production, while the American mills were operating at their reduced capacity was \$1.60 per pound or \$3.02 per dozen.

The duty collected at that time and on that valuation was 79 cents per pound or \$1.49 per dozen, leaving a difference in cost of production not equalized by the tariff under the Act of 1922 of 81 cents per pound or \$1.53 per dozen.

It was computed that on an increased capacity—that is, if the domestic mills could be operated at a 75 per cent of capacity operation instead of a cost of \$2.70 per pound, or \$5.08 per dozen—the cost of production in the United States should be \$2.48 per pound or \$4.65 per dozen; and that was taken as the basis of comparison rather than the actual figures that were presented.

Senator SACKETT. Is this for the same comparable quality of hat?

Mr. STOTESBURY. Absolutely. That was taken on the basis of a 2½ ounce body.

Senator SACKETT. Is that made in the two countries of the same kind of material, or is one made of wool and shoddy and the other made of wool?

Mr. STOTESBURY. No; they are all made of wool and noils.

Senator SACKETT. You heard the last witness say that the machinery here could not work the kind of noils that they work there?

Mr. STOTESBURY. Yes. That I have positive information is not so, that the effect is in what they are able with a cheaper grade of wool by a picking process, or something of that kind, to do. When the body is made it is a comparable article. It is only the treatment of the product.

Senator SACKETT. Do you think that a duty ought to be levied to cover their ability to use a certain class of material that our ability will not let us use, or do you think that a duty should be limited to cover difference in the labor cost of production and overhead costs?

Mr. STOTESBURY. The difference in the labor cost and cost of production. I am willing to stand for that. But this difference is a labor item.

Senator SACKETT. Not entirely, according to your statement, is it?

Mr. STOTESBURY. As I understand it. I think there is no difference in the character of wool and noils except what is in it—

Senator SACKETT. That is all the difference there could be, what is in it.

Mr. STOTESBURY. They have the method over there where they employ little children who pick out the specks and do that kind of thing that we would employ grown up people for, which would cost us much more; and by the use of a higher grade wool that makes a different element of cost where we could not use the man-labor at all.

Senator SACKETT. That is not taken care of by any effective machine?

Mr. STOTESBURY. No; it is all hand work.

Senator BINGHAM. How long since you made any money in this factory?

Mr. STOTESBURY. It lost \$300,000 and shut up.

Senator BINGHAM. It is closed, now, is it?

Mr. STOTESBURY. The finishing and trimming part. They are going to make bodies.

Senator SACKETT. It is bodies that we are talking about. They are not closed on that, are they?

Mr. STOTESBURY. No.

I will tell you what the effect of this importation has been. My friend referred to it. He said he did not know how many were employed in making the finished hat. It was referred to by one of the witnesses this morning who said that in view of the cheaper production abroad they might be forced to go over and get something abroad because that part of it they could get cheaper. The effect of this Italian hat body has been that whereas in the old days the hat manufacturers started with the wool and turned out a finished hat in numerous small places, a pulling and stamping machine would take this hat and convert it into the finished hat. They would not be deprived of any employment. They used to buy a reasonable amount of those from the American producer, but now they do not buy any of them from the American producer; they get the foreign body and work with that. It would not change the nature of the employment, but they would get their product from the American mills made by American labor instead of buying the imported.

Senator BINGHAM. How much more time do you need?

Mr. STOTESBURY. Just five minutes.

The difference in cost of production when we were brought down to 75 per cent amounted to \$1.38 per pound and \$2.59 per dozen.

The duty provided by the House bill began with \$1.18, which was the wholesale price in Italy in 1927, and then \$1.29 which was the average of 1928, and \$1.38 which was the highest during the year 1928, and the average duty would amount to \$2.55 as against the difference in cost of production of \$2.56.

It may be only a coincidence that that worked out on the basis of equality, because by the same act these added duties were put on noils and carbonized wool and it might very well be, and I suppose must be, assumed that when the House provided that they not only based it upon our figures of difference in cost of production but allowed the added compensatory rate for what they were adding to wool and noils, and it happens that on the average it just offsets by about 1 cent that difference we had shown.

Senator GEORGE. What have you to say about the 25 cents there for the pulled body?

Mr. STOTESBURY. That process is shown here [indicating photograph]. After a body is tip-stretched, as it is called, by this process, it is smoothed out. That is not a pulling process. The pulling process is that which converts the hat into a body shape, a head size; and the intention of the provision of the act, in the words "pulled, stamped, blocked, or trimmed"—it was an advance beyond the body type. This body is placed over a block, a head size block, and being pulled down, is shaped to that block, so that that body, if they are permitted to bring it in in that shape, accomplished by the process of pulling or blocking or stamping, can be sent directly to the retail milliner and sold as a hat.

Senator SACKETT. What does it cost to do that?

Mr. STOTESBURY. My information is that that process alone costs 50 cents.

Senator SACKETT. You heard the other witness say—

Mr. STOTESBURY. Yes; I heard what he said.

Senator BINGHAM. Fifty cents a dozen?

Mr. STOTESBURY. No; I mean a hat.

I had better withdraw that. That particular process is this so-called pulling down. If we go beyond the body shape on that, this is the thing that would attack that entire industry, the finishing up of the hat bodies, because if they can bring in a body that is pulled it is in shape to be just cut and put on a woman's head.

Senator SACKETT. You are not an expert on the cost of that?

Mr. STOTESBURY. No; I am not.

Senator SACKETT. I think we had better hear some one else on that.

Mr. STOTESBURY. I think you know friend Pollock tried to start up a clamor in regard to that process. Well, the two millinery associations have asked to be permitted to join in the brief. There was a letter that was written by the retail milliners' association which is intended for this committee [producing a paper]. Will the chairman take it?

Senator SIMMONS. Are you going to put the letters into the record?

Senator BINGHAM. That was not my intention.

Senator SIMMONS. What is the use of having prepared statements and briefs and swearing the witnesses?

Senator BINGHAM. If this letter is to be put in the hearing it must be in the form of an affidavit. If you wish it filed with the clerk, that is one thing. If you want it put into the hearings, it must be in the form of an affidavit.

Mr. STOTESBURY. May I say just a few more words? I want to refer to a letter which was submitted, referring to the cost of the trimmed hat. The letter appears in the record, with regard to certain invoices from England and Italy, and it demonstrates very well the difference that existed at that time between the two countries. Two invoices were coupled. The value placed upon the hats imported from England in January, 1928, was \$5.86, whereas importations from Italy of hats of wool felt were valued at \$3.64. In this letter, without designating, he coupled invoices from Italy and England and drew certain conclusions from them. But it means nothing when the value is put on these finished hats. It was only \$3.64 from Italy at that time.

Senator BINGHAM. Is that all?

Mr. STOTESBURY. I would like to leave the brief with the clerk; and if I can leave with you also a copy of the petition that was filed with the Tariff Commission I should like to do so.

Senator SACKETT. What good is it to print them?

Senator BINGHAM. No; they are not going to be printed in the record. They may be filed with the clerk.

(Mr. Stotesbury submitted the following brief:)

BRIEF OF WOOL-FELT HAT MANUFACTURERS

WOOL-FELT HATS AND WOOL-FELT HAT BODIES

In the matter of wool-felt hats and wool-felt hat bodies classified in the tariff act of 1922 under Schedule 11, wool and manufacturers of; paragraph 1115, clothing and articles of wearing apparel of every description, not knit or crocheted, manufactured wholly or in part, composed wholly or in chief value of wool. In the proposed tariff bill of 1929 (H. R. 2667), under a separate classification designated paragraph 1115 (b) as follows:

"(b) Bodies, hoods, forms, and shapes, for hats, bonnets, caps, berets, and similar articles, manufactured wholly or in part of wool felt, 40 cents per pound and 75 per centum ad valorem; and, in addition thereto, on all the foregoing, if pulled, stamped, blocked, or trimmed (including finished hats, bonnets, caps, berets, and similar articles), 25 cents per article."

REPORT ON THE TARIFF READJUSTMENT, 1929

In the report from the Committee on Ways and Means accompanying H. R. 2667, general reasons for the readjustment were indicated as follows:

"REASONS FOR THE READJUSTMENT

"Since 1922 conditions in business, in industry, and in agriculture have materially changed. New products have been added to the list, improved machinery has been adopted both here and abroad, foreign competition has attacked production in new ways, and new lines of products are being manufactured destined primarily for the American market.

"New competitors have entered the field seeking markets in the United States and the competition has been vigorous and insistent. Two of the countries whose newer development has been important are Italy and Czechoslovakia.

"The labor cost in production is an essential factor. The average rate of wages abroad is 40 per cent or less than that in the United States. While the effectiveness of foreign labor is increasing, their wage scales have not increased in proportion. This creates a serious situation not only to the manufacturer but to the laborer. It is the desire in the United States to maintain wages consistent with the American standard of living. The opportunity of labor to secure employment and of the employer to pay wages depends upon the ability of industry to market its products. Naturally, foreign products seek our market because it is a cash market. Being enormous in size and varied in demand, it absorbs products in great variety.

"Speaking generally, values represented in invoices should be multiplied by three to represent American values. Imports and exports under the act of 1922 have been twice those for the years under the Underwood tariff exclusive of the war and immediate postwar years. The protective policy, which has resulted in increased prosperity in this country, has increased the value and desirability of American trade. The protective policy does not exclude and is not intended to exclude foreign products from our markets, but does propose that such products should not come into this country to the detriment of the American producers and wage earners. Moreover, it can be safely stated that under the protective system domestic competition more than foreign imports is the most important factor in regulating prices which consumers in this country pay for the products they consume. Imported articles are sold here at whatever prices may be obtained, irrespective of the cost of producing such products abroad. They may be offered at prices a little below those of competing American products, in order to obtain control of the market. Also they are sold at prices greatly in excess of the foreign cost, because buyers are unaware of the great profits being made on them, or because of representations made that they are imported articles with the inference that they are therefore better.

PURPOSES OF BILL

"The duties provided in the bill are intended to adjust the differences in competitive conditions at home and abroad, based upon our experience under the existing tariff law. It is intended to maintain confidence, encourage industry, foster agriculture, provide employment for our 27,000,000 of wage earners, and promote the continuance of our great and unusual prosperity. The bill proposes such changes in the existing law as careful and extended investigation has found necessary to maintain the American standards. Foreign competitors have an uncanny aptitude for discovering what goods, wares, and commodities are insufficiently protected, and attacking them. Foreign labor is becoming more efficient; it receives less than 40 per cent of average American wages; it lives on a much lower standard. This is a most important factor in tariff making."

All of the considerations referred to in the foregoing general and preliminary statement, as it is called by the committee, apply with peculiar force and pertinency to the conditions which were shown to exist in the wool-felt-hat industry.

The wool-felt-hat industry offers a striking example of the "uncanny aptitude" of the foreign competitors to attack the insufficiently protected commodity.

Importations of wool felt hats and wool felt hat bodies from Italy, the principal competing foreign country, jumped from 149,313 pounds valued at \$228,062, during the first six months of 1927, to 758,199 pounds, valued at \$1,235,864, during the last six months of that year, an increase in both value and amount of more than 400 per cent. In 1928 importations from Italy of hats and hat bodies reached 4,248,286 pounds, valued at \$6,069,551, a further increase of more than 300 per cent over 1927. (Importations from all countries increased 236 per cent.) And the first four months of 1929 show increases in importations from Italy of 45 per cent over the corresponding four months of 1928.

When it is realized that total domestic consumption of this product increased from approximately 15,000,000 units in 1927 to more than 36,000,000 units in 1928, that imports constituted about 55 per cent of the total domestic consumption in 1927 and more than 84 per cent in 1928 and that for the first five months of 1929 the ratio of imports to consumption is still greater, and that domestic production decreased during the same period over 32 per cent, some idea may be gained of the magnitude of the special attack on this industry.

It is the outstanding example of the necessity for revision indicated by the President to the Congress on April 16, 1929, in which the President said:

"It would seem to me that the test of the necessity for revision is in the main whether there has been a substantial slackening of activity in an industry during the last few years and a consequent decrease of employment due to insurmountable competition in the products of that industry."

In a bulletin prepared by the American Tariff League, in November, 1928, containing a list of 66 commodities with a comparative statement of the value and quantity of importations for the first 10 months of 1927 and 1928, the wool-felt hat bodies led all other items in percentage of increase of importations during that period by over 200 per cent.

In particular reference to the wool-felt hat and body schedule, the changes made and the reason and justification for such changes, the subcommittee to which the schedule was assigned presented with the proposed new classification and schedule, the following report:

"Paragraph 1115: The committee has made a change in the compensatory duty on clothing proportionate to the change made in the duty on wool. No change is made in the protective rates except for wool-felt hats and bodies which are specifically provided for.

"The principal reasons for dividing this paragraph into two parts with different rates of duty for each section are: (1) On the basis of 1928 total imports for consumption of wool wearing apparel, not knit or crocheted, more than 78 per cent of the quantity and 60 per cent of the value constituted hats and hat bodies, and (2) the present duties levied upon hats and hat bodies are far from sufficient to equalize differences between domestic and foreign costs of production. The Tariff Commission has made no costs-of-production investigation here and abroad relative to women's hat bodies of wool-felt, but in the brief submitted at the tariff hearings on February 7, 1929, by the domestic manufacturers, the foreign (Italian) cost of production of 2½-ounce women's hat bodies during 1928 was estimated at \$1.10 per pound or \$2.06 a dozen, as compared with \$2.70 a pound or \$5.08¹ a dozen for comparable articles made by domestic manufacturers. The brief states also that it costs in the United States at least 50 cents to convert each hat body into a finished hat. It is proposed that a rate of duty of 25 cents be levied upon each article advanced beyond the hat-body condition. This 25 cents is, of course, additional to the rates of duty levied upon the hat body.

¹ In the original print of the report the cost of production per dozen was through typographical error stated to be \$4.08 per dozen instead of \$5.08 as was shown in the brief, exhibits, and testimony. Attention was called to the error and in reprints of the report (H. Rept. No. 7) the error was to be corrected. The cost of production of the Italian 2½-ounce women's wool felt hat body during 1928 was established by various sources of information and methods of computation to be not over \$1.10 per pound or \$2.06 per dozen. A consular report prepared by Vice Consul Huddleston, February 1 to 10, 1928, established the wholesale selling price in Italy as about \$1.18 per pound allowing an 8 per cent profit showed the manufacturing price not over \$1.10 per pound. This was confirmed by the valuations placed on the merchandise by the Examiner at the port of New York on the basis of foreign selling prices and by the wholesale market prices in the New York market during the same period—so while it is true that the Tariff Commission had made no formal costs-of-production investigation here and abroad relative to women's hat bodies of wool felt, the evidence had been presented to the Tariff Commission in April, 1928, in an application for an investigation under Title III, section 315, of the tariff act of 1922, and the estimates shown in the brief presented to the Committee on Ways and Means were based thereon, and so far as the figures could be checked without the formal investigation contemplated by the tariff act.

"In 1928 imports of hats and hat bodies amounted to 4,760,749 pounds, valued at \$7,442,151. This was an increase of about 235 per cent in quantity and 194 per cent in value over the corresponding figures for 1927. More than 95 per cent of the total hats and hat bodies imported in 1928 were women's hat bodies; the latter amounting to about 30,000,000 units. Although the domestic mills are equipped to produce about 25,000,000 units, if they were running at 75 per cent capacity, only 6,500,000 were made during that year. It is estimated that about 82 per cent of the total domestic consumption of women's hat bodies of wool felt in 1928 were imported.

"Under the present law different compound rates of duty are levied upon three value classifications, these rates applying equally to both hat bodies and hats made from hat bodies. It was decided by the committee that a specific duty be levied upon a finished product in addition to one compound rate to cover all hat bodies, or similar unfinished hats."

The Committee on Ways and Means assigns as the principal reasons for dividing the former paragraph 1115 into two parts, with different rates of duty for each section, that—

"(1) On the basis of 1928 total imports for consumption of wool wearing apparel, not knit or crocheted, more than 78 per cent of the quantity, and 60 per cent of the value, constituted hats and hat bodies; and

"(2) The present duties levied on hats and hat bodies are far from sufficient to equalize differences between domestic and foreign costs of production."

Under the tariff act of 1922, wool hats and wool hat bodies were classified under the general head "Clothing and articles of wearing apparel of every description, not knit or crocheted, manufactured wholly or in part, composed wholly or in chief value of wool."

Import statistics for hats and hat bodies of wool felt were not separately recorded until 1927. Up to that time they were generally recorded and classified simply as "wearing apparel." On January 1, 1928, a further separation was made in the statistical schedule, under which separate statistical records were maintained for hats and hat bodies of wool felt.

The following table is to show the importations of wool wearing apparel, exclusive of hats and hat bodies of wool felt, during the years 1927 and 1928:

Wool wearing apparel, not knit, and hats and hat bodies of wool-felt—General imports, by countries, 1927 and 1928

Imported from—	Wool wearing apparel, not knit, exclusive of hats and hat bodies of wool-felt		Hats and hat bodies of wool-felt	
	Quantity	Value	Quantity	Value
Calendar year 1927:	<i>Pounds</i>		<i>Pounds</i>	
United Kingdom.....	857,565	\$3,433,639	113,872	\$230,564
France.....	156,194	925,050	254,360	535,767
Germany.....	300,657	649,352	95,029	195,473
Czechoslovakia.....	237,493	609,677	248,946	533,047
Italy.....	1,753,100	2,680,291	954,474	1,483,424
Other countries.....	156,936	539,475	61,152	143,943
Total.....	3,461,915	8,848,084	1,757,833	3,122,218
Calendar year 1928:				
United Kingdom.....	538,057	2,445,054	170,224	329,102
France.....	97,940	781,891	497,090	972,582
Germany.....	110,432	271,866	113,860	208,246
Czechoslovakia.....	90,032	229,123	237,887	522,486
Italy.....	354,613	511,167	248,286	6,069,551
Other countries.....	249,644	774,456	58,062	122,264
Total.....	1,440,718	5,013,557	5,345,439	8,222,221

This tabulation shows that general importations of wearing apparel exclusive of hats and hat bodies, decreased from 3,461,945 pounds in 1927 to 1,440,718 in 1928, or a decrease of 58 per cent.

During this same period imports of hats and hat bodies of wool felt increased from 1,757,833 pounds in 1927 to 5,345,439 in 1928, an increase of over 200 per cent.

Of this tremendous increase in 1928, Italian importations comprised 79 per cent of the total quantity imported and close to 74 per cent of the total value.

From the schedule incorporated in the brief submitted to the Committee on Ways and Means, a copy of which is hereto attached (pp. 12 to 15), it appears that—

In 1927 approximately 8,475,000 hat bodies came into the United States, while for the first 11 months of 1928 about 26,000,000 were entered. This shows an increase in the first 11 months of 1928, as compared with the full year of 1927 of about 200 per cent.

Importations from Italy during the first six months of 1928, as compared with the first six months of 1927, showed an increase of more than 1,100 per cent.

Based upon imports during 11 months of 1928, 93.82 per cent of the quantity and 90.24 per cent of the value of wool felt hat bodies entered under the lowest tariff bracket, that is, valued at not more than \$2 per pound. Italy furnished approximately 83 per cent of the quantity, and 79 per cent of the value entered under that classification.

It is possible at this time to supplement the records so as to include the first four months of 1929, and a comparison of general imports by months of hat bodies of wool felt valued at not more than \$2 per pound during the first four months of 1928 and 1929 is as follows:

FROM ITALY ALONE

	1928			1929		
	Units	Pounds	Value	Units	Pounds	Value
January.....	649,728	101,631	\$150,320	1,638,964	268,276	\$340,864
February.....	847,200	130,986	160,066	1,573,464	244,121	318,927
March.....	1,734,612	284,644	396,999	1,698,684	264,380	339,578
April.....	1,615,284	252,908	357,457	2,120,508	322,300	454,392
Total.....	4,846,824	770,119	1,054,842	7,031,520	1,099,077	1,462,761

FROM ALL COUNTRIES

January.....	759,156	120,109	\$187,605	1,963,308	325,309	\$446,135
February.....	1,156,696	178,831	267,739	2,262,108	365,391	537,224
March.....	2,052,144	341,206	501,521	2,172,204	340,174	474,565
April.....	1,850,580	393,110	405,605	2,752,644	427,526	644,271
Total.....	5,818,476	943,256	1,362,470	9,150,264	1,458,400	2,102,295

The above figures show:

1. That the number of bodies imported from Italy, valued at not more than \$2 per pound, increased from 4,846,824 units for the first four months of 1928 to 7,031,520 units for the same period in 1929, or an increase of 45 per cent.

2. That the number of hat bodies imported from all countries, valued at not more than \$2 per pound, increased from 5,818,476 units for the first four months in 1928 to 9,150,264 units in 1929 for the same period, or an increase of 57 per cent.

Imports into the United States under all value classifications during the first four months of 1928 and 1929 have been as follows:

Hats and hat bodies of wool felt—General imports during the first four months of 1928 and 1929

Year	Hat bodies of wool-felt			Hats of wool-felt		
	Number	Pounds	Value	Number	Pounds	Value
1928.....	6,407,748	1,032,473	\$1,618,827	1,607,460	248,235	\$409,742
1929.....	9,570,192	1,534,641	2,279,914	556,548	88,084	186,311

The total hat bodies of wool felt imported into the United States during the first four months of 1929 shows an increase of 3,162,444 over the same period of 1928.

The 9,570,192 hat bodies of wool felt imported during the first four months of 1929 were larger than the domestic production for the entire year of 1928 by 1,287,596.

For the first four months of 1929 the domestic production of wool-felt-hat bodies was about 1,746,432 as compared with imports of 9,570,192, an increase of imports over domestic production of 7,823,760, or about 450 per cent.

PRODUCTION DURING THE SAME PERIOD

The following summary of information in regard to the manufacture of wool-felt hats and hat bodies is taken from page 37 of the Census of Manufactures, 1925, entitled "Wool Manufactures and Allied Industries," published by the Department of Commerce (1927).

Supplement by report for 1927 issued August, 1928

Year or period	Number of establishments	Wage earner's average	Wages	Cost of materials	Value of product
1927.....	17	\$2,185	\$2,284,018	\$4,784,575	\$9,381,645
1925.....	22	1,854	1,985,798	5,122,765	8,948,644
1923.....	21	1,950	2,004,774	4,457,010	8,643,217
1921.....	26	1,428	1,347,685	2,453,607	4,964,324
1919.....	40	1,447	1,837,777	3,699,822	6,759,652
1914.....	30	1,249	599,578	978,339	1,944,484

Accompanying the report for 1927 is the following explanatory note from the Department of Commerce:

"Revised. (Original report issued under date of August 1, 1928.)

"DEPARTMENT OF COMMERCE,
"Washington.

"CENSUS OF MANUFACTURES, 1927

"WOOL-FELT HATS

"WASHINGTON, D. C.—The Department of Commerce announces that, according to data collected at the biennial census of manufactures taken in 1928, the establishments engaged primarily in the manufacture of wool-felt hats in 1927 reported, for that year, products to the value of \$9,381,645.

