

Calendar No. 440.

66TH CONGRESS, }
2d Session. }

SENATE.

} REPORT
No. 483.

TARIFF ON PEARL BUTTONS.

MARCH 22, 1920.—Ordered to be printed.

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

REPORT.

[To accompany H. R. 7705.]

The Committee on Finance, to whom was referred the bill (H. R. 7705) to amend section 339 of the tariff act of October 3, 1913, in respect to the tariff on buttons of shell and pearl, having considered the same, report favorably thereon with the recommendation that the bill do pass without amendment.

The question of protecting the fresh-water pearl-button industry in this country is not a new one. These producers have factories in 17 States and employ over 20,000 people, and have invested in the business, exclusive of stocks of raw material and finished products on hand, about \$3,500,000. The production for 1914 was over 21,000,000 gross, valued at \$4,879,844, which would be an average of 22.5 cents per gross.

The cost of producing buttons in Japan is very much less than in this country, and in recent years the industry has been greatly developed in that country. In 1912 Japan exported 5,000,000 gross, and in 1916 her exports amounted to 15,000,000 gross. In 1917 and 1918 they exported to this country a cheap button sewn on cards, and these cheap buttons displaced domestic buttons of a better quality.

The average price per gross of buttons imported in 1917 and 1918 was 20.4 cents per gross. The Japanese are sending large quantities of the cheaper grade of buttons to this country. In February, 1919, the domestic production was about 1,400,000 gross, while the imports from Japan amounted to 590,000 gross in that month. This equaled 42.1 per cent of the domestic production. It is evident that unless the present duties on pearl buttons are increased the importation from Japan will greatly increase, and when conditions have changed in Germany and Austria, or upon the resumption of trade with those countries, large importations will come from their factories. This will surely happen if the present ad valorem duty is retained. The evidence produced before your committee clearly shows that Japan

is flooding the American market with buttons made by the cheap labor of that country.

In Japan the wages paid to those employed in the button industry is an average of about 15 cents per day, while in this country factories are paying from \$2.50 to \$3 per day for similar labor.

Under the tariff of 1909 the imports of buttons from Japan were not very large, but in 1913 the amount imported from Japan reached the number of 287,437 gross, valued at \$56,392. but the reduction in duty, the change from specific to ad valorem, to 45 per cent ad valorem below the twenty-sixth line and 25 per cent above, caused a great increase the first year, and the importation in 1914 amounted to 739,961 gross, valued at \$185,149, and in 1917 the importations amounted to over 5,000,000 gross, valued at \$913,000, and in 1918 the importations of buttons from Japan was of the value of \$1,145,000. This great increase in the importation of pearl buttons from Japan and the great decrease in the production in this country is ample evidence that in a short time the manufacture of fresh-water pearl buttons in this country will cease, unless it is given such protection as will enable the producers to compete with the buttons produced by the poorly paid labor of Japan,

The industry in this country operated at an average of 44 per cent during the month of February, 1919, and there was accumulated during that month over 200,000 gross, and at the same time there was imported from Japan more than 590,000 gross. The producers in this country have experienced an increase of about 94 per cent in the manufacturing cost and 100 per cent in the average cost. The producers of pearl buttons at Muscatine, Iowa, were obliged to reduce the wages of the employees and the men appealed to the governor of the State, who appointed an arbitration board to investigate the situation. The following is a paragraph from the report of the board:

It is perfectly apparent that the pearl button industry at the present time is in bad condition; that the manufacturing plants are very heavily overstocked, and are carrying and producing much more than they can readily sell at remunerative prices, and that they are not now and probably will not for some time hence make reasonable return on their investment. If all the buttons entering the American market were produced by American labor, the solution of this difficulty would be easy. Then a reasonable price based upon American wage could be demanded of the consumer, but the evidence in this case clearly shows that these buttons have to be sold by the manufacturers in open competition with the world's production. The evidence introduced before us clearly shows that Japan is flooding the American market with a similar class of buttons made by the cheap labor of that country. So long as this produce is compelled to be priced with goods made by cheap oriental labor, so long will wages be forced down to meet that competition. It is not in our power, of course, to remedy this situation or make any suggestions for remedying it.

