

TARIFF SCHEDULES

HEARINGS

BEFORE

SUBCOMMITTEES OF THE COMMITTEE ON FINANCE UNITED STATES SENATE

SIXTY-THIRD CONGRESS

FIRST SESSION

ON

H. R. 3321

AN ACT TO REDUCE TARIFF DUTIES AND TO PROVIDE
REVENUE FOR THE GOVERNMENT, AND
FOR OTHER PURPOSES

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SUBCOMMITTEES.

Subcommittee No. 1.—Senators Stone, Thomas, James, and Simmons (ex officio).

Schedules assigned to Subcommittee No. 1: Schedule C, metals, and manufactures of; Schedule B, earthenware, and glassware; Schedule K, wool, and manufactures of; Schedule L, silks and silk goods; free list not connected with any particular schedule or schedules.

Subcommittee No. 2.—Senators Williams, Shively, Gore, and Simmons (ex officio).

Schedules assigned to Subcommittee No. 2: Schedule F, sugar; Schedule G, agricultural products; Schedule J, flax, linens, and other vegetable fibers; section 2, incomes; sections 3 and 4, administration.

Subcommittee No. 3.—Senators Johnson, Smith of Georgia, Hughes, Simmons (ex officio).

Schedules assigned to Subcommittee No. 3: Schedule A, chemicals; Schedule I, cotton manufactures; Schedule D, wood, and manufactures of; Schedule M, pulp, papers, and books; Schedule N, sundries not connected with any particular schedule or schedules.

Schedule F, tobacco and cigars, and Schedule H, wines and liquors, were not assigned to any subcommittee.

**INFORMAL STATEMENTS BEFORE SENATORS
STONE AND SHIVELY,**

APRIL 16, 1913.

INFORMAL STATEMENTS BEFORE SENATORS STONE AND SHIVELY.

COMMITTEE ON FINANCE, UNITED STATES SENATE,
Washington, D. C.

SCHEDULE B.—EARTHS, EARTHENWARE, AND GLASS-WARE.

There were present W. J. Wickes, Esq., president Saginaw Plate Glass Co., Saginaw, Mich.; Albert C. Wall, Esq., attorney; G. C. Eastwood, Esq., secretary and treasurer Saginaw Plate Glass Co.; F. J. Goertner, Esq., sales manager Semon Bache & Co., New York; and G. W. Wolf, Esq., expert, Treasury Department.

Senator STONE. Gentlemen, I will state that several gentlemen have spoken to me about representing the plate-glass manufacturers and some who are more or less interested in the importations of plate glass, and I have been reading some statements made by different gentlemen at different times before committees, and it occurred to me that it would be well to go a little further and, in order to get the real facts, to have this informal conference, not to make speeches, but simply to talk matters over with respect to the plate-glass schedule.

Mr. Wickes, what interest do you represent?

STATEMENT OF W. J. WICKES, PRESIDENT SAGINAW PLATE GLASS CO., SAGINAW, MICH.

PARAGRAPHS 89-92.—*Plate glass.*

Mr. WICKES. Mr. Eastwood and Mr. Wall and I represent one company. We are nonexperts so far as prices and the general conditions of that kind are concerned that enter into the argument of this matter. I am familiar with the manufacture of plate glass from a practical standpoint.

Senator STONE. What company do you represent?

Mr. WICKES. The Saginaw Plate Glass Co., of Saginaw, Mich., one of these companies that have filed these briefs that have been presented; I do not know whether you have seen them or not. But we are the only representatives of this one company. I know the conditions concerning some of the other companies, but as far as having representatives here now of all the companies, I did not want you to get a wrong impression, that is all. The practical end of the business I can tell you about. I have been in it and worked with it.

Senator STONE. What other end is there to it?

Mr. WICKES. The selling of the goods is, of course, quite important, but if you do not make them right, there is nothing to it. They have

to be made right first in the factories. That is the practical end of the business. But there have been a great many arguments that have entered into this matter, and everything brought to bear by both sides, I guess, to bear out their cases as well as they could.

Senator STONE. Are you the president of the company?

Mr. WICKES. Yes, sir; I am president of the Saginaw Plate Glass Co.; Mr. Eastwood is secretary and treasurer, and Mr. Wall is an adviser of mine. He does not know very much about the glass business. He is an attorney.

Senator SHIVELY. Have you appeared before the House committee in relation to this matter within the last year?

Mr. WICKES. No, sir; I have not, personally.

Senator SHIVELY. Has your company been represented before them?

Mr. WICKES. Yes, sir; in these briefs that have been filed, we were represented with the other companies, but our company has not appeared. We have not been down here especially to work on it at all. We came here last night.

Senator STONE. Do you feel that you and your associates are sufficiently advised with respect to the plate-glass industry to state confidently and authoritatively the position that the plate-glass manufacturers have with respect to the tariff on plate glass?

Mr. WICKES. I can state to you about what the cost of glass has been and conditions of that kind which enter into it; about what the cost in this country is of glass based, I think, on some pretty good facts—not only our own cost but the facts as to what has been done in the business in the 13 years that I have been in it.

Senator STONE. You have been 13 years in the business?

Mr. WICKES. Yes, sir.

Senator STONE. Does your company make considerable quantities of plate glass?

Mr. WICKES. We are one of the small companies, Senator. We make about a million and a half feet of glass a year. That is a small concern.

Senator STONE. Do you make any other kind of glass?

Mr. WICKES. No, sir; nothing but plate glass.

Senator STONE. Where is your market?

Mr. WICKES. Our market is principally in Chicago and through the Middle West. We sell some glass in New York, but not very much. The different companies, or representatives of the different companies, have been here a good many times before the Ways and Means Committee. I have talked to Congressman Dixon myself, and he is the only one I have talked to.

STATEMENT OF F. J. GOERTNER, SALES MANAGER SEMON-BACHE & CO., NEW YORK, N. Y.

PARAGRAPHS 89-92.—*Plate glass.*

Senator STONE. Now, Mr. Goertner, you are associated with the Semon Bache Co.

Mr. GOERTNER. Yes, sir.

Senator STONE. You are sales manager?

Mr. GOERTNER. I am second vice president of the company and sales manager.

Senator STONE. What connection has your company with plate glass?

Mr. GOERTNER. Our interest in plate glass is primarily as manufacturers of mirrors. Probably, I should say, fully 90 per cent of the plate glass we import is used in our manufacturing departments. We, of course, sell some, but it is a relatively small amount.

Senator STONE. Do you know approximately, speaking offhand, the volume of plate-glass importations, say, for 1912?

Mr. GOERTNER. Yes, sir.

Senator STONE. About what per cent of that volume did your company import?

Mr. GOERTNER. From 25 to 30 per cent, I should say.

Senator STONE. Your company is the largest importer, is it not, of plate glass in this country?

Mr. GOERTNER. With one possible exception. I think we are.

Senator STONE. With one exception.

Mr. GOERTNER. I think we are. We may possibly be. I do not know the exact figures for the other concerns.

Senator STONE. What is that concern?

Mr. GOERTNER. Schrenk & Co., Hoboken, N. J. It varies. I know that a year or two ago they were importing more than we were, but whether that condition has existed this year I can not say.

Senator STONE. You handed me a brief—

Mr. GOERTNER. That is the window glass you have there.

Senator STONE. I am just suggesting this in order to make a start. This is the brief you filed with the Ways and Means Committee in January?

Mr. GOERTNER. Yes, sir. It was reprinted just as it appears in the tariff hearings to be in more convenient form.

Senator STONE. But this that I hold is a separate pamphlet. On page 6 of this pamphlet I find a table headed "Comparison of the American productions and importations."

Mr. GOERTNER. Yes, sir.

Senator STONE. There is a great reduction in the United States in one column in imports. The table covers production and imports?

Mr. GOERTNER. Yes, sir.

Senator STONE. Running from 1880 to 1912, the latter being approximate. I find from this table, according to your view, that the plate-glass production in the United States increased from 1880, being then 1,042,000 square feet, with constant growth in production to approximately 60,000,000 in 1912.

Mr. GOERTNER. Yes, sir.

Senator STONE. Now, on that one proposition, what do you think?

Mr. EASTWOOD. I think it is a fairly close estimate of the production in 1912, although we have no way to verify it absolutely. We have no way to find out what the production of the Pittsburgh Plate Glass Co. is. Of course the independent people have told pretty well what their production is. I think that is pretty close, though, to the amount of glass. It would not vary very much.

Senator STONE. You think that is approximate?

Mr. EASTWOOD. I think that is pretty close to it, from all the knowledge I have of it.

Senator STONE. Now, the imports of plate glass in 1880 were 1,906,017 feet, being larger than the domestic production of that year, varying from year to year, increasing and decreasing, until 1912, when, according to your statement, it was 1,200,000 square feet.

Senator SHIVELY. There must be some mistake there.

Mr. WOLF. The importations did fall off very greatly last year in plate glass.

Senator STONE. Mr. Wickes, are you prepared to say that that is approximately correct?

Mr. WICKES. No, sir; I could not say as to that.

Mr. EASTWOOD. We have it there in our brief.

Mr. WICKES. No; not for 1912.

Mr. GOERTNER. If I may interrupt, on page 82 of the Tariff Handbook there appears the total of plate glass, cast, polished, finished, or unfinished and unsilvered. That is the paragraph.

Senator SHIVELY. Is that the paragraph? That does not correspond with these figures.

Mr. GOERTNER. That 1,200,000 feet that I included in this statement was before the Government figures were out for 1912. They are given in the Tariff Handbook precisely, and they amounted to a little less than what I have said—1,110,000 square feet.

Senator STONE. That handbook shows that to be the total importations for 1912?

Mr. GOERTNER. The total of 1912.

Senator STONE. Do you know whether those data were prepared, or that the statement was prepared from official figures?

Mr. GOERTNER. I can not say of my own knowledge.

Senator STONE. Were the official figures extant, then?

Mr. GOERTNER. At the time I made this? No; they were not.

Senator STONE. Or when this handbook was made?

Mr. GOERTNER. Yes, sir; they were when this handbook was made up—at least, I will ask Mr. Wolf with respect to that. The handbook was made up about two months ago. At that time they should have had complete records for 1912.

Senator STONE. There is a matter that I would like to ask Mr. Wolf—whether you can state, without reference to official data, whether that is approximately correct?

Mr. WOLF. I can only state that during the last year the importations of plate glass fell off considerably over the years previous to that. There was considerable falling off in 1912 from 1911, and I, of course, tried to investigate why that was, in my capacity as examiner, and I understood it was the result of a considerable cut in price on the domestic article. Mr. Wickes can confirm that.

Mr. WICKES. Yes; glass has been very low this last year.

Senator STONE. You are just anticipating the question I was going to ask you—

Mr. WICKES. I did not mean to, Senator.

Senator STONE. But you have, and it is all right. The question I was going to ask was if you could give a reason for the very great decrease of more than one-half of the importations.

Mr. WICKES. It is based on the increase of production of American factories and the low prices they have been getting for their glass. We have been selling our glass at a loss. A great deal has been sold at a loss in the United States. We do not make any money on a cer-

tain size glass, and never have in my experience in business. Small glass we always lose money on. The money we make is on the large glass. When we sell a piece of glass about that size [indicating] we do not make any money on it. It costs us just as much as it does to make a large piece of glass, in the process of making it. I might tell you briefly how it is made, if you care to listen to it—how glass is made. It is very simple.

Senator STONE. I have no objection—

Mr. WICKES. That is, if you feel interested in it.

Senator STONE. I am interested, only I think I know.

Mr. WICKES. I am very glad to know that you know. Have you been in a factory, Senator?

Senator STONE. Yes. Have you ever been in a factory, Senator Shively?

Senator SHIVELY. Yes.

Mr. WICKES. That is as near as I can get at it as to the reason. The glass business has been a very peculiar business with reference to competition among the manufacturers themselves. The Pittsburgh Plate Glass Co. is a very strong organization, and they sell their glass to their own jobbers, and all the other independent companies sell their glass to the independent jobbers, as they are called, and the competition is very keen. At times it has been very close. Glass has been sold, as I have said, on and off for the 13 years that I have been in it for considerably less than it should have been sold for to bring a fair return to the man who has his money in the business. It has not been, as far as the independent companies are concerned. As far as the Pittsburgh Plate Glass Co. is concerned, I can not say. They have an advantage over us because they job their own glass. But, as far as the other independent companies are concerned, it has not been what you could class as a profitable business; that is, the kind of business from which a man would get the proper return for the money he has invested in the factory.

Senator STONE. You say the Pittsburgh Plate Glass Co. job their own glass?

Mr. WICKES. They have their own jobbing houses.

Senator STONE. By that you mean that they distribute it?

Mr. WICKES. Yes, sir.

Senator STONE. They sell it to the retailers?

Mr. WICKES. Yes, sir; and sell it to the consumers.

Senator STONE. And to consumers direct?

Mr. WICKES. Yes, sir.

Senator STONE. How do you dispose of yours?

Mr. WICKES. We sell ours to jobbing houses in the cities that buy glass, the manufacturers of mirrors and show cases, and people of that kind. We do not sell any to the consumers at all, and our glass all has to go to a man who has to make another profit on it. That has enabled the Pittsburgh Plate Glass Co. to make more money on their glass, of course, than the other factories have.

Senator SHIVELY. That is, to save more money.

Mr. WICKES. Yes, sir; to save more money. You may put it either way.

Senator SHIVELY. You spoke of the Pittsburgh Plate Glass Co. selling to its own jobbers?

Mr. WICKES. Yes, sir.

Senator SHIVELY. That is, it has its own agents and sells its output to those agents, and they in turn do business with the retailer or consumer?

Mr. WICKES. They own those houses; they own their own stores. In other words, they take this glass and store it and distribute it. They own and operate them. It is just the same as their operating their factory. Consequently, they get that profit.

Senator SHIVELY. Are they real jobbers, in the usual sense of the term?

Mr. WICKES. I should say they were. They distribute their own product, and distribute it in competition with the jobber that we sell to.

Senator SHIVELY. There the producing company and jobber are all the same institution, a part of the same general organization, are they not?

Mr. WICKES. You mean the Pittsburgh Plate Glass Co.?

Senator SHIVELY. Yes.

Mr. WICKES. I do not know how they treat those houses. They are owned by the Pittsburgh Plate Glass Co., and they operate them, I know. Maybe Mr. Goertner can answer that. I do not know how they operate their business, but I know they own those houses and run them as their own houses, and they conduct their books. I do not know how it is done, but it brings a revenue to them that we do not get; that the other people in the glass business do not receive, you understand.