"Of the 17 establishments reporting, 9 were located in Pennsylvania, 3 in New York, 2 in Massachusetts, 2 in New Jersey, and 1 in California. In 1925 the industry was represented by 22 establishments, the decrease to 17 in 1927 being the net result of a loss of 8 and a gain of 3. Of the 8 establishments lost to the industry, 1 had gone out of business prior to the beginning of 1927, 1 was idle throughout the year, 5 reported commodities other than wool-felt hats as their principal products and were therefore transferred to the appropriate industries, and 1 reported products under \$5,000 in value. (No data are tabulated at the biennial censuses for establishments with products under \$5,000 in value.)

"The statistics given in the table below are preliminary and subject to such correction as may be found necessary after further examination of the returns"

The following comparative statement is appended to the report:

	1927	1928	Per cent of increase or decrease (-)
Products, total value ¹	\$9,381,645	\$8,984,644	4.8
Wool-felt hats:			
Dozens.....	386,251	433,973	-11.0
Value.....	\$5,527,477	\$6,763,833	-18.3
Men's:			
Dozens.....	197,379	187,197	5.4
Value.....	\$3,203,105	\$3,552,896	-15.5
Women's and children's:			
Dozens.....	188,672	246,776	-23.5
Value.....	\$2,624,372	\$3,210,937	-21.4
All other products, value.....	\$1,119,881	\$1,261,001	-11.2
Horsepower.....	2,422	2,550	-5.0

¹ The amount of manufacturers' profits can not be calculated from the census figures for the reason that not data are collected in regard to a number of items of expense, such as interest on investment, rent, depreciation, taxes, insurance and advertising. This revision is due to the transfer of reports by manufacturers primarily engaged in the production of wool-felt hats from purchased bodies, from the "wool-felt hat" industry to the "millinery" industry.

The Hendel Hat Co., of Reading, Pa., organized in 1888, one of the original petitioners upon the application to the Tariff Commission, closed down in April, 1927. Dutchess Hat Works, of Beacon, N. Y., established in 1874, has just discontinued the operation of its finishing and trimming plant.

The evidence showed that during the years 1927 and 1928 the factories in the United States were operating on a basis of 37 to 43 per cent of normal capacity. The closing down and slowing up of these plants has affected the employment of hundreds of wage earners.

The domestic mills are all fully equipped with the most up-to-date machinery, and have the capacity for normal production of approximately 25,000,000 units annually.

According to the consular reports, reference to which is made in the brief submitted to the Committee on Ways and Means, and in the petition to the Tariff Commission, the factories at Monza, Italy, operate night and day to fill the orders for the United States market.

Fourteen domestic mills out of the total of 17 referred to in the Department of Commerce report for 1927 have an equipment of 155 carding machines, with an average capacity for carding 5.2 dozen hat bodies per hour per machine. Operating for 50 hours per week, for 50 weeks in the year, the output would amount to more than 24,000,000 units. It is, therefore, apparent that with the demand and the market, these 17 domestic mills might produce 30,000,000 hat bodies per year, and still leave a fair margin of consumption to be supplied by the product of the foreign manufacturer.

DIFFERENCES IN COSTS OF PRODUCTION

Actual cost of production of the wool-felt hat bodies in the United States, computed the 2½ ounce body as the comparable unit, averaged for the years 1927 and 1928, while the factories in the United States were operating from 37 to 43 per cent of normal capacity, \$2.70 per pound, or \$5.08 per dozen.

By a careful analysis of all cost data from all of the mills and studies made of possible savings in overhead and operating expenses as applied to the units of production, as the result of increasing production to a 75 per cent of capacity basis, which it is hoped might follow the tariff readjustment, the basis costs of production, as shown in the domestic industry, have been reduced from the actual figures available to present operating conditions, to a basis of normal operation on 75 per cent of capacity and on that basis the minimum of domestic costs of production was estimated to be \$2.48 per pound or \$4.65 per dozen for the basic 2½-ounce body.

The figures \$2.48 per pound or \$4.65 per dozen were accepted as the basis of comparison with the costs of production of the foreign product.

The cost of production of the comparable Italian product was established by various methods. The highest placed the cost at \$1.10 per pound or \$2.06 per dozen, others as low as \$1.07 per pound.

For purposes of comparison, the highest figures were adopted, and the Italian costs taken as \$1.10 per pound or \$2.06 per dozen.

Taking the foreign costs of production at \$1.10 per pound, or \$2.06 per dozen and the domestic costs at \$2.48 per pound, or \$4.65 per dozen, the differences in costs of production may be tabulated as follows:

	Costs of production		Differences in costs of production	
	Per pound	Per pound	Per pound	Per pound
American.....	\$2.48	\$4.65	} \$1.38	\$2.59
Italian.....	1.10	2.06		

The duty of 40 cents per pound and 75 per cent ad valorem provided in the tariff bill of 1929 H. R. 2667—as passed by the House—was designed to equalize the differences in costs of production, as above indicated.

In this connection it should be observed that the differences in costs of production, as above indicated, were computed upon the basis of cost of raw materials during the years 1927 and 1928. In the proposed revision provided by H. R. 2667, the duty on raw wool is increased from 31 to 34 cents, with an additional duty of 7 cents per pound when carbonized. On noils, the duty is increased from 19 to 21 cents, with the additional duty of 7 cents per pound when carbonized. These readjustments, if directly reflected in the cost of the raw materials which enter into the domestic wool-felt-hat manufacture, would add an additional increment of cost to the domestic product. This added element of cost, by reason of the increase of the duties upon the raw material, has not been anticipated or provided for in the schedule as proposed, but the provision proposed in H. R. 2667 is in the average application fair and satisfactory.

ADDITIONAL DUTY ON THE FINISHED HATS AND THE HAT BODIES THAT ARE PULLED OR STAMPED OR BLOCKED OR TRIMMED

Paragraph 1115 (b), as proposed, provides for an additional duty upon the finished hat and for the body that is pulled or stamped or blocked or trimmed. This is an absolutely essential element of the readjustment. In the reports of the Department of Commerce, the average valuation per dozen placed upon wool felt hats of the domestic production was \$15.82 per dozen in 1923, \$15.58 in 1925, and \$14.31 in 1927.

These valuations are stated to represent "selling price at the factory." If we were to deduct from these valuations, 25 per cent to cover profit and selling charges, it would still leave the average value per dozen indicative of the cost of production approximately \$12.18, which does represent a fair average cost to manufacture per dozen of the finished hat.

The average invoice value per dozen of hats of wool felt imported from all countries during the first four months of 1928 was \$4.02 a dozen. The invoice value of hats of wool felt imported from Italy in May, 1929, was \$2.93 per dozen. The average foreign valuation of finished hats of wool felt, imported from all countries in 1927, was \$1.78 per pound, or \$4.34 per dozen, figured on a 3¼-ounce hat, or 39 ounces to the dozen.

These are general import figures. Stripped back to foreign costs of production, it would indicate a cost of production of the foreign product of \$3.72 per dozen on a 3¼-ounce hat, and we would have a difference in costs of production of about \$8.46.

There are various methods by which the wool-felt hat body is converted into the finished hat. The conversion of the hat body into the finished hat is accomplished either by pulling the body over a head-sized block or by stamping or by the usual method of blocking. All of these processes are means of molding the body to the head size and shape. Some manufacturers refer to the processes as "pulling," other as "stamping" or "blocking," and by this process, the body is finished in the shape of the bonnet, cap, beret, capeline, or similar article of headdress.

The bodies that are pulled, stamped, blocked, or trimmed, and thus converted into a hat, are subject to so many variable elements and variety of styles, forms, shapes, and values that it has been impossible to work out exact differences in cost. Three dollars per dozen, or 25 cents per unit, has been computed as the irreducible minimum which would afford any degree of equalization of production

costs between the domestic and the imported body that is pulled or stamped or blocked or trimmed as compared with the cost of production of the domestic product.

It is apparent that the same value of trimming might be put upon any weight of body, but the process of pulling, or stamping or blocking or trimming can not be accomplished for less than 50 cents per unit, so that the provision of 25 cents per unit, or \$3 per dozen as additional specific duty for the body that is pulled or stamped or blocked or trimmed, is a bare minimum. The provision of a specific duty of not less than 25 cents per unit for a body which is pulled or stamped or blocked or trimmed is an essential and necessary part of the schedule, and without such provision, the schedule would be inadequate and ineffective as affording any fair measure of protection to the domestic industry.

An effort has been made on the part of certain importers to stir up a clamor in respect to the inclusion of the word "pulled," the claim being that bodies are "pulled" over wooden blocks, to take out pointed tips, and thus, on account of the wording, all bodies would be subject to the additional duty. For the information of the committee, a copy of the circular which has been sent out to the trade is herewith submitted.

The claim made is without substance. It is well understood that the tip stretching or smoothing process referred to, even though it is accomplished by placing the body over a block for that purpose, is not "pulling" as the process is referred to in the hat manufacturing industry. The word "pulled" does not refer to the tip-stretching process, and if it would make the provision any clearer, there would be no objection to the insertion in the paragraph 1115 (b), in the third line, after the word "felt," the words: "whether or not the tip has been stretched." This would make it clear beyond all question that the mere tip stretching of a hat body would not subject the unstamped, unpulled, unblocked, or untrimmed body to the additional duty.

It is noted, also, in the record, that there has been submitted to the Committee on Ways and Means a communication from Bill & Caldwell (Inc.), of New York City (p. 6530 of Volume XI of the report of the hearings), in which the suggestion is made that there should be a differentiation in the schedule between the women's hats and the men's blocked, finished, and trimmed wool-felt hats.

In support of the argument reference is made to imports of this firm during 1927 and 1928, in which there are coupled statements of imports from England and from Italy without any differentiation between the two. Of course, this reference is entirely without application, because it presents no figures on the domestic cost of production of a comparable article and no standard by which such comparison could be made. Separate rates of duty can not be provided under a tariff act to meet the particular conditions of each importing country, and the policy has been adopted of equalization of the duty with the principal competing foreign country. Italy is the principal competing foreign country in the wool-felt hat and wool-felt-hat-body product.

Assuming that the importation referred to in the communication was anything like the same character of hat, the discrepancy and inapplicability of the combined figures is shown by the fact that the values placed upon the hats of wool-felt imported by England in January, 1928, was \$15.80 per dozen, whereas importations from Italy of the hats of wool-felt during the same month were valued at \$3.64.

A similar report on imports for the month of May, 1929, has just been received, and there it is shown that the valuations on the hats of wool-felt classified as over \$4 per dozen, from England, were invoiced at \$15.22 per dozen, while there were only 7 dozen wool-felt hat bodies brought in from Italy during the same period valued at over \$4 per pound, and 1,661 dozens were brought in at a valuation of not over \$2 a pound, and at an average valuation of \$2.93 a dozen.

The rates of duty proposed in H. R. 2667, applied to the Italian valuation, would in no case bring the landed cost of the Italian product up to the average valuation stated in the report of the Department of Commerce for the domestic product.

A proceeding was started on behalf of the wool-hat manufacturers for relief under the flexible clauses of the tariff act of 1922, and an application filed with the Tariff Commission under date of April 2, 1928. The matter was under investigation, but had reached no final action by the Tariff Commission at the time the hearings on the tariff readjustment were taken up by the Committee on Ways and Means.

There is herewith submitted for the information of the Committee on Finance, a copy of the application filed with the Tariff Commission, and a copy of the brief submitted to the Committee on Ways and Means of the House.

There is also submitted herewith, a file of photographs showing the processes of manufacture of the wool-felt hat bodies and the wool-felt hats, and the attention of the committee is particularly called to photograph No. 24, which shows the process of pulling, or blocking, which is to conform or mold the body to a definite head size and shape.

I am authorized to state that the Associated Millinery Men (Inc.), and the Millinery Association of America, unite with the manufacturers here represented in the support of the proposed schedule in the form and substance proposed in H. R. 2667.

Respectfully submitted.

LOUIS W. STOTESBURY,
Attorney for Petitioners, 270 Madison Avenue, New York City.

APPLICATION OF PROPOSED RATES OF DUTY

The following compilation shows the application of the rates proposed in H. R. 2667 to the 2½-ounce hat body of wool-felt, which was taken as the basis of comparison. The bulk of imports are approximately of this weight. The application of the proposed rates of duty to other weights of wool-felt hat bodies indicates substantially the same approximate result in effecting equalization of the differences in the costs of production.

Foreign or invoice value		Weight per dozen	Amount of duty per dozen on rates proposed in H. R. 2667	Average duty all values considered	Difference in cost of production
Per pound	Per dozen				
		<i>Pounds</i>			
\$1.18	\$2.21	1,875	\$2.41	\$2.55	+\$2.56
1.29	2.42	1,875	2.56		
1.38	2.59	1,875	2.69		

¹ The wholesale prices per pound of women's hat bodies in Italy in 1927 as shown by the consular report by Vice Consul Huddelston, prepared from February 1 to 10, 1928.

² An average valuation of the Italian importation as based upon the valuation of the merchandise at the port of New York for year 1928.

³ The highest valuation placed on the merchandise by the appraiser of the port of New York, during 1928.

⁴ Based upon cost of raw material entering into production during the years 1927 and 1928 with no allowance or consideration of possible increase in the cost of raw materials by reason of the increased duty on wool, noils, and the process of carbonization, as proposed in the present tariff readjustment. (H. R. 2667.)

NATIONAL MILL SUPPLY CO.,
Boston, Mass., July 1, 1929.

Mr. LOUIS W. STOTESBURY, New York City.

DEAR SIR: We note with interest that when testifying before the Finance Committee a Mr. Cohen, representing the wool-felt hat importers, claimed that the Italian hat manufacturers, because of their more modern, up-to-date machinery, could use a cheaper wool than the American wool-felt hat manufacturer, thereby lowering their (Italian) cost of production. He (Mr. Cohen) claimed that the Italian producer used a wool costing 70 cents per pound.

We are large handlers of wool supplies for hatters, handling as many thousands of pounds as any one concern in this country; we are in daily touch with all primary markets and we know what types of wool every European (including Italy) hat factory uses; we therefore think we are qualified to discuss Mr. Cohen's statements, which we think are erroneous and misleading.

Let us take his (Cohen's) figure of 70 cents which he claims Italian manufacturers are paying for wool and see what, at this figure, the clean processed wool, duty paid, would cost the domestic manufacturer.

Seventy cents in bond (basic price as given by Mr. Cohen), 19 cents duty, and 2 cents miscellaneous expense (freight, stamp, tax, etc.) equals 91 cents cost of wool in grease ready for carbonizing and depainting, and 16 cents cost of wool due to loss in shrinkage through processing known as carbonizing and depainting. We arrive at \$1.07; at this cost of 16 cents by figuring an average shrinkage of 15 per cent which our experience has proved in the past plus 13 cents, cost of wool processing, equals \$1.20, clean cost (minimum) to hat factory not including our commission and freight to mill.

But we must take exception with Mr. Cohen's figure of a basic 70 cents wool price. It is impossible to procure suitable wool at this low figure, and we know that Italy is topping our purchase price in all markets, and we are paying 80 cents in bond for suitable wools. How can Mr. Cohen say Italian manufacturers are using cheaper wool at less money when we see as an every day fact Italy buying the same class of wools at perhaps slightly higher prices—namely, 81 or 82 cents per pound?

At this correct figure of 80 cents as a basic wool price, we find that clean wool costs the American manufacturer 1.31 per pound. We arrive at this figure in this way:

Eighty cents actual basic cost in bond, 19 cents duty, 2 cents miscellaneous expense, 17 cents cost due to average (low) shrinkage, and 13 cents cost processing equals \$1.31 per pound real cost to American manufacturer not including dealer's profit.

We hope you will present these facts to the proper authorities. Thanking you for your attention, we beg to remain

Sincerely yours,

NATIONAL MILL SUPPLY CO.,
Per SAMPSON FEINBERG.

STATE OF MASSACHUSETTS,
City of Boston, County of Middlesex, ss:

Sampson Feinberg, being duly sworn, deposes and says, that he is an officer of National Mill Supply Co., to-wit, its manager, that he has read the foregoing letter dated July 1, 1929; that he knows the contents thereof, and that the same is true of his own knowledge, except as to the matters therein stated on information and belief, and as to those matters he believes it to be true.

That the foregoing communication was voluntarily sent to Mr. Stotesbury, and at his request, this affidavit is added to meet the requirements of the committee of the United States Senate engaged in the tariff investigation, in order that the same may be filed as a record with such committee.

[SEAL.]

Subscribed and sworn to before me this 5th day of July, 1929.

EDWARD J. RAMHOFER, Jr., *Notary Public.*

My commission expires April 31, 1936.

H. DAWSON & Co. (INC.),
Boston 9, Mass., July 1, 1929.

LOUIS W. STOTESBURY, Esq.,
270 Madison Avenue, New York City, N. Y.

DEAR SIR: In reading certain statements made by Mr. Philip S. Cohen to members of the Finance Committee re the ability of Italian wool felt hat manufacturers to use certain wool stocks in the manufacture of their hats, which he claims our American manufacturers can not use, owing to antiquated machinery; having been engaged in the importation from Europe to this country of wool stocks suitable for hat manufacturers for the past fifteen years, we feel in a large majority Mr. Cohen is misinformed on this subject.

Having offices in every wool producing center in the world, and daily receiving cables from them containing up-to-the-minute information on the subject upon which Mr. Cohen speaks, we are forced to disagree with his statements. In our experience we consistently find that the European felt hat manufacturers in general, and especially the Italian manufacturers, are the foundation of the keenest competition for wool stocks suitable for the manufacture of felt hats and, almost daily, we have to contend with their competition in purchasing in Europe the same wool stocks as used by our manufacturers in this country.

As a matter of fact, our principals in London have repeatedly permitted us to book business in this country at a price below that which was obtainable in European markets simply to cement our connections in this country and in the hope that this condition would eventually rectify itself.

We assume that Mr. Cohen's mention of 70 cents per pound for wool stocks suitable for the manufacture of felt hats is purely nominal for to-day's price is very much nearer 80 cents delivered in this country in bond. Taking 78 cents

as a basis, these stocks would cost our manufacturers \$1.27 when put into condition for manufacture. This latter figure is arrived at as follows:

	Cents.
Cost of noil CIF in bond.....	78
Duty.....	19
Plus cost of carbonizing.....	7
Plus loss in carbonizing 15 per cent.....	17
Plus cost of depitching.....	6
	\$1. 27

In the above calculation you will note that there is no profit included for our domestic dealer upon whom the American manufacturer relies as an intermediary for securing his supplies of raw materials from foreign countries.

Very truly yours,

H. DAWSON & Co. (INC.),
C. N. MARSDEN.

STATE OF MASSACHUSETTS,
City of Boston, County of Middlesex, ss:

C. N. Marsden, being duly sworn, deposes and says, that he is an officer of H. Dawson & Co. (Inc.),

That he has read the foregoing letter dated July 1, 1929; that he knows the contents thereof, and that the same is true of his own knowledge, except as to the matters therein stated on information and belief, and as to those matters he believes it to be true.

That the foregoing communication was voluntarily sent to Mr. Stotesbury, and at his request this affidavit is added to meet the requirements of the committee of the United States Senate engaged in the tariff investigation, in order that the same may be filed as a record with such committee.

Subscribed and sworn to before me this 5th day of July, 1929.

MARGARET B. QUINNEEN,
Arlington, Mass.

COLONIAL WOOL Co.,
Boston, Mass., July 1, 1929.

Mr. LOUIS W. STOTESBURY,
270 Madison Avenue, New York City.

DEAR SIR: We recently read in a New York newspaper that Mr. Cohen, representative of the Wool Felt Hat Importers Association, made the statement that Italian manufacturers were able to purchase wool at 70 cents per pound, and by reason of more advanced machinery were able to use this cheap fiber and were therefore able to manufacture felt for hats at less money than American manufacturers, who, according to his statement, use inferior machinery.

We as large importers of wools for felt manufacturing wish to say that Italy is one of our chief competitors and will top our price in practically any market in the world for wools used in the making of felt.

Even if they could buy at 70 cents per pound the clean cost to the felt hat manufacturer would be as follows:

Initial cost.....	\$0. 70
Freight and expenses.....	. 02
Duty.....	. 19
Shrinkage 15 per cent.....	. 16
Depitching and Carb.....	. 13
Total clean cost to mill.....	1. 20

During the past season, we have not known of any wools in the foreign markets available for making hat bodies that could be bought anywhere near 70 cents per pound which is the figure Mr. Cohen uses.

Wools of this description are bringing in primary markets approximately 80 cents per pound initial cost. This would make the finished product cost in this country to the hat manufacturers, including charges, approximately \$1.30.

Yours very truly,

COLONIAL WOOL Co.,
By H. CLYDE MOORE, *Treasurer.*

STATE OF MASSACHUSETTS,
City of Boston, County of Middlesex, ss.:

H. Clyde Moore, being duly sworn, deposes and says, that he is the treasurer of Colonial Wool Co. (Inc.).

That he has read the attached letter, dated July 1, 1929; that he knows the contents thereof, and that the same is true of his own knowledge, except as to the matters therein stated on information and as to those matters, he believes it to be true.

That the foregoing communication was voluntarily sent to Mr. Stotesbury, and at his request, this affidavit is added to meet the requirements of the Committee of the United States Senate engaged in the tariff investigation, in order that the same may be filed as a record with such committee.

Subscribed and sworn to before me this 5th day of July, 1929.

[SEAL.]

B. WILLIAM RICHARDSON,
West Medford, Mass.

JULY 1, 1929.

Mr. LOUIS W. STOTESBURY,
New York City, N. Y.

DEAR SIR: I have just had called to my attention a statement that Mr. Cohen, representative of the wool felt hat importers, made with regard to the price that Italians were paying for noils for the hat trade.

My company, represents in the United States of America, Messrs. Inman, Spencer & Co. of Bradford, England, which firm is the largest noil and waste dealer in Bradford, and sells more noils and waste to Italy and various other continental countries than any other firm in Bradford.

In the first place, the statement that Mr. Cohen has made that "good noils could be bought for 70 cents per pound" has not been true for some considerable while past. We have been paying a good many cents per pound more than this figure for types of noils that have been currently selling in our market, and it is interesting to note that on these same types of noils that we have been buying for the United States, that Italy has time and time again paid more money for these same types of noils than what we could afford to pay in this country.

There is no class of noil, unless it is not extremely defective, that could be imported to sell in the clean state to a mill in this country at \$1.14. It would cost several cents per pound more to import anything that the Italian hat makers are regularly buying in Bradford for use in that country.

If we take the price that Mr. Cohen says the Italians are paying, 70 cents per pound, and add the local freight from Bradford to Liverpool, plus the ocean freight to the States, plus local carriage to the mill, banking and marine charges, etc., the cost would be between 72 and 73 cents delivered. This, plus the duty of 19 cents would make a cost of approximately 91½ cents.

Granted that suitable noils could be bought at 70 cents per pound in Bradford or 72 to 73 cents delivered, in bond, at some mill in the States, and that the shrinkage on these noils was 15 per cent, plus a 19 cent duty added, this would give a cost of over \$1.07 clean, without the carbonizing charges, of approximately 13 cents—making a cost of at least \$1.20 for this particular type of noil.

