

Calendar No. 591.

67TH CONGRESS, }
2d Session. }

SENATE.

} REPORT
No. 595.

TARIFF BILL.

— APRIL 10 (calendar day, APRIL 11), 1922.—Ordered to be printed

Mr. McCUMBER, from the Committee on Finance, submitted the following

REPORT.

[To accompany H. R. 7456.]

The Committee on Finance, to whom was referred the bill (H. R. 7456) to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, and for other purposes, having had the same under consideration, reports favorably thereon with amendments, and, as amended, recommends that the bill do pass.

NEED OF TARIFF REVISION.

The tariff act of October 3, 1913, was in effect only a few months prior to the outbreak of the European war. Nevertheless, in that limited time its low rates had caused a retrenchment in production of American products and had decreased the purchasing power of the American workman because of reduction in wages. For months preceding the European war the balance of trade was rapidly growing against us, and that alone if continued would have brought disaster to our industries. Banks were demanding payment for the enormous stocks of goods which merchants throughout the United States were accumulating, and if this condition had continued countless disastrous failures would have resulted. The outbreak of the war was the salvation of the American industries. The immediate effect was to limit the exportation to the United States of certain foreign products, and the change in Europe from peace to war checked the flow of foreign merchandise to our shores, thus restoring to a large extent the American market to the American manufacturer.

When this country entered the war the embargo on importations from the enemy countries was a further boon to American manufacturers and producers. From the outbreak of the war to the signing of the armistice most of our industries were not dependent upon a protective tariff. Then, too, after our entrance into the war, Ameri-

can manufacturers turned to the production of war supplies. After the armistice there was a cessation of imports until foreign industries reached a stage of production where they could supply their export trade, whereupon American buyers proceeded to place large orders in foreign countries. The quotations made by foreign producers for export sale of late have been so extremely low that they threaten the destruction of American industries and have consequently demoralized American trade. This condition exists at the present time and it is believed will continue to exist until rates are established that will afford fair protection to American industries.

At present European manufacturers are able to sell their merchandise at lower production costs than American manufacturers, owing to much lower wages, to subsidies granted by certain countries, and to the fact that some countries do not impose taxes as high as the American manufacturers have to bear. Your committee believes that the advantage foreign manufacturers have in their low production costs will continue for a considerable period of time. It therefore becomes necessary to consider in the preparation of an adequate protective tariff not only the ordinary differences in cost of production here and abroad, but the advantages that foreign manufacturers gain in the granting of subsidies and other similar inducements and as a result of the failure of certain countries to balance their budgets.

PREPARATION OF THE BILL.

The tariff bill was referred to the Committee on Finance on July 22, 1921. Hearings upon the bill were begun July 25, 1921, and continued to and including August 31, 1921. In the meantime the internal revenue bill passed the House and was referred to the Committee on Finance on August 22, 1921. Because of the unsettled and continually changing world conditions and the long time that would necessarily be required to prepare the tariff bill for report to the Senate it was decided to put the internal revenue legislation ahead of the tariff bill. The Committee on Finance began consideration of the internal revenue bill on September 1, 1921, and reported it to the Senate on September 21, 1921. The consideration of the internal revenue bill in the Senate required practically the entire time of the Committee on Finance until the conference report was approved in November, 1921. Hearings upon the tariff bill were immediately resumed November 3, 1921, and completed January 9, 1922. Upon the completion of the hearings the Committee on Finance began at once the preparation of the tariff bill and has been continuously engaged in this work up to the present time.

THE PURPOSE OF THE BILL.

In the preparation of this measure your committee has endeavored to recommend rates that will afford protection to American industries and permit them to pay wages sufficient to enable our workmen to maintain an American standard of living. Your committee has also endeavored to recommend rates sufficient to maintain essential industries created as a result of the war and considered vital to the future industrial independence of the American people. In attempt-

ing to fix rates of duty in this bill your committee was faced with a condition never before experienced in tariff legislation. In certain foreign countries high costs of production existed to such an extent that a duty which would afford protection upon imports from such countries would be entirely insufficient to afford protection from countries having low production costs. On the other hand, the imposition of a rate sufficient to afford protection from countries with low production costs would be an absolute embargo on the products of countries having production costs nearer our own. The rates imposed by this bill are sufficient to protect the American market and preserve domestic competition and at the same time will permit fair competition from other countries.

AN ELASTIC TARIFF.

The President, speaking in his message of December 6 of tariff legislation, expressed the hope that a way would be found "to make for flexibility and elasticity so that rates may be adjusted to meet unusual and changing conditions which can not accurately be anticipated." Following this suggestion the committee proposes amendments to the House bill which authorize the President—

a. To modify tariff rates either upward or downward, within prescribed limits and in accordance with definite rules laid down by Congress so that the rates may at all times conform to existing conditions.

b. To change the basis for the assessment of ad valorem duties on selected items from the foreign value to the value of the domestic article in the American market when the foreign value is not a certain basis for the assessment of duties on such items.

c. To impose penalty duties or prohibit the importation of particular goods for the purpose of preventing unfair methods of competition in the importation of goods.

d. To impose additional duties on the whole or any part of the imports into the United States from any country which discriminates against our overseas commerce. These additional duties are limited to the amount of the discrimination, but if the discrimination is maintained the importation of the merchandise may be prohibited.

These elastic tariff provisions are regarded by the committee as undoubtedly constitutional. (Field v. Clark, 143 U. S., 649.)

They will contribute to tariff stability by preventing the accumulation of cases which ultimately force the upheaval of a general tariff revision. Investigations of possible tariff changes will be carried out under judicial procedure, and the parties interested will be given due notice and an opportunity to be heard.

American valuation under the elastic tariff is treated as an emergency measure for the purpose of meeting unusual conditions which may arise. It may be introduced by the President gradually where foreign valuation proves to be an uncertain basis for the levying of ad valorem duties.

The provision relating to unfair methods of competition in the importation of goods is broad enough to prevent every type and form of unfair practice and is, therefore, a more adequate protection to American industry than any antidumping statute the country has ever had.

The provision for penalizing discriminations against our trade covers all discriminations in that sphere. The first step authorized is the very moderate one of additional duties to be measured by the extent of the injury done to our trade; if the foreign country does not then accord to our commerce that equality of treatment which it is our policy to extend to theirs, the President may take more drastic measures.

The committee regards as undesirable the policy of reciprocity and penalty duties embodied in sections 301, 302, and 303 as they passed the House and in certain provisos attached to paragraphs in Titles I and II. Sections 301 and 303 of the House bill embodied a policy of reciprocity which the extensive report of the Tariff Commission on "Reciprocity and Commercial Treaties" demonstrates to have been without important results and not warranted in view of the international complications which result from it. In addition, it is contrary to the policy of equality of opportunity and the principle of the open door which the Department of State of our Government has been consistently urging. A further objection to section 303 of the House bill was that agreements under it would not require ratification by the Senate.

Section 302 of the House bill and the mandatory application, by provisos of Titles I and II, of the same principle to particular articles is especially objectionable. These provisions would permit or require the enforcement of several different rates of duty upon the same article according to the rate in force in the country of production. The objections are that such action on our part is contrary to many of our treaties as we have ourselves interpreted them in the past; that the provisions can in any case apply to only an exceedingly small part of our trade, since we do not normally export and import the same or similar articles to and from the same country; that in the majority of cases where the policy might be applied it seems certain that it would not be successful in inducing the foreign country to reduce its duties; and, lastly, that if foreign countries should retaliate by applying the same policy to our exports the conditions of our trade are such that we might easily lose very much more than we could hope to gain by the policy.

We have, therefore, eliminated sections 301, 302, and 303 and the provisos mentioned, and, as previously stated, we recommend, in section 317, a policy of penalizing discriminations against American commerce. This policy is more in keeping with the traditional policy of the United States.

BASIS OF VALUATION.

The Finance Committee has based all ad valorem rates in this bill on the foreign values of the imported merchandise. This decision was reached after long and careful consideration of three plans of valuation:

1. The value of American products comparable and competitive with the imported article.
2. The value or wholesale selling price of the imported article in the United States.
3. The value or wholesale price of the imported article in the country of origin.

The first plan was abandoned early in the discussion, first, because of the limited number of exactly comparable domestic and foreign products; second, the difficulty and probable litigation involved in defining comparability to the satisfaction of importers, domestic manufacturers, and customs officials; and, third, the disturbance to business while these difficulties were being adjusted.

The second plan, that of assessing ad valorem duties on the American selling price of the imported articles, was abandoned largely because of the unstable basis for assessing duties growing out of the importers' profits when selling in the American market. In many cases the importers' margin was over 100 per cent of the foreign cost price; therefore a reasonable duty assessed on a price which includes such a high margin would become inadequately low when importers' margins, and therefore his prices are reduced under competition to a more normal figure. That is to say, a 25 per cent duty on a \$2 price (\$1 foreign cost and \$1 importer's margin) yields a revenue of 50 cents, but if for one reason or another the importer's margin falls from \$1 to 25 cents the protection is 25 per cent of \$1.25 or 31½ cents instead of 50 cents, the original protection sought.