Senator SHIVELY. That is, the middleman can protect his stuff.

Mr. WICKES. Yes, sir. Competition has been very keen. I only say that because there has been an intimation made that this combination of houses and the Pittsburgh Plate Glass Co. were all connected in some way, and I want, if you gentlemen will believe me, to tell you that that is not true; that there is no such agreement. The Pittsburgh Plate Glass Co. has been the strongest competitor that we have had in the business—every man in the business.

Senator STONE. Was there not at one time some combination?

Mr. WICKES. We have never had any combination with the Pittsburgh Plate Glass Co.

Senator STONE. Was there not a suit brought by the Government?

Mr. WICKES. I never knew of any in my time.

Mr. EASTWOOD. That was the Imperial Glass Co. They handled window glass.

Mr. WICKES. I never knew of that suit. I never heard of it.

Senator STONE. About what per cent of the 60,000,000 square feet of glass manufactured last year was made by the Pittsburgh Plate Glass Co.?

Mr. WICKES. I think about half of it, would you not say.

Mr. EASTWOOD. I would say that the Pittsburgh Plate Glass Co. made 28,000,000 and the independents possibly 32,000,000.

Mr. WICKES. Forty-seven per cent. That is pretty close.

Mr. EASTWOOD. The Pittsburgh Plate Glass Co. made, I should say, approximately, 28,000,000.

Senator STONE. Out of a total of 60?

Mr. EASTWOOD. Yes, sir.

Mr. WICKES. And the other companies made the rest, Senator. One company has shut down, the company at Alexandria, Ind.—the

Penn-American Co. They can not operate their plant at the prices they have.

Senator STONE. Do you know what plate-glass manufacturing establishments are connected with what is known as the Pittsburgh Plate Glass Co.?

Mr. WICKES. What plants they have—where the different plants are?

Senator STONE. Yes.

Mr. WICKES. No; I could not give you any information as to that.

Mr. EASTWOOD. I believe I can answer that. The plants in the Pittsburgh district are Charleroi, Tarantum, and Creighton.

Senator STONE. Those are surrounding Pittsburgh?

Mr. EASTWOOD. Yes, sir. Then they have a plant at Kokomo, Ind., and one at Crystal City, Mo.

Mr. WICKES. And Ford City, Pa.

Senator SHIVELY. That is in the Pittsburgh district really?

Mr. EASTWOOD. Yes, sir.

Senator STONE. Is that the plant you spoke to me about?

Mr. EASTWOOD. Yes, sir; that is the plant.

Senator STONE. Is that a part of the Pittsburgh company?

Mr. EASTWOOD. Yes, sir; Ford now has a plant of his own in Toledo, but he built originally, with his father, old Capt. Ford, the Ford city plant, and they went into the competition at the time that combination was made, and then Mr. Ford withdrew and afterwards built this plant of his own in Toledo, and he has the largest factory now outside of Pittsburgh—that is, the largest single man.

Senator STONE. I understood that Ford was conducting an entirely different and independent establishment—I mean independent of Pittsburgh.

Mr. WICKES. Yes, sir; he has no connection with them at all.

Senator SHIVELY. That old plant is situated in the Allegheny Valley above Pittsburgh?

Mr. EASTWOOD. Yes, sir.

Senator STONE. And what is now known as the Ford factory is on the lake?

Mr. WOLF. It is on the Maumee River at Toledo.

Mr. WICKES. It is not on the lake, but very near to it.

Mr. EASTWOOD. It is probably 10 miles inland from the Maumee River; it is just outside of Toledo.

Senator STONE. How many men have you employed in your establishment?

Mr. WICKES. We employ about 400.

Senator STONE. How are they employed?

Mr. WICKES. How do you mean, Senator?

Senator STONE. I mean in classifying them: how many are in the inside work—managing the machinery and making the glass, from the men who tramp the material to the final packing of the glass and loading it—how many are inside under cover?

Mr. WICKES. They are nearly all inside. We do not have much outside labor. There is some, of course, handling material around the plant, but pretty much all of it is inside labor. That is, we unload our sand with a crane that is operated by a few men, and load the coal on that, and that is about all the labor there is outside of the plant. The principal work is done in the plant.

Senator STONE. We will come to that again later. Mr. Goertner, what is your idea as to the causes leading to the great decrease in importations last year over the previous years?

Mr. GOERTNER. I think the manufacturers have demonstrated their ability to prevent any importation.

Senator STONE. By which you mean—

Mr. GOERTNER. That their tariff protection is greatly in excess of the difference in cost of making the glass.

Senator STONE. Now, let us follow that a little. Do you mean by that that the domestic manufacturer can produce glass at the prices at which it was sold last year profitably, so as to meet the competition with foreign producers in a way practically to exclude it?

Mr. GOERTNER. I, of course, can not state as to the profits of the operation, but I can only quote from their own statements that they did produce it at prices which are very little in excess of the duty on the foreign article.

Senator SUVELY. That is, at prices of the foreign articles plus the duty?

Mr. GOERTNER. No, sir; very little in excess of the duty alone, without any foreign cost being considered at all. If I may have a copy of the tariff hearings, I will show you their own statement [referring to book]. They quote here, on page 839 of the hearings, the statement—

Senator STONE. That is the Ways and Means Committee hearings?

Mr. GOERTNER. Yes, sir. The statement of the Audit Co., of New York, which examined two factories—I do not know which they were—and gave the results for 1910 and 1912, the average selling prices of American plate glass. I will quote first from 1912:

The average selling prices obtained during the year ending November 30, 1912, were as follows: Three hundred and eighty-four square inches and under—

That is the first classification in the present tariff, the one that pays a duty of 10 cents per square foot—

13.43 cents per square foot—

which is a little over 3 cents per square foot in excess of the duty. The next classification, 384 square inches to 720 square inches, were sold at an average price of 21.45 cents per square foot. The duty in that paragraph is 12½ cents. That was a fraction over 9 cents a square foot in excess of the duty; and on the larger sizes, over 5 square feet, upon which the duty is 22½ cents per square foot, the average selling price was 28.61 cents per square foot, which is about 6 cents per foot in excess of the duty.

Senator SUVELY. That means that the domestic selling price was just about 6 cents above the rate of duty that had to be paid on the corresponding article?

Mr. GOERTNER. Six cents per foot; yes, sir; over the duty. Of course I can state nothing about what profits they made on it. I am not acquainted with that, but these are the facts from this statement.

Senator STONE. Your conclusion is, then, that the importations fell off because domestic manufacturers were producing and selling a competing ware at the prices that forbade the foreign competition?

Mr. GOERTNER. Yes, sir; with the exception of a little specially high-grade glass.

Senator STONE. You say you do not know about whether the American manufacturers made or lost money at those prices. Have you any opinion as to that?

Mr. GOERTNER. Well, I simply have the general opinion that while a merchant or manufacturer may occasionally lose money for a short period, he will not run a plant for periods of a year and a half or more at a loss. I do not do it myself. I think it is a reasonable conclusion that a man's cost is less than his selling price, otherwise he would discontinue his operations. In fact, Mr. Wickes quoted the instance of the Penn-American Co., in which he quoted them as having discontinued operations because they could not work at those prices.

Mr. WICKES. Yes, sir. I have been there and examined the plants, and also from what they told me.

Senator SHIVELY. What plant is that?

Mr. WICKES. The plant at Alexandria, Ind., the Penn-American.

Senator SHIVELY. Is that an independent plant?

Mr. WICKES. Yes, sir.

Senator SHIVELY. And other plants have continued. I wondered if there was any special disadvantage at which they were working there.

Mr. WICKES. They do not have a very modern plant. It is a very good plant, but not what I would call a high-class plant, and they can not make glass in a plant for less than 30 cents, I do not believe—the average cost. That is what the glass manufacturer figures on. All these brackets do not mean anything. It is what we get for our glass, not all the brackets we sell, but what it would all average up in the month, and what we would sell that glass for; that is what we have to pay our bills with.

Senator STONE. Taking one thing at a time as we go along, you heard Mr. Goertner's statement?

Mr. WICKES. Yes, sir.

Senator STONE. What do you say in reply to that?

Mr. WICKES. I say that our company last year lost \$18,000 in the glass business, and I say that I do not believe that any of these companies have ever made any money, particularly when you take the cost of their plants into consideration and the hazardousness of the business and the immense amount of repairs that has to go into that business. As I say, we lost last year \$18,000 on that business, and we have not got an old plant; we have a good plant, and we have gone into our pockets to put money up to try to make it better to meet the home competition as well as the other competition. We have had competition at home. It has not been all from abroad, and all of us fellows have been struggling to better our condition in whatever way we could. Any of those men will tell you, if they will tell the truth, that we have all had hard conditions to try to meet, and we have all tried to do the best we could to meet them. Mr. Goertner is absolutely wrong in his statement of what he imagines the profits of the business are.

Mr. GOERTNER. I beg your pardon, if I may interrupt you. I said I had no knowledge whatever as to the profits.

Mr. WICKES. You said it was very well to assume that we would not sell glass at a loss.

Mr. GOERTNER. That is my general theory.

Mr. WICKES. We have been in business for 13 years, and have never paid but three dividends in the 13 years—one for 10 per cent, one for 7, and one for 5 per cent in the 13 years.

Senator STONE. Do you accumulate a surplus?

Mr. WICKES. We have accumulated some surplus, but it has all been spent in what we seemed to feel was the necessity to meet our conditions and meet the low cost of manufacture. We have not been able to get anything to pay our stockholders with, and that is what the stockholders want.

Senator STONE. What is your company capitalized at?

Mr. WICKES. \$750,000.

Senator STONE. What is the selling value of your stock?

Mr. WICKES. It is about 90 to 95, I think. It is all owned by people, though, who are very largely interested in the town. The glass plant was built there originally for the benefit of the town, to bring industries there, as they are in small communities, and it is not stock that you could get a value on as you could in the companies that are in perhaps larger cities, where more stock is distributed and where it would be offered. Where people live in small towns they have some loyalty to the plant, and our people in our town have stuck to it in their loyalty, not because they have had any earnings from it, but on account of their loyalty to the business and the amount of labor we are employing there and all that.

Senator SHIVELY. What is the difference between the average price you receive now and when you first established the plant, 13 years ago?

Mr. WICKES. I think you have those figures, Mr. Eastwood.

Mr. EASTWOOD. I would say, figuring on brackets, as I have the figures here, the average price at that time was close to 40 cents. The average selling price to-day is about 25 cents.

Senator SHIVELY. You say you have been operating at a loss last year in the sum of \$18,000, and the difficulty seems to be not from want of sufficient protection against competition—foreign competition—but competition among yourselves?

Mr. WICKES. Yes, sir.

Senator SHIVELY. In the domestic trade?

Mr. WICKES. Yes, sir; the competition has been very keen among the factories. They have all been out for business. You can see that from the immense increase in production of glass. There never has been any advertising done in plate glass—never anything done in that direction to better the condition.

Mr. EASTWOOD. I think, in order to clear up one point, that it might be well to say if we had charged the depreciation on our plant that we should have charged last year our loss would have been a great deal more. We did not charge one dollar of depreciation.

Mr. WICKES. There is one point right there which I have thought of. In my experience I have never known the price of glass, the average price, to go any lower than about 25 cents. That is about the lowest it has ever gone—that is, taking all the sizes of small glass that Mr. Goertner referred to, which we sell at any price we can get for it, because there is an overproduction of it, and it is a hard sized glass to get rid of. But I have never known it to go lower than 25 cents. I know what our costs have been, and I feel pretty certain

that is a pretty close figure on glass. Of course, I do not think that there are any figures that could be made that would show anything different from that. In all the competition when the Pittsburgh Co. tried to get control and drive the independents out, they have always gone to 25 cents, and never below that.

Senator STONE. Mr. Wickes, what has led to that sharp competition which you say is destructive between the producers? Why do they sell their glass at a constant loss, all of them? First, have all of them done that?

Mr. WICKES. Yes, sir; they have.

Senator STONE. Why do they do that?

Mr. WICKES. Because they are compelled to to get rid of their product—the small sizes.

Senator STONE. It is an overproduction?

Mr. WICKES. We do not sell the big glass. The larger size glass we do get a profit on, but the smaller size glass we do not get a profit on.

Senator STONE. I am familiar with that view of it. But the point is, whether it is the larger size or smaller size, your theory is that you make a profit on the large glass.

Mr. WICKES. Yes, sir.

Senator STONE. But you sell the small glass at a loss, as a rule, Mr. Wickes?

Mr. WICKES. Yes, sir. We get all we can for it.

Senator STONE. And whether you are making large glass or small glass, necessarily there is a large amount of small glass made because of defects in the plates—do you call them plates?

Mr. WICKES. Yes, sir; plates.

Senator STONE. Why is it that your company and the other companies do not sell all their glass as whole at prices that would bring a profit to them?

Mr. WICKES. Because we have not any combination or agreement about which we can advance those prices. Each man goes by himself, and when you have that condition there is no opportunity to do anything except to go out and sell at whatever the market is.

Senator STONE. There is, from the manufacturer's standpoint, a pretty satisfactory duty on plate glass now?

Mr. WICKES. Yes, sir; I think the duty now is satisfactory.

Four years ago American manufacturers asked a flat rate of 22½ cents per foot.

Senator STONE. You are not asking to have it raised?

Mr. WICKES. No, sir.

Senator STONE. You are asking to have it maintained. If it is maintained, then it is satisfactory; is that correct?

Mr. WICKES. Yes, sir; I think the duty is very satisfactory as it is now, and I do not know but what we could stand a small reduction in reference to it. I would not say as to that.

Senator STONE. Whether that is so or not—that is not the point I have in mind—I can not quite understand why the manufacturers, who have such control of this American market under this present duty as practically to exclude outside competition, should go on cutting each other's throats and selling their products at a constant monthly and yearly loss. Why do they do that?

Mr. WICKES. Well, I can not explain it to you, except that we make the glass and we have to sell it at whatever the market price is.

Mr. EASTWOOD. If I may be permitted, I will make an explanation in regard to that. Mr. Ford, as has been brought out before, was president of the Pittsburgh Plate Glass Co. He has always been very unfriendly toward them since he got out of that company—sold his stock out—and every once in a while we will hear of them making some very low price; he will come out with a horizontal cut on everything. I have talked with his sales manager about it, and asked him why he made that price. He would say, "I will make the Pittsburgh Co. hum for it."