In my opinion, a price basis of 70 cents per pound on suitable noils, shrinking only 15 per cent, is incorrect, because up until recently we have been paying the equivalent of duty paid from 95 cents to \$1 for noils that both Italy and the States buy for making hats—so instead of the correct cost being \$1.20 it is much nearer \$1.30 for suitable carbonized noils.

I am taking the liberty of calling this matter to your attention because I am in touch almost daily by cable with Messrs. Inman, Spencer & Co., and I am in a position to know accurately what competitive countries are paying for noils.

Very truly yours,

ROBERT M. PITT Co. (INC.),
ROBERT M. PITT, JR., President.

STATE OF MASSACHUSETTS,
City of Boston, County of Suffolk, ss:

Robert M. Pitt, jr., being duly sworn, deposes and says, that he is the president of Robert M. Pitt Co. (Inc.).

That he has read the foregoing letter dated July 1, 1929; that he knows the contents thereof, and that the same is true of his own knowledge, except as to the

matters therein stated on information and belief, and as to those matters he believes it to be true.

That the foregoing communication was voluntarily sent to Mr. Stotesbury, and at his request, this affidavit is added to meet the requirements of the committee of the United States Senate engaged in the tariff investigation, in order that the same may be filed as a record with such committee.

Subscribed and sworn to before me this 6th day of July, 1929.

[SEAL.]

HENRY F. JOHNSON, *Everett, Mass.*

JULY 9, 1929.

Mr. LOUIS STOTESBURY,
New York, N. Y.

DEAR MR. STOTESBURY: During the past five years we have installed an entirely new hardening room replacing all old tip and body hardening machines with new, at the same time doubling the capacity of this room. We have also built and installed three new dye wheels, and practically rebuilt three others by replacing old metal bands, and worn-out parts with monel metal and new materials. We have also installed six new second-sizing machines. Our fulling mills have all been practically rebuilt in the past three years by replacing new hammers for old and new parts, gears, etc. Our carding machines have been improved by the addition of breasts, lickerins and all of our cards have been taken down, cylinders and all rolls trued up and replaced with new card clothing and other necessary materials.

We maintain our own carpenter shop, machine shop and foundry in which a large percentage of the replacement parts and new machinery are built, and the personnel of millwrights, machinists, etc., represents a yearly outlay of over \$10,000.

In summary, would say that we regularly inspect all machines no matter how large or small they may be, and all necessary repairs or replacements are made immediately, and our equipment is at all times in perfect running condition.

Pulling, which we understand to be starring the tip and shaping the finished body on a block, is based on a cost of approximately \$0.15 a dozen.

Stamping, which we understand to be the shaping of a finished body on a metal die, is based on a cost of \$0.20 to \$0.40 a dozen depending on the shape and style of the shapes.

Blocking, which we understand to be the shaping of a finished body on wooden blocks and flanges, is based on a cost of from \$0.45 to \$0.80 per dozen, depending on the size and style of the shapes.

Yours very truly,

THE BRADFORD HAT CO.,
W. R. SCHIERENBECK.

ESSEX, s1:

HAVERILL, MASS., *July 9, 1929.*

Then personally appeared W. R. Schierenbeck, manager of the Bradford Hat Co., and made oath that the foregoing statement, by him subscribed, is true to the best of his knowledge and belief. Before me,

W. J. McNEILL, Jr.,
Notary Public.

**LETTER FROM THE MERRIMAC HAT CORPORATION, AMESBURY,
MASS.**

JULY 8, 1929.

STATE OF MASSACHUSETTS,
County of Essex:

I, Benj. F. Sargant, jr., of the Merrimac Hat Corporation, being duly sworn, depose and say: that I am the president of the Merrimac Hat Corporation; that the Merrimac Hat Corporation has been asked to state in the form of an affidavit what percentage of the business during the year 1928 consisted of the manufacture of women's felt hat bodies. For the information of the subcommittee of the Finance Committee of the Senate engaged in the investigation of the wool schedule and especially with reference to paragraph 1115-B, the total output of our Merrimac plant for the year 1928 consists as follows:

	Dozen	Per cent
Men's wool hats.....	49,934	14.1
Men's fur felt hats.....	4,658	1.3
Ladies' wool felt hats.....	29,496	8.4
Ladies' wool felt bodies.....	246,025	69.7
Ladies' fur felt hats.....	4,715	1.3
Ladies' fur felt bodies.....	18,204	5.2
	353,032	100.0

In this connection, it may be desirable to inform the committee that in view of the importation of the wool felt hat bodies from Italy during 1928, we specialized in the manufacture of the larger weights and shapes which are generally referred to as capelines, and thus in a measure avoided some of the effects of the imported article, which is generally a 2½-ounce body.

Our plant was established in 1856. We have an extensive selling organization and have been able to a certain extent to hold our market on the higher grades of the wool felt hat body product.

BENJ. F. SARGENT, Jr., *President.*

Subscribed and sworn to before me this 8th day of July, 1929.

[SEAL.]

JOHN H. WYETH, *Notary Public.*

STATEMENT OF GEORGE W. BOLLMAN, REPRESENTING GEORGE W. BOLLMAN & CO., ADAMSTOWN, PA.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. BOLLMAN. I represent George W. Bollman & Co., of Adamstown, Pa.

As to the matter of this machinery, the statement was made by Mr. Cohn that the domestic machinery in the factories was obsolete, 40 years old, and so forth. And when asked for an explanation as to what factories he visited he mentioned the Pickard Hat Co. and the Bradford Hat Co. I have not been in the Pickard factory. They are not a large producer. The Bradford is a pretty large producer, and I have been in their factory, and they do have some old cards, and I do not think those cards have been used for a great many years, as they have some modern, up-to-date cards that they have been using.

Now as far as we ourselves are concerned I have some cards that are 40 years old, and I have some that are 4 months old. I have some of the very latest, up-to-date cards that are built. I heard a lot about this carding machinery when I was down at the other hearing, and I was interested, so much so that I bought four of those cards. And the cards are larger, they are more efficient, they turn off more hats. But as far as the quality of the work is concerned, you can make just as good work with the old cards as you can on the new.

Senator SIMMONS. Can you do it at the same cost?

Mr. BOLLMAN. I think there is about 10 cents a dozen difference on the outside between the new cards and the old ones.

Senator SIMMONS. Ten cents difference on what? Per unit?

Mr. BOLLMAN. Ten cents per dozen. The old cards would do just as good work as the new ones if they are kept in condition. If you will look at those pictures there you will see there is a large cylinder on the carding machine and a small cylinder above. Both of them are covered with card cloth which consists of very fine wires inserted in cloth and the stock passes through between them and the fibers are separated. Now if the card cloth is kept good and

sharp—the principle of the card is the same on the old as the new ones—and if the card cloth is kept sharp they will do just as good carding.

Senator SIMMONS. Is the new machinery and the old machinery of the same type?

Mr. BOLLMAN. In principle, yes, sir.

Senator SIMMONS. You say the old will do as well as the new provided you keep the old in good condition?

Mr. BOLLMAN. Yes, sir.

Senator SIMMONS. Can you tell us whether they always keep them in good condition or not?

Mr. BOLLMAN. That depends on the individual manufacturer. I can not tell you about that.

Now, as to the age of them; the question was raised. I have explained my position. The Adamstown Hat Co. in my town is a concern probably 12 or 14 years old. The F. & M. Hat Co., 5 miles away, started business in 1914, something like that. A new business when he started. So that I rather feel that Mr. Cohn has overdrawn the picture and has used an unfair comparison in picking out certain individual concerns.

Senator SACKETT. How have you been getting along financially, as a matter of fact?

Mr. BOLLMAN. I have been getting along fairly well, sir.

Senator SACKETT. You do not need an increase in duty, do you?

Mr. BOLLMAN. On the body proposition we do.

Senator SACKETT. If you are getting along well, why?

Mr. BOLLMAN. Our business has been slipping, getting less and less.

Senator SACKETT. That does not quite agree with getting along fairly well. Have you been making money?

Mr. BOLLMAN. We make not only bodies, but we make finished hats, both men's and women's. And the money that we have made we could have made just as well if we had bought our bodies as if we had made them ourselves. But we have a plant there. We have a community that we are interested in, and we want to keep our body plant going, because we want to make our own men's hat bodies and not only depend on this women's business.

Senator SACKETT. What has been the result of your body plant financially?

Mr. BOLLMAN. The body plant financially has not been profitable. It is all one plant. We make bodies for ourselves and we make bodies for sale that use the same machinery.

Senator SACKETT. How can you tell, then, if you do not segregate your costs and your operation, that your body had not done as well as the rest of them?

Mr. BOLLMAN. From our costs.

Senator SACKETT. Can you give us any idea of it at all?

Mr. BOLLMAN. Yes, sir.

Senator SACKETT. What we want to get at is how much we have to raise the duty, you see.

Mr. BOLLMAN. All right. I told the story in the Ways and Means Committee. A little 2½ ounce body costs in Italy 17 cents. The estimated average cost for the American factories on a 75 per cent production is 37 cents per body. There is a difference of 22 cents. The present rates of duty yield about 11 cents per body. So we ask

then that the rate of duty be adjusted that the 11 cent difference be made up.

Senator SACKETT. Well, how could you have gotten along fairly well if there is an 11-cent differential against you on a hat? That I do not quite get. I should think you would have to go out of business on that sort of a basis.

Mr. BOLLMAN. The body part of our business was the small part of it, sir, because we could not compete on the bodies.

Senator SACKETT. How many bodies do you make in a year?

Mr. BOLLMAN. For instance, my sales on bodies in 1928 were \$13,000 altogether. In 1927 they were \$77,000. In 1926 they were \$108,000. We slipped right out of it.

Senator SACKETT. Was there a reduction in the selling value in that time?

Mr. BOLLMAN. Was there a reduction in the selling price of the bodies?

Senator SACKETT. Yes.

Mr. BOLLMAN. Practically the same.

Senator SACKETT. Well, then, how do you account for this big loss?

Mr. BOLLMAN. The big loss in what?

Senator SACKETT. The big loss in quantity.

Mr. BOLLMAN. Because we could not compete with the foreign body.

Senator SACKETT. Well, if the selling price was the same both years?

Mr. BOLLMAN. The selling price of the foreign body was not the same as our own, sir.

Senator SACKETT. What was the selling price of the foreign body in those same years?

Mr. BOLLMAN. The selling price of the foreign bodies was, I will say, \$3.75 on an average. Some were \$4, sometimes \$4.25, depending on the demand. Sometimes they were sold at \$3.50. I would say \$3.75 was an average price that the importers sold these bodies for. And we were asking about \$5 for them, sir.

Senator SACKETT. In what year?

Mr. BOLLMAN. That was in 1928.

Senator SACKETT. What was it in 1927?

Mr. BOLLMAN. Practically the same, sir.

Senator SACKETT. Well, then, if your costs were the same in 1926, 1927, and 1928, and the foreign selling price was the same in 1926, 1927, and 1928, how does it come that you dropped from \$108,000 to \$13,000?

Mr. BOLLMAN. Because they were in a position to supply all of the market, and there were times when as the season changes and new colors come into vogue, and since they were four months away in delivery, as Mr. Cohn told you, they were not in a position to immediately supply any of the demand, and there is where we get some of the body business.

Senator SACKETT. Was that true of 1928?

Mr. BOLLMAN. Yes, sir.

Senator SACKETT. Why did you not get it that year, then?

Mr. BOLLMAN. Because they succeeded in bringing in some of the bodies in the gray and have the local people do the dyeing for them,

so they hurdle that difficulty and are now in a position to furnish colors as quickly as we can,

Senator BINGHAM. Anything further?

Senator SACKETT. That is all.

Senator SIMMONS. You make these hats, do you not, in different sizes [indicating hats on the table]?

Mr. BOLLMAN. Yes, we made bodies like those.

Senator SIMMONS. How long have they been in vogue in this country?

Mr. BOLLMAN. For quite a number of years. We have been making hats out there for 50 years.

Senator SIMMONS. You said your machinery is 40 years old?

Mr. BOLLMAN. Yes.

Senator SIMMONS. Do you make those hats on that machinery 40 years old?

Mr. BOLLMAN. In those days the women wore hats made out of velvet and fabrics of that kind. This felt-hat proposition has come in in the last five years.

Senator SIMMONS. Does that not require new machinery and different kind of machinery?

Mr. BOLLMAN. No, sir; the same machinery.

Senator SIMMONS. Can you make it on the same old 40-year-old machinery?

Mr. BOLLMAN. Yes, sir.

Senator SIMMONS. I thought whenever these new styles would come in, new designs, that probably you would have to get some extra machinery.

Mr. BOLLMAN. No; the basic machines are all the same. It is a difference in the formation of the body and the colors.

Senator BINGHAM. All right, thank you.

STATEMENT OF WALTER ARONSTEIN, YONKERS, N. Y.

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. ARONSTEIN. Some statements were made by our importers. Some of them did not have the nerve to come over here and testify, because there is no foundation to their statements.

Senator BINGHAM. You are a manufacturer of hat bodies?

Mr. ARONSTEIN. I am a manufacturer of hat bodies.

Senator BINGHAM. How long have you been so engaged?

Mr. ARONSTEIN. Thirty-five years.

Senator BINGHAM. Has your business been increasing or decreasing in the last six years?

Mr. ARONSTEIN. My business is now in the gutter, and I can do nothing more with it.

Senator BINGHAM. How was your business four years ago?

Mr. ARONSTEIN. Four years ago we had a pretty fair business.

Senator SIMMONS. How was it back in 1922?

Mr. ARONSTEIN. We had a good business then. The European manufacturers had not gone after our market. We used to sell our manufacturers and satisfy them with our goods.

Senator BINGHAM. You make only the ladies' style?

Mr. ARONSTEIN. We make this as well as finishing the article [picking up a partially completed hat from a pile before him]; and

I will tell you the reason why I was compelled to go into it. In 1923 any importer who went over to Europe with letters of credit could start and organize a factory there, and a number of them did so and started to go after the American market, but they were not prepared for the demand and we still kept on doing some business over here. That thing kept going until 1927, and while conditions were getting bad we still could operate because we could furnish them any color at a moment's notice; and sometimes they changed and wanted a new color overnight.

Mr. importer got wise to that and he went over to Europe. We furnish 20 colors, and generally the importers buy to the line, 20 colors, a thousand dozen each; or if it is a big importer he might buy 5,000 dozen each of every color; and all of a sudden a different color comes out. He might have had but 2,000 dozen of that color and the demand might be enormous. In that event they would come to us. We were satisfied with that demand.

However, the importer did not want us to live that way, either, but he brings over his hats in neutrals for emergency sake so that if a new color in dress goods comes out and they need the hat to match, overnight he sends them over for 60 cents a dozen and he has got by us again.

The statement was made that we can not make goods of the same quality as those made in Europe and that that was the reason for our difficulties. That is not true. We never had a chance from the buyers who used to buy goods from us. I had one customer, a relative of mine, gentlemen, who gave me \$160,000 business a year and I haven't got one cent of his business on my books now for only one reason. He asked me "How can I buy of you when I can buy them for \$2 a dozen cheaper over there?" We are right up against it; we can not compete with them. What is the reason?

Gentlemen, we have our figures right here. If we did not pay a cent for wool and only had to pay our overhead and labor we could not compete with them on their prices, theirs are so much lower than ours; and if we were able to get wool for nothing we could not even compete with them; or if we could get our labor and overhead for nothing and only had to pay for the wool, their article is so much cheaper than ours that still we could not compete with them.

The statement was made by one of my competitors that the reason we were not successful was because we did not have modern machinery, but that is not so; that is a misrepresentation, as I am prepared to show you. In the first place, that man has half of his business in men's fur felts. Secondly, he has a certain process that gets for his hat \$6 a dozen more, because it gives them a finer luster, a secret process that he gets away with.

Senator SIMMONS. You could not install that yourself?

Mr. ARONSTEIN. No. This is a different line entirely. It is away from that line entirely. We use different machinery and different workers.

Senator BINGHAM. He makes a different kind of hat?

Senator SACKETT. Is his process patented?

Mr. ARONSTEIN. No; I do not think so. If you could get inside his factory and find out something about it you could do the same.

Senator SACKETT. Is it a secret process?

Mr. ARONSTEIN. It is a secret process.

Senator SIMMONS. What does the process affect, the color of it?

Mr. ARONSTEIN. It takes a black velour—some of them are gray looking—but it makes them a lustery velour, just like the Austrian velour that you call the finest velour in the world. We can't make it here. His article does not compete with ours and ours comprises 80 per cent of the production in this country.

He put us in the classification with the 20 per cent.

Mr. Merrimac has got the finest organization in the country. He was smart enough to get ahead of us. He has a man who sells hats to the jobbers. In fact, he finances the jobbers. He goes to these manufacturers and he says, "You must buy our bodies," and that man gets a commission from the importer; and through his organization, when velvet hats went out and he could not get our felts, felt of our quality, he brought in an inferior article and charged a high price with it and got away with it through advertising that they were selling the Merrimac body; and they got a good profit on their hats, too.

When the importers saw what Merrimac was doing they decided to take away some of his business, too, and they began to bring in capelines for the same price under the same duty. Being president of the manufacturers' association for six years I am very well acquainted with the prices they paid for capelines; and if you want I will send you a statement from the president of the union as to the prices the workers received for blocking and pulling. They got \$2 in the dozen. Manufacturers in our line can not exist. The workers would make little sweatshops and take out contract work from these fellows and they give him \$2 to make a living. The importer gives him the bodies and he has to bring them back so many dozen; and lots of times, proof of which I have here, the operation on that cost about \$2.50 of union labor. I have one of Merrimac's hats here to show you what their machines do. They just bite out holes from the bodies; but when we sell the article we must sell prime hats, that is where there is no defect in the blocking. This is Merrimac's here [producing a hat] and here you have a hole from the machine [indicating]. I believe in fair play, gentlemen, and I brought everything to prove it to you.

If the city would allow us to block hats on the street and give us power for nothing, we could not come out alive at \$3 without overhead.

The trouble was, gentlemen, that in 1922 they placed us in a classification where we did not belong. At that time we did not care because nobody was importing. If they had thrown us into General Motors, it would have been just the same to us, because it did not have any effect, as they were not importing any of these articles; but when they did begin to import them my troubles began, because we found ourselves in a classification where we did not belong.

The mere fact that Merrimac comes in here and says that he is making money is, in my opinion no more applicable than if you should bring in a statement of profit and loss from the General Motors Co. It does not fit our case at all.

Senator SACKETT. It is not the same kind of business?

Mr. ARONSTEIN. Not at all. I would not tire talking about this as long as I live because it is my living. In the handling of these bodies, and blocking them, handling the capelines, New York City has over

1,200 manufacturers blocking the hats, employing about 27,000 workers in that industry in New York City alone; and there would be an equal number, if not more, employed in the industry outside of the city of New York.

What they want is a duty to equalize the price and save this field of labor to Americans, because the importers are beginning to bring them in blocked and unless some protection is afforded 50,000 workers will be deprived of their livelihood and thrown out of a business in which they have been engaged all their lives.

Senator SACKETT. Then it is important that we raise the duty on blocked hats to cover the labor cost.

Mr. ARONSTEIN. Yes, sir.

Senator SACKETT. How much would that be?

Mr. ARONSTEIN. \$3 is only actual labor.

Senator SACKETT. Do you not want more than \$3.

Mr. ARONSTEIN. If you wish to give it to us we would be glad to get it.

Now, if you will give me a few minutes more I will try and finish.

Senator SACKETT. Continue; your talk is very interesting.

Mr. ARONSTEIN. When it comes to the blocking end of it they claim that we can not make the right stuff. Here is a hat we make for which we have to get \$5.30. Here is a hat they are selling for \$3.50; and if the importer is hard up to make a payment of duty he will get rid of some of them for \$3.25. Before the tremendous factories started in Europe they used to guide themselves by our price. There was one importer and he made the profit, and this is Henry Pollock. If you will take his statement he will show you that he made more money than all the importers put together. He was supposed to testify, but he did not have the nerve to come down here.

Senator BINGHAM. Remember you are under oath.

Mr. ARONSTEIN. I know I am; and I am willing to back it up every time.

Senator BINGHAM. How do you know he did not have nerve enough to come?

Mr. ARONSTEIN. Well, I know him too good. Other importers started in the business of establishing plants abroad on letters of credit until the market is so flooded with stuff that it lies on the shelves of the merchant; manufacturers who bought the stuff never had any trouble about getting it. Then we started to grind prices. They came down to \$3.50 instead of \$5.50, and our position to-day is worse than it was when the Ways and Means Committee took it up five months ago.

I wish you gentlemen could spend even one day in my factory, particularly pay day, to see the men who have been engaged in this industry all their lives. I can not give them a full week's wages. They work two or three days and are kept up only by promises that the Government is going to do something for us.

Gentlemen, I do not want to take up your time, but I do want to mention this fact, that if every industry in this country were working under the conditions we are working under, and under such depression, there would be a bread line from coast to coast.

Senator SACKETT. How much additional duty do you want?

Mr. ARONSTEIN. Our article is figured under a very low profit. In order to make a profit of 5 per cent we have to get \$5.10 for our article. We figure if we could get protection that would enable us to work our factory from 50 to 75 per cent that we might be able to reduce our overhead and bring it down to \$4.65; and with increased production at \$4.65 then we might be able to make the 5 per cent profit on what the article costs us.

Senator SACKETT. How much duty would it take?

Mr. ARONSTEIN. The duty is figured at 40 cents a pound.

Senator SACKETT. That is what it would take.

Mr. ARONSTEIN. Forty cents a pound is what it needs and 75 per cent duty. Under the new tariff I note that there is going to be an increase in the duty on noils. That will increase the cost of it to us. So we have to take it on one side and give it on the other.

Senator SACKETT. I think we get your idea.

Mr. ARONSTEIN. Two minutes and I will close my speech. Here [indicating] is an article made in this country by me, and I would like you to see if that article can be criticized, although you are not a hat man.

Senator SACKETT. No; that is very pretty.

Mr. ARONSTEIN. Here is the same article they bring in, a cape-line. They do not do any blocking any more, but they cut them around here on the edge then pin it around and a girl only has to sew this up here. In that industry there are 50,000 in the United States which the European factories will throw out of employment if we allow them to.

To substantiate my statement as to the depressed condition of this industry, I could bring in a counterpetition to that filed by the manufacturers and bring you the names of 5,000 men in this country. We have here Conway, who represents the biggest retail concern in the country. He has over 300 department stores selling ladies' hats; and he told me that because of the high cost of rental and labor he could not come out alive. This industry is in the most deplorable condition. There is not a hat man in New York to-day who can get any credit; the supply men do not want your account; and we are having the utmost difficulty in getting our notes renewed. I thank you, Mr. Chairman.