This question of margins between the foreign price of an article and the importer's selling price in this country was recognized to be of such importance as to justify extensive investigation. Accordingly, the committee obtained an appropriation to be expended in the study of the custom records in New York and the books of importing and manufacturing firms in the United States for the purpose of determining the price differentials on all important items in the proposed bill which are subject to ad valorem rates.

It is largely from the great amount of data thus collected that the decision has been reached to report the tariff bill on the basis of foreign valuation.

In addition to the high margins of the importer, which may be greatly reduced in the future, especially if duties were levied on importer's selling prices, the price investigation referred to above showed that the ad valorem rates in the House bill were much higher in dollars and cents than they were meant to be. The House bill based the dutiable values, first, on the wholesale price of the domestic article comparable to the imported article, and second, in the absence of such comparability, upon a constructive American value of the imported article, but in many if not a majority of cases the American prices were determined not by actual investigation but by derivation from the foreign selling price. The formula used was simple and may be illustrated as follows: Assume that a 50 per cent duty on foreign value is found, after due investigation, to be proper. Then for each \$1 of foreign cost add a duty of 50 cents. This \$1.50 divided into 50 cents (the desired specific protection) equals 33¼ per cent—the proper duty on the American selling price of the same or comparable article. It will be observed that this calculation allows no profits, expense, nor transportation charges to the importer, a situation which has given rise to the belief that the ad valorem rates in the House bill are higher than necessary for protection.

After it was determined by an examination of the importers and customs records that the ad valorem rates in the House bill were too high because they made no allowance for importers' margins and transportation charges, and that on the other hand rates based on

American values which included actual importers' margins would be too low; a median ground was sought which allowed 25 per cent for importers' margins and 10 per cent transportation and landing charges in the conversion of rates from foreign to American values, or vice versa. A bill based on American values was drawn up on this basis, but after due consideration it was abandoned because of the great divergence of actual imports profits and expenses from the assumed 25 and 10 per cent. Goods imported on a 5 per cent basis would be inadequately protected when the rate was determined on an assumed 25 per cent margin, but goods imported at 50 per cent margin (as some of them must be to yield a fair profit) would be overburdened by the duty.

The only alternative to this arbitrary way of converting rates based on foreign values into rates on American values is to take the bill item by item and determine a normal price differential between the American and foreign product. Obviously, under the present disturbed condition of the industry no such normal difference can be found.

The proposed bill, however, does provide for this method of basing rates on American valuation in that it gives the President power, after due investigation of particular cases, to change the basis of duty from the foreign to the American selling price. Such a change, if any, will not be made suddenly, however, for the law as a whole, to the great disturbance of industry and our customs administration, nor by schedules, nor even by whole paragraphs in some cases, but only for particular commodities or groups of related commodities when it is found, after a detailed investigation, that the American value of such or similar articles is a more certain basis for assessing duties than the foreign value of such articles.

VALUATION BASIS OF THE HOUSE BILL.

Section 402 of the House bill provides for the application of the American valuation plan.

Two bases of valuation for the purpose of assessing duties are apparently provided for:

- (1) The price of the comparable domestic product; or
- (2) In the absence of such price, a constructive American value reached by taking into consideration the selling price of the imported article in the United States, its foreign value, its cost of production, and various other elements such as freight, expenses, profits, and duties, to reach a fair value for duty purposes.

For these classes of imports two valuation systems are consequently required. The price of the domestic article is ready-made and at hand for the first class but not for the second. It is evident that the proper basis of value for the second class is its true cost reflected directly in its selling price in the foreign country or indirectly through its selling price after it reaches the United States. If it were not a question of rate of duty the problem could be solved to some extent by using the domestic price for the first class and the foreign price for the second. The rate of duty, however, complicates this apparently simple solution. The same rate must apply in thousands of instances to both classes. Here lies one of the diffi-

difficulties in applying the American valuation plan; the rates of duty can not be adjusted to meet both comparable and noncomparable importations equitably or fairly.

Aside from the question of rates, other difficulties arise. The testimony taken by the committee and examination of the valuation investigation report has satisfied your committee that the difficulty in ascertaining what are and what are not comparable articles make it inadvisable to adopt the American-valuation plan at this time. Only a small percentage of our imports are actually comparable to articles produced in the United States, and the difficulties in establishing comparability and in defending such comparability in a court of law would involve such uncertainties and result in such delays and expense as would render this plan unsatisfactory to both domestic manufacturer and importer.

The testimony of witnesses before the committee has also pointed out great administrative difficulties in declaring values at the time of the entry of the merchandise.

Under the foreign valuation plan the price paid for imported merchandise is the fundamental basis for appraisement. It is the basis for the invoice and the entry. Without this foundation, appraisements would become chaotic, as the price paid for an article safeguarded by oath and declaration and various other stringent provisions for false statements and perjury is the starting point of an appraiser, supplemented always by any and all ways and means in his power to determine the market value at date of shipment. When an article is imported, the price the importer paid is the primary consideration at the time of entry of the merchandise at the custom-house. Under the American valuation plan, however, the price he paid for his merchandise becomes secondary.

The price that must be secured for entry purposes, if appraisers are to build any system of American valuation records, is the price at which the importer has sold his merchandise. He may have sold part of an importation to many and at many prices, depending upon transportation, quantities, and credits. All of these prices must be set down upon an invoice for entry purposes with the names of those to whom the merchandise is sold, and such facts must be sworn to at the time of entry to cope with fraud afterwards. The testimony before the committee showed that it would not be practical to furnish an invoice or invoices of this character, and yet without this safeguard at time of entry the dangers of undervaluation under American valuation would be very much greater than under the present system. The particular importation may not have been sold at time of importation nor at the time of exportation. In this case another style of invoice would be required, setting forth under oath two new elements—the price or prices at which the importation is to be sold and, in addition, other values upon the same invoice as to the American market value of the importation at time of exportation. An oath of an importer as to the price at which he expects to sell his merchandise would be of slight legal consequence if he changed his mind or was forced to sell at different prices because of market conditions he could not anticipate.

Two other arguments have been advanced before the committee for the adoption of the American valuation plan. One is that it

places on the same valuation basis products from oriental countries that are similar to products from other countries, and the other is that it prevents undervaluation. Statistics of importations from oriental countries do not indicate any particular danger from this direction. The importation of many oriental products competing directly with European products and those made in the United States, such as toys and surgical instruments, has greatly fallen off. In regard to undervaluation, your committee believes that its prevention is more a matter of efficient customs administration than one to be corrected by any valuation plan. An adequate force of foreign investigators appears to be the simple and direct way to meet this situation.

The impossibility of adjusting rates applicable alike to comparable and noncomparable goods; the great obstacles in the way of proper safeguards at time of entry; the impossibility of American buyers in foreign markets of knowing, with any degree of accuracy, what duties they would have to pay if their merchandise is appraised at the prices of comparable domestic goods; the impracticability of determining comparability; and the entire readjustment of the customs machinery are disadvantages of the American valuation plan which are not adequately offset by any advantage that might be secured under the that plan.

FOREIGN MARKET VALUE BASIS.

Your committee, therefore, recommends that the value basis of existing law be continued and substituted for the American valuation plan embodied in the House bill. This basis for determining the value of imported merchandise includes the use of the export value of the merchandise in the country from which exported upon the date of exportation when it is higher than the foreign market value. Additional safeguards are recommended to further protect against undervaluation, and definitions have been phrased to require the ascertainment of values actually existing without recourse, except in extreme instances, to cost of production. For this purpose the definition of foreign market value has been amended so that where no foreign market value or export price exists in the country of exportation the price for dutiable purposes shall be the price at which such imported merchandise is sold in the United States less prescribed deductions. The requirements relative to statements that must appear on invoices have been amplified to insure a proper description of the merchandise and a statement of the actual transaction with regard to the price paid and other necessary facts to properly inform appraising officers. Dutiable value must be an ascertained fact. Theoretical values contingent upon future conditions are incapable of administration and difficult to establish. Therefore, your committee deems it advisable to limit the determination of value to the price at which the foreign manufacturer sells his merchandise to each and every one who cares to buy in the usual wholesale quantities and in the ordinary course of trade. This price can be obtained from purchasers from such manufacturers and from United States Treasury agents stationed in foreign countries. The sales of the foreign articles are as a rule restricted to one locality, and therefore the principal market is much easier to establish than

would be the case in the United States, where it would be necessary to determine the principal market from a number of sectional principal markets.

SCHEDULE 1.—CHEMICALS, OILS, AND PAINTS.

CHANGES FROM AD VALOREM TO SPECIFIC RATES.

In considering the rates in Schedule 1, it was found that there were many commodities carrying ad valorem duties which were definite chemical substances and that there was so little variation in grade in the forms ordinarily used in commerce that specific rates could be imposed. Therefore, specific rates were imposed on some 30 commodities which carried ad valorem rates in the House bill.

DYES AND SYNTHETIC ORGANIC CHEMICALS.

It was found that the rates provided for dyes and coal-tar chemicals, after the limited embargo provisions covering these products had been eliminated on the floor of the House of Representatives, were wholly inadequate to protect the domestic industry.

It is common knowledge that Germany had a monopoly of the world's trade in dyes prior to the war. Although our domestic industry has made great strides during and since the war, when these products have been admitted to the United States only under license, as provided by the emergency tariff act of May 27, 1921, and although our industry is capable of supplying between 85 and 90 per cent of the quantity required by domestic consumers, it has not attained a point in efficiency of manufacture where it can hope to compete with the well-organized industry which exists in Germany. Your committee has reached the conclusion that no rates in American tariff history would be adequate to protect this industry.