Senator STONE. Is it your idea that the Pittsburgh Co. initiates these cuts with a view to running other concerns out of the business?

Mr. EASTWOOD. I do not know that I would exactly say that, but I think they want to compel them to lose money for awhile. We have another instance where there were several men who wanted to get all the independent factories into one combination, and the companies would not agree to it, and those men who were connected with their factories came right out with a horizontal cut and slash and tried to force us to go into that. That is another instance as to the very low prices we get.

Mr. WICKES. They did not go below 25 cents, did they?

Mr. EASTWOOD. No; 25 cents is about as low as they ever got.

Senator STONE. You produced 60,000,000 square feet of glass last year?

Mr. WICKES. Yes, sir.

Senator STONE. Was all that consumed?

Mr. WICKES. I would say that it was last year.

Senator STONE. Well, if there was a demand in this country for 60,000,000 feet and no wasteful surplus left on hand to burden the manufacturer, I still do not see why they should do that.

Mr. WICKES. We always have a surplus in the small glass in the process of making. We always have a lot of this little glass on hand, and we have to sell it at any price we can get for it.

Mr. EASTWOOD. We have at times had a surplus, and there was a very low price made. There would be contracts booked up for six months and sometimes a year ahead at these very low prices, and we would have to fill at that price until such times as these jobbers had taken up those contracts.

Senator STONE. Mr. Wickes, your factory was running in 1909, was it?

Mr. WICKES. Yes, sir.

Senator STONE. That year there were 47,000,000 square feet manufactured in the United States, and two million and odd imported?

Senator SHIVELY. That is the year 1910.

Senator STONE. It is 1909 here. Very well, 1910.

Senator SHIVELY. The production for 1910, according to this, was 47,370,254 feet.

Senator STONE. It is the same as here except it is 1909. You have it 1910.

Senator SHIVELY. Yes. We also have the 2,000,000.

Mr. GOERTNER. In making that up we took the census figures for 1909.

Senator STONE. That is not very important. Say, 1910; three years ago.

Mr. WICKES. In 1906 and 1907 they imported a lot of glass—5,000,000.

Mr. WOLF. Was not that the year the Ford plant burned? What year was that?

Mr. GOERTNER. No; that was 1909. The situation in 1905, 1906, and 1907 was that there were very heavy importations, because the demand here outran the supply.

Mr. WICKES. They brought that glass in here and paid 10 cents duty on it.

Senator STONE. I was going to run that up, and, perhaps, it is just as well to begin there. Say we take 1906 or 1905—the heavy importation—I do not know what the importation was for 1905.

Senator SHIVELY. Six millions.

Senator STONE. I am talking about the domestic production. For the same year the domestic production was 27,000,000.

Mr. WICKES. It came in under these rates of duty [referring to handbook].

Senator STONE. That began with 1906?

Mr. WICKES. That was the duty in those years in the different brackets.

The CHAIRMAN. I see that. What I am getting at is this—I wish I had the exact domestic production for 1906, but I have not got it here.

Senator SHIVELY. I do not know but that would be only an estimate. For 1905, that was the census year, it was 27,293,138.

Senator STONE. That is 1905?

Senator SHIVELY. Yes, sir.

Senator STONE. Suppose you take 1905, where we have the domestic production. That year there was imported six million and odd feet. Why was there, in your opinion, Mr. Wickes, such a large importation that year—27,000,000 produced, against 6,000,000 imported?

Mr. WICKES. I think it is based entirely on what the consumption was in the United States.

Senator STONE. The domestic production, then, was not sufficient to supply the domestic consumption?

Mr. WICKES. Evidently not.

Senator STONE. And hence they brought in 6,000,000 square feet?

Mr. WICKES. Yes, sir.

Senator STONE. And so it went on for some years thereafter?

Mr. WICKES. Yes, sir.

Senator STONE. But the domestic factories, in order to meet that demand, began to expand their productive capacity?

Mr. WICKES. Yes, sir.

Senator STONE. And increase it to meet the call at home?

Mr. WICKES. Yes, sir; and then also to meet—

Senator STONE. Until you finally raised it to 60,000,000?

Mr. WICKES. Also, the more glass you make the lower your cost is. Your production naturally increases with an increase in cost.

Senator STONE. I should think that would be true of almost any business.

Mr. WICKES. And very much so in the glass business.

Senator STONE. But the point I have in mind is that the manufacturers were, 10 years ago or less—8 years ago—producing 27,000,000 square feet of glass and met with 6,000,000 of importation. Now, they go on and, well, they increase it considerably over 100 per cent. Now, did they keep this increase going on and on with the constantly falling prices, and with constantly increasing loss?

Mr. WICKES. No; the price varies, Senator, during the different years. One year we will have a good year and the next year we will have a bad year. It is not a uniform business, and it has not been a uniform business. It rises very quickly.

(This is true only to extent of the cutting of prices—Wolf.)

Senator STONE. You say that you made money in 1910. How was it in 1911?

Mr. WICKES. Do you remember what we made, Mr. Eastwood?

Mr. EASTWOOD. We made about \$22,000 in 1911.

Senator STONE. What was the difference in the price, the average price, of glass?

Mr. WICKES. The average price received?

Senator STONE. Yes. At which you sold?

Mr. EASTWOOD. I think it was in the neighborhood of 2 cents a foot.

Mr. WICKES. We got about 2 cents more for our glass that year.

Mr. EASTWOOD. With the decrease in selling price—our cost has decreased greatly. In the 13 years our plant has been in existence our cost has been reduced, say, from 40 cents a foot down to 28½ or 28 and a fraction.

Senator SHIVELY. The cost of production?

Mr. EASTWOOD. Yes, sir.

Senator SHIVELY. By the improved processes?

Mr. EASTWOOD. Yes, sir; improved processes. You see under the Dingley law we had a duty of 35 cents a foot over 10 square feet. That has been cut down under the last tariff bill to 22½ cents—under the Payne-Aldrich bill. Now it is proposed to cut it a great deal more.

Mr. GOERTNER. Senator, may I just make a remark at this point? It is quite true that their protection was cut down, but the facts are, according to their own statement, that the selling price on their large glass during 1912 was only 6 cents more than the reduced duty. You will recall the statement I have just read, in which they quote their average selling price for large glass at 28 cents per square foot. So it is obvious that the removal of the Dingley tariff protection had nothing whatever to do with that, as they not only reduced their selling price to a point far below the Dingley tariff, but to a point far below that at which they were compelled to sell by the Payne-Aldrich bill.

Senator STONE. What do you say to that, gentlemen?

Mr. WICKES. I do not think Mr. Goertner has ever been in the plate-glass business—I know he has not—or he would not talk in that way. He has never been a manufacturer, and does not know about the cost. I think this confusion of brackets is a very bad thing, although I do not think it has anything to do with it. The question is, What did we get last year for our glass, and what did it cost us to make it? We make great plates of glass. The little glass we sell

at a loss, but the big glass we try to sell at a profit. The cost of that glass is 28 cents in our factory, and I do not believe anybody in this country can make it for less than 25 cents. We can not sell it in competition with people abroad, if those costs are correct, and I think we can establish that beyond question.

(There are plants equipped so as to make glass cheaper than this one in United States.—Wolf.)

Senator SHIVELY. When you speak of 25 cents for a given year on glass, you mean that is the average price of your entire output?

Mr. WICKES. Yes, sir; the average price received.

Senator SHIVELY. You cover the proceeds for all your sizes?

Mr. WICKES. Yes, sir.

Senator SHIVELY. And it will mean 25 cents per square foot?

Mr. WICKES. I will say that the figures they have given are higher than that. Ours is 28½-cent glass. I did not say 25. I only state 25 because I say that glass has never gone below that under all this competition, and that is all it is. We are in an unfortunate situation: we are competing with ourselves in the production of glass in this country, and we are not getting the price for glass in this country that we should get. There is no getting away from that.

Senator SHIVELY. Suppose we do not say 25 cents: suppose we say 30 cents. What is your average duty under the present act, say, on that glass now? Of course, there would be different duties on different sizes.

Mr. WICKES. To get at that, you would have to base it at 10, 12½, and 22 cents.

Mr. WOLF. Are you referring to the new rate?

Senator SHIVELY. No; the present rate.

Mr. WICKES. Ten, twelve and a half, and twenty-two and a half under the Payne bill. If the importations were equal—that is, the same amounts in each bracket, you could get at it pretty quickly, but I do not think anybody can say what the importations will be if this tariff goes through now as it is proposed. I do not think anybody could tell really what would come into this country under that duty—I mean the different sizes.

Senator SHIVELY. Take the present act. What is the lowest duty as to any of those sizes?

Mr. EASTWOOD. Ten cents.

Senator SHIVELY. So that the average being 30 cents of the entire output, and the lowest duty on any size being 10 cents, there would be at least that deflection. That would give you up to what point?

Mr. WICKES. I do not quite get your way of figuring that.

Senator SHIVELY. I may not have made it clear. There would be 10 cents a foot on the competing product under the lowest duty.

Mr. WICKES. We would have to get the different material, what there was under each bracket, and figure it that way. I was figuring it out here, for instance, under the new bill, which is 6, 8, and 12 cents, and if you add those three amounts together, that would be 26 cents, and assuming that glass would come in in equal amounts under each of those brackets, which I think anybody would make a fair guess at, or anybody could tell you what it would be, that would give us about a little over 8 cents protection, assuming that our cost of glass, we will say, is 26 or 27 cents in this country, and the foreign cost is 12 and 14 cents. There is the difference. It has all got to be figured out, taking all sizes together. That enters into the thing absolutely.

Senator STONE. You started to say something, Mr. Goertner?

Mr. GOERTNER. I will tell you what I desire to say. Of course, it seems very strange to me that manufacturers should sell their product for less than it costs to make it, but I do not desire to dispute Mr. Wickes's statement to that effect. The point I am making is that this was not in any way due to the operation of the tariff or to foreign competition. For example, to return to that statement that they sold their product, over 5 feet, at an average price of 28 cents per square foot. You will find on referring to the tariff handbook that the importations in those sizes over 5 square feet for the year 1912, were 402,000 square feet, of an average value of 28.8 cents per square foot. That is the foreign value in Belgium. Now, on top of that, that foreign glass paid 22½ cents duty, so the average cost landed in the United States was over 51 cents per square foot. I think it is obvious that whatever may be the facts about their selling prices, they were not compelled, by foreign glass which cost 50 cents landed here, to sell their products at 28 cents.

Mr. EASTWOOD. What was that? Twenty what?

Mr. GOERTNER. The average foreign value of the importations of 5 square feet was 28.8 cents per square foot.

Senator STONE. Plus the tariff?

Mr. GOERTNER. Plus the tariff, or cost, landed in New York, about 50 cents per square foot.

Senator STONE. And your question is—

Mr. GOERTNER. I am simply demonstrating.

Senator STONE. Your question is why they should sell at those ruinous prices?

Mr. GOERTNER. Yes, sir. I simply contend that it is not due in any way to the operation of the tariff.

Senator STONE. But due to domestic competition. That is your theory, is it?

Mr. EASTWOOD. How much of that glass was imported?

Mr. GOERTNER. 402,000 square feet.

Mr. EASTWOOD. Over 10 feet?

Mr. GOERTNER. Over 5 feet.

Senator STONE. Mr. Wickes, what is the difference in effect on your industries—I mean your particular plant—whether you are compelled to sell your glass at a loss by reason of domestic competition or by reason of foreign competition?

Mr. WICKES. The effect would be the same.

Senator SHIVELY. You could lose some on both, could you not?

Mr. WICKES. We could be worse off than we are now. Mr. Goertner makes the statement—and I do not blame him for it—in reference to the conditions in this country, that we sell our glass for a certain price. If it is sold we must make it for less money, but the conditions are just as I told you. It is an unfortunate condition. I deplore it just as much as anybody, but that is the condition. It is a very uncomfortable one, I tell you. If you were running a factory you would be very uncomfortable.

Senator SHIVELY. Take it, however, in the case just stated from these statistics. There you have 29 cents plus 22 cents and something duty, making over 50 cents. Now, on that particular kind of glass that you want in any year would you absorb that duty?

Mr. WICKES. Senator, it is an awful hard matter. I do not know whether this gentleman [Mr. Wolf] is an expert, but I would like to have him make a statement. I do not believe any expert could tell what is coming into this country, and I do not think any expert can tell what it is going to do with the manufacturers, because he does not know under what bracket that is coming in or the amount that comes in under those brackets, and we are all at sea as to what it is going to do with us. We do not know just which bracket is going to hurt us the worst, and there is no way of telling; but I know that it all comes back to the point again that we can not make glass in this country for less, we will say, than 27 cents, and they make it in the old country for 14 cents or 12 cents. That is the condition, and if we get a market in this country where we can make a little money the duty is taken off the glass and those fellows come over here and take the profits off of us.

Senator STONE. Now, right there, what is the condition here of which you speak? You say when you get conditions here so that you can make some money. What is the condition that will enable you to make some money?

Mr. WICKES. The bettering of our plant, as fast as we can, and the bettering of our condition as fast as we can, and the market.

Senator STONE. What condition?

Mr. WICKES. Well, the condition of the plant—improving our plant all the time. There is something new in the glass business that comes up all the time. There is this leer that they anneal glass with; that was gotten up by an American, not a foreigner, and they have been putting them in at great saving of glass. The trouble is not there, but the difference in the price of labor. They do operate over there in the way of engines and boilers and things of that kind; they manipulate them very fine and get horsepower for less money than we can get it in this country. We can not get that fineness quite yet in this country. They produce horsepower for less money than we are able to do it.

Senator STONE. When you have a market in this country that calls for your entire production, absorbs it, utilizes it, is not that about as good a market as you could reasonably expect?

Mr. WICKES. Well, we could not ask for a better market than our market, because we do not go abroad at all.

Senator STONE. I say, the domestic market.

Mr. WICKES. We do not. It is a mistake—we do not sell all of our glass. We have at times large quantities of glass on hand that we can not dispose of. It is not a product that you can walk right out and sell just as quick as it is made. We have to store, lots of times, immense quantities of small glass, and when that glass accumulates, so we have got to get rid of it, we have to go out and sell it at the best price we can get. We try to have good salesmen, and try to get as much as we can for the product.

Senator STONE. But the people you sell to are in communication, I suppose, with your competitors. They send out their price lists, and all that sort of thing?

Mr. WICKES. Yes, sir; they are all pretty shrewd buyers in the glass business. There is no question about that.