BRIEF OF THE RETAIL MILLINERY ASSOCIATION OF AMERICA

Hon. REED SMOOT,

*Chairman Committee on Finance,
United States Senate, Washington, D. C.*

DEAR SIR: The Retail Millinery Association of America is a trade organization consisting of 1,500 of the most important and influential retail distributors of millinery throughout the United States, including the executives and buyers of department stores, specialty and exclusive millinery establishments.

The efforts of our association are exerted for the mutual benefit of manufacturer, retailer and consumer. Our association has been in active existence for over 13 years and has operated efficiently through that period of time.

The Retail Millinery Association of America has nothing to buy or sell. It is entirely concerned in advancing the best interests of an industry that merchandises a business of over \$500,000,000 per annum.

The Retail Millinery Association of America in considering the matter of an increased tariff on wool felt hats and wool felt bodies as classified under Schedule 11, desires to state that it has reviewed and carefully considered, by means of personal and written investigation, the details of paragraph 1115 (b) of Schedule

11 as presented for your consideration and we respectfully desire to go on record as approving and urging the adoption of the tariff rates and provisions as provided for in the above-mentioned schedule and paragraph.

The Retail Millinery Association of America believes that the increase in tariff asked for by domestic manufacturers will result in benefit not only to the manufacturer, but to every branch of the millinery industry which to-day is suffering from a depression caused by the competition arising from an influx of cheap foreign materials and the production of foreign labor which can not be met and still maintain the high standard of American living conditions to-day.

The Retail Millinery Association of America believes that the interests of the general consuming public will be best served by the conditions specified under the revised tariff duties. Retailers of millinery throughout the entire country have found that by reason of the flood of foreign imports of wool felt hats, most of which are received in this country in a blocked or pulled condition, have resulted in the demoralization of prices, profits, and prestige for every branch of the millinery industry.

The Retail Millinery Association of America believes that the increase in the tariff asked for will not affect the price to the individual consumer more than 10 to 15 cents per hat in the most extreme cases. Our association believes, on the other hand, that the benefits arising from this advanced tariff rate would be distributed all along the line, including the American grower of wool, the American manufacturer, the American retailer as well as the American wage earner.

The Retail Millinery Association of America, therefore, most respectfully and urgently approves of the suggested changes in Schedule 11, paragraph 11159(b), as proposed and considered before your committee.

Very truly yours,

RETAIL MILLINERY ASSOCIATION OF AMERICA (INC.),
WM. E. CONWAY, *President*.
By J. M. MOORHEAD, *Executive Secretary*.

Sworn to before me this 8th day of July, 1929.

IRA MANCK,
Notary Public, New York County.

BRIEF OF ASSOCIATED MILLINERY MEN (INC.), NEW YORK CITY

HON. HIRAM BINGHAM,
Chairman Subcommittee No. 3, Washington, D. C.

DEAR SIR: In the matter of hats and hat bodies of wool felt, paragraph 1115 B of proposed tariff act.

The Associated Millinery Men (Inc.) is an association composed of about 600 members established in the interest of the millinery industry and its allied branches.

The matter of an increased tariff applying to wool felt hats and bodies was discussed at a meeting of the board of governors duly held on the 13th day of June, 1929, at which it was decided, that considering all phases of the question, it was to the best interest of the industry as a whole that the tariff rates on these commodities, as enacted by the House of Representatives, be approved and affirmed by this association, and that the President be authorized and directed to attend the hearings at Washington, if that is deemed necessary or desirable, and that any other acts be performed by this association through its proper officers in furtherance of this policy.

The following is a transcript of the minutes setting forth the proceedings of the meeting in respect thereto:

"An important discussion, and one that consumed considerable time, was on the question of the proposed tariff applying to wool felt hats and bodies which are being imported at the present time in great quantities and at a cost which makes American competition with a reasonable profit, almost if not impossible. The various phases and probable effect of this pending legislation was duly considered, and it was resolved: That we reaffirm our original stand for an increase in this tariff and that President Joseph Dryer be authorized to go to Washington in its behalf and reiterate our stand under the direction of Gen. Louis W. Stotesbury."

Motion duly seconded, carried, and adopted.

Very truly yours,

ASSOCIATED MILLINERY MEN (INC.),
JOSEPH DRYER, *President*.

STATE OF NEW YORK,
County of New York, ss:

On this 8th day of July, 1929, before me personally appeared Joseph Dryer, who being duly sworn did depose and say that he is president of the Associated Millinery Men (Inc.), that he presided at the regular meeting of this association held on the 13th day of June, 1929; and that the above and foregoing is a true and correct transcript of said meeting.

JOSEPH DRYER,
IRVING J. WITTENBERG, *Secretary.*

BRIEF OF BILL & CALDWELL (INC.), NEW YORK CITY

To the SENATE FINANCE COMMITTEE,
United States Senate, Washington, D. C.

We respectfully protest against any increase of duty on men's wool-felt hats: blocked, finished, and trimmed, because present duty averaging from 58 to 60 per cent is amply protective.

Because the proposed tariff will act as an embargo on the importation of men's wool-felt hats and practically legislate us out of business. We refer to men's blocked, finished, and trimmed wool-felt hats.

Because domestic manufacturers are doing a prosperous and profitable business under existing rates of duty and need no further protection.

SUMMARY

We feel that a change of duty on women's hats may be justified, but that there is no justification for an increase in respect to men's blocked, finished, and trimmed wool hats. Please refer to the attached copy of brief presented to the Ways and Means Committee of the House of Representatives by Bill & Caldwell (Inc.) for further detail and data concerning the above subject.

Respectfully submitted,

BILL & CALDWELL (INC.),
By WILLIAM COE BILL, *Vice President.*

This statement is concurred in.

THE STERN HAT CO.,
By SIDNEY H. STERN.

New York, June 20, 1929.
[SEAL.]

WILLIAM TELLER, *Notary Public.*

CARPETS AND RUGS

[Pars. 1116 and 1117]

STATEMENT OF F. H. DEKNATEL, NEW YORK CITY, REPRESENTING THE DOMESTIC CARPET MANUFACTURERS

[Including wools, par. 1101]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. DEKNATEL. I am appearing in behalf of the carpet and rug manufacturers of the United States, and I believe it is the desire of the committee that it is unnecessary to repeat the facts in support of our claims which we set forth fully in the briefs filed with, and the oral statement before the Ways and Means Committee.

With reference to paragraph 1116, it was our suggestion to the Ways and Means Committee that this paragraph be divided providing a different rate of duty on hand made rugs as distinguished from imitation handmade rugs and chenille Axminster, suggestion in each case a compound rate of duty. The bill as passed by the House providing a specific rate of duty and a minimum ad valorem on all of paragraph 1116 has the effect of giving the carpet manufacturers the necessary protection, and is more simple of operation.

With regard to handmade rugs the carpet manufacturers recognize the principle that in this class of merchandise, above a given value they are in reality noncompetitive with machinemade rugs, and it has been our contention that the maximum ad valorem rate on this class of goods is a matter entirely for Congress to decide. The importers feel that a rate of 60 per cent ad valorem on these high grade noncompetitive goods is excessive, and have suggested a rate of 50 cents a square foot with a minimum of 45 per cent ad valorem, and this suggestion is satisfactory to the manufacturers.

The importers and retailers have also requested that chenille Axminster and machinemade rugs in imitation of the oriental weaves carry a straight duty of 60 per cent ad valorem without any specific duty. Personally my company does not manufacture chenille rugs, but there are concerns in our group which do. After consulting them they are agreed that a straight rate of 60 per cent ad valorem be placed on chenille Axminster and machinemade rugs in imitation of the oriental weaves.

Senator SACKETT. That sounds pretty simple. They both agree on everything.

Senator BINGHAM. We congratulate you.

(Mr. Deknatel submitted the following brief:)

**BRIEF IN BEHALF OF THE DOMESTIC CARPET MANUFACTURERS AND SPINNERS
OF CARPET YARNS**

The manufacturers of carpets and rugs and spinners of carpet yarns in the United States appeared before the Ways and Means Committee of the House of Representatives in connection with paragraphs 1101 and 1116 to 1118, inclusive, of the Fordney-McCumber Tariff Act of 1922. Briefs were filed in behalf of our group with the committee. They appear in volume 40 (February 23, 1919, p. 8778) and volume 45 (March 11, 1929, p. 9840).

It is unnecessary to repeat here in detail many of the facts or arguments which we presented to the Ways and Means Committee, either in our briefs or in oral argument.

Briefly, we requested of the House committee with respect to paragraph 1101 an enlargement of our source of supply of raw materials, namely, carpet wools. All carpet wools must be and are imported from foreign countries. Practically no carpet wools are produced in this country. The woolgrowers both before the House committee and before this committee have stated they do not object to the importation of carpet wools free of duty when used in the manufacture of carpets, rugs, etc. When so used they do not compete with domestic grown wools. When such wools are used for purposes other than in the manufacture of carpets they are used competitively with domestic grown wools. Under such circumstances the woolgrowers desire and obviously need protection.

We also requested before the House that the time in which the evidence may be produced to show that the yarns have been used in the manufacture of carpets be increased to four years.

Paragraph 1101 of the House bill is generally satisfactory to us, but after conferences with the representatives of the woolgrowers we have the following comments to make thereon:

1. We respectfully suggest that two more wools be provided for eo nomine, namely, "Haslock" and "Kerry," and that they be inserted after the words "Black Spanish" in line 11, page 192, of the Finance Committee's print of the House bill. We understand the woolgrowers do not object to this.
2. The woolgrowers suggest the elimination of the provision for an allowance for a tolerance of not more than 10 per cent of wools not finer than 44s. This is agreeable to us.
3. This paragraph provides that when wools have been used in the manufacture of yarns "to be used in the manufacture of rugs, carpets, or any other floor coverings * * *" the duty shall be remitted or refunded. The reason for this provision is that there are a number of spinners of carpet yarns in this country who make a business of spinning yarns entirely and selling them to the carpet mills.

The proposed statute in this respect simply incorporates as a part of the substantive law certain regulations issued by the Secretary of the Treasury under authority granted to him under said paragraph.

4. The wool growers feel that instead of a 4-year period as provided in the House bill they would prefer the period of time to remain three years, with a proviso that the Secretary of the Treasury may extend this period one year at his discretion. This suggestion is also agreeable to us.

At the hearings before this committee on June 26, 1929, a suggestion was made in behalf of certain wool scourers that a duty of 3 cents per pound be assessed on importations of scoured wool even though such wool might be used in the manufacture of carpets and otherwise withdrawn from bond conditionally free of duty. We desire to record an emphatic objection to this suggestion. We believe about 10 carpet mills out of 39 in this country use approximately 95 per cent of all the imported carpet wools. They maintain their own scouring plants and rescour practically all of their imported so-called scoured wools. The practical result of imposing a rate of 3 cents a pound duty on such carpet wools as suggested would mean that the carpet manufacturers and spinners would have to pay not only the cost of scouring such wools themselves, which they now do, but in addition would be obliged to pay the suggested duty, which, as we see it, would serve no useful purpose.

In reference to paragraphs 1116 to 1118, inclusive, of the House bill, our position with respect to these paragraphs is as follows:

With reference to paragraph 1116 it was our suggestion before the Ways and Means Committee that this paragraph be divided providing a different rate of duty on handmade rugs as distinguished from imitation handmade rugs and chenille Axminster, suggesting in each case a compound rate of duty. The bill as passed by the House providing a specific rate of duty and a minimum ad valorem on all of paragraph 1116 has the effect of giving the carpet manufacturers the necessary protection, and is more simple of operation. With regard to handmade rugs the carpet manufacturers recognize the principle that in this class of merchandise above a given value they are in reality noncompetitive with machine-made rugs, and it has been our contention that the minimum ad valorem rate on this class of goods is a matter entirely for Congress to decide. The importers feel that a rate of 60 per cent ad valorem on these high-grade noncompetitive goods is excessive, and have suggested before this committee a rate of 50 cents a square foot with a minimum of 45 per cent ad valorem, and this suggestion is satisfactory to the manufacturers.

The importers and retailers have also requested that chenille Axminster and machine made rugs in imitation of the oriental weaves carry a straight duty of 60 per cent. We are willing that a straight rate of 60 per cent ad valorem be placed on chenille Axminster and machinemade rugs in imitation of the oriental weaves.

With reference to paragraph 1117, the House bill provides that goods valued at more than 40 cents a square foot shall pay a rate of 60 per cent ad valorem. This rate is satisfactory to the domestic manufacturers, as well as that mentioned in paragraph 1118.

Respectfully submitted.

TARIFF COMMITTEE
(Representing 28 manufacturers),
By JOSEPH F. LOCKETT, Attorney.

STATEMENT OF CHARLES B. FRITZ, NEW YORK CITY, REPRESENTING THE NATIONAL ORIENTAL RUG PROTECTIVE ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Senator BINGHAM. You are an importer?

Mr. FRITZ. Yes, sir.

Mr. Chairman and members of the Finance Committee, I am appearing for the tariff committee of the National Oriental Rug Protective Association, composed of American importers of oriental rugs. We are interested in the first third of paragraph 1116. Our committee was represented before the Ways and Means Committee of the House at which time, by oral argument and brief, we fully covered

the statistical phases of the question. We shall not now discuss that, but respectfully refer the committee to that record.

In the brief filed by the domestic manufacturers before the House committee, a compound rate of 40 cents per square foot, plus 20 per cent ad valorem, was asked. The House bill as written provides a different rate of duty than was asked for by the American manufacturers, to wit, 50 cents per square foot, with a minimum ad valorem of 60 per cent, and in some instances the ad valorem duty would be higher.

This association recognizes the principle of protection, and is quite willing to have the paragraph so written as to furnish protection. The domestic manufacturers feel that they are entitled to the 50 cent specific duty. While we are willing to yield on this, it seem clear to us that if the specific duty is to be 50 cents, that the minimum ad valorem duty should in no case be above 45 per cent.

While there is, of course, some competition as to oriental rugs when the higher values are reached, the competition is unimportant, and a 45 per cent minimum ad valorem duty will, in our opinion, afford all the protection needed, and at the same time provide a justifiable yield of revenue.

The report of the House committee shows a 400 per cent increase in the importation of carpets and rugs under paragraph 1116 from 1919 to 1927, but it is important to remember that in 1919 there were almost no imports of oriental rugs due to the following causes:

1. Transportation to the Near East had been stopped by the war, and was not operative in 1919.

2. The oriental rug industry had been almost wiped out by the war.

3. President Wilson, in April, 1918, placed an embargo on the importation of rugs. This was not lifted until early in 1919. By the time American buyers could go abroad, place orders and receive the goods, the year was over. If the report had made the comparison with the year 1918, the picture would have been even more striking.

Our opinion is there is little competition between the oriental rug importations and the domestic manufactures on the high-priced goods, and the importation of oriental rugs had practically nothing to do with the quantity of American production. For instance, between 1919 and 1927, the importation of oriental rugs increased 1,750,000 square yards, but during the same years the domestic production increased 13,000,000 square yards. The increased importations of high-priced rugs did not seem to interfere with the increase in domestic production. The reason such oriental rugs do not compete with the domestic carpets is because the oriental rugs are more costly. They have a peculiar market of their own, and in the largest year the imports of oriental rugs were only 3¼ per cent of the domestic production. The importation of oriental rugs is the importation of a semimanufactured product. It gives employment to a great deal of American labor after it arrives in this country. This is all shown in the briefs and hearings before the House committee, to which we refer.

A most interesting thing is noticed in the House hearings. The retailers, who sell \$250,000,000 per annum of American manufactured rugs and carpets, appeared before the Ways and Means Committee to oppose any increase in tariff rates.

President Hoover, in his message to Congress, said:

It is obviously unwise protection which sacrifices a greater amount of employment in exports to gain a less amount of employment from imports.

China and Persia are the principal shippers of oriental rugs. To these two countries we sold \$73,300,000 of manufactured products in 1926, according to the Department of Commerce Yearbook, 1928, Volume II. From them we bought only \$16,400,000 of manufactured products, of which oriental rugs were an important item. To unnecessarily raise the duty on their rugs without benefit to our own industry would invite retaliation. Especially is this true as their duties are much lower than ours, ranging from the free list on our automobiles under \$3,000 in Persia to 35 per cent as the highest rate on any product shipped by us to China.

It is also interesting to note the agricultural products which China buys from us annually. They include raw cotton, \$13,704,000; wheat flour, \$8,157,000; tobacco leaf, \$17,536,000.

We respectfully urge this change in the tariff. First, because it will not adversely affect American manufacturers; second, it produces sufficient revenue, and is indeed a heavy tariff duty. Third, it will show a sufficient fairness to our foreign importers to encourage American exports to these countries.

We propose an amendment, which is filed herewith, and marked "Exhibit A."

It will be noted that chenille rugs are taken out of the other class and relieved of the specific duty, but they carry a 60 per cent ad valorem duty, which is an increase of 5 per cent over the present law.

This solution for the perplexing problem of levying proper tariff duties to give protection, yield revenue, and not do too great an injustice to importers, has been worked out in a series of conferences between this Association and other interested organizations.

It is a perplexing problem because the different articles are not easily classified, and the price range is very great. We feel that it is a very equitable solution from every standpoint.

PAR. 1116. (a) Oriental, Axminster, Savonnerie, Aubusson, and other carpets, rugs, and mats, not made on a power-driven loom, whether woven as separate carpets, rugs and mats, or in rolls of any width, 50 cents per square foot: *Provided*, That none of the foregoing shall be subject to a less rate of duty than 45 per centum ad valorem.

(b) Carpets, rugs, and mats, of oriental weave or weaves, made on a power-driven loom; chenille Axminster carpets, rugs, and mats, whether woven as separate carpets, rugs, and mats, or in rolls of any width; all the foregoing, plain or figured, 60 per centum ad valorem.

Senator BINGHAM. That is what the House bill calls for?

Mr. FRITZ. They call for 50 cents a square foot.

Senator BINGHAM. Not less than 60 per cent each. That is applied to the hand made rugs and the machine made rugs?

Mr. FRITZ. Yes, sir. It should be in a separate paragraph.

STATEMENT OF FREDERICK HALL, REPRESENTING THE NATIONAL RETAIL FLOOR COVERING ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. HALL. I represent the National Retail Floor Covering Association. Through our vice president, E. W. Cruikshank, we presented a brief before the Ways and Means Committee with regards to paragraphs 1116 and 1117, schedule 11. We have taken an active part in the conferences between the manufacturers and importers on the subject of this duty and a compromise has been effected, and the rate of duty as agreed upon in that compromise is satisfactory to the association. We respectfully request that the committee carefully consider the rates for adoption.

I should like to read a very short brief, sir, in connection with chenille carpetings as covered by paragraph 1116.

As representing the National Retail Floor Covering Association I ask the privilege of presenting to the committee the association's brief in regard to the duty on imported chenille carpets, rugs, and mats in paragraph 1116, schedule 11, of the tariff.

The present duty is 55 per cent ad valorem and in the new House bill it is proposed to increase this duty to 50 cents a square foot with a minimum 60 per cent ad valorem.

We have two contentions to make and sustain: (1) That the present duty is fully adequate protection for the domestic manufactures, and (2) that the duty proposed in the House bill will result in practical exclusion of these goods.

Chenille is a machine-made carpet, but, for some peculiar reason, for duty purposes it is included in the same paragraph as hand-made carpets. Hand-made carpets, are, of course, very much more expensive than machine-made carpets, so that, when a specific rate of duty is applied, a very real injustice is done to the machine-made goods. It is all the more surprising that chenille should be in the same schedule as hand-made goods when other machine-made carpets, such as Wilton, spooled axminster and velvet are in a separate paragraph, viz, 1117.

The House bill's proposed duty on oriental carpets and rugs and on chenille carpets and rugs is 50 cents a square foot. In the Tariff Commission's spring 1929 publication, "Textile Imports and Exports," the average foreign cost of oriental rugs imported into this country during the year 1927 is given as \$8.20 a square yard, and on chenille, as \$3.85 a square yard. A duty of 50 cents a square foot applied indiscriminately to both articles is obviously grossly unfair to the latter, and we say this without meaning or implying in any way that we believe this proposed duty is fair and proper for oriental rugs. It is not in our province to refer in our brief to oriental rugs at all as that part of the tariff is being covered by the National Oriental Rug Protective Association.

The average foreign cost of chenille being \$3.85, as shown by these official figures, the duty of 50 cents a square foot would mean a tax on chenille of 117 per cent ad valorem. This is a landing cost which would make the importation of chenille prohibitive—with the exception of a small quantity in very high priced qualities—and to that landing cost must be added about 10 per cent for shipping charges. It therefore means that on the great majority of chenille carpets

imported it would cost 127 per cent on the foreign cost to land them. That is not protection, as the committee will very easily see; it is prohibition.

To come to our other contention, namely, that the present duty of 55 per cent on Chenille is ample protection, we would again quote from the Tariff Commission's official figures published this spring in which it is shown in graphic manner that the importation of chenille has steadily and sharply declined. In the year 1924, 299,625 square yards were imported and a decrease took place in each following year, until in 1927 the importations totalled but 181,782 square yards. Nineteen hundred and twenty-seven is the latest year for which governmental figures are available but we can safely estimate that for 1928 the imports were not more than 160,000 square yards.

If 55 per cent duty were not about sufficient protection, surely the imports would have increased instead of having decreased in such a drastic manner. We feel that the 60 per cent duty, which is embraced within the suggested paragraph proposed by Mr. Fritz to take the place of paragraph 1116 of the House bill, will give very ample protection.

In 1927 the domestic production of wool carpets and rugs was \$161,478,044, and the total wage payments \$41,484,875. In other words, labor cost 25 per cent. It would appear obvious that no greater than 70 per cent protection (60 per cent duty, 10 per cent charges) is necessary to offset the difference in wages plus the relatively unimportant differences in overhead.

With the almost complete exclusion of imported chenille that such a high rate of duty as the House bill recommends would bring about, another serious result would be a considerable loss of revenue to the Government.

We, as retailers, firmly believe in adequate protection for the domestic manufacturers. We are users of domestic chenille, but we need imported chenille as well for the reason that there are features afforded by the sale of imported chenille that are not present in the domestic goods. That being the case it does not follow that if all imported chenilles were shut out by a prohibitive duty, the American manufacturers' business in that commodity would be increased by the amount of the importations which were shut out.

We believe we have shown in the foregoing that the rate of duty of 60 per cent is ample and fair protection to the American manufacturers, and our suggestion is as follows:

That chenille, which is machinemade, be separated entirely from the handmade carpets, oriental, Sovonnerie, Aubusson, etc., and be put by itself in a subdivision of paragraph 1116. By that means the unfairness and injustice of chenilles suffering from any specific duty applied to handmade goods will be easily and simply avoided. It is our firm belief that the proposed duty of 60 per cent is ample protection.

We are in entire agreement with the paragraph with reference to oriental rugs and other rugs, including chenilles, presented to the committee by Mr. Fritz, of the National Oriental Rug Protective Association. This places the chenille rugs in a separate subdivision with an ad valorem duty of 60 per cent, which is an increase under the present law of 5 per cent.

Thank you very much.