Your committee therefore recommends that the provisions of the emergency tariff act relating to dyes and synthetic organic chemicals be extended for a period of one year after the tariff bill becomes a law. In subdivision (d) of section 315 the President is also authorized, if upon investigation he ascertains that the rates specified upon coal-tar intermediates and dyes do not equalize the differences in competition here and abroad, or if he ascertains that an industry in the United States is being or is likely to be injured by reason of the importation of like intermediates or dyes into the United States, to issue a proclamation stating such fact and to continue the dye and chemical control act in force for a further period not to exceed one year. In addition, the following rates of duty on these products are proposed: 50 per cent plus 7 cents per pound on intermediates and 60 per cent plus 7 cents per pound on finished coal-tar products. Under the administrative provisions of the bill, the President has been given authority to base these rates on American values of similar competitive articles and also to increase or decrease the rates not exceeding 50 per cent, if, after investigation, he may find such action necessary. The extension of the dye-control provisions of the emergency tariff act for one year (and two years if necessary) will give the President sufficient time to investigate conditions in the domestic

dye and coal-tar industry, to ascertain what products can be protected by the rates specified in this bill, to determine the products on which it will be necessary to assess duties based upon American valuation, and to decide what increase in rates will be necessary in order that all branches of this industry may become firmly established in the United States.

ADJUSTMENT OF DUTIES ON RELATED PRODUCTS.

It was found necessary to increase the rate of duty on citric acid from 12 cents to 18 cents per pound and to decrease the rate on citrate of lime from 7 cents to 6 cents per pound, in order that there might be a proper relation between the raw material, citrate of lime, and the finished product, citric acid. Your committee is of the opinion that these rates will afford adequate protection to the citrous industry of the United States, located principally in California, and to the industry engaged in converting the raw material into citric acid.

VEGETABLE OILS.

The committee, after hearing (1) the representatives of the agricultural interests upon the necessity for the imposition of a duty on the various vegetable oils, in order to protect domestic agricultural industries, and (2) the representatives of the large manufacturing industries using these oils as raw materials, upon the necessity of exempting such oils from duty, recommends a duty of 4 cents per pound on coconut and peanut oils and 3 cents per pound on cottonseed and soya-bean oils, with a provision that such duty shall be remitted when the oils are imported under bond for use in the manufacture of nonedible articles.

SCHEDULE 2.—EARTHS, EARTHENWARE, AND GLASSWARE.

The committee has attempted to clarify and simplify the verbiage of several paragraphs in Schedule 2. Quarry tiles, for example, are now properly defined for the first time in any tariff bill. The paragraphs dealing with mica and graphite have also been completely rewritten in order to emphasize essential differences in the character and competitive features of the imports.

GLASS.

Of outstanding importance is the complete reconstruction of paragraph 218, which now separates the pressed and blown glass trade into logical divisions, thereby enabling intelligent consideration of the needs of the different branches of the industry. The necessity of maintaining and strengthening the newly developed glass industries, including the manufacture of chemical and optical glass, has been met by writing in duties that should encourage research and expansion of the domestic industry. These duties will not prohibit the importation of items which our new industries have not yet been able to make; nor are they higher than are actually required to prevent the waste of the capital now invested in these new industries. Furthermore, the employment of the scientific and

highly skilled workmen who entered these industries during the war should be continued.

The industries engaged in the manufacture of plated or cased glass in the United States are still struggling with the training of skilled labor. This domestic industry is necessary to keep step with the progress in electric illumination, which demands new shapes in shades and reflectors of cased glass. These can not be produced promptly as long as we are dependent upon foreign sources of supply. On the other hand, the manufacture of building glass is a major industry which is well established. Reductions in the duties imposed by the House bill have been made on the larger sizes of window and plate glass because of transportation charges and domestic demands, whereas increases have been made in the specific duties on the medium and small sizes in order to equalize competitive conditions here and abroad.

MAGNESITE.

Magnesite has been transferred from the chemical schedule to Schedule 2, where it properly belongs. A careful study was made of the cost of producing dead-burned or refractory magnesite in the United States and in central Europe. The rate of four-tenths of a cent per pound is designed to place the domestic product on an equal basis with the imported material in the chief steel-producing centers of this country. Separate provision is made for caustic calcined magnesite, which is not imported for use as a refractory but is used almost exclusively in the building trades. The duty on crude magnesite is calculated on the basis of the caustic calcined variety, in recognition of the fact that the magnesite imported in a crude form is not used in the manufacture of refractory material, but goes mainly into the production of caustic magnesite, which is used for plastic purposes.

SCHEDULE 3.—METALS, AND MANUFACTURES OF.

The general policy of adjusting rates on raw materials to protect the domestic mining industries without inflicting undue hardship upon the consuming interests was followed throughout the metals schedule. The rate on tungsten ore in the House bill was retained, but the specific rate on ferrotungsten was reduced to permit a differential allowance for the losses suffered by the manufacturer of high-speed steel, at the same time protecting the ferro-alloy manufacturer. The transfer of manganese ore to the free list is a further illustration of this policy. Data as to domestic resources have been prepared by the Geological Survey and the Tariff Commission, and their evidence upholds the conclusion that domestic resources of manganese ore are insufficient in quantity to provide adequate supplies of this important metal for any considerable period. The rates on ferrosilicon, another important raw material in the manufacture of steel, are slightly reduced, but they should still afford fair protection to the domestic producers.

Most of the other changes in the iron and steel paragraphs are made to smooth out irregularities in the duties imposed by the House bill and for minor improvements in the phraseology and classifications. The descriptions of wrought iron in paragraph 303 have been

improved. The cumulative duty on alloy steels provided in paragraph 305 is mainly designed to compensate for the increased costs resulting from the duties imposed on the alloying metals, and it also serves to provide additional protection on fine steels in the manufacture of which a large amount of labor is required.

The most important change in the tariff treatment of nonferrous metals is the transfer of tin metal back to the free list. Arsenic, bismuth, and cadmium, formerly free, have been made dutiable. The duty on magnesium metal has been cut in half. The rate on quicksilver was reduced from 35 cents to 25 cents per pound and a corresponding compensatory duty (not provided in the House bill) has been placed on fulminate of mercury and other products containing quicksilver. In the lead-ore paragraph the phraseology has been changed to conform with the present practice, which permits the free entry of somewhat more than 20 pounds per ton of the lead content of imported ore. While this was avoided in the phraseology of the House bill, the latter placed the bonded smelting interests at some disadvantage as compared with nonbonded works in view of existing Treasury regulations. The permanent duties on zinc metal were increased slightly in order to make them higher than those on the ore. The specific duty on nickel was reduced from 5 cents to 3 cents per pound, and the phraseology of the paragraph changed to recognize existing conditions of the trade.

Throughout the schedule minor changes in phraseology and classification were made. Many of these changes were necessary to preserve the intent of the provisions of the House bill and to recognize recent developments in the competitive situation. Marking provisions for cutlery and for watches and clocks, for example, were altered so as to permit the use of the name of an American purchaser, instead of the name of the foreign manufacturer, if an importer desires to build up a business on the basis of his own trade-mark.

SCHEDULE 4.—WOOD AND MANUFACTURES OF.

Your committee recommends that paragraph 401, imposing a duty of one-half of 1 cent per cubic foot upon timber, hewn, sided or squared, and round timber used for spars or in building wharves, be stricken out and transferred to paragraph 1683 of the free list.

Paragraph 404 has been rewritten to restrict the paragraph to sawed cabinet woods. This paragraph of the House bill also imposed a duty of 10 per cent on cabinet woods in the log. Your committee recommends that cabinet woods in the log, rough or hewn only, be transferred to paragraph 1683a of the free list.

Paragraph 408 of the House bill imposed a duty of 50 cents a thousand on shingles. Your committee recommends that this paragraph be stricken from the bill and transferred to paragraph 1647a of the free list.

SCHEDULE 5.—SUGAR, MOLASSES, AND MANUFACTURES OF.

Paragraph 501 of the House bill reenacts the emergency tariff rate upon sugar. This paragraph imposes a rate of 1.6 cents per pound on 96° Cuban sugar and 2 cents a pound on all other foreign sugar.

The rates of the House bill upon molasses have been retained except that molasses testing not above 56 per cent total sugar, not imported to be commercially used for the extraction of sugar or for human consumption, has been transferred from paragraph 503 to paragraph 1615a of the free list. This provision will permit the free entry of molasses for use in the manufacture of stock food and industrial alcohol.

SCHEDULE 6.—TOBACCO AND MANUFACTURES OF.