Senator STONE. Well, that is a general proposition with glass and everything else. If I am going to buy glass, I get your price lists,

and I get maybe a half dozen other price lists, and get the same glass, or substantially the same glass, from all of them, and I am going to buy from the man I get the glass from that costs the least money. Now, I do not see, therefore, what it is that makes the market in this open field of competition except the demand for it. You produce it at a certain amount, and there is a certain demand for it. Now, unless a man wants to sell absolutely at a loss, or is trying to close out opposition and close up shop, and all that sort of thing, if they are going along in a fair field of competition and sell their product at a fair profit, why do they not do it? There is a demand and here is the protection against foreign competition. Now why do they not sell it at a profit instead of a loss?

Mr. WICKES. Because the jobber, in the first place, carries a large stock of glass on hand, and he must supply almost any demand that is made on him for glass. He controls the situation in that way. He goes into the market with his glass when he knows that the manufacturer is overstocked and buys their glass and stocks himself up, and he will supply from that market. If it was something that they had to have, that condition would not exist, perhaps. I can not explain to you just why it is. I say you can not get better prices, and you do not get better prices. We try to do it just as hard as we can. Those people can go to the warehouses and file almost any order. I have known big jobbers who have bought glass for months and supply themselves from their stock on hand, and here is a factory making glass all the time and has to sell—

Senator SUIVELY. Have you at any time while you have been in business during the last 13 years absorbed all the duty on any glass you make in the price you received?

Mr. WICKES. I do not believe I can answer that.

Mr. EASTWOOD. Yes; we have; on the first two brackets—the first bracket, 384 and 720.

Senator STONE. Those are the first two brackets in this handbook?

Mr. EASTWOOD. Yes, sir.

Senator STONE. That is what a Pittsburgh man told me the other day.

Mr. EASTWOOD. We absorb the duty on those two brackets. In fact, when our company appeared before the Ways and Means Committee at the time the Payne-Aldrich bill was being discussed they called attention, or we called attention, to the fact that we were not absorbing the 35-cent duty and were willing to have that reduced to 22½ cents.

Senator STONE. Mr. Wolf, do you desire to ask some questions along this line?

Mr. WOLF. I do not think that there is anything that I can suggest.

Senator STONE. What do you say, Mr. Goertner, about the absorption of the duty?

Mr. GOERTNER. There have been several occasions when the official prices have practically absorbed the duty. I quote them here. You will find them in that little pamphlet before you. If you will hand it to me, I will show you the page. On this side of the page [indicating] you will find the average prices. They run up as high as 55 cents per square foot, and if you will turn to the left-hand page

you will find the prices for 1906, that run as high as 54 per cent. That is a joint quotation, signed by all the companies except the Pittsburgh Plate Glass Co.

Senator STONE. I am not able to follow you.

Mr. GOERTNER. Those are exact copies of the quotation. If you will look at the upper right-hand side at the top, you will see the date here. [Indicating.]

Senator STONE. Do you mean that this is giving the quotations for that date?

Mr. GOERTNER. Yes; August 19, 1909, and January 19, 1906. The 1909 prices were put into effect immediately after the Payne-Aldrich bill passed, a couple of weeks later, and the other prices represented the condition in 1906, when we were all in a most prosperous condition and prices were up to the importation point. In fact, that is why the importations for 1906 were as high as they were on domestic glass, which was selling almost as high as imported.

Senator STONE. In that table, on the right-hand page, giving the prices for August 19, 1909, what is meant by "stock-sheet prices"?

Mr. GOERTNER. That is the way in which the bulk of the plate glass is sold by the factories. It means that the manufacturer sells the glass just as it came from the casting table—that is, just after being cut up for the excision of great defects and squaring up broken pieces and things of that kind. They do not guarantee to have any particular sizes but to deliver glass within certain ranges of sizes—that is, they undertake, in any given quantity of stock sheets, to deliver a certain percentage in sizes measuring not less than 1 square foot in area and not more than 2½ to 4 square feet, and so on.

Senator SHIVELEY. And those are called "stock sheets"?

Mr. GOERTNER. Yes, sir.

Senator STONE. What do you mean by cut sizes?

Mr. GOERTNER. That is when the manufacturer sells the glass cut to some specific size for a customer.

Senator SHIVELEY. A uniform size.

Mr. GOERTNER. Yes; for example, if I order stock sheets I have to take in the 3 to 5 foot bracket, any size that measures between 3 and 5 square feet. If I order a cut size, I order, say, 24 by 24 inches, which is 4 square feet, and the glass is cut in advance to this specific size.

Senator STONE. Now, get down to the question of costs. In this first bracket the present tariff is 10 cents. It says:

Cast polished plate glass, finished or unfinished and unsilvered, the same containing not exceeding 384 square inches, 6 cents a square foot.

That is 10 cents now in that bracket. Mr. Wickes, how much do you think the business could stand by way of a cut on that?

Mr. WICKES. I think we might possibly stand, Senator, 2 cents a foot. I do not know whether we could stand it, and there is no way of telling whether we could stand it, but I think we can. I think people would be very foolish not to submit to it and make a great effort to do what we could.

Senator STONE. What do you think about that, Mr. Eastwood?

Mr. EASTWOOD. Of course it would depend something on what the duties are on the rest of the glass, because all costs just the same; all sizes cost just the same to manufacture. I think we really ought

to have more than we are getting now, but we want to try to do the best we can.

Mr. WICKES. You have to take all three of the brackets. The big glass is where we make the money, and that has been cut the most. That is where we have made our money—on the big glass, and not on the small glass.

Senator STONE. Mr. Eastwood, I understood you to say that in the brackets, "Plate glass, cast, polished, finished, or unfinished, and unsilvered, and not exceeding 384 square inches," and in the bracket the same except 384 and not exceeding 720 square inches, that the trade could not stand a reduction.

Mr. EASTWOOD. I would not feel that they could, and make any money.

Senator STONE. A very intelligent gentleman from Pittsburgh, representing this plate glass company over there, took the same view in a conversation with me the other day. As I understood him, he thought there might be a reduction less than that proposed, however, in the bracket covering plates above 720 square inches.

Mr. EASTWOOD. I think that is true; yes, sir.

Senator STONE. You seem to think, Mr. Wickes, that in the first two brackets mentioned there might be a reduction?

Mr. WICKES. Under the present rate, you mean; not under the proposed rate?

Senator STONE. Under the present rate.

Mr. WICKES. Yes, sir; I think we could stand a slight reduction on that provided they were cut not too large.

Senator STONE. In the first bracket, instead of going from 10 to 6, I understood you to say from 10 to 8.

Mr. WICKES. Yes, sir. We never could tell what that is going to do to us exactly, but I think we can get along at 8 cents.

Senator STONE. What about the 12½ to 8 cents?

Mr. WICKES. I think that is too low. I think it would be cut too much.

Senator STONE. How much would you cut it?

Mr. WICKES. I would not cut it at all, Senator.

Senator STONE. Well, how much would you consent to have it cut?

Mr. WICKES. I would be very pleased if it was not cut over 10 cents—2½ cents.

Senator STONE. What about the other one?

Mr. WICKES. I think that bracket should not be below 17½.

Senator STONE. From 22½ to 17½?

Mr. WICKES. Yes, sir.

Senator STONE. Now, did you base the other suggestions of possible cuts on the notion that the third bracket mentioned should not go below 17½ cents?

Mr. WICKES. I think if we cut the first bracket, which is 10 cents, to 8 cents, and the one that is 12½ to 10 cents, that we should not cut the third bracket below 17½ cents. We have this immense competition among ourselves, and if we get this glass down so that the foreigner can come in here we are going to be eaten up, that is all.

Mr. EASTWOOD. The way we feel about it is that everybody has got to take a cut under the present administration and we are willing to take some little cut and try to get along. All articles are being

cut some and we want to have ours cut just as little as possible. We do not feel that we can stand any on it, in fact, but we are willing to get along the best we can.

Mr. WICKES. I am interested, Senator, in other lines of manufacture besides the glass business. Some of those are going to be affected some by this bill. I have not made any talks about it, though.

Senator STONE. Now, why do you want this tariff of 8, 10, and 17½ cents? Is it protective against Belgian competition, for example?

Mr. WICKES. To protect against combination abroad, which is operating and existing absolutely stronger than any trust that I know that has ever been tried in this country. Over there they operate absolutely in a manner that has never been undertaken in this country that I know of.

Senator SHIVELY. In what respect do they operate absolutely differently from anybody else?

Mr. WICKES. They curtail their output absolutely in keeping with what the markets are, and I do not know any industry in this country—there may be, but I do not know any of them—that do that. The American goes along producing, anyway; he goes right along getting the stuff out and gets the best he can for it. That is American nature to do that. The foreigner goes ahead and gets out that glass and has an agreement with all the manufacturers, and they curtail. They only allow certain numbers of machines to run and a certain number of feet of glass to be made, and the profits they make over there are enormous with that manipulation. I do not know what they will do in coming into this country. They might not come here, but I think it would be very unsafe to give them the chance to come. They are very carefully controlled and operated.

Senator SHIVELY. In what particular respect have they the advantage? In superiority and efficiency in production itself, in their methods and their processes, etc.?

Mr. WICKES. Well, they do not pay the wages that we pay. That is the principal difference. There is a difference over there in their operation of machinery. Their men are more careful. They come from one generation to the other; they go through a family. They are very expert workmen, and they are very careful workmen, and we do not have them. We have some of those men in this country, but our laborers are not all of that character. We have a very few of that character.

Senator SHIVELY. In other words, in that line there is a higher degree of efficiency per man. They put out more product in a given length of time.

Mr. WICKES. They put out a better product. They operate a little more carefully than we do, and consequently they turn out a little better product all the time, and steadier than we do, which means an income. They show that from the figures in the earnings of the companies over there. You know an ordinary engine is operated by valves driving the steam into the piston. That is a very simple thing, like a locomotive. They operate engines abroad in those factories that we could not operate at all in this country, and we have some mighty good engines. They fit those valves so finely in those engines that we can not get them in this country. They get the greatest per-

fection in boilers in the setting of the boilers and in the operation and handling of the coal, and all that business. They are very proficient in that part of it.

Senator STONE. Do they make a better grade of glass?

Mr. WICKES. I could not say as to that.

Senator STONE. I thought you did say that.

Mr. WICKES. No, sir; I could not say as to that. They make a very good glass in this country. I would not want to say that they make a better glass than we do.

Senator STONE. I misunderstood you. I thought you said they gave particular attention to that.

Mr. WICKES. Yes, sir; they turn out better glasses continuously. That is what I mean. We all aim to get a glass that we can sell for better prices, and yet they continuously would turn that out better than we would because of the carefulness of their workmen.

Mr. EASTWOOD. You mean their average quality would be some better than ours?

Mr. WICKES. Yes, sir; some better.

Senator STONE. What, then, is it that that makes you particularly fearful of this European competition?

Mr. WICKES. The combination that they have over there. It gives them the control absolutely, and they can all handle it. It is operated like one man. We are running around like a lot of sheep, every man for himself; and their low cost of production. That is the thing.

Senator STONE. That is all—the two things?

Mr. WICKES. Yes, sir; the low cost of their glass compared with our glass and the combination that they have that controls their business over there.

Senator STONE. Now, as to the first, before we get to the cost. As to the first, I understand you to say that there is a thoroughly well-organized trust or combination embracing the Belgian and French plate-glass ware?

Mr. WICKES. Yes, sir.

Senator STONE. The plate glasses are made, I understand, mostly in Belgium, and some in France?

Mr. WICKES. Belgium, France, and Germany are the principal countries.

Senator STONE. Is there such made in Germany?

Mr. WICKES. Yes, sir; some is made in Germany—I do not know just the figures. I have them and can give them to you. Belgium is the largest manufacturer.

Senator STONE. Is this an international combination?

Mr. WICKES. The agreement, as I understand it, takes in all these manufacturers, and yet I think there is one English company that is not in it, but they have some agreement with them, but I do not know just what it is.

Mr. EASTWOOD. The bulk of it is controlled by the syndicate?

Mr. WICKES. They have a very strong combination over there, as I understand it. I can not give you the details.

Senator STONE. I have heard all this before, and as I have heard it, it is somewhat as you have stated it—that the combination is to this effect, that they limit the output in each factory.

Mr. WICKES. Yes, sir.

Senator STONE. And by agreements made by representatives of a common board—representatives from each of the plants or manufacturing establishments—they fix prices and determine the output of each establishment. Now, that is what it is, is it not?

Mr. WICKES. Yes, sir; that is what it is, as I understand it—exactly what it is.

Senator SHIVELY. Does not all that make toward a limitation on the foreign competition rather than any increase in the foreign competition?

Mr. WICKES. By golly, if you let us make one in this country we will get out of here awful quick.

Senator STONE. I understand you to say that one of the purposes of this combination, in the first place, was to limit the output. They prescribe how much each plant shall put up. They prevent an excess on the market by regulating production in that way. Now, does not all that kind of organization tend toward your protection rather than your injury?

Mr. WICKES. No, sir.

Senator STONE. Is it not all designed to maintain a price by regulating the supply?

Mr. WICKES. It makes it possible so that they can not only regulate the supply, but the price that the goods are going to be sold for. They have their hands on both the things—one is the manufacture of it and the other is the selling of it, and that is the whole business.

Senator STONE. And their interests, like yours, is toward maintaining the market as nearly as possible, is it not?

Mr. WICKES. Yes, sir.

Senator STONE. That is, the market price.

Mr. WICKES. We do not know what a combination in this country would do, Senator. If we could legally fix up something in this country among independent manufacturers of plate glass, we would not be in the deplorable condition that we are in now.

Senator STONE. That is, you say if you could do that you would regulate production and maintain prices arbitrarily?

Mr. WICKES. Yes, sir.

Senator STONE. The point that I was making, however, is that it seemed to me, from what you said in relation to the organization across the waters, the tendency of it would be to limit the production and to regulate and maintain prices rather than to produce a surplus and demoralize the market.

Mr. WICKES. Yes, sir; and they have lying idle, we will say, 40 per cent of their production that they can immediately put into effect, and if this market is open to them they can go on and start up machines all over the United States making glass—we will say, 40 per cent more than we would make now. Now, they will certainly want to sell it, and if this market is open to them they will certainly sell it in the United States, it seems to me, and with this immense organization that they have controlling manufacture and prices, they have it all in their hands to do it, and I am afraid they will do it. That would be the natural thing.

Senator STONE. Those combinations limiting the output and fixing prices do not, I presume, affect the cost of producing the glass?

Mr. WICKES. No, sir; but we are in a condition of too much competition among ourselves now.