**STATEMENT OF GEORGE GORDON BATTLE, REPRESENTING
GINZKEY-MAFFERSDORF (INC.), NEW YORK CITY**

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. BATTLE. Mr. Chairman and gentlemen of the committee, I appear here on behalf of a New York company called Ginzkey-Maffersdorf (Inc.), which imports, among other things, chenilles from a factory in Czechoslovakia, a very old concern that has been in business for over 100 years, which has been importing to this country for a great many years. I shall confine my remarks, which I shall make very brief, entirely to the subject of the chenille fabrics.

Senator BINGHAM. Are you in agreement with the last speaker?

Mr. BATTLE. I am in agreement with him—in fact, we are all in agreement.

Senator SACKETT. Why not then file your brief?

Mr. BATTLE. I just want to say one word. This chenille fabric gets its name from a French word for caterpillar; it gets that from the fact that these threads have some sort of resemblance to the caterpillar. It is a machinemade floor covering of moderate cost and is used by persons of moderate means. The rate of duty on chenille has been fixed by paragraph 1116. That paragraph includes all the handmade floor coverings, and in addition to that includes this chenille itself, a machinemade fabric. And the chenille is substantially the only machinemade fabric that is included in 1116. And I think that is the origin for the very extraordinary and, it seems to me, indefensible increase in the rate on chenilles in the House bill.

Senator SIMMONS. Is there any other case where a machinemade product is included in the same paragraph and at the same rate with the handmade product?

Mr. BATTLE. The only one other, sir, oriental weaves made on machines, and they are negligible in quantity. They include only a very small amount of imitation oriental weaves. Substantially the only machinemade fabric that is in 1116 are these chenilles which are, as I say, machinemade, and are moderate in cost. That is a very fine fabric and makes a very fine floor cover.

The tariff of 1922, the present tariff, fixed a rate of 55 per cent ad valorem on chenilles. The proposed House bill fixes a 50 cent per square foot specific duty on chenilles, which, of course, would be \$4.50 per square yard, and according to the Tariff Commission's report for this spring the average foreign value of chenilles was \$3.85 a square yard. So that this proposed duty of \$4.50 per square yard would be equivalent to 117 per cent ad valorem. So that the increase proposed in the House bill would be from 55 per cent to 117 per cent ad valorem.

Now, I shall not keep the committee further. I have stated in my brief the reasons why—and I do not think it needs argument—the reasons why such increase is entirely indefensible.

Senator SIMMONS. I understood you to say that the duty is more than the thing is worth, more than the total cost?

Mr. BATTLE. Yes; 117 per cent. The total cost, according to the Tariff Commission, is \$3.85, and the proposed duty would be \$4.50 per square yard. I think it was an inadvertence. I think it arose from the fact that the committee in fixing the rate on handmade articles at 50 cents a square foot inadvertently included this machine-

made article because it happened to be in the same paragraph. That is evident from a number of considerations I have stated in my brief. I will not detain the committee by reciting them here. I will ask the permission to file it.

I will say further that we have had conferences here with all the representatives of the manufacturers and of the importers, and we have all agreed that a fair and a reasonable figure for chenilles would be a straight ad valorem rate of 60 per cent, and that is what we respectfully request the committee. Thank you.

(The brief presented by Mr. Battle is as follows:)

BRIEF OF GINZKEY-MAFFERSDORF (INC.), NEW YORK CITY

PRELIMINARY STATEMENT

Ginzkey-Maffersdorf (Inc.), is a New York corporation having its office at 295 Fifth Avenue, New York City. It imports chenille carpets and rugs from Czechoslovakia.

This brief is submitted on its behalf to protest against the duties upon chenille carpets and rugs contained in the proposed tariff bill which has been passed by the House of Representatives and is now under consideration by the Committee on Finance of the United States Senate; and to suggest, very respectfully, what seems to us to be fair and reasonable duties upon these chenille fabrics.

It is not our purpose to refer in detail to the statistics on the subject. The facts have been set forth with substantial correctness in the brief filed on behalf of the domestic carpet and rug manufacturers before the Committee on Ways and Means of the House of Representatives, and printed in Volume XI of the hearings before that committee, at pages 6534 to 6537. We shall strictly confine ourselves to the duties on chenille fabrics, as the duties on other fabrics are elsewhere discussed.

Our client is an old manufacturing firm which has been making chenille fabrics at Maffersdorf in Czechoslovakia for nearly a century, and has been importing such fabrics into this country for many years.

WHAT IS CHENILLE?

It is fabric deriving its name from the French word for caterpillar, as the strings attached to the base of the fabric have somewhat the appearance of caterpillars. Its peculiar advantage is that it can readily be made into any specific pattern for a particular purpose. It is machine made, and is moderate in cost, and is therefore largely purchased by people of moderate means.

WHAT IS THE PRESENT TARIFF ON CHENILLE?

Paragraph 1116 of the present tariff act defines the present duty upon chenille.

"PAR. 1116. Oriental, Axminster, Savonniere, Aubusson, and other carpets and rugs, not made on a power-driven loom; carpets and rugs of oriental weave or weaves, produced on a power-driven loom; chenille, Axminster carpets and rugs, whether woven as separate carpets and rugs or in rolls of any width; all the foregoing, plain or figured, 55 per centum ad valorem."

In this connection we may also quote the succeeding paragraph, as it bears on this subject, although it does not provide any duty upon chenilles; it reads as follows:

"PAR. 1117. Axminster carpets and rugs, not specially provided for; Wilton carpets and rugs; Brussels carpets and rugs of like character or description, 40 per centum ad valorem.

"Ingrain carpets, and ingrain rugs or art squares, of whatever material composed, and carpets and rugs of like character and description, not specially provided for, 25 per centum ad valorem.

"All other floor coverings, including mats and druggets, not specially provided for, composed wholly or in chief value of wool, 30 per centum ad valorem.

"Parts of any of the foregoing shall be dutiable at the rate provided for the complete article."

It will be seen that paragraph 1116 includes three groups of fabrics:

(a) All handmade rugs, including oriental rugs.

(b) Machinemade oriental rugs (of which the amount is negligible).

(c) Chenille machinemade rugs.

The present duty, therefore, is 55 per cent ad valorem upon chenilles as well as upon the other two groups included in the paragraph.

WHAT IS THE PROPOSED TARIFF UPON CHENILLE FABRICS?

The proposed paragraphs 1116 and 1117 read as follows:

"PAR. 1116. Oriental, Axminster, Savonnerie, Aubusson and other carpets, rugs and mats not made on a power-driven loom; carpets, rugs and mats of oriental weave or weaves made on a power-driven loom; chenille Axminster carpets, rugs and mats, whether woven in separate carpets, rugs and mats or in rolls of any width; all the foregoing, plain or figured, 50 cents per square foot; provided that none of the foregoing shall be subject to a less rate of duty than 60 per centum ad valorem.

"PAR. 1117. (a) Axminster carpets, rugs, and mats not specially provided for; Wilton carpets, rugs, and mats; Brussels carpets, rugs, and mats; velvet or tapestry carpets, rugs, and mats; and carpets, rugs, and mats of like character and description; all the foregoing, valued at not more than 40 cents per square foot, 40 per centum ad valorem; valued at more than 40 cents per square foot, 60 per centum ad valorem.

"(b) Ingrain carpets, rugs or mats, or art squares, of whatever material composed, and carpets, rugs and mats of like character or description not specially provided for, 25 per centum ad valorem.

"(c) All other floor coverings including mats and druggets, wholly or in chief value of wool, not specially provided for, 30 per centum ad valorem.

"(d) Parts of any of the above shall be dutiable at the rate provided for the completed article."

It will be seen that the present straight ad valorem duty is proposed to be changed to a specific duty. The proposed duty for chenilles is 50 cents per square foot, provided that the duty must be at least 60 per centum ad valorem. This 50 cents per square foot is equivalent of course to \$4.50 per square yard.

The average foreign cost of chenille, according to the report of the Tariff Commission in its spring, 1929, publication entitled "Textile Imports and Exports," is \$3.85 per square yard. Therefore, the \$4.50 specific tax is equivalent to a 117 per cent ad valorem duty. Consequently the present tariff on chenilles 55 per cent ad valorem; the proposed tariff on chenilles is equivalent to 117 per cent ad valorem.

This increase is manifestly prohibitive; it is out of all proportion, as we shall show, to the increases on other machine-made fabrics; it eliminates practically all Government revenue; it tends to promote monopoly; it is contrary to all accepted theories of protection.

WHAT IS OUR POSITION AND WHAT DO WE ASK?

A series of conferences has been held between the representatives of the domestic manufacturers on the one hand and of the importing interests on the other. We are glad to be able to report to the committee that an accord has been reached between these representatives under which a straight ad valorem duty of 60 per cent upon chenille fabrics has received the approval of both groups. We recognize, of course, that no agreement upon this subject is in the slightest degree binding upon the committee. We feel sure, however, that the expression of the views of the manufacturers and of the importers to the effect that this is a fair and reasonable duty will have its proper weight with the committee. We ask, therefore, that the rate of duty upon chenille fabrics be fixed at 60 per cent ad valorem, and we respectfully suggest that paragraph 1116 be so modified as to read as follows:

"PAR. 1116. (a) Oriental, Axminster, Savonnerie, Aubusson, and other carpets, rugs, and mats, not made on a power-driven loom, whether woven as separate carpets, rugs, and mats or in rolls of any width, 50 cents per square foot: *Provided*, That none of the foregoing shall be subject to a less rate of duty than 45 per centum ad valorem.

"(b) Carpets, rugs, and mats, of oriental weave or weaves, made on a power-driven loom; chenille Axminster carpets, rugs, and mats, whether woven as separate carpets, rugs, and mats, or in rolls of any width; all the foregoing, plain or figured, 60 per centum ad valorem."

WHAT IS THE JUSTIFICATION FOR THE PROPOSED CHANGE FROM 55 PER CENTUM TO 117 PER CENTUM AD VALOREM UPON CHENILLES?

(a) There is no contention in the briefs submitted before the Ways and Means Committee by the representatives of the domestic manufacturers that the American carpet and rug industry is depressed or in distress. On the contrary, it is a matter of common knowledge that the industry is highly prosperous.

(b) The importations of chenilles are not increasing; but on the contrary are steadily decreasing. From the Tariff Commission Report mentioned above it appears that—

In 1924 the chenille importations amounted to 299,625 square yards.

In 1927 the chenille importations amounted to 181,782 square yards.

In 1928, although the official figures have not yet been published, we can assert with confidence that the importations will not be more than 160,000 square yards.

This record shows a decrease in chenille importations from 1924 of 45 per cent. It is stated in the brief of the domestic manufacturers above mentioned (p. 6535) concerning chenille: "The imports have fallen off very much since 1923."

(c) It is true that the domestic production of chenille is also decreasing.

Both the importations and the domestic production of chenille have decreased. And this is due to a cause that no increase of duty will affect. It is this: Prior to 1923 chenille was the only fabric which could be woven seamless in widths of 18 feet or more. But since 1923 the manufacturers of velvets and Axminsters have developed wide looms by which they can make widths of about 18 feet. These wide-loom velvets and Axminsters are more economical than chenille. Consequently, the manufacture and sale of these wide-loom velvets and Axminsters "has caused a big diminution in the demand for chenille, both at home and abroad." (Brief of domestic manufacturers, pp. 6535-6536.)

It appears, therefore, that the domestic carpet and rug manufacturers are prosperous; that importations of chenille are sharply decreasing; that the decrease in domestic production of chenille, which has gone hand in hand with the decrease in importation, is due to the same cause; and that this decrease in domestic production will not be checked by an increase in duty. Consequently, there seems to be no justification for increasing the rate of duty upon chenille.

THE INCREASE OF DUTY UPON CHENILLE IN THE PROPOSED HOUSE BILL IS UTTERLY DISPROPORTIONATE TO THE INCREASES OF DUTY IN THE SAME PROPOSED BILL UPON OTHER MACHINEMADE FABRICS

The other machinemade fabrics are included in paragraph 1117. As to them, the rates of duty in the proposed House bill remain the same as those in the act of 1922, except upon Axminster, Wilton, Brussels, and velvet and tapestry carpets and rugs that are valued at more than 40 cents per square foot. The proposed duty on them is an increase from 40 per cent ad valorem to 60 per cent ad valorem. It will be seen, therefore, that as to chenille the proposed increase is from 55 per cent ad valorem to 117 per cent ad valorem; while as to other machinemade fabrics mentioned in paragraph 1117 the rates remain the same, except in the single instance that certain fabrics show an increase from 40 per cent ad valorem to 60 per cent ad valorem if such fabrics are valued at more than 40 cents per square foot.

It is evident, therefore, that the increase of duty upon chenilles is out of all proportion to the increase in duty upon other machine-made fabrics.

THE INCREASE OF DUTY IS UNREASONABLE AND PROHIBITIVE

If 10 per cent be added for freight and landing charges the differential between domestic and imported chenilles will be 127 per cent ad valorem. It does not require argument to show that such a differential will entirely prohibit the importation of chenilles, with the exception of a very small amount of specialty business. As we have already stated, it will eliminate practically all Government revenue from chenille importations. It will tend to produce monopoly. It violates all the accepted theories of protection.

EVEN IF THE IMPORTATIONS OF CHENILLE ARE ENTIRELY PROHIBITED THE BUSINESS OF THE AMERICAN MANUFACTURERS WOULD NOT BE INCREASED BY ANYTHING LIKE THE FULL AMOUNT OF THE FORMER IMPORTATIONS

There has always been a certain demand for imported goods, due to the desire to get something different, and also due to the fact that the foreign manufacturers will always take smaller orders for unusual colors and effects than the American manufacturers, with quantity production, can afford. Consequently, even of the small remaining chenille importations are entirely cut off, the amounts of such importations will not be added to the business of the domestic manufacturers.

THE PROPOSED CHANGE IN THE DUTIES UPON CHENILLE WILL NOT BENEFIT THE FARMER NOR AID THE CAUSE OF FARM RELIEF, BUT ON THE CONTRARY WILL BE HARMFUL TO OUR AGRICULTURAL INTERESTS

The kind of wool which is used in carpets and rugs is not grown in this country. It is all imported in bond, and afterwards, upon proof that the wool has been used in the manufacture of carpets and rugs, the bond is cancelled. Consequently, the use of this carpet wool in the domestic manufacture of chenille does not in any way interfere with the American woolgrowing industry.

Furthermore, these chenille fabrics, being machine-made, are of moderate cost and are largely used by farmers and other persons who can not as a rule afford luxuries. Any increase in the price of the manufactured chenilles would be an added burden to the farmer.

INASMUCH AS THIS PROPOSED INCREASE IN DUTY UPON CHENILLES IS NOT IN ANY WAY JUSTIFIED, IS UTTERLY DISPROPORTIONATE TO THE INCREASE IN DUTY UPON OTHER MACHINE-MADE FABRICS, AND IS NOT A PART OF A PROGRAM FOR FARM RELIEF, HOW DID IT COME ABOUT THAT THE CHANGE WAS INCORPORATED IN THE PROPOSED HOUSE BILL?

In our judgment, the insertion of this change in the proposed bill was an inadvertence; and arose from the confusion of chenilles with the handmade rugs included in paragraph 1116. This paragraph 1116 related almost entirely to handmade rugs, the only exceptions being (a) machine-made rugs of oriental weaves, which are negligible in amount, and (b) chenilles. In the above-mentioned spring report of the Tariff Commission, 1929, upon textile imports and exports, it is stated that the average foreign cost of oriental rugs is \$8.20 per square yard and of chenille \$3.85 per square yard. It is perfectly clear, therefore, that the duty of 50 cents per square foot, or \$4.50 per square yard, is grossly unfair to chenille fabrics. That this unreasonable increase arose from the confusion of chenille with handmade rugs appears from the following considerations:

(a) The amount of the disproportion is so great as to indicate that it was the result of an error or an inadvertence.

(b) The report of the Committee on Ways and Means (p. 313, H. Doc. No. 15) reads as follows:

"PAR. 1116. This paragraph relates to carpets and rugs that are mainly hand made * * *

"PAR. 1117. This paragraph relates to machinemade carpets and rugs."

It is evident that the Committee on Ways and Means intended to fix the specific duty of 50 cents per square foot upon the handmade rugs and inadvertently fixed it also for chenilles, due to the fact that chenilles are substantially the only machinemade fabrics included in paragraph 1116.

(c) The reason for change from an ad valorem duty to a specific duty is stated in the same report of the Committee on Ways and Means (p. 314, at top) to be: "* * * the difficulty of ascertaining the foreign value of oriental rugs, particularly those of the lower grade."

Of course this reason does not apply to chenille, but only to the oriental rugs.

(d) The domestic manufacturers conceded that there should be a difference in duty between the handmade fabrics and the machinemade fabrics mentioned in paragraph 1116 (Vol. XI, p. 6533). The proposed House bill reports chenilles on exactly the same basis as handmade rugs.

From these considerations it seems clear that this proposed increase of duty upon chenilles was made inadvertently and because of a confusion arising from the fact that chenilles were included in paragraph 1116 along with the handmade fabrics.

CONCLUSION

The domestic manufacturers have very fairly and generously conceded that this proposed increase should not be allowed to continue in the tariff bill. They have approved, and our client, along with the other chenille manufacturers represented at this hearing, has approved and accepted a straight ad valorem rate upon chenilles of 60 per cent. This rate is reasonable. It connotes an increase of 5 per cent, which is a considerable addendum. It will afford all reasonable protection to the American manufacturer, and at the same time it will not prohibit the importation of chenilles and consequently it will not deprive the Government of revenue from this source, nor will it give an opportunity for monopoly. Accordingly we respectfully suggest that paragraph 1116 of the proposed House bill be so modified as to provide for this straight ad valorem duty of 60 per cent upon chenilles.

Respectfully submitted.

I. GINZKEY-MAFFERSDORF (INC.),
By HANS WICKENHAUSER,
President, 295 Fifth Avenue, New York City.
GEORGE GORDON BATTLE,
Of Counsel.

STATEMENT OF WILLIAM R. CONKLIN, NEW YORK CITY, REPRESENTING IMPORTERS OF ANTIQUE ORIENTAL RUGS

[Antique oriental rugs, par. 1116]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. CONKLIN. I would like to talk on 1116 if you would care to take it up. I represent Mr. Arthur Upham Pope, of Chicago, who is an adviser to many importers of antique oriental rugs, and I have just two suggestions which I wish to make here.

In section 1116 as proposed in the House bill, the duty is fixed at 50 cents per square foot, "provided that none of the foregoing shall be subject to a less rate of duty than 60 per cent ad valorem."

These antique oriental rugs that I am interested in principally are made prior to 1700, and so far as we know there are not more than three or four hundred of them in the world. They cost anywhere from \$150 a square yard up to \$2,500 a square yard. They can not, under any circumstances, be said to compete with American-made rugs.

Senator BINGHAM. Well, you want them put on the free list?

Mr. CONKLIN. I want them either put on the free list or I want to put a proviso in here that if they cost \$150 or more per square yard they shall pay simply the 50 cents per square foot duty, which would be a \$4.50 a square yard duty. That would give ample revenue to the Government, as the testimony before the Ways and Means Committee was that the average cost of American rugs was \$2.45 a square yard. We are perfectly willing to pay the 50 cents a square foot, so that the Government will get some revenue, so that there will be no danger of a conflict with American-made rugs, and put the minimum importation price at \$150 a square yard, which throws it way above the cost of American rugs, so that we are way out of competition.

If we do not have that, on a \$1,800 rug, which is \$150 a square yard for a 9 by 12, we would pay a duty of \$1,080. Now, the cost to the American manufacturer is under \$50 on that, and his selling price is only about \$75. If he paid a \$45 duty plus the \$1,800 which we have got to pay abroad for that, we can not compete at all. So I ask in the alternative, either that you put a "Provided, however, That rugs costing \$150 or more per square yard" pay simply the

50-cent duty, or those that were made prior to 1700 go on the free list.

That is all I have. I have a memorandum here that I would like to file.

Senator BINGHAM. Very well.

Senator SACKETT. Is it difficult to tell whether a rug is an antique rug or not?

Mr. CONKLIN. Not if you will go prior to 1700. They are well known from the art and from the material that went into them. There are many threads of gold and many threads of silver in them. Likewise, those rugs are very well known. They are not of commercial value; they are of artistic value, and they are of very great value to merchants in this country for designing tapestries and floor coverings and all art objects and panelings. They get their designs from all those old rugs.

Senator SACKETT. Do they all come into one port of entry?

Mr. CONKLIN. They all come practically through the New York port.

Senator SACKETT. Would you be willing to have them limited to the New York port of entry?

Mr. CONKLIN. Yes, sir; we would. Your experts are there. Now, you bring in tapestries that are 100 years old and this is the only thing that is exempted from the 100-year-old schedule, rugs and carpets.

Senator BINGHAM. And you are asking for simply a 200-year limit?

Mr. CONKLIN. A 200-year limit on them.

Senator SACKETT. And you are willing to make it one port of entry?

Mr. CONKLIN. One port of entry; yes, sir.

Senator SACKETT. Then we could have experts that could determine that.

Mr. CONKLIN. Yes, sir.

(Mr. Conklin submitted the following brief:)

BRIEF ON BEHALF OF ARTHUR UPHAM POPE

Paragraph 1708 of the 1922 tariff act provided that works of art (except rugs and carpets), collections and the illustration of the progress of the arts, etc., should be imported free. This same paragraph is now 1811 of the 1929 proposed bill.

Paragraph 1116 of the new proposed bill on oriental, Axminster and other carpets, rugs, and mats changes the duty of 55 per cent to 50 cents per square foot, provided that none of the foregoing shall be subject to a less rate of duty than 60 per cent ad valorem.

This provision is more severe on antique oriental rugs and carpets than the present law, and on behalf of Mr. Pope, I would request careful consideration of this question of the free importation of these antique oriental rugs and carpets. In order to understand the question I quote from a letter written by Mr. Pope to me under date of June 26, 1927:

"Meantime there is a very real problem as to whether the antiquity designated should be 300 years or 250. If we say 300 years, we make a dividing line that is rather difficult to maintain. Of course, all the real old rugs are called by the dealers sixteenth century, but, as a matter of fact, there are extremely few of them that are worthy of this designation. The greatest era of rug productivity in Persia in the classical period extended from about 1600 to about 1675. It is quite easy to determine the rugs that come after that period. By 1675 or 1700 the quality has fallen off so markedly that there would never be a dispute among

experts, but the bulk of important antique carpets that come to this country seem to me to fall between the years 1610 and 1660. Certainly, most of the Polonaise carpets come within that period and it would be very difficult for any one to say of a Polonaise rug that it was woven in 1625 rather than in 1650, or even 1665. The same is true of the so-called Ispahan carpets which were really woven in Herat. These also were produced as late as 1650 and 1675.

"If, however, such a modification would jeopardize the chances of the measure's being approved, it would be much better to hold to the 300 years; that certainly would protect the really important antique carpets from this preposterous penalty."

It appears from the above that if we set the year 1700 as a dividing line that it would be easy for experts, and the Treasury Department has such experts, to tell rugs and carpets which were woven prior to that period, and these we request should come in free of duty, as they in no wise compete with American rugs.