It is perfectly apparent that the only practical way of meeting this situation is for the United States to discourage the foreign importation of these cheap goods by placing a tariff on this commodity that would equal the difference between the cost of production at home and abroad, based upon reasonable wage scale to the employees. Even free-trade England has learned the necessity of protecting its own laborers against competition from abroad, and it certainly is in line with the policy of the United States to adopt such tariff laws as will protect the American wage. There is no other way by which this could be done. If American products must come in direct competition with the products made by cheap labor abroad, it inevitably and irresistibly will force down the American wage scale. We find that this situation could and should receive the attention of the law-making power of the United States, but at present we have to deal with the conditions as they are. So we recommend to the employers that they revise their cutting scale of January 6, 1919, and if possible make it more liberal to the employees, even though this should temporarily consume profits or even some of the accumulated surplus made in the time of prosperity.

The wages paid for production of buttons in Japan is fully set out on page 46 of the hearings before the special subcommittee of the Committee on Ways and Means of the House of Representatives, and the price paid to labor for similar work in this country is set out on the same page. It will be noticed in the reading of the hearings how cheaply the Japanese would carve buttons for the American market when importers asked the price carded and the Japanese asked eight-tenths of a cent for carding and boxing, and similar work in this country cost 6 and 7 cents a gross. They asked eight-tenths of a cent for finishing the buttons, carding them, and putting them in boxes, which cost the producers in this country 6 and 7 cents for doing the same kind of work.

It is contended by the producers of pearl buttons in this country that with a duty of $1\frac{1}{2}$ cents per line and 15 per cent ad valorem they will be able to meet Japanese competition, and your committee is of the opinion that this protection should be given to the American producers.

EXHIBIT.

COMPARATIVE COST OF BUTTONS PER GROSS.

TABLE 1.—*Japanese fresh-water buttons from Chinese dobu shell.*

	16	18	20	22	24
Cost of blank.....	\$0.08	\$0.105	\$0.12	\$0.14	\$0.17
Cost of finishing.....	.0335	.0371	.0427	.0478	.0567
45 per cent duty.....	.1135	.1421	.1627	.1878	.2267
	.051	.0639	.0732	.0845	.102
Total.....	.1645	.206	.2359	.2723	.3287

TABLE 2.—*American fresh-water buttons, same quality.*

	16	18	20	22	24
Cost of blank.....	\$0.24	\$0.27	\$0.32	\$0.38	\$0.49
Cost of finishing.....	.15	.15	.17	.17	.17
	.39	.42	.49	.55	.66

TABLE 3.—*Japanese fresh-water buttons, applying proposed duty of $1\frac{1}{2}$ cents per line specific and 15 per cent ad valorem.*

	16	18	20	22	24
Cost of finished.....	\$0.1135	\$0.1421	\$0.1627	\$0.1878	\$0.2267
Duty $1\frac{1}{2}$ cents plus 15 per cent.....	.257	.2913	.3244	.358	.394
	.3705	.4334	.4871	.5458	.6207

Cost of Japanese blanks in Table 1 are based on quotation from Osaka, dated October, 1919; said quotations are delivered at San Francisco and include profit on blanks to Japanese exporter.

Cost of finishing Japanese buttons in Table 1 are from Commerce Reports, dated October 3, 1917, quoted in Tariff Commission's Report, series 4, pages 25 and 29.

Comparative cost of buttons sewed 1 dozen buttons on cards, packed 12 cards, or 1 gross, in box. Tariff information series 4, pages 82, 83.

TARIFF ON PEARL BUTTONS.

TABLE 4.—*Japanese fresh-water buttons from Chinese dobu shells.*

	16	18	20	22	24
Finished cost per Table 1.....	\$0.1645	\$0.206	\$0.2359	\$0.2723	\$0.3287
Carding and boxing.....	.01	.01	.01	.01	.01
	.1745	.216	.2459	.2823	.3387

TABLE 5.—*American fresh-water buttons, same quality.*

	16	18	20	22	24
Finished cost per Table 2.....	\$0.39	\$0.42	\$0.49	\$0.55	\$0.66
Carding and boxing.....	.10	.10	.10	.10	.10
	.49	.52	.59	.65	.76