Your committee recommends that the rates of duty upon tobacco imposed by the tariff act of 1913, as amended by the emergency tariff act, be retained. The principal changes recommended in the tobacco schedule of the House bill are the increase of the rate of duty on unstemmed wrapper tobacco from \$2.10 to \$2.35 per pound and on stemmed wrapper tobacco from \$2.75 to \$3 per pound. A reduction in the duty from 45 cents to 35 cents per pound in the case of unstemmed filler tobacco and from 60 to 50 cents per pound in the case of stemmed tobacco is also recommended. It is suggested that the rate of 55 cents per pound imposed upon scrap tobacco be reduced to 35 cents per pound. It is believed that the increase in the rates upon wrapper tobacco is necessary to protect the growers of wrapper tobacco, particularly the producers of Sumatra wrapper tobacco in the United States, and that the proposed rates of duty upon filler and scrap tobacco are placed at the maximum revenue producing point. There is no direct tariff problem in cigar-filler tobacco; in fact, the Cuban filler is extensively used for blending with domestic leaf and induces a wider and larger demand for the latter. Scrap tobacco, moreover, sells for less than unstemmed filler and should not bear a higher rate than such filler. Your committee recommends that the provision imposing \$1 per pound upon filler tobacco of the kind known as Turkish be eliminated. The evidence submitted does not satisfy the committee that a sufficient quantity of this Turkish tobacco of the quality required for blending purposes can be produced in this country to justify the imposition of the high rate proposed by the House. In the absence of this provision, Turkish tobacco will still carry the filler rate of 35 cents per pound. Furthermore, as in the case of Cuban filler, the blending of Turkish with domestic leaf creates a greater market for the latter. The Turkish blends have been in considerable degree responsible for the great increase in the consumption of cigarettes.

SCHEDULE 7.—AGRICULTURAL PRODUCTS AND PROVISIONS.

In writing the agricultural schedule your committee adopted the policy of giving to agriculture the measure of protection that has been accorded to other industries, with due consideration to the needs of all sections and of all industries. The tariff act of 1913 placed the principal agricultural products upon the free list but retained duties upon the product of other industries. During the World War there was no opportunity for the policy of free trade in farm products to manifest itself. At its close, however, agricultural imports began to flow in great quantities to this country from many countries. The productivity of American agriculture was amply demonstrated during the war, when, with relatively slight increases in the cultivated acreage, and despite a greatly reduced labor supply,

this country was able to supply its own requirements and to feed Europe. Given adequate protection, we need not depend upon other countries for such products as can be profitably produced within the United States.

In some instances duties have been imposed upon products of which we usually produce a surplus. Even in the case of such products relatively small imports now exercise an influence far out of proportion to their relation to our production because of the disturbed state of the world markets and the price resulting from the depreciated currencies of other countries. Again, there are local or geographic tariff problems even when the country is upon a net exporting basis. The Pacific States, for instance, which are too far from the eastern markets, export barley and oats, while the North Atlantic States face competition from Canada. While the great bulk of our hard spring wheat is consumed in the United States and its price fixed more by the home demand than by the foreign, this price may be considerably depreciated by importations from Canada.

Your committee fully realizes that upon the prosperity of our agriculture rests the economic welfare of the Nation. The rates proposed in the agricultural schedule are moderate. In relatively few instances will they exceed 25 per cent. These higher rates will not, it is believed, add to living costs. Such costs are far more affected by the higher retailing and manufacturing margins than by higher prices for farm crops.

SCHEDULE 8.—SPIRITS, WINES, AND OTHER BEVERAGES.

No material changes have been made in the beverage schedule of the tariff bill as it passed the House.

Paragraph 801 has been rewritten to specifically provide that nothing in this schedule shall be considered as in any manner limiting or restricting the provisions of Title II or III of the national prohibition act as amended. The new paragraph also provides that the duties prescribed in this schedule shall be in addition to the internal-revenue taxes imposed under existing law or any subsequent act.

In paragraph 802 a tax of \$5 per proof gallon is imposed upon all spirits and bitters. In view of the fact that the Treasury Department has ruled that Angostura bitters are unfit for beverage purposes when made in accordance with the formula approved by the Bureau of Internal Revenue, a reduction of the duty upon such bitters to \$2.60 per proof gallon is recommended.

Paragraph 803 of the House bill imposed a tax of \$6 per proof gallon upon champagne and other sparkling wines. The imposition of a tax upon the basis of a proof gallon in the case of champagne is a departure from prior tariff legislation, and your committee recommends that the tax be imposed upon the gallon basis as heretofore.

SCHEDULE 9.—COTTON AND MANUFACTURES OF.

Your committee has deemed it wise to continue the duty provided in the emergency tariff act on cotton having a staple of $1\frac{1}{2}$ inches or more in length in order to stimulate production in the United States of such cotton. Compensatory duties on manufactures of such

cotton are accordingly recommended. To insure proper administration your committee has, following commercial needs, imposed such compensatory duties on all yarns finer than number 60 count and limited the determination of the length of the staple in imported cotton manufactures to such yarns coarser than number 60s. Your committee has endeavored in fixing the rates of duty recommended in the cotton schedule to insure the growth and prosperity of the cotton industry without imposing an undue tax on the consumer.

The system of basing rate of duty on yarn count is adopted as the most equitable method known in imposing duties upon all yarns and cloths. To correct the inequalities that result from a rate of duty determined solely from yarn count a separation of cotton cloth and yarn has been made into classes according to degree of manufacture and with proper rates within each class and according to average yarn count. Due to the rates of duty recommended by this bill on vat dyes an additional rate of duty is provided upon yarns and cloths dyed therewith.

In the determination of the average yarn number in cotton cloths it has been the practice under the act of 1913 to determine such average yarn count from the length equal to the distance covered by it in the cloth in the condition as imported. The result of this practice has been to impose on a count a duty lower than the average yarn number actually contained in the cloth, as no consideration was given to the contraction resulting from weaving. This erroneous method has been corrected by providing that the average number of the yarn in cotton cloth shall be based on 800-yard lengths that weigh 1 pound, which, in fact, is an allowance of 5 per cent for contraction in weaving.

In paragraph 908 the words "Jacquard woven blankets and Jacquard woven napped cloths" have been inserted. A provision for this class of merchandise was omitted from the House bill, but as it is similar to tapestries and other Jacquard woven upholstered cloths, it should be classified in this paragraph.

Paragraph 914 provides for cotton gloves made of fabrics knit on a warp knitting machine. These gloves are chamoisette or suèdèd gloves and were manufactured in the United States during the period of the war. Without a proper protective duty the American industry can not survive owing to the low-price gloves imported from Europe. Your committee recommends therefore that a provision be inserted for single-fold gloves of such fabric not over 11 inches in length at a rate of duty of \$3 per dozen pairs, and for each additional inch in excess of 11 inches, 10 cents per dozen pairs. If such gloves have two or more fold of such fabric and are not over 11 inches in length, a rate is proposed of \$3.50 per dozen pairs, and for each additional inch in excess of 11 inches, 10 cents per dozen pairs.

In paragraph 919 the words "and all other articles and fabrics, by whatever name known, plain or Jacquard figured, wholly or partly manufactured, for any use whatsoever," are inserted to insure the imposition of the duty therein provided on all lace window curtains, nets and nettings, pillow shams, and bed sets made on the Nottingham lace-curtain machine.

The courts have held that a tariff provision which describes an article by reference to its use prevails over every other description of the article in a tariff act.

The committee considers this proposed amendment to be necessary to prevent articles made on the Nottingham lace machines from being assessed under other provisions of the tariff bill carrying a higher rate of duty, where articles made on the Nottingham lace machine may be referred to by a description of their use.

SCHEDULE 10.—FLAX, HEMP, AND JUTE, AND MANUFACTURES OF.

In paragraph 1001 the rate of duty on hemp and hemp tow has been increased from three-fourths of 1 cent to 2 cents per pound and upon hackled hemp from $1\frac{1}{2}$ to 4 cents per pound. Your committee recommends such increases to protect the growers of hemp in the United States.

To compensate for these increased rates, the rates in paragraph 1004 on hemp yarns not finer than 11 lea have been increased to 10 cents per pound. Similarly, the rate of duty on threads, twines, and cords composed of hemp have been increased on threads not finer than 10 lea to $18\frac{1}{2}$ cents per pound. Paragraph 1004 has been further amended by inserting a provision for an addition to basic rates of 2 cents per pound for threads boiled and 6 cents per pound for threads bleached, dyed, or otherwise treated. This provision is considered necessary to compensate for the loss in weight incurred through the processes named. Without this provision a thread further manufactured than in the gray would pay a less rate of duty per pound than is imposed on the thread of which it is a further advanced manufactured product.

In paragraph 1005 the rate of duty on cordage wholly or in chief value of hemp has been increased from 2 to 3 cents per pound to compensate for the increased duty recommended on raw hemp.

Paragraph 1008a is a substitute for paragraph 1010 with an added provision for woven fabrics of flax except such as are used as padding or interlining in clothing. This paragraph is primarily framed to protect American industries manufacturing linen crashes, hucks, napkins, interlinings, and paddings. The rates herein provided are in part compensatory for the duty imposed on the yarns. In the case of paddings and interlinings the compensatory duty is stated in cents per pound and the protective duty at 25 per cent ad valorem. In the case of woven fabrics of flax, other than paddings or interlinings, an ad valorem rate is proposed, as the compensatory duty could not be separately stated in cents per pound. These rates are recommended to insure the continuation and extension in the United States of an industry producing linens and higher type of jute fabrics.

Paragraph 1013 has been rewritten. The 60 per cent rate classification applies to articles produced in the United States. The recommended rate of 60 per cent is compensatory and protective. The 50 per cent rate classification applies to goods that are not ordinarily produced in the United States.