As stated at page 8605 of the record before the Ways and Means Committee in a statement of Mr. Myers, representing textile museums of the District of Columbia, it is conceded that these old rugs are objects of art; that tapestries are admitted free of duty but rugs are not, and there is nothing logical in this distinction. And at page 8607 he says:

"I should like to single out just the one subject of rugs and carpets for special comment. It is our firm conviction that the discrimination against this class of art works and the imposition of a duty upon them (by exemption under paragraph 1708) is entirely unjustifiable and unfortunate."

And then he gives the reasons from the American Federation of Arts as follows:

"That the American Federation of Arts declares that it is decidedly to the interest of art in this country, whether in museums, universities, or in the work of artists, designers, or in the studies of scholars, that the present discrimination and penalty against antique carpets shall be removed and that the clause exempting carpets from the operation of paragraph 1708 of the tariff act shall be at the earliest possible moment struck out."

Mr. Pope informs me in a letter written to me by him under date of November 2, 1927, that the American Federation of Arts has 400 chapters and thousands of members and are strongly behind this movement to have this discrimination against the antique oriental rugs and carpets removed. He says that if it is not removed many important treasures will go to Europe and not come to this country.

Mr. Alfred Kohlberg, representing the National Oriental Rug Protective Association, at page 5687 of the tariff hearings before the Ways and Means Committee, testified as follows:

"Mr. WATSON. What is there about an imported rug that gives it a value above that of an American rug?"

"Mr. KOHLBERG. The artistic value, I believe, more than anything else. The general public thinks it has greater wearing qualities. As to that the trade is in disagreement. It is really a question of artistic value. It is a work of art. It is a handmade article, made in ways that have gone on for generations and for centuries."

These rugs and carpets really do not come in competition with the product of American manufacturers of rugs. This has been clearly demonstrated by the testimony before the Ways and Means Committee, and I shall take the liberty to quote several extracts in the order in which they were presented.

Mr. Crowther asked E. E. W. Cruickshank, at page 5683, this question:

"At what price do you think the imported rug ceases to be a competitor of the type of rugs made in Worcester, Amsterdam, Yonkers, and various places, say a 9 by 12?"

"Mr. CRUICKSHANK. I should say a rug selling up to about \$225, or it might go up to \$250, might interfere with the merchant a little.

"Mr. CROWTHER. The rug that people buy and pay five hundred, seven hundred and fifty, and up to two or three thousand dollars for doesn't materially interfere?"

"Mr. CRUICKSHANK. Nothing over \$350."

Mr. Alfred Kohlberg, at page 5685, says:

"In most every other line the domestic manufacturer tells of his high labor cost per unit and the low labor cost abroad. In the rug industry it is exactly opposite."

And again:

"Now, taking the average foreign cost of the oriental rug of \$7.88 per square yard and adding 20 per cent shipping charges and a minimum of only 20 per cent

washing charges we find that the average oriental rug costs \$11 per square yard without duty, as against \$2.45 per square yard for the domestic."

And again:

"It is our contention that if a specific square-yard duty is levied so as to kill off these cheap oriental rugs then the domestic manufacturer will have all the protection he needs."

And again:

"This suggested rate of \$2.50 per square yard is equal to 100 per cent on the average selling price of the American product or 400 per cent on the average American labor cost per square yard."

Mr. Kohlberg also testified in regard to the modern oriental rugs and we see that a duty of \$2.50 per square yard would equal the average selling price of the American product. But what we are interested in now is the antique oriental rugs costing many times what he is testifying about. We are speaking of that type of rug which is referred to at page 5694 in the memorandum filed on behalf of the National Oriental Rug Association, which says:

"Yet the small percentage of oriental rugs imported has for more than a generation furnished the American manufacturer his chief and almost only source of inspiration. From the oriental rug he has copied his designs, his colors, and even his trade names. In addition he has now copied the chemical washing of oriental rugs which was developed to perfection by the American importer of oriental rugs, and has not been so perfected anywhere else in the world."

And then at page 5695 he refers to the rugs and carpets of 100 years or more, and the desire of certain collectors and museums to have them brought in free, and then says:

"While sympathizing with their desires, and strongly favoring anything that will bring to this country the beautiful and rare objects of the rug weaver's art, we know as experts that in a very large percentage of cases it is impossible to determine the age of a rug. We feel that placing oriental antique rugs on the free list would open the door to gross frauds by unscrupulous dealers. We therefore suggest that, in place of a free list for antique orientals, all oriental rugs valued at more than \$150 per square yard foreign value be admitted on the payment of one-third the regular duty. This would give a great measure of relief to museums and collectors of genuine antiquities, and at the same time make it unprofitable for unscrupulous persons to attempt to pass comparatively modern rugs as genuine antiques."

While we do not believe that there is any danger in bringing in fake antique oriental rugs, we believe that our suggestion overcomes the difficulty here mentioned, and instead of having the 100 years or more to provide that the free list shall have those rugs and carpets which were manufactured prior to 1700, that is nearly a century prior to the Declaration of Independence. These rugs as hereinbefore stated can be easily identified, but he has a suggestion as to rug values which we will consider later, namely: \$150 per square yard, foreign cost.

Mr. S. K. Costikyan in his testimony at page 5696 states very clearly that it is unfair to place a higher duty on these rugs as it amounts to a penalty and not a protection, and at page 5695 suggests a specific rate of 60 cents to 75 cents a square foot on all imported hand-made goods. Such a rate he says would automatically give the protection required by our home manufacturers; it will give ample revenue to the Government, and will not place a prohibitive rate on the better type of imported goods, which will not compete with the home product.

If they place 60 cents a square foot, which would be \$5.40 a square yard, we would have a duty equal to almost twice the cost of the American-made rugs as testified to by Mr. Kohlberg, namely, \$2.45. This would be on top of the foreign cost and the cost of transportation, insurance, and washing, and in his memorandum on page 5,698 he refers to this again in his item 6.

Mr. L. V. Coleman, representing the American Association of Art Museums, at page 5,699, says, that antique rugs and carpets are not in competition with modern American-made products, but in fact that the American manufacturer will have benefited by having them brought in; and then says:

"It has been a matter of regret that an exception was made of rugs and carpets, and we submit that this discrimination against one of the major classes of art works and historic treasures is too unjust to be continued."

It does not seem as if this point needs to be argued, but apparently it must be for we have it in the law and it is proposed to keep it in the law. And in answer to a question made by Mr. Aldrich to Mr. Coleman, at page 5,701, he said:

"There are, of course, questions of authenticity that can not be settled definitely to everyone's satisfaction, but by and large, it is not any more difficult a

problem than the same problem with relation to all works of art, and, as I say, it would be unthinkable to bar any advantage to American art development by reason of immediate difficulty in the Treasury Department."

Mr. George H. Myers answering another question of Mr. Aldrich, at page 5,702, says:

"I believe it is a fair statement to say that it is more difficult to imitate a pile carpet—that is what is commonly called an oriental rug—over a hundred years old, than almost any other object of art. Of course there is a very large range and some of them may be more difficult."

And at page 5,704 Mr. Dickinson asked this question:

"Are these old rugs of any greater value, except in age, than the rugs now manufactured over there?"

"Mr. MYERS. They are greater value artistically, because there are none, so far as I know, that are made nowadays that can equal them in artistic value."

And in answer to a question of Mr. Rainey, at page 5705, Mr. Myers said:

"One way of distinguishing is that the designs have degenerated and they are more carelessly done and there are details omitted from the newer rugs."

And at page 8608 he said:

"The Customs Service will not face any new kinds of difficulties of rugs over 100 years old are admitted, nor will those difficulties be absent if they are not."

"Tapestries are admitted free, rugs are not, and I have yet to hear a logical argument why this is so."

And then he sums up the matter in his memorandum at pages 8610 to 8611.

I have given these quotations in order to show that from the facts brought out before the Ways and Means Committee it appears clearly that there is a discrimination against the importation of antique oriental rugs and carpets, that they do not come in competition with American manufacturers, and that the exception now in the law should be removed.

In addition to these arguments I am adding as Appendix A the reasons furnished me by Mr. Pope, under date of August 6, 1927, as to why the tariff on antique oriental rugs should be modified, and I would ask that one of two things be done:

(1) That antique oriental rugs manufactured prior to 1700 be admitted free of duty, the same as other antiques under paragraph 1708 of the old law, which is paragraph 1811 of the proposed law; or

(2) That paragraph 1116 of the new law have the duty provision rate as follow:

"Fifty cents per square foot, provided that none of the foregoing shall be subject to a less rate of duty than 60 per cent ad valorem, except oriental rugs and carpets costing \$150 or more per square yard foreign value."

This 50 cents per square foot would be \$4.50 a square yard, which is more than the average cost of American rugs; it would give ample revenue to the Government on rugs and carpets which do not come in competition with American manufacturers, and would enable collectors, museums, and others interested in obtaining for this country the few remaining works of the rug weaver's art, which would be of benefit to its citizens in various lines of industry.

Dated New York City, June 22, 1929.

Respectfully submitted.

WM. R. CONKLIN,
Attorney for Arthur Upham Pope.

STATE OF NEW YORK,
County of New York, ss.:

William R. Conklin, being duly sworn, deposes and says, that he has prepared the above memorandum on behalf of Arthur Upham Pope, and that the facts therein contained are to his best knowledge, information, and belief true and correct.

WM. R. CONKLIN.

Sworn to before me this 22d day of June, 1929.

[SEAL.]

ROBERT W. OWENS, Jr.
Notary Public.

Commission expires March 30, 1930.

APPENDIX A

REASONS WHY THE TARIFF ON ANTIQUE ORIENTAL RUGS SHOULD BE MODIFIED,
TO FACILITATE THE ENTRY OF THE FINEST TYPES

1. Oriental carpets and rugs of the period indicated are regarded by all competent judges as works of art; in their finest examples worthy to rank with the greatest achievements in the realm of pure decoration.

They are accorded a conspicuous place in every art museum of importance in the world; they are the subject of sumptuous and learned treatises by famous scholars; they are constantly used as sources and models by students and designers and they have been highly prized for centuries by the world's leading artists. The late John Sargent, said of a sixteenth century Persian carpet, now in the Gardener Museum in Boston, that it was "more beautiful than any picture ever painted."

These carpets are prized for their beauty, not for their utility value, which is generally inconsiderable, and often nil. They are frequently very much worn; they are often of very perishable materials, such as silk enriched by gold and silver thread. In many cases they are used only as wall or balcony hangings.

2. The acquisition of such carpets, even by private individuals, is of public advantage.

A very considerable proportion of those already in the country have been given to public museums, and there is good reason to believe that the greater number of the important pieces now in private possession will ultimately find their way to museums also. Museums are fully aware of this possibility, and everywhere count on donations and bequests of this character. Moreover, almost without exceptions, the private owners of old carpets have been generous in sharing them with the public; they have repeatedly loaned them to various exhibitions; allow them to be photographed and studied; and for the most part preserve them with conscientious care. Many examples of this attitude on the part of private owners could be given.

James F. Ballard not only gave a large and important collection of carpets to the Metropolitan Museum, but provided exhibitions in numerous cities, San Francisco, Chicago, St. Louis, Minneapolis, Rochester, Indianapolis, Albany, and elsewhere.

The collection of George Hewitt Meyers, of Washington, has just been established in a museum available to the public.

Ex-Senator William A. Clark bequeathed his entire collection to the Corcoran Art Gallery.

The C. F. Williams collection has been available to the public for many years, and the Deering collection has been on public view since 1922. Other owners make their rugs available for the public in various ways.

Other important loan exhibitions of antique carpets have been held in many American cities.

3. The present tariff on old carpets acts as a serious deterrent to their acquisition in this country.

Mr. Ballard and Mr. Myers have both said that they would have purchased fully twice as many carpets as they had if it had not been for the tariff. Inasmuch as the carpets in these two collections have now been given to or are accessible to the public, their statements mean that the public has been deprived of hundreds of antique carpets by the operation of the tariff. Leading dealers have said that they would have brought into this country many times the number of antique carpets as they have if it had not been for the tariff.

4. They are unique and unreplaceable objects of which only a relatively few are left.

It is especially desirable that the tariff be adjusted at an early date to encourage the importation of antique oriental carpets, because each year sees the supply of them permanently diminished. Several of the finest types of old rugs have completely disappeared from the market. European collectors and museums are eager to acquire the few pieces that come up in the European market, where they are generally protected from American competition by the exactions of the American tariff.

5. The free admission of antique carpets was within the original intention of the antiquities clause in the tariff act.

The clauses governing art and antiquities, designed to permit their free entry, were enacted in response to urgent recommendations by numerous artists, scholars, educators, art societies and institutions that it was for the cultural and

artistic advantage of the country that the importation of such things should be encouraged and freed from every hindrance. The specific exemption of one class of antiquities that had a recognized artistic status was contrary to the spirit of the provisions and to the purposes at which they aimed. The fear of administrative difficulties in the way of application of the antiquities clause as applied to carpets was, in the opinion of the best qualified experts, not warranted.

6. The facilitation of the importation of antique carpets has been urgently requested as for the best artistic and educational interests of the country by organizations and individuals that are representative and authoritative.

The American Federation of Arts (with more than 400 chapters distributed throughout the country), and the American Association of Museums, including every museum of importance in America, unanimously recommended last year that antique carpets be placed on the free list. The resolution of the federation was passed at its annual meeting, and the recommendation of the Museums' Association was passed by the executive committee. Furthermore, various individuals, museum directors, artists, critics, scholars and many leading art dealers have expressed similar opinions.

In addition, dealers and manufacturers of modern rugs have expressed the opinion that the importation of antique carpets was of advantage to the trade in that it created interests in carpets, provided useful material for designers, and tended to raise the level of public taste and demand.

7. No substantial objection can be raised against a facilitation of the importation of such rugs by means of a lower tariff on them.

They do not in any way come within the possibilities of competition with any carpets manufactured in this country.

Not only are there very few of the antique pieces left, probably less than 300 could be found available for importation that could be classed as being over 250 years old and certainly less than a hundred that could be classified as over 300; but what is quite as important is that modern processes have not and in the nature of the case never can produce anything resembling these antique weavings.

It is furthermore the general spirit of the tariff policy of this country to assess little or no duty upon such products as do not come into competition with American manufacturers.

The administration of such a provision in the tariff law as the one suggested would involve no special problem. The dividing line between what is and what is not antique within the meaning of the tariff act is often a difficult one to draw. In the case of carpets exceeding 250 years in age the problem would be relatively simple as the difference between carpets 250 years of age and those later is especially well marked owing to a number of historical reasons that operated to change the character of rug weaving at the end of the seventeenth century. Moreover so few carpets would be presented for entry under the proposed classification that they could all be appraised at one port of entry (say New York) and by one appraiser who, with a little training and experience, could give decisions with greater security than can be given in the case of many if not most of other types of antiques.

The appellant's interest in the proposed modification of the tariff in relation to antique carpets comes from the fact that he is professionally engaged in the study of Near Eastern art in general and early carpet weaving in particular; that he has acted as advisor in matters pertaining to early rugs to many private collectors and many art museums; that he has frequently arranged exhibitions of carpets in various art museums and several universities and for other organizations; and he is convinced from long study and experience in this field that it is for the best educational and artistic interests of the country, and to its commercial advantage as well, that the importation of antique oriental rugs be facilitated. The appellant is advisory curator of Muhammadan art in the Art Institute of Chicago, advisory curator to the Washington Textile Museum, honorary advisor in art to the Government of Persia, and the author of many studies and articles in various languages on the subject of antique oriental rugs.

ARTHUR UPHAM POPE.

SAN MATEO, August 5, 1927.

STATEMENT OF G. C. DORSEY, REPRESENTING MARSHALL FIELD & CO., CHICAGO ILL.

[Machinemade rugs. par. 1117]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. DORSEY. I am appearing for Marshall Field & Co. We are opposed to that part of paragraph 1117 which raises the tariff on machinemade rugs from 40 to 60 per cent. Those are the rugs which are valued at more than 40 cents per foot.

Senator SACKETT. Is not that chenile rugs?

Mr. DORSEY. No, sir; these are Wilton, Axminster, and almost all other types except body Brussels. That comes in paragraph (B) 1117 which we are not opposed to, and comes in under a duty of 25 per cent.

Senator BINGHAM. The present duty is 40 per cent. The House raised the duty on rugs valued at more than 40 cents per square foot to 60 per cent ad valorem?

Mr. DORSEY. Yes, sir.

Senator BINGHAM. And you think they ought not to raise the present duty?

Mr. DORSEY. Yes, sir; it should remain the same as it was in the Fordney-McCumber tariff bill. Marshall Field & Co. are manufacturers, importers, wholesalers, retailers, and sales agents for floor coverings. We manufacture in our own mills more than twice as many floor coverings at our present rate of manufacture and cost as are imported from all European countries, which are now importing floor coverings to the United States.

In our judgment, although we manufacture rugs in Axminster weaves, Wilton weaves, and finer weaves which have just recently been developed, which are commonly known in this country as domestic orientals, in our judgment the present quality of the oriental rugs coming into this market come in at prices and qualities which do not in any way interfere with our manufacture or with other domestic manufacturers.

Senator BINGHAM. Where are your factories?

Mr. DORSEY. One factory is in Philadelphia; one is in Leeksville, N. C.

Senator BINGHAM. What do you produce at your factory in North Carolina?

Mr. DORSEY. That is our largest factory, sir. We manufacture Axminster rugs and imitation oriental rugs. We are now producing there at a rate of approximately 6,000,000 a year.

Senator BINGHAM. Do you produce there this type that is valued at more than 40 cents per square foot?

Mr. DORSEY. Yes, sir.

Senator BINGHAM. And notwithstanding the fact that you manufacture it you are content with the present duty?

Mr. DORSEY. That is a fact.

Senator BINGHAM. That is a rather strange proceeding. Why is that? Do you import so much more of that kind that you are interested in having the duty go down?

Mr. DORSEY. We manufacture more than twice as many rugs at wholesale cost as are imported in the United States.

Senator SIMMONS. You alone?

Mr. DORSEY. We alone. It is our belief that these qualities come in at a price so high that, quality for quality, they offer no serious competition—no competition whatever with the domestic mills. They are only in one sense competitive with the domestic product and that is that they cover a floor, and with the European rug covering a floor a domestic rug can not cover the same floor at the same time.

The importation, however, is so small, as we believe, to be not worthy of the high rate of tariff protection. If the importations were going on at any appreciable rate—

Senator SIMMONS. What are the imports compared with the entire domestic production?

Mr. DORSEY. The total importation of rugs coming in at a value of more than 40 cents per foot, we believe, other than chenile rugs are something under a million dollars a year.

Senator SIMMONS. That is importations?

Mr. DORSEY. Yes, sir.

Senator SIMMONS. What is the production?

Mr. DORSEY. It so happens that I, as a representative of Marshall Field & Co. am appearing alone regarding this question, because there are very few importers of rugs of this character that we are importing, say, of the upper qualities that now come in representing odd textures. This group is small and is a very greatly specialized business. There is a market for the goods we import only because there is a certain class of trade in this country that wants the unusual in weave and design, something of which there is only a limited supply usual in size—these rugs come in in sizes that heretofore have never been made in this country, and we can sell through retail channels only to a highly discriminating trade. Our products simply help out the domestic product and give the retail merchant a little more diversified stock to show his patrons.

I do not want to take a great deal of the committee's time. We have here an exhibit of the qualities we import, and typical products of the American market, and we have them tagged with the prices at which the domestic manufacturers sell their product, and I submit to you that quality for quality the domestic products far undersell ours. The fact is that labor plays only a small part in the cost of a rug in Wilton qualities. Some looms approximately make three rugs a day, and those rugs are of a great deal better quality and sell by the manufacturer for an average price of \$85 or \$90. That is a daily production of three times \$85, and one man acts as weaver for that loom.

Senator SIMMONS. So the labor is negligible?

Mr. DORSEY. It is not negligible. It is a factor in production. However, the difference between the cost of American labor and, we will say, Czechoslovakian labor and French labor or German labor can not be so great but that a duty of 40 per cent would far more than compensate for it.

We can show that of the total importations a large volume would come under the classification of less than 40 cents per square foot. In 1928, for example, there were imported from European countries listed by the Tariff Commission 963,056 yards at a total cost of \$2,996,047. That is an average cost of 34½ cents per yard; and I

leave you to judge for yourselves, if the average cost is 34½ cents a yard there must be but a very small part of that total of \$2,996,000 that cost above 40 cents a yard; and the qualities we import cost in the neighborhood of 60 and 70 cents a yard, which would very rapidly bring that figure high above 40 cents a yard.

Senator BINGHAM. I would like to ask you what the specific duty of 15 cents a square foot would amount to in the ordinary type of these Axminster rugs, and so on, that are valued at more than 40 cents per square foot. In other words, is it much more than 40 cents per square foot, or is it only a little more, as a rule?

Mr. DORSEY. It is between 60 and 70 cents a square foot.

Senator BINGHAM. Sixty cents a square foot at 15 cents per square foot specific duty would be equivalent to 25 per cent ad valorem, would it not?

Mr. DORSEY. I do not quite get that.

Senator BINGHAM. A specific duty of 15 cents per square foot on a rug valued at 60 cents per square foot would be equivalent to a 25 per cent ad valorem duty?

Mr. DORSEY. Yes, sir.

Senator BINGHAM. And if you added that 25 per cent ad valorem to the 30 per cent ad valorem you asked for in the brief submitted to the House committee that would make 55 per cent ad valorem, would it not?

Mr. DORSEY. Yes, sir. May I interrupt you just a moment?

Senator BINGHAM. And you signed the brief to the House where you virtually asked for 55 per cent ad valorem and want us to go back to the 40 per cent ad valorem. What has been the reason for that change of heart?

Mr. DORSEY. May I make a distinction here, Senator Bingham, between Marshall Field & Co. and Marshall Field Mills Corporation? Marshall Field Mills Corporation is a subsidiary of Marshall Field & Co. and a member of the Domestic Rug Manufacturers Productive Association.

Senator BINGHAM. But is not that one of the mills that you told us you were interested in?

Mr. DORSEY. That is a subsidiary of Marshall Field & Co.

Senator BINGHAM. But have you not testified—

Mr. DORSEY. Yes, sir.

Senator BINGHAM. That that is one of the mills that makes goods in this country?

Mr. DORSEY. Yes, sir.

Senator BINGHAM. And that is one of the mills that signed the brief before the Ways and Means Committee asking for virtually 55 per cent or 60 per cent protection—asking for a specific duty of 15 cents per square foot, which on a rug costing 45 cents would be equivalent to 33 per cent ad valorem which added to the 30 per cent would be equivalent to 63 per cent ad valorem. The House gave you 60 per cent. Now you come and ask for 40 per cent. Why this change of heart?

Mr. DORSEY. There is no change of heart, Senator Bingham. Marshall Field Mills Corporation represent the manufacturing end of the business of Marshall Field & Co.

Senator BINGHAM. Is Marshall Field divided against itself?