Senator STONE. I am speaking now of Europe.

Mr. WICKES. But I mean that is the trouble with our condition right now, and a combination would be the ideal proposition for us.

Senator STONE. I am not going to discuss the proposition as to whether you can have a combination; but the question I am propounding is this—expressing an opinion and asking you a question—that the fact that there is a combination in Belgium, Germany, France, etc., international in character, by which each plant is limited as to its production, and through which prices are fixed and regulated, does not concern the cost of producing the glass that is produced; in other words, it does not reduce or increase the cost?

Mr. WICKES. No, sir; I do not think it does.

Senator STONE. Or the production?

Mr. WICKES. No. Of course, the operation of purchasing—they have all their purchasing under one head—might save them something in the manufacture in that country, and, of course, might save them in the employment of their labor, having a combination of that kind, but I do not think that is where the difficulty lies.

Senator SHIVELY. Does not the limitation on production tend to increase the cost rather than to decrease it?

Mr. WICKES. Yes, sir.

Mr. EASTWOOD. That is what I was going to bring out. If they would make more glass, they would be enabled to reduce their cost of production.

Senator STONE. By making less glass it costs them more?

Mr. EASTWOOD. Yes, sir.

Mr. WICKES. If their statement is true about the 10 per cent of their factories not producing, and they could start that 40 per cent up and get into the American market—only assuming they could do it—I do not know whether they would or not—but if they did it their cost would go down. There is no question about that.

Senator STONE. That brings us to the question of cost of production. You want a protective duty to protect you against foreign-made glass, because you say it costs less to produce it there than it does here. That is the prime reason for it?

Mr. WICKES. Yes, sir.

Senator STONE. Now, in what particular does it cost less abroad than here?

Mr. WICKES. Well, the labor is very much less than over here.

Senator STONE. Labor. What else?

Mr. WICKES. Well, I think labor is the largest item.

Senator STONE. Is there any other material item?

Mr. WICKES. There might be some little differences, and I presume there are beyond question in other respects.

Senator SHIVELY. How about white sand?

Mr. WICKES. I do not know what theirs cost there. There are some comparisons here on that.

Mr. EASTWOOD. I think the fuel cost is considerably more.

Senator STONE. The fuel cost is more here?

Mr. EASTWOOD. Considerably more; yes, sir.

Senator STONE. You use gas, do you not?

Mr. EASTWOOD. We use gas made from coal—producer gas. There are a very few of the plants now that are using gas, and they are rapidly turning over to coal. There are a very few of the plants

now using gas, and I think in another three or four years there will not be a plant in this country using natural gas.

Senator SHIVELY. Is it not a fact that that is the one particular item as to which you have the best of Belgium in the matter of cost?

Mr. EASTWOOD. I take the statement of Mr. Goertner in regard to the fuel. I have no way of knowing as to that, but I do know our fuel cost is a great deal higher than the statement Mr. Goertner gives as to the foreign cost of fuel.

Senator STONE. When you say "fuel" do you mean coal?

Mr. EASTWOOD. Coal; yes, sir.

Mr. WICKES. He gives in his figures, on page 853, Schedule B, of the Hearings of the Committee on Ways and Means—

Senator STONE. Who?

Mr. WICKES. Mr. Goertner; he gives here the cost of coal for melting furnaces and for power, and places it on 1 square foot of glass. He says coal for melting glass and for power, by which I suppose he means grinding and polishing; is that true?

Mr. GOERTNER. That is right.

Mr. WICKES. He gives it as 1.23 cents per square foot; is that correct?

Mr. GOERTNER. The United States; yes, sir.

Mr. WICKES. Our cost last year was over 9 cents a square foot in our factory.

Senator STONE. What does Mr. Goertner say it is?

Mr. WICKES. 1.23. We figured it out this morning. On our cost it was 7, and I said I thought a fair average would be 5. I think ours is a little high, although we have coal in Saginaw; we have our mines there and have our own mill. We do not have to get it outside, but the veins are thin, and it is pretty expensive. I think our fuel cost is high as compared with some of the others, but our fuel cost, which he gives in this schedule, was 7.

Mr. EASTWOOD. He gives it at a cent and something.

Mr. WICKES. He gives it as 1.23 cents, and ours was 7, and our average was 5. Those are actual figures. I just took two items. I have not had time to look it over, but he did make those figures. He has a cost here for maintenance including the furnace repairs. The repairs to a glass plant are very large, and the maintenance of the furnaces; they give out very quickly and have to be replaced every certain month, we will say, 16 or 17 months.

Senator STONE. That is true in Belgium?

Mr. WICKES. Yes, sir; that is true there; but his statement is that our cost is 1.12, while the facts are that ours is 3. Now, I do not believe that our expenses in that regard are any more than any other factory in the United States. We have just as good masons and just as good materials to work with, and we have just as good furnaces, and I do not think that item would be an excess like the item of fuel.

Mr. EASTWOOD. Compared with other plants in this country.

Mr. WICKES. Compared with other plants in this country.

Senator STONE. As compared to plants in Europe, why should the cost of that particular item be greater here than there?

Mr. WICKES. I can not tell you as to that. I do not know what their cost is over there.

Senator STONE. Can you conceive of any reason why it should be?

Mr. WICKES. On account of the difference in labor again.

Senator STONE. I mean outside of the question of labor. You say they wear out in a little while and have to be restored.

Mr. WICKES. A great many of our clays come from there. We have to import those clays. We can not get those clays here. We have some here, but we can not get all of our clays and have to bring them here. Of course they get their clays closer home, and you have some saving there, and that would be the saving and the difference in the labor. We have pretty good furnace builders in this country; our furnaces are pretty well built. They are the only two items that I went into.

Senator STONE. What is the difference in the labor cost here and in Belgium, France, and Germany?

Mr. WICKES. \$2.30 in this country—it is given as \$2.30—the average price paid the laborer in the glass plants in the United States.

Senator STONE. As against—

Mr. WICKES. As against 65—I think 65 or 67. It is 67 cents here.

Senator STONE. Where do you find that?

Mr. WICKES. It is in this brief that was filed.

Senator STONE. It is taken from a consular report.

Mr. EASTWOOD. Yes, sir. The authorities are set out in the brief. It is the United States Daily Consular Trade Report of October 31, 1912, page 566.

Senator STONE. For Belgium?

Mr. WICKES. Yes, sir.

Senator SHIVELY. Who makes that report; what officer?

Mr. EASTWOOD. It is Consul General Ethelbert Watts, of Brussels, Belgium.

Mr. GOERTNER. May I say a word there?

Senator STONE. Certainly.

Mr. GOERTNER. You will find, if you read that over, that that is not the cost in the Belgian plate-glass industry, but simply the cost of all labor in Belgium. It has no specific reference to plate glass. It is the general wages in Belgium in all industries.

Mr. EASTWOOD. There would not be very much difference, would there, between the cost of other industries? I do not know where it was taken from.

Mr. GOERTNER. Well, I give the Belgian costs myself. The average labor cost in a Belgian plant, I think, is 83 cents.

Senator STONE. You mean a glass plant?

Mr. GOERTNER. A Belgian plate-glass plant; yes, sir—\$2.77 cents per day.

Mr. WICKES. As against \$2.30.

Senator SHIVELY. As against \$1.93, it is here.

Mr. WICKES. That is not correct to-day.

Mr. GOERTNER. That figure, \$1.93, is only about 14 or 15 months old.

Mr. EASTWOOD. What average is that?

Mr. GOERTNER. \$1.93.

Mr. EASTWOOD. We have not a man in our plant that we pay less than \$1.90.

Mr. GOERTNER. If that is the case, your plant differs very materially from others.

Mr. EASTWOOD. I have heard others say that \$1.75 was the least wage they were paying to a common laborer.

Mr. GOERTNER. As it happens, the United States Immigration Commission made a very complete study of two plate-glass plants, and included a complete tabulation of all wages paid. I quote here in my own statement—note 6—their statistical table of the races employed in each plant and other details, and the average wages work out at \$1.93 per day. All the arithmetical demonstration is right here. That plant, however, included only about 35 or 40 per cent of Italian and Slav labor, and this same report of the Immigration Commission goes on to say that in most of the glass plants the proportion of Italian and Slav labor is 70 per cent or more of the total labor, and that labor is, of course, much less well paid.

Senator STONE. That would reduce the average?

Mr. GOERTNER. That would reduce it from \$1.93. In fact, I think it is obvious to anybody that a plant—of course I do not know what Mr. Wickes's plant employs—but a plant employing very largely Italian and Slav labor would not have to pay \$1.93 per day for it.

Mr. WICKES. We do not employ, and I do not want you to have the Senators believe that we employ, any different men from any other plant. We do not employ any men particularly different from any other plant.

Senator STONE. How many men have you?

Mr. WICKES. Four hundred.

Senator STONE. How many of them are Americans?

Mr. WICKES. There are not very many Americans.

Senator STONE. How many Italians?

Mr. WICKES. I do not think there are any Italians.

Mr. EASTWOOD. We have a few Italians.

Mr. WICKES. Yes; but they are outside; not in the plant.

Senator STONE. What kind of labor have you in the plant?

Mr. WICKES. German and Belgian.

Mr. EASTWOOD. We have a good many Polish and German laborers. The Germans and Poles predominate in our plant.

Mr. GOERTNER. I desire to say, with reference to your finding fault with my statement, that I did not make that statement. It was the statement of the United States Immigration Commission, who made an extensive investigation of two plate-glass works.

Mr. WICKES. I did not say that. You were trying to say that perhaps our men were different from some other plant.

Mr. GOERTNER. That is the very point. This very report of the Immigration Commission comments on that. I am able to identify one of their plants here.

Mr. WICKES. It says the Saginaw Plate Glass Co.

Mr. GOERTNER. No; it says there is a great difference in the character of labor in the different plants. I am able to identify one, and that is the Charleroi plant of the Pittsburgh Plate Glass Co. They point out that this is an old plant, built 15 or 20 years back, that still employs many native Americans and Germans. The other plant I am able to identify as the Edward Ford plant, and they point out that there the proportion of Italians and Slavs is very much larger. That is not my statement; it is the statement of the Immigration Commission.

Mr. WICKES. The only point I was trying to make was that I did not think the difference in the men in the different factories was very great.

Mr. GOERTNER. As to that I do not know. They are all about the same kind of men.

Senator STONE. You say that the men you have employed in your factory are about the average class of men employed generally in glass factories in this country?

Mr. WICKES. I think so; yes, sir.

Senator STONE. Now, of the 400 men in your factory, Mr. Wickes, how many of them are employed in what we might call outside work?

Mr. WICKES. Not very many: most of them are employed in the factory.

Senator STONE. Where do you get your materials?

Mr. WICKES. We get our sand in Michigan, about 100 miles from there. We bring it in in the cars and unload it with a crane. We do not require much labor there. We have some labor in unloading the coal and handling materials from that crane, but outside of that the labor is all employed in the plant.

Senator STONE. Do you include in this list of 400 the people who are mining or digging this sand?

Mr. WICKES. Oh, no, sir.

Senator STONE. Do you buy the sand?

Mr. WICKES. We buy the sand; yes, sir.

Senator STONE. The seller ships it to you?

Mr. WICKES. Yes, sir; loads it on the car and ships it to us, and we unload it with a crane.

Senator STONE. You mine your own coal?

Mr. WICKES. No, sir; we do not.

Senator STONE. I understood you to say so.

Mr. WICKES. No, sir; I say it is mined in Saginaw; the coal is a product of Saginaw and they mine it there. I said that because I did not want you to understand that we shipped our coal from long distances.

Senator STONE. I understand. Your outside men, then, are those who are employed in handling these crude materials as they arrive?

Mr. WICKES. Yes, sir.

Senator STONE. And getting them into the plant?

Mr. WICKES. Yes, sir.

Senator STONE. For working?

Mr. WICKES. Yes, sir.

Senator STONE. About how many men of that kind are numbered among the 400?

Mr. WICKES. I think about 10 per cent would be a very safe calculation at the outside. I think there would be 30 to 40 men employed at what we would call handling materials or things of that kind.

Senator STONE. About how much do you pay those men?

Mr. WICKES. We pay them, I guess, \$1.75 to \$1.90.

Mr. EASTWOOD. \$1.90 is the best we can get labor for now.

Mr. WICKES. We have paid \$1.75.

Senator STONE. That is common labor?

Mr. WICKES. Yes, sir; common labor has been very high in the last year.

Senator STONE. Now, when these crude materials are taken inside, what is the first process to which they are subjected?

Mr. WICKES. It depends on just which material it is. We have the sand which goes into the pots to make the glass, and then we have the plaster of paris—

Senator STONE. That is after the glass is made. I am talking about before you make the glass. What is the first thing you do with the sand?

Mr. WICKES. We put it in from the elevator and shove it into the bins.

Senator STONE. What do you do with it in the bins?

Mr. WICKES. We just leave it there and get it when we want it.

Senator STONE. Where do you take it?

Mr. WICKES. Into what we call a batch house, in the cart and mix it there with the different materials—we call it the batch, and then take it in the carts and wheel it from there into the factory into the workroom.

Senator STONE. How do you mix it?

Mr. WICKES. By hand. Most factories mix it by machinery.

Senator STONE. Is it mixed by tramping?

Mr. WICKES. No, sir; they do not tramp it; they mix it up, work it up together, and put it into these carts. That is all done on the top floor of the building, and it is shot down into the carts below.

Senator STONE. You do not tramp this material as they do in the window glass?

Mr. WICKES. No, sir; we do not tramp our glass at all; we simply mix it.

Senator STONE. You mix it by hand?

Mr. WICKES. Yes, sir.

Senator STONE. How many men are engaged in mixing these materials together by hand?

Mr. EASTWOOD. Three men in the batch room.

Senator STONE. How much do you pay them?

Mr. EASTWOOD. They get, two of them, I believe, \$2.10, and one \$2.25 or \$2.30.

Senator STONE. You take this batch where?

Mr. WICKES. We take this batch into the—what we call casting hall, and in this casting hall are these furnaces in which the pots are, and we put this batch from these carts into the pots.

Senator STONE. Where do you get the pots?

Mr. WICKES. We make them.

Senator STONE. Are they made by hand?

Mr. WICKES. Yes, sir; by hand; and that is where they tramp them—tramp that clay some.

Senator STONE. They do tramp that clay?

Mr. WICKES. Yes, sir; they tramp that clay in making the pots.

Senator STONE. How many men have you tramping the clay?