In paragraph 1015 the words "or unfinished, having drawn threads," are inserted. The process of drawing threads is an expensive process and should be included within the provisions for hemstitched handkerchiefs, as it is an important manufacturing process in drawn hemstitching.

SCHEDULE 11.—WOOL AND MANUFACTURES OF.

Your committee has adopted in the wool schedule the plan for fixing the duty per pound on the clean scoured content. This method will more properly protect the woolgrowers than would be the case if the duty were levied on the weight of the unwashed wool. The compensatory duties on manufactures of wool are in proper proportion to the wool used to produce the quantity contained in the manufactured product. In the compound rates specific rates represent the compensatory rates on wools and the ad valorem rates the protective duties for conversion costs.

Paragraph 1101 is intended to cover wools used in the manufacture of carpets. This paragraph has been amended by the addition of a proviso to permit manufacturers of carpets to import wools under bond (without actually depositing the amount of duties). Upon proof that the wool so imported was used in the manufacture of floor coverings, they will be able to secure the cancellation of the bond. Through this method the carpet manufacturer will have free carpet wool, and in instances where wool is used in the manufacture of other than floor covering the woolgrower will be protected through the imposition of the duty provided.

Paragraph 1102 has been amended by providing rates upon clothing wools according to the shrinkage of such wools. This amendment will simplify the determination of clean-content weight of imported wools. The rates herein provided are the equivalent of 33 cents per pound on the clean content.

The value-dividing lines, where the rate of duty is made dependent upon the value per pound, in the various paragraphs of this schedule, have been changed from American to the foreign valuation basis.

Paragraphs 1117 and 1118 provide duties on rugs, carpets, and floor coverings. The compensatory rates in these paragraphs of the House bill have been stricken out, because they are unnecessary, since the proviso attached to paragraph 1101 provides for free wool for floor coverings manufactured in the United States.

SCHEDULE 12.—SILK AND SILK GOODS.

This schedule provides, as far as practicable, specific rates. In certain instances your committee has provided a minimum ad valorem rate. In many instances the specific rates will not apply at the present time, due to the cost of raw silk, but it is believed as prices approach normal the specific rates will be applicable.

Paragraph 1201: The phrase "including total or partial degumming" has been inserted to insure the assessment of duty on such silk as has undergone the process of degumming. This process of manufacture is an important and expensive step in the manufacture of silk, but under a recent decision of the Board of General Appraisers was held not to constitute a manufacture. The words "or silk and artificial silk" have been added so that noils made of silk and artificial silk shall be classified for duty under the provisions of this paragraph, where they properly belong.

In paragraph 1202 the phrase "or silk yarn and artificial silk" has been inserted to insure the classification of yarn in part of artificial silk under the provisions of this paragraph.

Paragraph 1206 has been extended to include hatters' plush for men's hats. Your committee recommends that the free provision in paragraph 1453 of the House bill be stricken out. Hatters' plush is now utilized largely in the manufacture of women's hats, and no determination of ultimate use can be made at the time of importation. The free provision for hatters' plush for men's hats has been the source of much dispute and no doubt a considerable quantity imported into the United States has been used for purposes other than men's hats. It is therefore deemed proper that it should not be exempted from duty.

Paragraph 1210 of the House bill has been stricken out, for the reason that the importation of silk shirt collars is of minor importance. In the absence of a special provision these collars will be classified under paragraph 1212, which includes clothing and articles of wearing apparel of every description.

Paragraph 1211 has been stricken out because the determination of the rate of duty on component materials of shirts makes the paragraph difficult of administration. Through the elimination of this paragraph shirts will fall under the provisions of paragraph 1212.

Paragraph 1215: Provision has been made for "partially manufactured artificial silk waste." The insertion of this provision is recommended to provide a rate of duty with a proper differential from that recommended for yarns and threads.

SCHEDULE 13.—PULP, PAPERS, AND BOOKS

Paragraph 1300 imposes a duty of 5 per cent upon chemical wood pulp. The House bill permits the free entry of both chemical and mechanical wood pulp under paragraph 1610. It is the belief of your committee that in order to equalize competitive differences in the manufacture of chemical wood pulp a 5 per cent rate is necessary.

Your committee has adopted the policy of the House bill in recommending the free entry of mechanical wood pulp and standard newspaper.

Paragraph 1302 is amended to specifically provide for wallboard.

In paragraph 1306 of the House bill the rates imposed upon paper lithographically printed are the same as those imposed by the act of 1909. The larger part of the cost of paper lithographically printed is in the labor cost. In view of the great difference in labor cost in countries having a greatly depreciated currency, it is recommended that the rates in the House bill be increased 50 per cent.

SCHEDULE 14.—SUNDRIES AND THE FREE LIST.

The House bill placed hides upon the free list in paragraph 1582.

Paragraph 1427a of the sundries schedule imposes a duty upon cattle hides of 2 cents per pound if raw or uncured or green or pickled and 4 cents per pound if dry. This duty is necessary to equalize the difference in competitive conditions. The imposition of a duty upon hides makes it necessary to provide compensatory duties

upon leather made from cattle hides and upon the various leather manufactures, such as shoes and harness.

Paragraph 1431 has been rewritten to provide the necessary compensatory and protective rates upon the various classes of leather and upon boots and shoes.

In paragraph 1405 a rate of 40 per cent is proposed upon boots, shoes, and other footwear the uppers of which are composed wholly or in chief value of wool, cotton, ramie, animal hair, fiber, or silk, or substitutes therefor, whether or not the soles are composed of leather, wood, or other material.

In paragraph 1653 provision is made for the free entry of raw skins and hides other than cattle hides.

Paragraph 1653a is added to the free list to permit the free entry of skins, other than skins made from cattle hides, when such skins are tanned but not finished. Because of the duty recommended upon hides and leather it has been necessary to provide in paragraph 1435a a sufficient protective rate upon harness, saddles, and saddlery.

During the war a great advance was made in the United States in the manufacture of toys, especially the educational classes of toys. In paragraph 1414 a 70 per cent rate is proposed upon toys. It is believed that this is the lowest rate that will be sufficient to equalize the difference in competitive labor cost here and abroad, and that this rate is necessary if this industry is to be maintained.

Paragraph 1430 proposes the imposition of a 90 per cent rate of duty upon all laces, handkerchiefs, napkins, wearing apparel, and other articles made wholly or in part of lace, and a duty of 75 per cent upon all embroideries, handkerchiefs, napkins, wearing apparel, and all other embroidered articles. These rates are necessary in order to equalize the difference in labor cost of the United States and of countries having a greatly depreciated currency.

Paragraph 1451 imposes a rate of 20 per cent upon photographic cameras and parts thereof, and a rate of one-half cent per linear foot upon photographic and moving-picture films, sensitized but not exposed or developed. In the case of photographic-film negatives, exposed but not developed, a rate of 2 cents per linear foot is proposed, and in the case of such films exposed and developed a rate of 3 cents per linear foot is recommended. The rates upon photographic-film negatives exposed but not developed and exposed and developed are the same as those imposed by the tariff act of 1913.

FREE LIST.

Paragraph 1504 relating to the agricultural implements admitted free of duty has been amended to exclude lawn mowers and to include by specific mention centrifugal cream separators operable by hand power.

Paragraph 1529 is amended to permit the free entry of maps, music, engravings, photographs, etchings, lithographic prints, bound or unbound, charts, and unbound books, which have been printed more than 20 years at the date of importation, and bound books which have been printed and bound more than 20 years at the date of importation. These classes of books were dutiable under paragraph 1310 of the House bill. It is believed that these classes of books and other

articles specified should be permitted free entry as in the past because of their educational value and because there is little if any competition in such articles because of the limited sale of such articles.

Paragraph 1530 is amended to permit the free entry of books and pamphlets printed wholly or chiefly in languages other than English. These articles were also made dutiable under paragraph 1310 of the House bill. Your committee recommends that these articles be returned to the free list, where they have been classed under prior tariff acts, for the same reasons as those given for transferring other books to the free list under paragraph 1529.



Calendar No. 591.

67TH CONGRESS, }
2d Session. }

SENATE.

{ REPT. 595,
Part 2. }

TARIFF BILL.

APRIL 20 (calendar day, MAY 6, 1922.)—Ordered to be printed.

Mr. SIMMONS, from the Committee on Finance, submitted the following

VIEWS OF THE MINORITY

[To accompany H. R. 7456.]

The majority report gives but meager consideration to the operative rates and provisions of the bill and throws but little light upon the theory or principle upon which it was written and its rates ascertained and determined.

It devotes much space to a long-drawn-out Jeremiad over the enforced scrapping of the Fordney American valuation scheme. These lamentations, taken together with the strenuous efforts made by the committee to obtain data that might have made the retention of this scheme possible, show how eager they were to find a way by indirection, under cover of nominally lower rates, to establish a practical embargo upon importations of many protected products.

It will be noted that there is no direct, positive, or unequivocal statement and no serious discussion of the measure of protection upon which the rates proposed were ascertained and determined.

In view of the fact that unless the rule of measuring the amount of protection to be accorded is definitely fixed it is impossible to test the sufficiency of the rate to accomplish the purpose intended, it is a matter of astonishment that the majority report should have left the Senate and the country to grope in the dark and find as best they can this fundamental principle upon which these rates, so vitally important to the millions of taxpayers, were ascertained and established.