Mr. DORSEY. No, sir. It has so worked out that this whole thing came up for consideration by Marshall Field & Co. as an institution. Marshall Field & Co. are manufacturers, importers, and sellers, both wholesale and retail. When the findings of the House Ways and Means Committee were published—

Senator BINGHAM. Well, Marshall Field & Co. as an importer, then, objects to what Marshall Field & Co. as a manufacturer in Philadelphia wanted; and Marshall Field & Co. as an importer, being more powerful in the scale, in the balance, than Marshall Field as the manufacturer, makes a different request?

Mr. DORSEY. I submit to you that this Marshall Field & Co. manufactures more than twice as many floor coverings—they are now producing at a rate of more than—well, let me make myself clear—Marshall Field & Co. are now manufacturing at wholesale cost at a rate of more than twice of all that are coming in from Europe in machinemade goods.

Senator BINGHAM. What percentage do they make of those made in this country?

Mr. DORSEY. I would have to approximate that. Something around one-twentieth or one twenty-fifth.

Senator BINGHAM. What per cent?

Mr. DORSEY. One-twentieth.

Senator BINGHAM. One twentieth of 1 per cent?

Mr. DORSEY. No; one-twentieth.

Senator BINGHAM. Five per cent, you mean?

Senator SACKETT. Do you mean 20 per cent?

Mr. DORSEY. No, I do not mean that, Senator Sackett. I mean between 4 and 5 per cent.

Senator BINGHAM. Between 4 and 5 per cent?

Mr. DORSEY. Yes, sir.

Senator BINGHAM. In other words, a very small per cent of the domestic carpet manufacturer's interests is represented by your mill in Philadelphia?

Mr. DORSEY. The total importations of European rugs costing more than 40 cents per foot that are now coming into this country represent, as I say, probably considerably less than a million dollars, which would be a small fraction of 1 per cent of the domestic manufacture.

Senator SACKETT. Is not the Wilton rug and carpet part of this machinemade?

Mr. DORSEY. Yes, Senator.

Senator SACKETT. Why was it necessary during several years to impose antidumping duties on the imports of those rugs? I find that during four years, 1922, 1923, 1924, and 1925 the regular rate of 40 cents was increased on account of dumping, showing an excessive amount of imports coming in?

Mr. DORSEY. I think that was a condition that pertained to those years. I think you will find that since then there has been no necessity for it.

Senator SACKETT. In Brussels in 1927 the duties had to go up to 59.85 on imports.

Mr. DORSEY. We hold no brief for Brussels.

Senator SACKETT. But you are asking for this duty on all of them.

Mr. DORSEY. No. Brussels now come in under 25 per cent. We refer to paragraphs (A), (C), and (D).

Senator SACKETT. They now come in under 25 per cent, you say. They must have changed that recently. I do not think they came in at that in 1927 for they had to impose an antidumping duty on it in that year; and in what is classified as "other carpets and rugs of like character" in 1925 they had to impose an antidumping duty.

Mr. DORSEY. That refers to qualities with which I am not familiar.

Senator SACKETT. It looks like the 40 per cent duty was not enough.

Mr. DORSEY. May we submit to you these qualities we are importing and show you similar qualities manufactured in this country? I think after seeing them you will be in a better position to judge.

Senator SIMMONS. Let me ask you a question. You produce quite a considerable quantity of this material. How much do you import?

Mr. DORSEY. We import perhaps one-fifth, or less, as much as we manufacture ourselves.

Senator SIMMONS. You say you import about the same quantity?

Mr. DORSEY. One fifth or less than we manufacture.

Senator SIMMONS. One fifth.

Mr. DORSEY. At our present rate of manufacture and present rate of import.

Senator SACKETT. What do the other manufacturers of these rugs in this country say about this duty?

Mr. DORSEY. I can not very well speak for them, Senator Sackett. I have heard this, however, they are afraid that as time goes on, as they are developing new looms in this country replacing the equipment that is rapidly becoming obsolete, that Europe will do likewise and create further competition which later will prove injurious to the industry.

Surely they can not object to the small quantity now coming in. They fear that perhaps Europe as well as America is improving looms and that kind of thing; and we submit that even if Europe does do that, a duty of 40 per cent could take care of it, because labor is such a comparatively unimportant factor in the development of this industry.

Senator SACKETT. Are they made of about the same materials in both countries?

Mr. DORSEY. Substantially the same; yes, sir.

Senator SACKETT. The same class of wool?

Mr. DORSEY. Wool, cotton, jute and that kind of thing.

Senator SACKETT. Is it pure wool, or is it noils they use?

Mr. DORSEY. It is carpet wools, some pure, some mixed. In the case of these samples we have to show you the pile itself is all wool, a blend of wool.

Here is a rug which we import and sell to the trade at \$122.50, and here is a similar type of rug manufactured in this country by us which sells at \$99.

Senator SACKETT. Is that a dozen price?

Mr. DORSEY. No, sir. That price is for a 9 by 12 sized rug. That is a standard sized rug, 9 by 12 feet.

Here is another for comparison. This one is \$99.90 against this one which we sell at \$122.50.

Senator SACKETT. Is this domestic?

Mr. DORSEY. This and this are domestic, and this is our importation.

Senator SIMMONS. And you sell the imported rug at what price?

Mr. DORSEY. \$122.50.

Senator SIMMONS. And you sell the domestic rugs at what price?

Mr. DORSEY. This one for \$99 and this one is tagged \$99.90.

Senator GREENE. For the same size?

Mr. DORSEY. Yes, sir.

Senator GREENE. The imported rug is priced considerable higher than the domestic rugs.

Mr. DORSEY. Yes, sir.

Senator BINGHAM. Is there any particular reason why that schedule should not be increased for them?

Mr. DORSEY. Yes, there is a reason, and that is that there is a reasonable limit beyond which a customer will not go, and it has just about reached that limit.

Senator SACKETT. I am not a very discriminating purchaser when it comes to rugs, but it does not take more than one glance at the imported rugs to convince me that they are worth more money than the domestic rugs you have compared with it. Are they supposed to be comparable qualities?

Mr. DORSEY. They are submitted as being manufactured on the same type of loom to show comparative costs.

Senator SACKETT. I mean could they be considered as competitors?

Mr. DORSEY. They are competitors in that they are both floor coverings. They are not competitors in the sense that one is manufactured to retail at \$150 and the other to retail at approximately \$200.

Senator SACKETT. I would not call that competitive, would you?

Senator BINGHAM. No.

Senator SIMMONS. This is an imported rug here?

Mr. DORSEY. Yes.

Senator SIMMONS. Have you got any domestic manufactured rugs comparable with that?

Mr. DORSEY. We submitted this as the nearest we could find. This has a higher pile.

Senator SIMMONS. Can you give this committee any estimate as to the cost of manufacture of the two?

Senator SACKETT. Here is the report of the Secretary of the Treasury for 1928 on this subject which says that the investigation concerning values of rugs was concluded during the year and the values now used for appraisement purposes on practically all imported oriental rugs have resulted in additions of \$1,398,904, by importers making entry during the year just closed.

Mr. DORSEY. That refers to imports of oriental rugs?

Senator SACKETT. Oriental rugs.

Mr. DORSEY. We refer to machinemade rugs.

Senator SACKETT. These are classed as imported oriental rugs too?

Mr. DORSEY. No, sir. These are all machinemade rugs. None of them are orientals.

Senator GREENE. You said that the House of Representatives gave you your price, did you not?

Mr. DORSEY. No, sir. They proposed a rate of 60 per cent. We wanted to stick to the Fordney-McCumber rate.

Senator SACKETT. But you did ask for 60 per cent?

Senator BINGHAM. The specific duty of 15 cents plus the 30 per cent ad valorem would amount to more than 60 per cent?

Senator SACKETT. Sixty-three per cent.

Senator GREENE. Now you are coming in and asking for a lower rate.

Senator SACKETT. Now you are asking for 40 per cent?

Senator GREENE. Yes. How do you reconcile your two positions?

Mr. DORSEY. As I stated to Senator Bingham, Marshall Field Mills Corporation as a member of this Domestic Manufacturers Protective Association went on record with them. Marshall Field & Co., parent concern, manufacturers, importers, wholesale and retail distributors, would like to see the tariff remain as it was in the Fordney-McCumber tariff.

Senator BINGHAM. You got what you wanted when you appeared as a manufacturer; and now you come here as an importer and retailer and ask for a reduction in it. That is the point. There is no getting away from that.

Senator SACKETT. Let me ask you a question. As a manufacturer you are a member of the association of manufacturers which asked for this increase of duty. As a manufacturer you joined with them. Now, as an importer you come and ask for its lowering again and you withdraw the request of your concern that was a member of that manufacturers association. Do the balance of the members of the manufacturers' association withdraw that request also?

Mr. DORSEY. I presume not.

Senator SACKETT. And you are only 4 or 5 per cent of that manufacturer's association. Well, then, I think you better ask them what they are going to do before you go to act for the domestic manufacturers of rugs, it seems to me.

Senator SIMMONS. Is your change of front there the result of a further consideration based upon additional reasons that may have occurred to Mr. Field and his associates after they had signed this petition, or is it because the interests of Mr. Field as an importer are greater than his interests as a manufacturer?

Mr. DORSEY. Your former reason was the correct one, Senator Simmons.

Senator BINGHAM. Is not this correct: Your subsidiary, virtually without your knowledge, as a member of an association signed a brief to the House.

The parent organization having taken the whole field into consideration, the importing, wholesaling, and retailing, desires to go contrary to the wishes of its subsidiary as a member of an organization. Is not that it?

Mr. DORSEY. That is the exact fact.

Senator BINGHAM. I think we have your case.

Mr. DORSEY. May I continue to submit a couple more samples? It will just take a minute. This quality we import to sell at \$97.50 compared with this quality which is manufactured in this country and sold at \$90. This quality we import, and this is our leading importation at present. We sell this at \$125. This is a typical example of a rug produced in this country which sells at \$120.

Senator SACKETT. You do not mean to say that it is going to take a very discriminating purchaser to notice the difference in those rugs, do you?

Mr. DORSEY. It depends on whether you look at the rug from the back or from the front.

(Mr. Dorsey submitted the following brief:)

BRIEF OF MARSHALL FIELD & Co.

Marshall Field & Co., at the same time manufacturers and importers of rugs, are naturally vitally interested in the level of the rate of duty on imported machinemade rugs. To us the present rate of 40 per cent under which all the better qualities of machinemade rugs are now imported has proved itself a just and reasonable rate, for under that rate we have been able to carry on a business in finer qualities of imported machinemade rugs and at the same time have manufactured successfully Axminster, Wilton, and oriental-like rugs in open competition on the American market.

It is our contention that, quality for quality, the machinemade rugs imported under the present duty rate of 40 per cent can not be sold in this country at prices so low as to offer appreciable competition to domestic manufactures. Importations of machinemade rugs have not for many years exceeded 3 per cent of the total machinemade rugs sold in this country. In 1927, when, according to the United States Bureau of Census the total volume of domestic machinemade rugs and carpets was \$161,478,000, the total importations from countries manufacturing machinemade rugs was, according to the Bureau of Foreign and Domestic Commerce, \$3,877,000, or less than 2.3 per cent.

American manufactures are in no sense in price competition with this small volume of machinemade rugs imported from European countries. The qualities imported only enable American retail distributors to offer to a very limited discriminating class of purchasers, unusual weaves, unusual colorings and designs, and fabrics which, because of their limited sale, provide exclusive merchandise for those who appreciate it and are willing to pay for it.

That, quality for quality, imported machine-made rugs do not offer oppressive competition to the American manufacturers can be shown by a comparison of three typical imported machine-made rugs.

Imported quality A, for instance, sells at wholesale at \$122.50 for the 9 by 12 size, while two American rugs (qualities D and E) comparable in quality and construction, sell for \$99 and \$99.90, respectively.

Imported quality B sells at \$105 for this same size while two well known American rugs (qualities F and G) similar to it, sell for \$90 and \$65.51, respectively.

Imported quality C sells for \$125. There is nothing manufactured in this country similar to it in design, color, quality of wool, height of pile, or method of weaving. The rug selling closest to it in price is quality H, made by one of our own subsidiaries, which sells for \$130. Quality H is a recent development in fine machine made rugs, and Marshall Field & Co. have not been hindered in its development or in its marketing through competition with any imported machine-made rugs.

Under the present rate of 40 per cent this limited importation of machine-made rugs finds a market among such people as are willing to pay a reasonable difference in price for exclusiveness, unusualness, and artistic merit, but under a duty of 60 per cent proposed in paragraph 1117 of H. R. 2667 we are certain that the importation of European rugs would be almost entirely eliminated without any appreciable benefit redounding to our domestic product.

In summary, paragraph 1117 of H. R. 2667 proposes a 50 per cent advance in duty rate on a product now imported in quantity of only approximately 2 per cent of the domestic product. This advance would virtually prohibit the importation of rugs of novel weaves and unusual artistic merit into this country; consequently, we very strongly urge that paragraph 1117, H. R. 2667, be changed to read as it does in the Fordney-McCumber Act now in effect.

STATE OF ILLINOIS,

County of Cook, ss:

George C. Dorsey, of the city of Chicago, county of Cook, and State of Illinois, being duly sworn, deposes and says that he is the manager of the rug and carpet departments at the wholesale establishment of Marshall Field & Co., an Illinois corporation, of said Chicago, county and State aforesaid, and makes this affidavit with its authority and on its behalf.

Affiant further says that the facts contained in the above and foregoing brief are within his knowledge and that said facts are true in substance and in fact.

GEORGE C. DORSEY.

Subscribed and sworn to before me this 22d day of June, A. D. 1929.

F. E. GREGO, Notary Public.

My commission expires January 25, 1932.

SUPPLEMENTAL STATEMENT OF MARSHALL FIELD & CO.

In clarification of the testimony offered by Mr. G. C. Dorsey, representing Marshall Field & Co., of Chicago, and appearing on June 27, 1929, before the subcommittee, Hon. Hiram Bingham, chairman, hearing the wool schedule of H. R. 2667, Marshall Field & Co. submit the following statement:

That the signature of the Marshall Field Mills Corporation, a subsidiary of Marshall Field & Co., appears on a brief filed by the Domestic Rug Manufacturers' Protective Association as a member of that organization,

That the views expressed in said brief do not coincide with the views held by Marshall Field & Co. as an organization which must present recommendations balancing the views of all of its interests,

And that the testimony offered by Mr. G. C. Dorsey does present the views of Marshall Field & Co. arrived at in such manner, namely, that the rate of 40 per cent ad valorem as found in paragraph 1117 of the act of 1922 is ample protection to the domestic rug manufacturing industry as is evidenced by the sum total of the experience of Marshall Field & Co.'s rug interests.

MARSHALL FIELD & Co.,
By CARL A. SAUER.
For THOMAS H. EDDY, *Treasurer.*

Dated at Washington, D. C., July 1, 1929.

BRIEF OF THE NEW ENGLAND GUILD, PORTLAND, ME.

[Hooked rugs]

The following brief is presented by The New England Guild, a Maine corporation which has been engaged since 1925 in the manufacture of hooked rugs.

The present tariff on rugs in general and the proposed new tariff on such rugs are wholly inadequate to compensate for the difference in cost of production between imported hooked rugs and those made in this country.

Hooked rugs are being imported at the present time from three sources, Canada, Germany, and Japan. The rugs manufactured by this company are sold to the retailer at \$1.25 per square foot, less 5 per cent 10 days. This yields to our company under conditions of full time operation a reasonable but by no means large profit. This profit quickly disappears as production decreases. Canadian hooked rugs are valued for duty purposes according to price paid by the importer. The result enables the retailer in this country to sell Canadian hooked rugs as low as 50 cents per square foot. In fact the writer recently bought 10 such rugs at wholesale for 25 cents per square foot in order to establish a record of price.

German and Japanese hooked rugs are finding a large market in this country by reason of their low price, presumably the result of low labor cost. The writer does not know the importer's price on the German rugs, but the importer's price, duty paid, on the Japanese rugs is 85 cents per square foot.

We have established a manufacturing plant in Portland, Me., and have built up a business which until recently has grown consistently and in which we distribute rugs throughout the United States. We now find that our market has been invaded quite recently by the German and Japanese manufacturers whose competition is becoming a serious menace to the life of our company.

We therefore respectfully petition for an additional duty of 25 cents per square foot over and above the duty on woven rugs to be placed upon hooked rugs.

Respectfully yours,

THE NEW ENGLAND GUILD,
FREDERIC W. FREEMAN,
President and General Manager.

TAPESTRIES AND UPHOLSTERY GOODS

[Par. 1119]

STATEMENT OF GEORGE McGEACHIN, REPRESENTING THE UPHOLSTERY GROUP, NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.), NEW YORK CITY

[Also including woven fabrics of wool, pars. 1108 and 1109, and pile fabrics, par. 1110]

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. McGEACHIN. Mr. Chairman and gentlemen, I will confine myself to paragraphs 1110, 1109, 1108, and 1119; 1110 is pile fabrics with the pile partly cut. I show you an illustration of these particular fabrics on which there is an extra duty required where it is partly cut. We protest against the extra duty.

Senator SACKETT. What are these for?

Mr. McGEACHIN. These are for furniture coverings. We particularly call your attention to the fact that the domestic production of this piled fabric group amounted in 1925 to \$34,114,101 against an importation in that year of \$276,716. In 1927 the domestic production went to \$36,652,088 against importations of \$886,421.

In view of the difference of the importations against the domestic production we feel that there is no necessity for any increase and we would like to have all these paragraphs 1108, 1109, 1110 and 1119 remain as they are in the old bill of 1922.

Senator SIMMONS. I understood that the American production was increasing all the time and the imports diminishing.

Mr. McGEACHIN. The domestic production increased and so did the importations, but the domestic production was \$34,000,000 and increased to \$36,000,000 odd, and the importations increased from \$276,000 to \$886,000. They both increased, but the difference in the volume of business seems so great that there is no necessity for any increase in this particular commodity.

Senator SIMMONS. Was the increase of each proportionate?

Mr. McGEACHIN. I think the increase of importations in 1927 as against 1925 production amounted to about 2½ per cent whereas in 1925 the importations were only about three-fourths of 1 per cent.

Senator SACKETT. If the duty is increased on wool and wool is a large proportion of that production, might not your imports jump up tremendously?

Mr. McGEACHIN. Not on this particular fabric because it is not made to any extent in this country.

Senator SACKETT. You said the domestic production was \$36,000,000. I think that is a lot.

Mr. McGEACHIN. That is a lot. I am talking about the last part of the paragraph.

Senator SACKETT. You are talking about three paragraphs.

Mr. McGEACHIN. I am talking about the paragraphs so far as production and importation are concerned.

Senator SACKETT. If we increase the duty on wool 36 cents as asked for, do you not think that a specific ought to be included in that just the same?

Mr. McGEACHIN. I suppose it must be, but if you do that you ought to put it only on the wool content of the material.

Senator SACKETT. The first thing you said was that you did not want it done at all.

Mr. McGEACHIN. No; I would like to have it remain as it is.

Senator SACKETT. Then you would increase your imports tremendously. Now you have come down to the idea that we should take care of the increase on wool.

Mr. McGEACHIN. You suggest that if you put it on the raw material you must put it on the finished fabric; but if you put it on the finished article please put it on the wool article only. Fifty-five per cent by weight of this is cotton and 45 per cent by weight is wool. We feel that there should be no necessity for putting it on the cotton content.

Senator SACKETT. It is on the cotton content now.

Mr. McGEACHIN. It is but in the old rate of the 1922 act under 1109 the specific duty was particularly upon the wool content only and we would like that to remain in all of these paragraphs.

I would also like to call your attention to the tapestries. My colleague here would like to show you a wool tapestry panel that comes in now at 50 per cent. It is now going to be raised by paragraph 1108, which brings it up to 50 per cent, and yield a 60 per cent ad valorem, which we think is unnecessary because they are not made in this country.

Mr. JUDSON. This is a type of panel that comes under paragraph 1119. At the present time these tapestry panels that come in parcel pieces as this panel is woven come in on a 50 per cent duty with no specific weight duty. A special clause has been written covering these specific pieces. The point that we want to bring out is that these panels are a hand-loomed product. They are not made in this country, and if you increase the duty it is not going to give any protection to America. We ask that that 1119 clause revert to the old tariff bill without any specific weight duty.

Senator SACKETT. Who appeared before the House committee to get that increased?

Mr. JUDSON. I really do not know what their arguments were in favor of it. We thought it was rather unusual that that clause be put in there. We do not know what it should cover.

Senator SACKETT. It comes under 1908 and 1909, now, does it not?

Mr. McGEACHIN. Yes.

Mr. JUDSON. It seems unnecessary.

Senator SACKETT. Of course, the House committee did not take that out of the clear sky.

Mr. JUDSON. There must have been a proposal made by somebody. As the matter now stands if that increase goes in it is going to make these goods cost from 30 to 50 per cent more depending upon the cost of the weight of the article.

(Mr. McGeachin submitted the following brief:)

BRIEF OF THE UPHOLSTERY GROUP OF THE NATIONAL COUNCIL OF AMERICAN IMPORTERS AND TRADERS (INC.)

[WOOLEN TAPESTRIES AND UPHOLSTERY GOODS, PARAGRAPHS 1108, 1110, AND 1119]

Hon. REED SMOOT,

*Chairman Committee on Finance,
United States Senate, Washington, D. C.*

This brief is submitted in opposition to the proposed increases in the rates of duty, in H. R. 2667, on tapestries and upholstery goods and pile fabrics, which rates we contend are excessive and unwarranted for the reasons set forth in detail hereinafter.

For convenient comparison we quote the paragraphs in the tariff act of 1922 and H. R. 2667, under which the upholstery goods we import are and will be classified.

TARIFF ACT OF 1922

PAR. 1109—Woven fabrics, weighing more than four ounces per square yard, wholly or in chief value of wool, valued at not more than 60 cents per pound, 24 cents per pound and 40 per centum ad valorem; valued at more than 60 cents but not more than 80 cents per pound, 37 cents per pound and 50 per centum ad valorem; valued at more than 80 cents but not more than \$1.50 per pound, 45 cents upon the wool content thereof and 50 per centum ad valorem; valued at more than \$1.50 per pound, 45 cents per pound upon the wool content thereof and 50 per centum ad valorem.

PAR. 1110—Pile fabrics, cut or uncut, whether or not the pile covers the whole surface, made wholly or in chief value of wool, and manufactures in any form, made or cut from such pile fabrics, 40 cents per pound and 50 per centum ad valorem.

H. R. 2667

PAR. 1108—Woven fabrics, weighing not more than four ounces per square yard, wholly or in chief value of wool, valued at not more than 80 cents per pound, 40 cents per pound and 50 per centum ad valorem; valued at more than 80 cents but not more than \$1.25 per pound, 50 cents per pound and 50 per centum ad valorem; valued at more than \$1.25 per pound but not more than \$2 per pound, 50 cents per pound and 55 per centum ad valorem; valued at more than \$2 per pound, 50 cents per pound and 60 per centum ad valorem; *Provided*, That if the warp of any of the foregoing is wholly of cotton, or other vegetable fibre, the duty or the fabric valued at not more than \$1 per pound shall be 40 cents per pound and 50 per centum ad valorem; valued at more than \$1 per pound, 40 cents per pound and 55 per centum ad valorem.