Mr. WICKES. I think in the pot house we have about six men, have we not?

Mr. EASTWOOD. No; 10 or 12. I would say offhand.

Mr. WICKES. In mixing the clay, I would say—

Mr. EASTWOOD. I would say six or seven mixing different clays; they have to carry the clays around to the different departments.

Senator STONE. What do you pay these trampers?

Mr. EASTWOOD. We do not, in our plant, have trampers; we put our clay through a machine. In some of the plants they do have trampers, but with our process we put it through what are known as pug mills instead of this tramping.

Mr. WICKES. A great many plants do tramp their clay.

Senator STONE. Taking your plant, how many men are employed in putting this clay through the mills, and preparing it for pot making?

Mr. EASTWOOD. In our plant the men do different things; they put the clay through part of the time and at other times they carry the clay up to where the pots are made. All told, in our pot house, I would say we had 11 or 12 men. Their wages will vary from \$2, and there are two pot makers who get \$3.50 a day.

Senator STONE. Have you only two pot makers?

Mr. EASTWOOD. That is all. Some of them get \$2.25.

Mr. WICKES. Does that include your head pot maker?

Mr. EASTWOOD. The foreman of the department?

Senator STONE. Yes.

Mr. EASTWOOD. No; he gets more than that. He is paid on a monthly basis.

Mr. WICKES. He makes pots sometimes.

Mr. EASTWOOD. When he has nothing else to do he helps out a little bit.

Senator STONE. How much does he get a month?

Mr. EASTWOOD. \$125 a month.

Senator STONE. These pots, after they are made, are taken to another part of the establishment?

Mr. WICKES. They are taken to a room and allowed to dry, and then after they are dried they go to what we call the annealing furnace, and are heated up hot—cherry red—before they go into the main furnace.

Senator STONE. How do you transport those pots, by machinery?

Mr. WICKES. No, sir; we handle those on a car. We have a crane in the casting hall which handles those pots when they are hot. We have a crane that runs up and down, but we usually handle the pots in the pot building over into those other buildings by hand.

Senator STONE. How do you get this batch in?

Mr. WICKES. We wheel that in in a cart which comes right into the casting hall. The furnaces are all in a row like down a table.

Senator STONE. How do you get it into the pot?

Mr. WICKES. We put it into what you would call a shovel; it is square.

Mr. EASTWOOD. It is a ladle?

Mr. WICKES. It is made out of iron with a long handle on it to dip the batch and shove it in the hole and put the twill—a twill is a piece of clay that is made of a fern that fits over the door to shut up the opening so that the gas and heat can not get out—and they have an opening in that twill that admits this shovel. It admits the pots, and when the pots are hot they put the batch through that opening.

Senator STONE. And there the heat is applied?

Mr. WICKES. Yes, sir; the gas is made in the gas producer and put into pipes and brought over to the furnaces. It makes an immense heat, and it melts the glass in the pots.

Senator STONE. How many men have you managing this furnace?

Mr. WICKES. Mr. Eastwood, I guess you can give them the figures as to the number of men.

Mr. EASTWOOD. We have one man in charge of each furnace, which is known as the finisher. He is in charge of the furnaces. He comes on after the glass has been partly melted—he comes on and sees that the metal is properly finished to the right consistency to pour, and, of course, we have a man to ladle this glass into the pots and a man for taking away the refuse.

Senator STONE. Skimming it?

Mr. EASTWOOD. That skimming is after we begin to cast it. They have nothing to do with the furnaces themselves. As this glass boils the refuse comes to the top and boils over the side of the pot and goes to the bottom of the furnace, and this man will rake that out and take it outdoors, and then there are men, of course, for manipulating the furnace in other ways.

Senator STONE. Can not one man manage the gas fixtures, turning the heat on, and two men, ordinarily, run that whole furnace business?

Mr. EASTWOOD. Oh; no, sir.

Senator STONE. What do they have to do except to look after the heat, turning the gas on, applying it, and increasing it from time to time? Those pots are transferred from one place to another after they get into the furnace, are they not?

Mr. EASTWOOD. They are allowed to remain in the furnace until the glass is entirely made in them and then they are taken out to the casting table. We have for manipulating the gas valves one man on in days, and one of nights. In addition to this, there is this filling gang that puts the batch—the so-called batch—in there, and then there is another gang that will tap out the furnace. Then, there are men that have to mud up the furnace to make it absolutely tight. I would say that there was probably—oh, eight men, all told. Of course, they do other work. These men that tap the furnace are compelled to wheel coal and throw it in the furnace—that is, he puts it in between the bottom of the furnace and the pots to keep them sticking together.

Senator STONE. When you get this stuff melted, what do you do with it?

Mr. EASTWOOD. It goes up to this large casting table to be cast.

Senator STONE. This molten mass is taken to the casting table and poured out?

Mr. EASTWOOD. And poured out.

Senator STONE. And then it is rolled?

Mr. EASTWOOD. Then it is rolled on a big roller.

Senator STONE. How many men does it take to do that?

Mr. EASTWOOD. In the casting process itself, I would say, eight men. Then we have men who attend to the lehr and keep the gas on. There is a man who does that in the day and another one at night.

Senator STONE. When poured out on the table and rolled, what do you do with it, I mean that which is on that table? That table is moved, is it not?

Mr. EASTWOOD. No, sir; we have a tool that we shove that glass with. It becomes hard very rapidly—inside of a minute or two—and then we put a tool under the edge of it and shove it into this lehr

or annealing kiln. It then starts to be annealed. Then it passes through and will take about four hours.

Senator STONE. As far as the work is concerned, the mere mechanical work, is not nearly all that done by machinery?

Mr. EASTWOOD. We have to have a man to hook defects out of it and distribute the metal properly in front of the roller, men on each side of the table, and then we have tramps that run down alongside of the table that they have got to take off after the sheet is rolled. Then there is a man to look after cleaning off this pot, skimming it. It takes two men to skim the pot. You see there is a scum that comes on top.

Senator STONE. That is before the glass is made?

Mr. EASTWOOD. It is in the same process. That is done before it is cast, of course, under the table.

Senator STONE. We have passed that stage. You have got now to where the pots are emptied and the glass rolled out to plate?

Mr. EASTWOOD. Yes, sir.

Senator STONE. What do you do with it then?

Mr. EASTWOOD. Then it goes into this annealing kiln.

Senator STONE. How does it get over into the annealing kiln?

Mr. EASTWOOD. We have a tool that slides along the top of the table and right back of the glass. It slides into the first oven of the leer. Another tool will come along and take it into the next over, and so on until we get to what we call the straightaway—that is, a lot of rods that are operated mechanically.

Mr. WICKES. Those machines that shove that mass are all operated by electric-power motors. It is all done by machinery.

Senator STONE. As far as I can see, it does not seem to me that there are many men at work; that it is mostly machinery run by a comparatively few men.

Mr. EASTWOOD. Around the casting tables it is so; there are only a few men. Of course there are men who have to operate the motors and operate the machinery, one man in the day and one man in the night to look after the cast.

Senator STONE. And finally when you get this glass it goes onto a table; there the defects are marked; is that correct?

Mr. EASTWOOD. Yes, sir; that is correct.

Senator STONE. And after that the cutting begins?

Mr. EASTWOOD. Yes, sir; after that the cutting begins.

Senator STONE. Now, when the cutting is completed then it is ready for boxing?

Mr. EASTWOOD. No, sir; we grind and polish it.

Senator STONE. You have to grind and polish it?

Mr. WICKES. We grind it, Senator.

Senator STONE. That is a process toward polishing it. How many men do you employ in the cutting and polishing?

Mr. EASTWOOD. In the cutting we have 10 men.

Senator STONE. How much do you pay them?

Mr. EASTWOOD. They get \$2.10 a day, except the foreman cutter. He gets \$85 a month. There are nine men with the foreman.

Senator STONE. How many men do you have employed in grinding and polishing?

Mr. EASTWOOD. I will have to figure that up. That is where we have a large part of our labor. I would say all told in there there are

from 90 to 100 men. They go and wheel the sand to the machines, the grinders themselves, and they take the refuse out. There is a man to operate the carts and take the tables down to the machines; men to look after the engines, men to operate the machines, and men to bring the supplies to the machines.

Senator STONE. How much of all that is expert labor, what per cent of it?

Mr. EASTWOOD. I would say 30 or 40 per cent. The laying of the glass is expert, and the men to look after the machines, those are supposed to be experts, and the engineers are experts. All told, 50 per cent.

Senator STONE. Now, after you have it polished, what do you do with it?

Mr. EASTWOOD. It goes into the wash rack first, to be washed. When it is taken off those tables it contains plaster and has to be washed.

Senator STONE. How many men are engaged in that?

Mr. EASTWOOD. Probably six or eight.

Senator STONE. Is that expert labor?

Mr. EASTWOOD. No, sir; I would not call that expert.

Senator STONE. Is that washing done by machinery?

Mr. EASTWOOD. Well, we wash it off with a hose from one side of the rack to the other and wash the other side of it. That is just common labor.

Senator STONE. What do you pay for that labor?

Mr. EASTWOOD. They are \$1.90 men in there.

Senator STONE. Now, what do you do with the glass?

Mr. EASTWOOD. It goes into the wareroom to be cut and after that boxed.

Senator STONE. Is it cut by machinery?

Mr. EASTWOOD. No, sir; it is cut by hand with diamonds.

Senator STONE. That is done pretty rapidly, is it not?

Mr. EASTWOOD. No, sir; I would not say so. It has to be done pretty carefully on account of the possibilities of breaking it. The exact cutting itself is done rapidly, but the casting has to be done carefully.

Senator STONE. That is, about as fast as you cut paper.

Mr. WICKES. They have to mark the glass and examine it, and that takes time in addition to more time in cutting.

Senator STONE. Then it is ready for boxing?

Mr. WICKES. Then it is ready to box.

Senator STONE. You say the average of all this labor to you is how much?

Mr. WICKES. I could not say offhand just what our average is, but statistics compiled showed a general average of all the factories to be \$2.30. So I would say that ours is somewhere in that neighborhood.

Senator SHIVELY. How far did you say you brought your sand from to your mill?

Mr. WICKES. The grinding sand, about 100 miles; something like that.

Senator SHIVELY. The grinding sand?

Mr. WICKES. Yes, sir.

Senator SHIVELY. And white sand?

Mr. WICKES. The white sand comes about the same distance.

Mr. EASTWOOD. About 120 miles, the white sand.

Senator SHIVELY. Let me ask you what relation, in point of bulk, does the white sand bear to the finished glass—what percentage of your glass is from the white sand?

Mr. WICKES. Well, it all comes from the white sand; I could not give it to you in percentage how much.

Senator SHIVELY. It is all extracted from the white sand?

Mr. WICKES. Yes, sir.

Senator SHIVELY. And all the other material is just used in making the extract?

Mr. WICKES. The other sand is used in grinding to put on the table, and those tables revolve, and that sand is poured onto the table with water, you understand; and that, with the runners, grinds the glass. There is some breakage in that glass in that way from the pressure of the runners and different things. Our plaster we get, perhaps, very conveniently, more so than most of them. We are 65 to 70 miles from the plaster works. Plaster is an item of cost.

Senator SHIVELY. In regard to limestone—how far do you have to bring that?

Mr. WICKES. That is about 100 miles, I think.

Senator SHIVELY. You have spoken of handling this sand, that it is first delivered in bins?

Mr. WICKES. Yes, sir.

Senator SHIVELY. As it arrives at your plant—

Mr. WICKES. Which sand do you mean?

Senator SHIVELY. The white sand.

Mr. WICKES. Yes, sir; it comes into the carts, and we unload it in these bins, and it goes from these bins into the batch house.

Senator SHIVELY. That is the mixing room where you mix all of these other materials?

Mr. WICKES. Yes, sir.

Senator SHIVELY. And you say that mixing is all done by hand?

Mr. WICKES. In our factory; yes, sir. In most factories, though, they mix it by machinery.

Senator SHIVELY. It is operated by a gas engine or some other power, is it not?

Mr. WICKES. A motor.

Senator SHIVELY. You just shovel the sand in, and it is a revolving mixture?

Mr. WICKES. Sand and other ingredients that go into it.

Mr. EASTWOOD. We never figured that our cost was enough to warrant us in putting in a mixer.

Senator SHIVELY. That is what I was getting at. What is the proportion of bulk of that sand to the other material that you use in this process? It all has to be handled.

Mr. WICKES. How many carts do we use a month, Mr. Eastwood?

Mr. EASTWOOD. We use probably 15 carts a month. I know of another plant of our size where they have a mixer, and they use two men. We use three without the mixer.

Senator SHIVELY. That would cut out just one man?

Mr. EASTWOOD. One man.

Senator STONE. What are the other ingredients in that mixer besides sand?

Mr. EASTWOOD. Sand, lime, soda ash, salt cake, charcoal, and arsenic salt, and then we use broken glass with it.

Senator SHIVELY. Did you name plaster?

Mr. EASTWOOD. No, sir; we do not use plaster. Plaster is used for bedding the glass on the grinding tables.

Senator SHIVELY. And the emery is used for grinding?

Mr. EASTWOOD. Emery is used for grinding.

Senator SHIVELY. In the location of a plant for the economical manufacture of plate glass what materials would be considered as principal, with reference to locating your plant and operating it economically?

Mr. WICKES. You have got to consider your plaster and your batch sand and your grinding sand and your coal and fuel.

Senator SHIVELY. Grinding sand is by far the largest of any one material you use, is it not?

Mr. EASTWOOD. That is the most in bulk; yes, sir.

Mr. WICKES. We have cranes to unload that sand and a crane to operate it in our casting hall, and to operate all the pots. We have cranes in the room where the glass comes from thelehr and handle the glass in racks, lay it on the tables, take it off the tables, and put it in the wash racks, and put it where the cuts are taken, and take the glass and put it in the box, and the layers lay it and put it into the cart.

Senator SHIVELY. Are your grinding sands and white sands gotten from the same locality?

Mr. WICKES. No, sir.

Mr. EASTWOOD. They are both in the city, but just opposite directions.

Mr. WICKES. We get some materials there, I think, cheaper than other plants. Our fuel, I think, is a little higher. We get our plaster for a little less money and our grinding sand for a little less money.

Senator SHIVELY. I notice in this statement here that grinding sand used in the making of a given amount of glass in Belgium is 89 cents per ton and in this country \$2 per ton. I was wondering what the occasion was for that immense difference in the mere matter of white sand?

Mr. WICKES. What does that white sand cost?