The taxes imposed in this bill are as real as those imposed in the revenue bill. They must be paid by all the people, just as those in the revenue bill must be paid by all the people, and not by the beneficiaries who have demanded and got them. The people must not only pay the taxes on imports which go directly into the Treasury, but they must pay the resulting increase in prices of all the things they buy

and consume. In the aggregate the burdens that will be imposed upon them as a result of these high tariff rates will probably exceed the burdens placed upon them by the direct taxes levied in the revenue bill to support the Government and to meet expenses entailed by the war.

In levying taxes imposing such a stupendous burden upon the people, a burden from which no man, woman, or child can escape, nothing should be concealed or left to conjecture which may be necessary for the taxpayers to determine for themselves whether the taxes imposed are greater than is necessary to accomplish the purpose and policy sought to be attained and established, whether they approve that policy or not, or which may be necessary to enable their Representatives in Congress in voting upon the measure to determine whether they are levied upon a just principle or policy, as well as whether they are necessary to accomplish that purpose or policy.

The majority report, while dismissing these vital and fundamental questions with little elaboration or elucidation, devotes a considerable part of their report to unwarranted flings at the present law and to an elaborate discussion of the American valuation scheme and the reasons which forced them, regretfully, to scrap that monstrosity as a basis of levying the duties prescribed in the bill and in assuring the bereaved advocates of this scheme of valuation that while not applying it to the rates fixed by the committee, they have clothed the President with power to overrule the committee in this respect and substitute the Fordney scheme wherever those desiring it can convince him that that scheme of embargoing importations is essential to enable them to maintain present high profits or advance them to still higher levels.

This rather elaborate discussion of the reasons for scrapping the American valuation scheme on the one hand while providing for its rehabilitation on the other hand was probably deemed expedient and necessary to placate the greedy interests who with such persistence and vehemence have pressed upon the Congress this shrewdly devised method of extorting gratuities for the enhancement of their already overswollen profits.

The majority members of the committee in their effort to bolster up the demands and claims of the protected interests for higher benefactions and in that behalf to discredit the present law, in utter disregard of the facts of the situation, declare that under the rates of the present law "for months before the European war the balance of trade was rapidly growing against us and that that alone if continued would have brought disaster." It must be assumed that the majority of the committee would not have made this wholly unwarranted statement if they had been in possession of the facts disclosed by official statistics to the effect that the balance of trade in our favor in 1910, the first year of the Payne-Aldrich bill, was only \$188,000,000, as compared with \$470,000,000 during 1914, the first year of the present law, showing that our loss in balance of trade during the first year of the Payne-Aldrich bill was 18 per cent, as compared with 4 per cent during the first year of the present law.

Surely if a loss of 4 per cent in balance of trade during the first year of the present law meant impending disaster the fourfold greater

loss during the first year of the Payne-Aldrich Act was fraught with portents of still greater disaster.

To further bolster up the unwarranted statement just referred to and exposed the report proceeds to declare in effect that the outbreak of the war was the salvation of American industries because its immediate effect was to limit importations and that war embargoes on importations from enemy countries were a further boon to the American manufacturer and producer.

The situation outlined in this statement with respect to the effects of war embargoes and restraints on importations discloses the inspiration and the incentive which underlies all the frenzied clamor of the protected industries for prohibitive rates with which the atmosphere of the Capitol has for 18 months been surcharged.

The restrictions and embargoes to which the majority report refers freed the trust-controlled industries from the restraint of foreign competition and gave them a free hand to arbitrarily advance their prices and profits, while war-made prosperity made their customers able to pay these prices, extortionate as they might be. The result was that the sky was the only limit to the advances they made in these prices and profits. Industries which had in normal times been making only from 10 per cent to 15 per cent profits, freed from outside competition as a result of these embargoes, advanced them 100 per cent, 200 per cent, 300 per cent, 400 per cent, 500 per cent, and even in instances to 1,000 per cent. Naturally the representatives of these industries long for a return to those halcyon days and conditions. They believe that embargoes and prohibitions upon foreign imports will do for them now what embargoes and prohibitions did for them during the war. Greed is always blind. Avarice has no conscience. In making these demands the interests were, of course, only thinking about themselves, and, as usual, with no thought for the people who would have to pay the penalty of giving them the full measure of their seeking.

Seeing what profits they had when foreign competition was excluded by embargoes and domestic competition by trust organization, agreement, or understanding, they reasoned that if through the tariff this situation could be continued the prosperity which they then enjoyed would return and become permanent. But the majority of the committee, instead of yielding to these selfish demands, should in their action have recognized the fact that this Government, being a government by the people and for the people, does not exist for the purpose of making the protected industries prosperous at the expense of the millions who have no part in the trusts and their schemes except to pay their unreasonable extortions, extortions which will be made twofold more unreasonable and oppressive if tariff taxes are increased, as provided in this bill.

The report shutting its eyes to the facts of the present import situation, facts made clear by official data, facts known to the able appraisers who assisted the committee in the preparation of the bill and by them freely stated, further declares that "quotations made by foreign producers for export sale of late have been so extremely low that they threaten the destruction of American industries."

It must be supposed that this statement as to extremely low foreign quotations was made with reference to foreign prices during

the war aftermath period which ended with the year 1920, because the statements of the experts who aided the committee, as well as the facts established by statistics of actual foreign export prices, show that these quotations have advanced, enormously advanced, in the last 18 months, especially the last 9 months, and that to-day they are far above pre-war levels and more nearly equal the normal domestic price than in the pre-war period and conditions.

It can not be supposed that the committee in declaring conditions which should influence or control in the making of the rates of the present bill had reference to conditions which may once have existed but which, as stated, no longer exist, because it goes or should go without saying that taxes should be levied upon conditions at the time of their imposition and not upon the conditions of some previous time.

Tested by the present-day volume of foreign importations and by present-day quotations of export prices of foreign merchandise as shown in the invoices of such products offered for sale in this market these statements of the majority are utterly unwarranted and misleading.

Again, the majority report in support of these extortionate levies refers to the supposed advantages foreign competitors have "in the granting of subsidies and other similar inducements." In advancing this argument in support of what is now proposed the majority cites a condition which, if it ever existed to the extent claimed, does not to any appreciable extent exist to-day, and therefore should not influence or be considered in connection with the present rates, which are to operate in the future and not in the past.

The truth is that the frenzied outcries in behalf of these rates, like the arguments of the majority in support of them, are based upon conditions which, if they ever existed to the extent claimed, have disappeared in the processes of international adjustment and stabilization both in domestic and export prices, especially in the countries which are our commercial competitors both in the American market and in the markets of the world.

The majority seek to justify the high rates they propose upon the ground that they are necessary to permit American protected industries to pay wages sufficient to enable our American workingmen to maintain the American standard of living.

This statement sounds rather strange, in view of the fact that these selfsame industries are to-day engaged in an intensive drive to reduce present wage standards, just as the manufacturers of competing countries are engaged in a drive to reduce the equally high, relatively speaking, standard of wages in those countries.

This statement sounds strange also when you consider the fact known to everybody that the range of profits of protected products in this country are to-day far in excess of what is justified by the labor costs of those products and, indeed, bear little or no relation to production cost.

This declaration seems strange in connection with the fact that the standard of wages in foreign competing countries is to-day more nearly equal the American standard than ever before and that in these foreign countries labor, by the same devices and expedients it is employing here, is offering equally as successful resistance to the

lowering of those standards, making it apparent that under the inspiration and impetus of a better understanding which came to labor during the war of its rights to a greater participation in the profits of its labor and its power to maintain those rights has made it reasonably certain that in the future the standards of wages and of living conditions throughout the world will remain as they were during the war—that is, upon a basis of relative international equality—and that to this end the labor organizations in the world are and will continue to cooperate, and that that cooperation will likely continue to be successful in maintaining these standards upon a basis of approximate equality.

It is passingly strange that the majority of this great committee, charged with the fixing of tariff rates of taxation, should have overlooked these undeniable facts with reference to the adjustment of international scales of wages, tending to bring those scales throughout the world approximately to the same level, but it is surpassingly strange that they should have utterly ignored and failed to give consideration to the equally if not more important factor in the problem growing out of the fact that during the last 10 or 20 years the amount of the wage paid to labor has been a constantly diminishing element in determining the cost of production, not only here but everywhere throughout the world where up-to-date machinery and processes of production are employed, and that to-day the cost of products bears a much slighter relation to the daily wage paid to labor than in former times.

If the majority members had considered these facts they could not have escaped the conclusion that as the prices of wages in competing countries have become more nearly equal to those of this country, and that the wage paid labor has been a constantly diminishing factor in cost of production, that less and not more protection is needed to maintain wage standards.

But in this connection we wish sharply to call attention to the fact that this bill is not based upon the principle of imposing rates to measure the difference in labor costs or in production costs here and abroad. It ignores that principle altogether. It is based upon the principle of imposing rates supposed to measure the difference in the export selling price of imported merchandise and the domestic selling price of comparable or competing products produced in this country.