PAR. 1109 (a) Woven fabrics, weighing more than four ounces per square yard, wholly or in chief value of wool, valued at more than 60 cents per pound, 26 cents per pound and 40 per centum ad valorem; valued at more than 60 cents but not more than 80 cents per pound, 40 cents per pound and 50 per centum ad valorem; valued at more than 80 cents but not more than \$1.50 per pound, 50 cents per pound and 50 per centum ad valorem; valued at more than \$1.50 but not more than \$2 per pound, 50 cents per pound and 55 per centum ad valorem; valued at more than \$2 per pound, 50 cents per pound and 60 per centum ad valorem.

PAR. 1110—Pile fabrics, whether or not the pile covers the entire surface, wholly or in chief value of wool, and all articles, finished or unfinished, made or cut from such pile fabrics: If the pile is wholly cut or wholly uncut, 44 cents per pound and 50 per centum ad valorem; if the pile is partly cut, 44 cents per pound and 55 per centum ad valorem.

PAR. 1119—Tapestries and Upholstery goods (not including pile fabrics) in the piece or otherwise, wholly or in chief value of wool, shall be subject to the applicable rates of duty imposed upon woven fabrics of wool in Paragraph 1108 or 1109.

DOMESTIC PRODUCTION

The production in the United States in 1925, of wool upholstery goods, most of which were pile fabrics amounted in value, to \$34,114,101, and in 1927, to \$36,652,088.

IMPORTS

The imports for the years 1925, 1926, 1927, and 1928 were, in value:

1925.....	\$276, 716
1926.....	509, 017
1927.....	886, 421
1928.....	743, 567

It will be seen from these statistics that the importations are negligible as compared with the domestic production.

We submit herewith samples of foreign-made upholstery pile fabrics. Fabrics of this type are not produced in the United States, and in this connection we quote from the Summary of Tariff Information on the tariff act of 1922, Schedule 11, page 1707.

*“Competitive conditions.—*The construction of pile fabrics lends itself to the production of a great variety of designs and colors. Imports are confined mainly to fancies, particularly Jacquard-woven fancies, for use in the upholstery trade and for portieres. Foreign manufacturers specialize in producing fancy fabrics in small lots, whereas the domestic manufacturers find more profitable the mass production of the plain and subdued designs, for which there is a large demand.”

This statement is borne out by the statistics we have given of imports and domestic production.

The increase in the rates of duty in H. R. 2667 are, we submit, therefore, not warranted.

We also wish to bring to your attention the fact that these imported fabrics are 55 per cent of cotton by weight and 45 per cent mohair, and 34 per cent in value of cotton and 66 per cent in value of wool. Paragraph 1109 of the tariff act of 1922 assesses the duty of 45 cents per pound, where the fabric is valued at more than \$1.50 per pound on the wool content. The proposed duty in H. R. 2667 is assessed in the entire weight of the fabric including the cotton content, which as stated is 55 per cent. It is not seen why a duty levied on an article because it is in chief value of wool, should be applied to the cotton content which comprises more than one-half its weight.

Imported tapestry panels are in the main hand woven and are of artistic merit. In enacting tariff acts Congress has always encouraged the importation of articles of artistic worth, some of which have been accorded free entry and others low rates of duty. In H. R. 2667, however, we have the application of increased duties on these artistic creations which are not made to any extent in this country.

We give the foreign cost, landed cost including duty under present tariff act and landed cost with the duty proposed in H. R. 2667, of a representative imported tapestry panel, from which it will be seen that the increase in duty proposed ranges from 32.3 per cent to 37½ per cent.

Panel No. 2743, size: 3 feet 9 inches wide by 5 feet 3 inches high

Foreign cost.....	\$27. 80
Present duty (50 per cent).....	13. 90
Present expenses foreign and American.....	2. 68
Present total landed cost.....	44. 38
Foreign cost.....	27. 80
Proposed duty (60 per cent).....	16. 68
Weight duty.....	2. 50
Expenses foreign and American.....	2. 77
Ultimate total landed cost in new revision.....	49. 75

About 37½ per cent advance in duty.

We therefore submit that the rates of duty now imposed in the tariff act of 1922 should be retained, and that in assessing duties on upholstery fabrics, including tapestries, whether pile fabrics, or not, they be applied to the wool content as now provided in paragraph 1109.

Respectfully,

GEORGE MCGEACHIM,
*Chairman Upholstery Group, National Council
of American Importers and Traders (Inc.).*

SUPPLEMENT

CARBONIZED WOOL

[Pars. 1101, 1102, 1105, and 1106]

SUPPLEMENTAL MEMORANDUM SUBMITTED BY ALBAN EAVENSON, CAMDEN, N. J., REPRESENTING THE ASSOCIATION OF COMMISSION WOOL SCOURERS AND CARBONIZERS OF THE UNITED STATES

In 1922 both Houses of Congress thought they protected carbonized wool by the provision in paragraph 1106 of the tariff act for "wool * * * which has been advanced in any manner or by any process of manufacture beyond the washed or scoured condition * * *"

This was manifested by the observations of Senator Smoot when that bill was under consideration. At that time Mr. Eavenson, appearing in behalf of the provision of carbonizing wool, discussed fully with Senator Smoot the proposed protection afforded by paragraph 1106. He called to the Senator's attention that in his belief the wording of paragraph 1106 would not accomplish that which the Senator had in mind. After explaining the structure of the wool schedule, Senator Smoot, in effect, stated:

"You will note that the wording of Par. 1106 is broad. It is intended to be; so that it may protect all auxiliary processes not specially provided for as well as any new processes which may come into being. It seems so unlikely that such question as you have raised can arise out of the phrasing of this bill, that there seems no necessity of making any changes and that the bill affords proper protection for your industry."

Almost immediately after the passage of the act of 1922 an importer started a suit in the Customs Court which ended in a decision of the Court of Customs Appeals (T. D. 40296) holding that carbonizing was not a process of manufacture, did not advance the wool beyond the scoured state, but that it was only a segregating process to take from the wool the foreign matter to obtain free wool, being only another process, possibly more effective, but in all respects similar to scouring. The court held that carbonized wool under discussion had not been advanced beyond the condition of scoured wool.

After approximately seven years without protection to carbonize wool by reason of the inefficiency of the language used in the tariff act of 1922, the industry has suffered greatly and now feels that this tariff act should be written in a manner that will leave no doubt or room for judicial construction that will entail expensive litigation and another period of ruinous competition. To this end, therefore, the industry appeared, by Mr. Eavenson, before the House Ways and Means Committee and before the Senate Finance Committee, its briefs being printed in House hearings 6262, etc., and Senate hearings on wool, 146, etc.

In the opinion of this industry it has been diligent in presenting to Congress at each opportunity the facts of its case; it has suffered adverse judicial construction which materialized all of its gravest fears; it has, after due consideration and deliberation, made concrete suggestions that will accomplish that which Congress intended to enact in the tariff act of 1922, and it now feels that it has proven its case beyond a doubt and is entitled to have written into the law of 1929 the provisions which it suggests in order that the necessary protection may be afforded.

RECOMMENDATIONS

Paragraph 1101: (a) Scoured wools to be 3 cents in excess of whatever duty may be placed upon the clean content of grease wool. This provision to apply to all the wools embraced in this paragraph, whether used for clothing purposes

or for the purposes which enable the wools to be admitted conditionally free. Carbonized wool, 11 cents per pound in excess of whatever duty may be assessed upon the clean content of grease wool.

(b) The term "scoured" when used in connection with wool and hair in this act shall be limited to a process of washing, off the animal's back or skin, in a bath containing no other ingredients than water and soap, water and alkali, or water, soap and alkali.

Paragraph 1102: (a) Scoured wools to be 3 cents in excess of whatever duty may be placed upon the clean content of grease wool; and carbonized wool, 11 cents per pound in excess of whatever duty may be assessed upon the clean content of grease wool.

(b) Scoured wools to be 3 cents in excess of whatever duty may be placed upon the clean content of grease wool; and carbonized wool, 11 cents per pound in excess of whatever duty may be assessed upon the clean content of grease wool.

Paragraph 1105: Eliminate "c" and substitute therefor the following: "All the foregoing, when carbonized, shall be subject to the following duties in addition to other duties imposed by law; garnetted waste, — cents per pound; noils, 11 cents per pound; thread or yarn waste, — cents per pound; all other wastes not specially provided for, 11 cents per pound; shoddy, — cents per pound; mungo, — cents per pound; flocks, — cents per pound; and wool rags, — cents per pound."

It is to be noted from the above that we have only specified the differential on the products handled by the members of our associations, namely, noils and wastes not specially provided for. We feel that corresponding differentials to protect carbonizing should be set up for the other clauses of this paragraph, such differentials to be determined by considering the factors of foreign conversion costs, duty, and freight.

Paragraph 1106: If "carbonizing" in paragraph 1101 and paragraph 1102 fails, then insert in paragraph 1106 after the word "manner", page 196, line 24, "(by carbonizing or other cleansing process)". This method is preferable to the other methods, inasmuch as prior to the tariff act of 1922, carbonized wools were so classified, and it also covers any possible developments in cleansing processes; and without it the decision of the United States Court of Customs Appeals classifies carbonizing as a cleansing or scouring process.

The reasons for the above are to be found in briefs printed in House hearings, page 6262, etc., and Senate hearings on wool, page 146, etc.

Paragraph 1101: We ask that the industry of wool scouring in this country be protected by placing a duty of 3 cents per pound on scoured wool in excess of whatever duty may be placed on the clean content of grease wool.

We understand that the Ways and Means Committee did not afford this protection because in the opinion of the committee the imports of scoured wool were regarded as small.

The following table, taken from the Census of Manufactures, illustrates the imports of scoured wool as compared with the total wool imports under paragraph 1101, and also shows the total imports of all woolen and worsted goods as compared with the total consumption of woolen and worsted goods—the latter representing a composite picture of the industry as a whole:

Scoured wool imports

Year	Imports of scoured wool under par. 1101	Grease equivalent of scoured wool, imports under par. 1101	Percentage of grease equivalent of scoured wool to total imports under par. 1101
	<i>Pounds</i>	<i>Pounds</i>	<i>Per cent</i>
1928.....	18,685,892	31,143,153	20.06
1927.....	14,130,899	23,551,498	17.21
1925.....	12,889,359	21,482,265	15.09
1923.....	6,012,218	10,020,363	7.98

Woolen and worsted goods imports

Year	Total woolen and worsted imports	Percentage of imports to total consump- tion
1928.....	(1)	----- Per cent
1927.....	\$22,199,480	4.36
1925.....	22,022,680	3.59
1923.....	20,127,887	2.87

¹ Census not complete.

It is to be noted that the imports of scoured wool under paragraph 1101 are steadily increasing, and they have reached the point where the percentage of scoured wool imports under paragraph 1101 is from four to five times as great as the percentage of our total woolen and worsted imports, and this sufficiently disposes of the claim that the imports are small, and illustrates the need of protection.

This protection should be afforded not only for the imports of wool under paragraph 1101, which are to be used for clothing purposes, but the same protection is to be afforded on the wools used for carpet or other specially designated purposes, and which are admitted conditionally free.

The Ways and Means Committee has stated that "60 per cent of our imports of wool under paragraph 1101 come from China, British India, and Asia Minor." In no other section of the world is labor paid as poorly as in these countries, and it is impossible for our industry to compete against this cheap labor without protection. For further particulars see brief filed with the Ways and Means Committee and the Committee on Finance.

MATCHINGS

H. R. 2667 has placed a duty of 26 cents per pound on the clean content of matchings and 24 cents per pound on the clean content of grease wool. This was done for the protection of the labor of wool sorting in this country.

We agree that wool sorting labor is entitled to protection, but 2 cents per pound is greater protection than is necessary; and we recommend that a duty be placed upon matchings 1 cent per pound over whatever duty may be placed upon the clean content of grease wool. For further particulars, we refer you to our brief submitted to the Committee on Finance of the Senate.

Paragraph 1102 (a). *Scoured wool.*—We ask that a duty be placed on scoured wool of 3 cents per pound in excess of whatever duty may be placed upon the clean content of grease wool.

Paragraph 1102 (a). *Matchings.*—We recommend that a duty be placed upon the clean content of matchings 1 cent per pound in excess of whatever duty may be placed upon the clean content of grease wool.

Paragraph 1102 (b). *Scoured wool.*—We ask that a duty be placed on scoured wool 3 cents per pound over whatever duty may be placed upon the clean content of grease wool.

Paragraph 1102 (b). *Matchings.*—We recommend that a duty be placed upon the clean content of matchings 1 cent per pound in excess of whatever duty be placed upon the clean content of grease wool.

The reasons are exactly the same as for protection on the imports under paragraph 1101.

We also ask for protection on the carbonizing of wool and refer you to our statements regarding paragraph 1105 (c) under which paragraph the subject of carbonizing has been treated in the Ways and Means Committee bill.

Paragraph 1105: The entire subject of carbonizing has been covered in the Ways and Means Committee bill in blanket form by the following:

"(c) All the foregoing, and wool and hair of the kinds provided for in this schedule, when carbonized, shall be subject to a duty of 7 cents per pound in addition to other duties imposed by law."

We feel that this method of handling the subject of carbonizing is a very grave mistake.

Reasons: Some of the stocks covered under paragraph 1105 (c) are extremely cheap, being as low as 10 cents to 15 cents per pound and other stocks very high priced, often as great as \$1.25 per pound. The question of shrinkage and conversion costs are to be considered in connection with the cheaper stocks as well as the higher priced stocks, and any blanket duty which affords proper protection to the high priced stocks is entirely too burdensome to the cheaper stocks and, if the duty be adjusted on the proper basis for the cheaper stocks, then, of necessity, insufficient protection is afforded the high priced stocks. No satisfactory schedule can be worked out on this blanket principle, and it is necessary to place on each class of stock a separate duty on the stock in the grease state and another and higher duty on the stock in the carbonized state.

Our industry is only interested in wools, noils, and in the wastes covered by the clause of paragraph 1105 as "those not specially provided for."

We recommend that whatever duty may be placed upon noils uncarbonized, that a duty of 11 cents per pound in excess be placed upon carbonized noils. We recommend that whatever duty be placed upon the wastes not specially provided for, a duty of 11 cents per pound in excess be placed upon the same stocks carbonized.

Paragraph 1102: We recommend that whatever duty be placed upon the clean content of grease wool, a duty of 3 cents in excess be placed upon the duty of scoured wools, and a further duty of 8 cents per pound be placed upon the duty on carbonized wools.

Paragraph 1106: This paragraph covers tops, and also covers any manufactured product not specially provided for in the tariff act, and is intended to afford protection to any new process of manufacture which may come into being. Our industry is not interested in tops, but we are interested in the development of new processes, and are doing a great deal of research work along the line of bleaching, stripping, nonshrinking, mothproofing, etc., and we must look to this omnibus paragraph of the tariff for protection to these new processes.

At present the omnibus feature of this paragraph is completely dead, this because of the interpretation placed by the Customs Court on the meaning of "advanced," full details of which appear in our brief submitted to the Ways and Means Committee. This statement is shown to be correct as the total value of all imports classed as "advanced in any manner" have been as follows: 1924, \$93,088.47; 1925, \$25,038.38; 1926, \$5,585.89; 1927, \$131.77.

It is very important that this paragraph be restored to life and usefulness. In order to do this and also to make provision for carbonizing should it fail under paragraph 1101 and paragraph 1102, we wish to change our recommendations made in our brief to the Committee on Finance of the Senate that the word "advanced" be deleted and the words "increased in value" substituted therefore, and instead of this we recommend the insertion in paragraph 1106 after the word "manner," page 196, line 24, "(by carbonizing or other cleansing process)."

This method is preferable to the other methods, inasmuch as prior to the tariff act of 1922, carbonized wools were so classified, and it also covers any possible developments in cleansing processes; and without it the decision of the United States Court of Customs Appeals classifies carbonizing as a cleansing or scouring process.

Respectfully submitted.

ALBAN EAVENSON.

(Representing Association of Commission Wool Scourers and Carbonizers of the United States.)

Subscribed and sworn to before me this fifth day of August, 1929.

[SEAL.]

MADELEINE A. PUGH, Notary Public.

TOPS, YARNS, AND WOVEN FABRICS OF WOOL

[Pars. 1106-1109]

**SUPPLEMENTAL MEMORANDUM SUBMITTED BY H. V. R. SCHEEL,
REPRESENTING BOTANY WORSTED MILLS, PASSAIC, N. J.**

[Conversion cost specific duties]

I understand a fear exists that inclusion of conversion-cost specific duties in the wool schedule means a long and involved process of study and computation at this time. On the contrary it is simplicity itself to include in the schedule a new paragraph 1122 with appropriate reference in certain other paragraphs (see below) as follows:

"said ad valorem duty portions of the foregoing (subject to the provisions of paragraph 1122) being the minimum alternatives to the conversion-cost specific duties to be determined under paragraph 1122."

This done, then after study and investigation by the President and the commission, such conversion-cost specific duties as have been investigated, checked, and developed become the law upon proclamation by the President.

Not to include such permissive enactment makes certain that there will be years of under protection while wool values are low and means importations of foreign tops, yarns, and cloths, and hardships (unemployment) to American workers.

Add above to paragraphs 1106, 1107, 1108, 1109 (a), 1110, 1111, 1112, 1113, 1114 (a), 1114 (b), 1114 (c), and 1114 (d), 1115 (a) and 1115 (b) (1116, same as House bill, has specific), 1117 (a), 1117 (b), 1117 (c), and 1117 (d) (1118, 1119, 1120, and 1121, same as House bill), 1122 (a) and (b), new paragraph.

H. V. R. SCHEEL.

Paragraph 1122: (a) The conversion-cost specific duties, wherever referred to under this schedule as the alternative to ad valorem duties, are intended to be the measure of the difference in the conditions of competition (costs of production) and are figured at substantially 66 $\frac{2}{3}$ per cent of the American conversion costs. When, after investigation and with the assistance of the commission, the President in any instance shall find conversion-cost specific duties (with such changes in amounts and classifications as he may deem proper) to be substantially equivalent to such 66 $\frac{2}{3}$ per cent of the American conversion costs than the same, as the conversion-cost specific duties alternative to the minimum ad valorem duties provided for under this schedule, shall be effective thirty days after the date of proclamation by the President in each respective instance, and the duties as so determined shall be the rates expressly fixed by statute, for the purposes of this act.

(b) The term, "American conversion costs," when applied with respect to any article under this schedule, includes for a period which is representative of conditions in production of the article: The price or cost of materials (except wool), labor costs, and other direct charges incurred in the production of the article and in the processes or methods employed in its production; the usual general expense, including charges for depreciation or depletion, which are representative of the equipment and properly employed in the production of the article, and charges for rent or interest which are representative of the cost of obtaining capital or instruments of production; the cost of containers and coverings of whatever nature, and other costs, charges, and expenses incident to placing the article in condition packed ready for delivery; and such other factors as the President may deem applicable.

WOOL-FELT HATS AND HAT BODIES

[Par. 1115 (b)]

**SUPPLEMENTAL MEMORANDUM SUBMITTED BY WALTER ARON-
STEIN, YONKERS, N. Y.**

STATE OF NEW YORK,
County of New York, ss:

Walter Aronstein, being duly sworn, deposes and says:

I am in the wool-felt hat-body manufacture. My factory is at No. 78 Elm Street, Yonkers, N. Y. I appeared as witness and testified before the sub-

committee of the Senate, Thursday, June 27, at about 4.30 o'clock, and was permitted to be heard as a courtesy, and I hesitated to take the time necessary to fully present the facts to meet the contentions presented by the representative of the importers, Mr. Louis M. Cohen.

The statements made by this witness, Mr. Cohen, were in part bare assertions of matters of which he did not pretend to have a personal knowledge, particularly in reference to the machinery. He stated that he knew it because his associate, Mr. Pollack, had visited one or two of the mills. It was apparent that the witness had no knowledge of the subject. This witness made the further statement, among others, that on account of some advanced machinery, the Italian manufacturers were able to use a cheaper grade of wool, as low as 70 cents per pound, and we must use the \$1.25 or \$1.28 per pound grade of wool. If the statements of this witness were taken at its full face value; if we are to use the wool that costs only 70 cents per pound; the cost of importing this wool is 19 cents per pound; the freight and transportation item would be an additional 0.02 cent per pound; processing the wool, i. e., carbonizing and depitching, 13 cents per pound; the dealer who buys the wool to turn it over to us, gets an additional 10 cents per pound, as a minimum, which would bring this total up to \$1.24, on the 70 cents per pound wool.

The wool material entering into the making of the hats is greater than the entire cost of manufacture; resolved into a dozen, 2½-ounce bodies, and allowing for the shrinkage, it takes 2 pounds of this wool, costing \$2.48, that we would have to pay for the raw material, more than the entire Italian cost of production of \$2.06 per dozen. It appeared by the testimony that the average valuation of this commodity into the port of New York during the year of 1928 was only \$2.29.

That one of the big importers, Henry Pollack, who himself sells 50 per cent of the imported product that comes into this country, about three years ago bought a factory from Lazar Jacobson, in Peekskill, N. Y. He had a partner named Hobert, who is an English manufacturer, engaged in that industry all his life, try to set up the factory for the manufacture of bodies. When he was all through, after a period of six months, he found out that the same body that he could buy from Europe, would cost him \$2 more a dozen to manufacture in this country, and without even attempting to make a single hat, called an auctioneer and under the hammer sold the factory and machinery back to the man from whom he had originally bought it. This manufacturer offered the machinery to me just before I left for Washington this week.

This I wanted to tell you when I was on the floor, but I did not want to hold the committee, since they were kind enough to permit me to speak when they were ready to adjourn.

I ask the committee to accept this as part of my testimony, as if there had been time to present it before them.

WALTER ARONSTEIN.

Subscribed and sworn to before me this 19th day of July, 1929.

GUSTAV W. KLEIN, Jr., *Notary Public.*

COUNTY OF NEW YORK,
State of New York:

Lazar Jacobsohn, being duly sworn, deposes and says that he is in the hat and hatters' material business and that about four years ago, during the spring of 1925, Mr. Henry Pollack, one of the largest importers of wool felt hat bodies and felt hats, negotiated and finally bought the plant which I owned at Peekskill, N. Y.

That subsequently, Mr. Henry Pollack installed machinery in said factory for the manufacture of wool felt hat bodies and hats, and that shortly after installing said machinery, Mr. Pollack closed down the factory at Peekskill, N. Y., without beginning any operations, and Mr. Pollack sold the plant and machinery at auction to the highest bidder.

I am making this affidavit in compliance with request of Mr. Walter Aronstein relative to the tariff question.

LAZAR JACOBSON.

Subscribed and sworn to before me this 18th day of July, 1929.

GUSTAVE JARETSKY, *Notary Public.*

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