Mr. EASTWOOD. We pay \$2.25 delivered at our plant.

Mr. WICKES. What is the grinding sand given at?

Mr. EASTWOOD. \$2.25 per net ton.

Mr. WICKES. We pay 60 or 65 for our grinding sand.

Mr. EASTWOOD. Our grinding sand costs 62½ cents loaded per ton.

Mr. WICKES. That is lower, you see.

Senator SHIVELY. Is that white sand a scarce article?

Mr. WICKES. No; it is not scarce. It is a big combination.

Senator SHIVELY. Is that not a pretty stiff price? Why should there be that difference—\$2 per ton for white sand and 85 cents per ton for grinding sand?

Mr. WICKES. The white sand has to go through a process of washing and preparing it.

Senator SHIVELY. Before it is put on the cars?

Mr. WICKES. Before the man who mines it can ship it to us. The other sand is taken from the pile. It is on the lake—

Mr. EASTWOOD. The white sand is a lake sand. It has to be blasted and carried up to the mill to be washed and dried. There is quite a process with regard to that. It looks like granulated sugar.

Senator SHIVELY. As far as you are concerned, you are an independent manufacturer, and you buy the finished product?

Mr. WICKES. Yes, sir.

Senator SHIVELY. What is this salt cake made of?

Mr. EASTWOOD. It is a by-product from the manufacture of acid. They take the salt and put one kind of acid through it and it makes another kind of acid. I am not just familiar with the names. They take nitric acid, and when they get through they take hydrochloric acid, and when the salt is added it is called salt cake.

Senator SHIVELY. From whence do you get your supplies?

Mr. EASTWOOD. From Grasselli, Ind.

Senator STONE. The same material and processes are employed in Belgium and France that are employed here in making glass, are they not?

Mr. EASTWOOD. I understand so. I have never been there, but I would imagine so. I have always been given to understand that they are practically the same.

Senator SHIVELY. For instance, would there be a hand mixing process in Belgium? Is it not all done by machinery?

Mr. EASTWOOD. I could not answer that.

Mr. WICKES. That mixing process is not a serious process at all; it is only a difference of one man in our factory.

Senator SHIVELY. That is 33 $\frac{1}{3}$ per cent—one man in three.

Mr. WICKES. That would not make any difference. Some people claim that it can be mixed much better by hand than by machine. I would not be sure but that in the whole country there are several factories that do that.

Senator SHIVELY. What is in the batch?

Mr. EASTWOOD. Do you mean what the batch is composed of?

Senator SHIVELY. Yes.

Mr. EASTWOOD. Sand, lime, soda ash, salt cake, arsenic, charcoal, and salt.

Senator SHIVELY. But sand is principal in point of bulk?

Mr. WICKES. Yes; and white sand is the principal thing.

Mr. EASTWOOD. About one-half.

Senator STONE. Is it the principal in point of cost?

Mr. WICKES. No; the soda ash is the most expensive article.

Senator SHIVELY. The charcoal bears rather a small relation to the total cost?

Mr. WICKES. Very small—charcoal and arsenic very small.

Senator SHIVELY. Your companies have the best of the Belgium competitors in the matter of that item, according to these figures that I have here.

Mr. WICKES. I do not know what the arsenic costs.

Senator SHIVELY. Charcoal is \$12.20 a ton in Belgium and \$6 in the United States.

Mr. EASTWOOD. For charcoal we pay \$26—either \$23 or \$26 a ton. There is a great difference in charcoal. We use the highest quality of charcoal.

Senator SHIVELY. This is called carbon. It is the same thing.

Mr. WOLF. The foreign price here is \$12.20 and the domestic price \$6?

Mr. EASTWOOD. I guess that is all common charcoal. It does not amount to anything at all. They use 33 ounces of charcoal with a thousand pounds of sand, so it does not make any difference.

Mr. WOLF. How about that limestone cost?

Mr. WICKES. What is it given at there?

Mr. WOLF. \$2.40 a ton for domestic.

Senator SHIVELY. And \$2.10 for Belgian?

Mr. WOLF. And soda ash?

Mr. WICKES. Our soda ash costs us between \$12 and \$13 a ton. I have the figures somewhere.

Mr. GOERTNER. That is one respect in which my first calculation is knowingly faulty, with regard to soda ash. I gave the American manufacturer the benefit of a cost of \$26, I think it is, on soda ash. You see I was compelled to do it. My method of computation was verified in these figures here, taken from the United States census, and show the average price at which all this material was valued in the statistics for plate glass factories in that year. The last census figures available for that purpose were 1905, and at that time soda ash was very high. It has now been reduced to approximately the foreign figure, but I had to use it because I was afraid it would excite comment adversely if I did not.

Mr. WOLF. How about salt cake? What do you pay for that a ton?

Mr. EASTWOOD. We pay 65 cents per 100; \$13 a ton.

Mr. WOLF. How about your coal?

Mr. WICKES. Do you mean the price per ton? Our price is about \$1.75.

Mr. WOLF. At the factory?

Mr. WICKES. Yes.

Mr. WOLF. With regard to pots, what do they cost?

Mr. WICKES. \$25 each.

Senator SHIVELY. Is there any question about where the coal keepers in Belgium get their coal?

Mr. WICKES. I do not know what their coal costs. I do not know anything about that.

Senator STONE. It would seem to be cheaper in Belgium.

Senator SHIVELY. Oh, no; not coal.

Mr. EASTWOOD. The trouble is they get more efficiency out of their coal there than we do here.

Senator SHIVELY. Why is that?

Mr. EASTWOOD. Mr. Wickes can explain with regard to the manner in which they operate their engines. He can explain that better than I can.

Senator SHIVELY. Do they get more power out of a given amount of coal?

Mr. EASTWOOD. Yes, sir.

Senator SHIVELY. Because of the superior efficiency with which it is operated?

Mr. EASTWOOD. Yes, sir.

Mr. WICKES. There is no question about that, Senator.

Senator STONE. You answered, did you not, Mr. Wickes, that you got your coal at \$1.75 at the factory?

Mr. WICKES. Yes, sir.

Senator STONE. Now, Mr. Goertner's figures show that the Belgian coal for annealing kilns is \$3.65.

Mr. WICKES. Annealing coal. There are two kinds of coal. I am talking about power coal.

Mr. GOERTNER. It is about \$3.12 for power coal.

Senator STONE. It is stated here for power coal, \$3.14.

Mr. WICKES. This coal costs us \$2.50.

Senator STONE. Do you mean the annealing coal?

Mr. WICKES. Yes; the coal that we make the gas with.

Senator STONE. According to these figures the fuel cost is greater in Belgium than in the United States?

Mr. WICKES. Yes; I think it is, maybe.

Senator STONE. I wanted to get that clear.

Mr. EASTWOOD. You give their cost per ton of coal, do you not, Mr. Goertner?

Mr. GOERTNER. Yes; as \$3.14 per ton for the melting furnaces and power, and \$3.65. I think it is, for the annealing coal.

Senator STONE. What do you know, if anything, about this combination in Germany?

Mr. GOERTNER. The International Syndicate is an organization that is not incorporated in any way; in fact, it is in the nature of a trade association, except that it is permitted to perform acts that would not be permitted in this country. Its principal function is to regulate production. They hold a meeting every three months, and sometimes at shorter intervals, of representatives of all the factories, and estimate the probable requirements for the coming three months, and then each factory is allowed to operate a sufficient portion of its grinding and polishing machinery only to turn out that production. They do not exactly put a limit on the output of a factory. They still leave an incentive for very good individual operation. For instance, if a man's grinding and polishing machinery is capable of turning out, say, 100,000 square feet per month, and they want to reduce his production to 67,000 feet per month, he is compelled to shut down one-third of his polishing machinery, but if he can still operate that remaining two-thirds and get out more glass, that is his privilege. The purpose of it is to encourage a disposition among the manufacturers to reduce the cost, and that sort of thing. As for the fixing of prices, it is quite true that they have fixed the prices, but the present prices were fixed in 1905, and they have not been changed since. The fixing of prices is merely incidental. It is the curtailment of production that is the real essential feature that has led to the great success of the organization. There is no incorporation of any sort. They do not even put up a bond to observe the agreement, but it is so beneficial for all of them that with but few exceptions all are included in it.

Senator STONE. What are those exceptions?

Mr. GOERTNER. There is one in England, the Pilkington Bros., of St. Helens; and the Pittsburgh Plate Glass Co.'s European plant in Belgium is not included in it; and there is one plant, I believe, in Russia.

Senator STONE. Just a moment about the Pittsburgh Plate Glass plant in Belgium. Tell me something about that.

Mr. GOERTNER. There is very little about it except that they own it. They bought it about 10 years ago.

Senator STONE. Do you know anything about the capacity of it?

Mr. GOERTNER. I understand that it is 1,500,000 to about 1,800,000 feet per year. I would not vouch for the accuracy of that.

Senator STONE. Is that company an importer of plate glass?

Mr. GOERTNER. They have been; I do not know that they are importing any of their glass at the present time.

Mr. WOLF. It is very rare that they bring in any now. The only time they brought any over here was the time the Ford City plant burned down. Immediately upon the Ford City plant burning they curtailed their importation.

Senator STONE. Now go on, Mr. Goertner.

Mr. GOERTNER. That is all there is to the international syndicate. Those are the two essentials. In other respects every factory retains its individuality. They are separate organizations.

Mr. WOLF. Besides that, there are some places where they take up their books and see that the agreement is followed.

Mr. GOERTNER. I believe there is, and the auditing of accounts. There is a selling agency, but it is an entirely distinct organization from the international syndicate and does not include all their plants.

Senator STONE. In what way does that combination or syndicate affect the cost of glass production in those countries so that it would better enable them to compete with our manufacturers here, if it does have that effect?

Mr. GOERTNER. In my opinion it has no effect one way or the other. It is still a question of the efficiency of the individual manufacturer abroad, just as in this country. They do not limit the output. They do not tell him, "You may only make 67,000 feet this month," but they shut down his grinding to that extent; and if he is more efficient, one manufacturer can make more glass with one-third of his capacity shut down than another can under the same conditions.

Mr. WOLF. How can the party shut down the machinery?

Mr. GOERTNER. I am not a sufficiently expert plate-glass manufacturer to answer that.

Mr. WOLF. Do you know when a machine shuts down they can not produce?

Mr. GOERTNER. But the production of the remainder of the capacity of the plant can be increased.

Senator STONE. What I would like to know is this: Suppose they should limit a particular establishment to 67,000 square feet, for example; you referred to that. How would that affect the cost of producing the 67,000 square feet?

Mr. GOERTNER. That would naturally advance the cost of producing it as compared with the cost of running it at full capacity.

Senator STONE. It would advance the cost of producing it. The more it costs to produce, the less margin there would be for the producer in competing with the market at home or abroad.

Mr. WALL. May I make a suggestion there? Suppose the Belgium manufacturers and the French and German manufacturers all tied up together in this exceedingly rigid combine, limit the production,

as has been stated; in other words, they tie one hand so that no more can be produced than a certain amount, and they are content with that situation, as far as the field is concerned in which they all are interested. They are willing to keep up that price and they are willing to go to that extra expense of production by curtailment of the efficiency of their machines; that is, in the field they are interested in. America is not the field that they are interested in; so that if they elaborate the capacity of those machines which are now being held idle because of their own territorial interest, and turn that energy into this country, can they not sell on this market in addition to the natural advantages they have in labor and other things; can they not sell on this market at a still lower cost than they are now producing? Do I make myself clear?

Senator STONE. I see your point.

Mr. WALL. Is not that a natural thing? They will say, "We are all interested here, but when it comes to America, that is a free field for us, and we will turn our production loose and get down to the cost of production. They have not the tariff now, and consequently we can get the American market for ourselves." Is that sound or not?

Mr. EASTWOOD. The fact is that their prices are different in all countries, from all the information I can get. They do not sell their glass at the same price in any two countries. I have a copy of their prices that they give in England and prices that they make for the United States.

Senator SHIVELY. I suppose they meet the conditions.

Senator STONE. I would like to ask you, Mr. Goertner, to make any statement that you would like to make, or you think ought to be made, in support of the tabulation you made as to relative costs.

Mr. GOERTNER. The criticism that Mr. Eastwood makes is that I have stated the cost of labor in the United States as \$1.93 per day, whereas he states it an average of \$2.30. I give the authority for my own statement, of course, the United States Immigration Commission. I also think that it is a matter of common knowledge that \$1.93 per day for common and unskilled labor—that is, largely common and unskilled—is a very high figure.

Mr. WICKES. There is where you make a mistake with regard to labor that is common and unskilled. That is not the labor that is employed in a glass factory. That is not what we employ.

Senator STONE. Is that correct?

Mr. WICKES. You mean that it predominates? It does not predominate.

Senator STONE. He did say that he was paying not less than \$1.90 for common and unskilled labor—labor that he designated in this statement as common labor.

Mr. WICKES. I mean to say that it does require skilled labor in a glass plant. I do not want you gentlemen to get the impression that you can run a glass plant with a lot of common and unskilled laborers; you can not do it.

Senator STONE. Oh, no.

Senator SHIVELY. In your case you have Poles and Germans and some Belgians?

Mr. WICKES. Yes, sir; and Americans and Englishmen.

Senator SHIVELY. And they come to you as more or less skilled in this industry?

Mr. WICKES. Yes, sir.

Senator SHIVELY. And they, too, follow it in their native country?

Mr. WICKES. Some of them do, and some of them have gone into business in this country.

Senator STONE. You may proceed, Mr. Goertner.

Mr. GOERTNER. I think it is a matter of common observation, at any rate, that Polish and Slavish labor and that sort does not cost an average of more than \$1.93 a day throughout the glass industry as a whole, although I have no disposition to dispute Mr. Wickes's figures for his own plant.

Mr. WICKES. Or any plant; there is no question about that. No glass plant can be operated with that kind of labor.

Mr. GOERTNER. Senator, have you a copy of the hearings of 1909 here?

Senator STONE. I have not got them here; they are in my other office.

Mr. GOERTNER. I myself operate quite a large factory in New York City where we employ a good deal of Italian and other labor of that sort, and we ourselves do not find it necessary to go over about \$1.75 a day, even in New York. In some places it is even cheaper than that.

Mr. WICKES. What kind of a plant is that?

Mr. GOERTNER. A mirror factory.

Senator STONE. Would there be any difference in the price of Italian labor in a mirror factory and in a glass factory?