It is easy to understand, because it might be said to be a matter of common knowledge and the majority members of the committee could not possibly have overlooked it, that to-day selling prices neither in this country nor foreign countries are measured by the cost of production. Confessedly they are exceedingly out of balance with the cost of production. Profits constitute a far larger element in these selling prices than all other elements that enter into or constitute a part of the cost of production. Indeed, sometimes, and often, these profits exceed by several times the cost of production, including labor and everything else. These conditions should suggest, even to the extremest protectionist and certainly to the committee, not the raising but the lowering of the Payne-Aldrich rates.

The rates therefore imposed in this bill are rates that in their operation, while not enhancing the price of labor or operating in any way in the interest of labor, will irresistibly tend to the maintenance

of present high profits and prices of which the people now complain and furnish an opportunity to further increase these prices while the power to further increase these rates vested in the President will operate as an invitation to invoke the exercise of these extra legislative powers when the prescribed rates are not sufficient to safeguard the protected producers against the risk of foreign competition in case they may wish to raise their prices above the level of the protection against such competition afforded by the rates written in the bill.

It is claimed by the proponents of this bill that our protected industries are unable to compete with the foreigner upon equal terms and that the alleged influx of foreign goods into our markets at this time constitute a dangerous invasion of our markets and a menace to the prosperity of business, and that the only way to save our industries from the ruinous effect of this blighting inundation is to double the dizzy heights of the protection wall and to so out-Aldrich Aldrich as to make him and his memory anathema to his quandom idolatrous followers.

In 1921 our imports were \$2,500,000,000 and our domestic production in 1919 (the last year for which we have official statistics) was \$62,418,000,000. Upon that basis our imports represent 4 per cent of our production, while our exports, which were \$4,379,000,000 in 1921, represents 7 per cent of the domestic production. If importations amounting to 4 per cent of our annual production is such an invasion of our markets as calls for further restrictions, is not the exportation of 7 per cent of our annual production a twofold greater invasion by us of the markets of the rest of the world?

In 1921 we invaded European markets to the extent of \$2,363,000,000 while European countries (including Germany) invaded our market to the extent of only \$764,000,000.

If these importations from Europe show or argue underselling in our markets, our threefold greater exportations to Europe upon a parity of reasoning show that we can and do undersell Europe in her own markets.

In 1921 the United Kingdom of Great Britain and Ireland invaded our market to the extent of only \$238,000,000, and in the same year we invaded the markets of the United Kingdom of Great Britain and Ireland to the extent of \$942,000,000.

If we are able to sell Great Britain, a free-trade country, in round numbers, a billion dollars' worth of our products in one year upon terms of equal competition, not only with her but with the outside world, it seems rather absurd to contend that with the tariff differential in our favor the sale by her in this market place of less than one-fourth of a billion dollars of her goods in the same year could hardly be construed as a very serious menace and assuredly not an invasion which if not checked and restrained by higher rates of duty would imply irretrievable ruin and disaster to American industry.

If this invasion of our markets by foreign goods is to be ascribed to undercost production and underselling, then likewise the invasion of foreign markets by our products to a threefold greater extent must be ascribed to undercost of production and underselling. If we can undersell our foreign competitors in their own markets with all the advantages of the tariff against us, it can not be that we can not compete with them without ruinous consequences in our own market where the advantages of the tariff are in our favor.

We do not sell our goods in foreign markets at a loss. On the contrary, we are selling them at such a high basis of profit that our manufacturers and producers show both zeal and eagerness to further extend their foreign business.

If American goods can compete with foreign goods in the markets of the world, is it not folly to contend that they can not compete with these same goods in our own market without entailing national disaster, and does not the contrary contention in these circumstances smack of confidence-game hypocrisy?

We are now importing \$1,000,000 worth of hosiery and knit goods, these imports being chiefly novelties, golf stockings, etc., things that we do not care to produce, while we are exporting \$4,000,000 of these selfsame commodities. Nevertheless, in the face of the fact that American hosiery and knit goods are to-day underselling those of foreign production in practically every country in the world, it is contended that we can not compete with the foreign product in this market and that unless present tariff duties are raised this competition will be destructive to the hosiery and knit-goods business of the United States.

The same situation is illustrated in the case of pottery, porcelain, and china wares, and in the case of the manufactures of silk, cotton, and woollens, and in many other commodities not necessary to enumerate.

An analysis of the facts with respect to importations and exportations and of the contentions of the proponents of this bill with respect to our inability to compete show these contentions are so groundless that the boldness with which they are advanced and pressed can only be accounted for upon the theory that they are made upon the assumption that the American people do not know and will not come to know the real facts and may therefore be relied upon to uncomplainingly submit.

Turning now from the discussion and exposure of the tangled web of contradictions and inconsistencies involved and exemplified in the various explanations, arguments, and pretexts by which the proponents of this measure undertake to excuse these unheard of impositions, amounting in the aggregate to between three and four billions of dollars annually upon the whole body of American people for the benefit, relatively speaking, of a mere handful who fear they can not maintain their present high prices and profits and still further swell them at will unless the people are further taxed, not for the benefit of the Treasury but for the benefit of their private pocket-books, let us consider for a while what the adoption of this measure will mean in its effects upon the business, the happiness, and prosperity of the American people considered as a whole.

It is too clear to require any elaboration of statement or argument that the tariff taxes imposed in the bill upon the basis of the difference in the export wholesale price of like domestic merchandise are, when properly interpreted, nothing short of a legislative guaranty for the maintenance of existing prices and profits and an implied assurance to the industries thus protected that they may further advance these prices without incurring the risk of foreign competition, and to the latter end the President is given power to increase rates to the extent deemed necessary in that event to safeguard them against such outside competition as might otherwise result because of such increases.

The rates in this bill are admirably adapted to the accomplishment of these purposes. In many instances they are absolutely prohibitive, while in others they are above the point of prohibition. In the latter case prices could be increased under the definitely prescribed rates of the bill without risk of foreign competition, and, as before said, if the advance in price reached the point where the rate would no longer be prohibitive the President is authorized to increase it, and in that way allow a further advance in price and profit without risk of outside competition.

Evidently in these conditions the favored domestic producer, protected against foreign competition, need only by trust methods, bring about concert of action in the matter of domestic competition and selling price to enable him to make his price as high as the traffic will bear.

Such a scheme will mean that present prices, however excessive or extortionate, will be maintained, that the cost of living now abnormally high will be increased and our American industries, already honeycombed with price regulating and controlling trusts, will be further syndicated and monopolized.

Doubtless the rates of the bill and the powers given the President to superadd higher rates were concessions by the majority to the demands of the captains of the protected industries and were based upon selling prices instead of the cost of production, the old Republican theory of measuring protection, because the former, or new method, would include profit while the latter discarded method would not. However that may be, it is clear that the rates as fixed in the bill (which are from 40 per cent to 50 per cent higher than those of the Payne-Aldrich bill when you consider the higher price of imported merchandise to-day as compared with pre-war times) subject to the presidential increases, will be manifestly sufficient to protect the monopolies and monopoly-controlled industries in their prices and leave them an alarming margin for further increasing their profits.

Undoubtedly the effect upon our export trade of any undue curtailment of imports will, on account of the present economic and financial conditions in the balance of the world, especially in the countries of our Allies and enemies in the war, be more serious to-day and fraught with more danger to our national prosperity than at any other time in our history.

The economic importance to us, as to any country, of a ready sale in the markets of the world of its surplus production can not be overstated. Such markets have been the basis of all our phenomenal prosperity and expansion during the last 25 years. The loss of these markets or their serious impairment must inevitably lead to reduced production and unemployment.

These latter results can not be gainsaid, because it is clear that the farmer, the manufacturer, and the miner can give employment to labor only to the extent which they can market their products. Unmarketed and undisposed of surplus means curtailment of production or a ruinously glutted market. Are we ready to face these ruinous portents?

Most of the duties which the bill imposes upon agricultural products will be inoperative, because there are no importations or because importations are too meager to affect domestic prices, or

because of our large exportable surplus the domestic price is fixed by the world price. The duties which are effective, such as those upon wool and sugar, will advance the domestic price of wool, but those imposed upon manufactures of wool will at the same time advance to a greater extent the prices of woollens. Likewise, in the case of sugar. The duties upon both these products will be effective to the full amount of the duty because we produce only about half what we consume.

The bill itself defines the measure of protection which is to be accorded to the domestic industry. That rule is the difference in the selling price here and abroad. The selling price here includes the profit. So that the effect is to protect and maintain present high profits and make the people pay these increased profits plus a tax for the benefit of the profiteer. In this fundamental respect the bill violates every theory or principle of protection heretofore proclaimed by the advocates of that system and manifestly makes tariff rate fixing almost as much a matter of political and personal favor as the distribution of Federal offices. Besides the basis is an unstable and constantly fluctuating factor.

Almost as important as this is the fact that in ascertaining selling prices of foreign merchandise for the purpose of applying this new principle of measuring protection the majority of the committee have accepted the selling prices found in the Reynolds Investigating Commission's report, which prices were the export selling prices as of August, 1921. Since that time export selling prices have, as before stated, greatly advanced in nearly all countries, especially in Germany, the prices of which country were largely accepted as the standard of the Reynolds report. These increases in prices upon which the rates of the bill were fixed since the Reynolds report have already thrown the rates therein prescribed out of balance with the principle with which they were fixed, and as the process of international stabilization and adjustment goes on they will be thrown still further out of balance.

It is predicted in view of these facts affecting our market conditions, selling prices, and profits, if the rates and policies of this bill are adopted and applied the inevitable result will be an industrial and business debacle the disastrous consequences of which can not be foretold or estimated. The uprising in 1909 against the excessively high rates of the Payne-Aldrich bill, levied with little reference to principle and chiefly to satisfy the greedy demands of the beneficiaries of protection, not only forced the Republican Party to adopt and proclaim a fixed rule of measuring protection to be accorded, namely, the difference in the cost of production here and abroad, which this bill utterly ignores, but brought about the overthrow of that party in 1912.

It is predicted that this bill with its prohibitive rates, based on an uncertain and dangerous principle of measuring differences in competitive conditions here and abroad, will not only advance present prices, increase the cost of living, reduce production, create unemployment, but will finally eventuate in the practical monopolization of practically all of our protected industries making the sway of the trusts and monopolies supreme, and that the overthrow of the Republican Party, which will follow, will be as complete and more permanent than that which swept it out of power in 1912.

Broadly speaking the views of the special interests who asked these taxes and got them and of the people who will pay them differ widely in their appraisal of this measure and its effect upon the national prosperity.

So far as the special interests are concerned, it goes without saying the taxes imposed are both satisfying and comforting.

On the other hand the people view this bill as a measure full of mischief and dangerous possibilities, loaded with innumerable burdens for them and their posterity.

When the Fordney bill passed the House the general public regarded it as a monstrosity so grotesque and absurd that they took it more as a joke than as a serious attempt at tariff revision. It did not excite in them any great degree of alarm because they felt sure the Senate would rewrite it, and they expected from this body saner action in their behalf.

In these expectations the people have been grievously disappointed. That disappointment has grown as they studied the bill, first into surprise and then indignation at the audacity of the assault upon their pocketbooks and is finally culminating in a grim determination to resist to the utmost this attempted spoliation.

In these circumstances the people will be satisfied with nothing short of a full exposure through discussion of this attempted outrage, inspired by the desire to placate the subsidized interests at their expense. No conspiracy of silence, no threat of long sessions, no charges of filibuster or cloture must be allowed to smoke-screen and divert the exposure of the iniquities which lurk in the tax-laden schedules and paragraphs of the 438 pages of the amended Fordney bill, an act (if properly entitled) to mortgage the country and its resources to the protected and monopolized industries.

In support of the statements of fact hereinbefore made there is appended hereto the following tables prepared by official experts and appraisers and certain data by the Fair Tariff League, a protection organization:

APPENDIX A.

Imported articles showing relative costs in marks and dollars in 1914 and 1921.

No.	Items.	F. o. b. Germany.				Value of mark, 1914.	Value of mark, 1921.
		1914		1921			
		Marks.	Dollars.	Marks.	Dollars.		
B/499	Carmalt's artery forceps, 6½-inch, each.....	1.40	0.33	52.70	0.85	\$0.24	\$0.016
B/624	Straight scissors, 5-inch, each.....	.55	.13	15.50	.25	.24	.016
C/1425	Graet's cataract knife, each.....	.85	.20	27.90	.45	.24	.016
B/4547	Langenbeck's metacarpel saw, each.....	1.70	.40	46.50	.75	.24	.016
C/5504	Tooth forceps, each.....	1.90	.45	66.72	1.08	.24	.016
1500	Harmonicas, gross.....	17.40	4.17	403.20	6.45	.24	.016
	Jointed dolls, 60 centimeters, dozen.....	20.50	4.92	579.00	9.26	.24	.016
2/0	Toy horses, dozen.....	6.30	1.51	150.00	2.40	.24	.016
6543	Door locks, dozen.....	9.80	2.33	375.00	6.00	.238	.016
1195	Pliers, dozen.....	3.00	.71	108.50	1.74	.238	.016
118	Scissors, 4-inch, dozen.....	4.80	1.14	131.50	2.10	.238	.016
18	Razors, ½-inch, dozen.....	19.45	4.63	429.80	6.87	.238	.016
290	Children velvet, meter.....	4.70	1.12	106.85	1.71	.238	.016
	Cotton gloves, dozen.....	9.00	2.14	500.00	8.00	.238	.016
397	Laces, meter.....	1.47	.35	40.00	.64	.238	.016
800	Hosiery, dozen.....	7.25	1.81	118.00	1.89	.238	.016

APPENDIX B.

(Federal Reserve Board statement for the press. For release in morning papers, Saturday, April 8, 1922.)

The New York office (50 Broad Street) of the Federal Reserve Board has received a wireless from the American commissioner in Germany, giving the wholesale price index of the Frankfurter Zeitung for April 3, 1922. According to this index, there has been an increase of 20.7 per cent in the general level of wholesale prices in Germany during the month of March, as compared with an increase of 23.6 per cent during February. The all-commodities index stands at 5,899, as compared with 100 in the middle of 1914.

Wholesale prices index number for Germany.

[Compiled by the Frankfurter Zeitung.]

(Prices January, 1920=100.)

	Foods, etc.	Textiles and leather.	Miner- als.	Sun- dries.	All com- modities.
Middle of 1914.....	11.46	3.75	6.45	12.2	8.9
1921. ¹					
April.....	130	79	116	180	130
May.....	133	78	112	194	132
June.....	127	70	109	196	123
July.....	145	79	115	191	135
August.....	214	84	117	186	160
September.....	211	90	125	193	164
October.....	227	120	151	208	184
November.....	317	173	210	251	249
December.....	362	241	304	295	298
1922.					
January.....	384	241	260	364	317
February.....	407	256	292	414	352
March.....	540	270	365	490	435
April.....	654	334	418	606	525

¹ Not always the first day of the month.

(Recomputed with middle of 1914 prices=100.)

	Foods, etc.	Textiles and leather.	Miner- als.	Sun- dries.	All com- modities.
Middle of 1914.....	100	100	100	100	100
1921. ¹					
April.....	1,187	2,107	1,780	1,475	1,461
May.....	1,161	2,080	1,734	1,600	1,483
June.....	1,108	1,867	1,687	1,607	1,438
July.....	1,265	2,107	1,780	1,666	1,517
August.....	1,867	2,240	1,811	1,625	1,798
September.....	1,841	2,560	1,935	1,582	1,843
October.....	1,981	3,200	2,337	1,705	2,067
November.....	2,766	4,613	3,251	2,057	2,798
December.....	3,159	6,427	5,635	2,418	3,348
1922.					
January.....	3,351	6,427	4,025	2,984	3,562
February.....	3,551	6,827	4,520	3,393	3,955
March.....	4,712	7,200	5,650	4,016	4,888
April.....	5,707	8,907	6,471	4,967	5,899

¹ Not always the first day of the month.

The Frankfurter Zeitung index is unweighted, and is based upon the prices of 77 commodities. The latest figures are subject to revision.

Figures have recently been entirely revised.

TARIFF BILL.

APPENDIX C.

Description.	Selling price foreign article.	Payne-Aldrich.	Underwood.	Senate bill.
Pocketknives.....	13 per cent above price of domestic.	Specific rates equivalent to 80 per cent.	55 per cent.....	Compound rates equivalent to 160 per cent.
Surgical instruments...	4 per cent above price of domestic.	45 per cent.....	20 per cent.....	Compound rates equivalent to 74 per cent.
Common linen towel- ing 19 inches wide.	12 per cent under price of domestic.	50 per cent.....	30 per cent.....	60 per cent.

Ten per cent advance over the Payne-Aldrich rates brings the selling price of the imported article slightly above the price of the domestic article.

The following imported articles are selling in the United States at a higher price than the comparable domestic articles, noting that the rates of duty in the Senate bill have been materially increased:

Description.	Payne-Aldrich.	Underwood.	Senate bill.
China.....	60 per cent.....	55 per cent.....	70 per cent.
Decorated earthenware.....	do.....	40 per cent.....	50 per cent.
Antifriction balls for use in ball bearings....	45 per cent.....	20 per cent.....	10 cents pound and 35 per cent (equals 47 per cent).
Card clothing.....	45 and 55 cents square foot equals about 28 per cent.	35 per cent.....	45 per cent.
Fishhooks and fishing tackles.....	45 per cent.....	20 per cent.....	Do.
Metal snap fasteners.....	50 per cent.....	15 per cent.....	55 to 60 per cent.
Willow clothes basket.....	35 per cent.....	25 per cent.....	45 to 60 per cent.
Furniture of wood.....	do.....	do.....	35 per cent.
Cheese.....	6 cents pound equals 10 per cent to 15 per cent.	23 per cent.....	Over 30 cents pound, 25 per cent.
Ladies cotton embroidered handkerchiefs...	60 per cent.....	60 per cent.....	70 per cent.
Embroidery cotton.....	20 per cent.....	20 per cent.....	25 to 45 per cent.
Scotch gingham.....	Specific rates.....	do.....	Specific rates; minimum about 43 per cent.
English cloth suiting, etc., over 4 ounces....	44 cents pound, 50 per cent.	35 per cent.....	49 cents pound, 55 per cent.

The selling prices of the above imported articles in the United States range from 10 to 60 per cent higher than the domestic merchandise.