Mr. GOERTNER. The point is, New York is supposed to be more expensive than in smaller towns. Mr. Wickes states that their price for white sand—the price that they pay for it—is \$2.25 a ton. I figure it at \$2 per ton. The difference is very trifling; it only makes a difference of about one-half of 1 cent per foot in cost of production in plate glass. On the soda ash I figure \$26 per ton and Mr. Eastwood has stated the cost as from \$12 to \$13, which is just about one-half of what I figured for the American plant, which reduces my estimate of it by about one-third of a cent.

Mr. WICKES. Of course that varies. We have been paying much higher than that.

Mr. GOERTNER. In 1905 you paid about \$26, if I remember correctly. The limestone is correct. The charcoal Mr. Eastwood disagreed to as being only about one-fourth of the actual cost, but as it is only about three one-hundredths of a cent a foot it does not make any difference. On grinding sand I have allowed the American manufacturer the benefit of 85 cents per ton, whereas Mr. Eastwood states the cost as 62½ cents, which is again in your favor. Plaster, \$5.10 per ton. How about that, Mr. Eastwood?

Mr. EASTWOOD. You have that approximately correct.

Mr. GOERTNER. That disposes of that.

Senator SHIVELY. Right there, why should there be that much difference on plaster?

Mr. GOERTNER. It is my understanding that in Belgium the plaster is very cheap. It is made almost at the doors of the factory.

Mr. EASTWOOD. There is no cost of assembling.

Mr. GOERTNER. And very little cost for transportation, so it is comparatively cheap. Emory and rogue are negligible—I think you will agree to that, Mr. Eastwood.

Mr. EASTWOOD. Yes; I should say so.

Mr. GOERTNER. Pots I figure at \$26 per pot.

Senator STONE. Here?

Mr. GOERTNER. Yes.

Mr. WOLF. That is agreed to.

Mr. GOERTNER. The only remaining item is fuel.

Senator STONE. What is it in Belgium?

Mr. GOERTNER. Twenty-two dollars. The only remaining item is fuel, upon which I have figured \$1 per ton. Mr. Eastwood states his cost as \$1.75. As I explain in note 16 to this tabulation, fuel was very hard to average all over the United States. Some of the factories are almost at the pit's mouth—some of the Pittsburgh plate-glass factories, for instance, and I do not believe their coal has cost them over 40 or 50 cents a ton for a long time. There are other factories that are worse situated.

Senator STONE. Do you know any other miners who are paid that for mining coal?

Mr. GOERTNER. I would not be able to make that statement.

Mr. EASTWOOD. I do not think there is any miner producing coal for less than 40 cents. We are paying a dollar in Michigan.

Mr. GOERTNER. I will read my note 16:

Cost of fuel. The value of \$1 per ton assigned to coal should rather be described as the relative cost of fuel as compared with the Belgian cost.

No single item in the cost varies so greatly as this one. Many of the American factories are still operating with natural gas, particularly those in Pennsylvania, which are more than half of the total number in the country. Still other factories, notably the Pittsburgh Plate Glass Co., own their own coal mines or are so located with reference to coal deposits that their cost is considerably under \$1 per ton. In other factories the cost is higher, but \$1 is a fair average for a ton of coal or for fuel of equal calorific value.

Census Bulletin No. 62, of 1885, on page 35, gives the total consumption of coal in the State of Pennsylvania as 419,000 tons, of a value of \$574,274, or \$1.37 per ton. This includes the operation of all establishments—

That means the establishments in the glass business, including small plants, cut-glass works, and everything of that kind—

and is undoubtedly much higher than in the plate-glass factories, who are very large consumers and who were located with reference to cheap fuel, as is stated in the preface to the census bulletin above referred to.

Now, that confirms the figures of \$1.37 for the State of Pennsylvania. I have allowed the plate-glass people, figuring them as very large consumers of coal, buying it in enormous quantities—that they certainly would do better than the average—I have allowed \$1 per ton for coal. Using Mr. Wickes's cost of \$1.75, it makes a difference in the cost in the United States, according to my calculation, of about 1 cent per foot; but as I have already given them the benefit of about one-third of a cent per foot in soda ash and some minor differences elsewhere, we have a total difference between their statement and mine of less than 1 cent per square foot.

Mr. WICKES. What do you mean by your item "general expenditures"?

Mr. GOERTNER. As I state—"shop cost only, and does not include interest on investment, general office expenses, selling expenses, nor cost of packing material."

Mr. WICKES. That is a plain question. I am not an educated man at all. I have worked ever since I was 14 years old. What do you mean by general expenditures and shrinkage?

Mr. GOERTNER. General expenditures and shrinkage?

Mr. WICKES. What does it mean on the books of a plate-glass company?

Mr. GOERTNER. The items that can not be put into any of these other items.

Mr. WICKES. What is it made up of?

Mr. GOERTNER. General superintendent's wages, for example, cost of maintenance of the plant itself—I mean of the buildings.

Mr. WICKES. How do you get at that item?

Mr. GOERTNER. That item I have taken on faith from a Belgian engineer.

Mr. WICKES. The item there of "United States"; where do you get at that?

Mr. GOERTNER. From this same gentleman.

Mr. WICKES. From a man in Belgium?

Mr. GOERTNER. He was not in Belgium when I got this calculation from him.

Mr. WICKES. Who was it?

Mr. GOERTNER. I really do not care to say who it was.

Mr. WALL. I understood you to ask Mr. Goertner what his relations were to this foreign trust, and I do not think he answered.

Senator STONE. I did not ask him as to his relations with a foreign trust. I asked what, in his opinion, the effect of this foreign trust was; but if he has any relations with it, what are they?

Mr. GOERTNER. Mr. Wall endeavored to get me up in the air on that subject yesterday, and to-day I decline.

Senator SIVELY. What difference does it make, except as it goes to the creditability of the witness?

Mr. WALL. The only importance of it would be that where you gentlemen are getting a lot of data laid before you as to conditions existing elsewhere, if the data is coming from somebody who has a vital interest in having the doors of this country thrown wide open, I thought it might affect your consideration of it.

Senator SIVELY. I think you are right about that; that is, it simply goes to the credibility of the witness who is making his statement here.

Mr. WALL. Yes, sir.

Mr. GOERTNER. I do not dispute that I have a very active commercial interest in the disposition of the tariff. I am a manufacturer of mirror plates. I like to buy my raw material as cheaply as possible. If it were not for my business interest, I would not be down here. I consider Mr. Wall's particular question as exceedingly irrelevant and, well, in short, I answered it, as you are aware, Mr. Wall, yesterday, and to-day I decline to answer it.

Mr. WALL. You answered it no more fully than you do to-day.

Senator SIVELY. You are all in the same box on that score. You are down here in your interest and they are here in their interest. So you seem to be on a parity, so far as self-interest is concerned.

Mr. WALL. Is it not differentiated a little? Ordinarily the way to fix a tariff would be for different American interests to gather together here and fight it out as you Senators have done to-day. Our

interests are American interests. If this is largely suggested by an inimical interest to this country—such an interest as you would take care of in your retaliatory clause in a law—then it would seem that this case was differentiated from an ordinary case. This is not a conclave of selfish Americans.

Senator SHIPLEY. But so far as the credibility of the testimony is concerned, I suppose you are all Americans, so far as that is concerned.

Senator STONE. Of course, in answering questions here any gentleman can exercise his own judgment with respect to them. This is not even a subcommittee.

Mr. WICKES. I did not want to ask Mr. Goertner about it, and yet I think there has been some unpleasantness with regard to his works. We are not criticizing Mr. Goertner's business, although I think we could bring experts in to criticize his business. Maybe he is not operating his business just as he should. We are not doing that, but he is criticizing our business. He is not in the business at all.

Senator STONE. I hardly think he is criticizing any business that you are in.

Mr. WICKES. He has made figures there that are pretty broad.

Senator STONE. But you are nearly together on the figures.

Mr. WICKES. No, sir; there has never been any factory that made glass at any such prices as Mr. Goertner produces—I am talking about the United States, of course, now. I said that I did not believe plate glass has been made in this country for less than 25 cents, and I do not believe it has. Our figures are nowhere near that.

Mr. GOERTNER. Mr. Wickes, I can only say that you have been over that tabulation, detail by detail, and the only item you can find fault with is an item of \$2.10.

Mr. WICKES. I have not criticized your items. As I told a Senator this morning, I have just seen them.

Mr. GOERTNER. I desire to say that I consider the remark of Mr. Wall as entirely out of place, and I take considerable offense at it, too. Throughout my testimony here, whenever I have made a statement I have given the authority for it everywhere, and I do not see that it affects the force of my argument in the least, and I think the obvious desire of Mr. Wall is to prejudice the members of the committee in advance, which I think is not in harmony with the spirit of the occasion. I think I have restrained myself in my remarks here and have imputed nothing to anybody.

Senator STONE. There is another matter, before we conclude, that I would like to ask about. In the adjustment of this tariff, with respect to one thing or another, what figure will freight cost of transportation cut in the distribution of the products in this country in the Eastern and Middle States and in the far West—the Pacific States?

Mr. EASTWOOD. There is an article in our brief referring to that. If it is desired, I will read it. It is very short.

The CHAIRMAN. You may give it to the stenographer and he will copy it in the record.

(The article referred to is as follows:)

FREIGHT RATES.

The transportation problem is another phase of the tariff question, and must be taken into account. Plate glass can be imported from Antwerp, Belgium,

to any of the Pacific coast cities for approximately 2 cents per square foot, and in any quantity. We now pay the railroads in this country about $7\frac{1}{2}$ cents per square foot to transport plate glass from the factories to the Pacific coast in carloads and about 10 cents on less than carloads, and the railroads have filed rates to increase this charge to 10 cents per square foot in carloads and 18 cents per square foot on less than carload quantities. The rate from Antwerp to New Orleans is less than 1 cent per square foot, regardless of the quantity of plate glass shipped. The rate from the Pittsburgh district factories to New Orleans on American-made plate glass is about $3\frac{1}{2}$ cents in carloads and about $5\frac{1}{2}$ cents per square foot on less than carloads.

Senator STONE. The point I wanted to get at is this: In your market—in the Pittsburgh district market and in the St. Louis market—will there be any advantage in freight rates to the manufacturers in this country over the manufacturers of Belgium, France, and Germany?

Mr. WICKES. I understand the freight from abroad is 1 cent a foot—about 1 cent.

Mr. GOERTNER. To what point, Mr. Wickes?

Mr. WICKES. To New York.

Mr. GOERTNER. The freight from the foreign factories to New York is $32\frac{1}{2}$ cents per 100 pounds, which figures it at about $1\frac{1}{2}$ cents per foot at New York—the rate from Pittsburgh district to New York is about 26 cents on the average.

Mr. WICKES. Is not the freight rate from Antwerp to New York about 1 cent?

Mr. GOERTNER. I am figuring from the factory. I can tell you very briefly as to that particular matter. The American manufacturer and the foreigner are about on an equality in the matter of freights in the cities of New York, Boston, Baltimore, and Philadelphia—those that have direct steamship service from the other side. At New Orleans the foreign manufacturer has a slight advantage.

Mr. EASTWOOD. They have not a large advantage.

Mr. GOERTNER. Not a great deal. I can give it to you.

Mr. WICKES. May I ask a question? May we be allowed to make up a schedule upon this subject? I do not know whether Mr. Goertner has all the items that enter into the manufacture of glass or not. May we not go over it very carefully and prepare a memorandum of articles—which Mr. Goertner can criticize—at what we figure the cost in this country?

Senator STONE. Of course you can make one.

Mr. GOERTNER. To resume, on the freight matter, at New Orleans—

Senator STONE. You say the foreigner has an advantage?

Mr. GOERTNER. Yes, sir; about $1\frac{1}{2}$ cents a foot, in the cities of New Orleans and Galveston; on the Pacific coast the foreigner has an advantage of about 5 cents per square foot as compared with the all-rail routes across the continent.

Senator SUIVELY. That is from the Pittsburgh district?

Mr. GOERTNER. Yes; there is a flat rate from New York to San Francisco, same as from Pittsburgh or St. Louis, but in order to avail himself of his advantage the foreigner is compelled to ship either by way of China or Japan or the Straits of Magellan, and that service is not available to the average buyer. For that matter, if the American manufacturer desires to spend that same length of time in getting

his merchandise to San Francisco, he can take advantage of it and cut his freight rate in half. The cheapest way from Pittsburgh to San Francisco is around the world.

Senator STONE. How would it be by the Panama Canal?

Mr. GOERTNER. When that opens, the foreigner will get a rate, I should say, of about 30 cents per 100 pounds from Antwerp to San Francisco. The rate from New York via Panama will certainly not be any higher than the rate from Antwerp, especially as American vessels will have the advantage of free tolls. Then, the American could ship from Pittsburgh to New York at about 1 cent per square foot—shipping from New York to San Francisco via Panama. The 1 cent a foot is the greatest handicap he could be under.

Mr. EASTWOOD. I think you said one-half a cent from New York to Galveston.

Mr. GOERTNER. I am talking about San Francisco. The American manufacturer would be at that disadvantage, about 1 cent a foot, using the water route, the same as his competitor does.

Senator STONE. You mean as between New York and Antwerp?

Mr. GOERTNER. Yes, sir.

Senator STONE. For delivery to San Francisco?

Mr. GOERTNER. What I am figuring is the comparative rates from Antwerp to San Francisco by water and from Pittsburgh to San Francisco via New York and Panama.

Senator STONE. It would be about 1 cent?

Mr. GOERTNER. Yes, sir; in favor of the Belgian. At the present time it is simply ridiculous. Plate glass can be shipped in carloads from Pittsburgh direct to New York at 21 cents per 100 pounds. There are fairly cheap glass rates from New York to Liverpool and Antwerp, but none avail themselves of it except when we send some back. The New York-Liverpool rates are about 14 or 15 cents per 100 pounds; that makes a total of 36 cents from Pittsburgh to Liverpool or Antwerp. From Antwerp to San Francisco you can get a freight rate of from 38 to 40 cents per 100 pounds.

Senator STONE. By going around the canal—around the world?

Mr. GOERTNER. Yes, sir; which makes a grand total from Pittsburgh of about 75 cents per 100 pounds, and if that same glass is loaded into a box car at Pittsburgh and hauled to San Francisco by rail, the rate is \$1.50 per 100 pounds. It costs less to ship it 20,000 miles than it does to take it right across the country.

Senator SHIVELY. There the question of time comes in again. By one way it takes some months for delivery.

Mr. GOERTNER. It takes about four months to go around that way, but what I am pointing out is that when the foreigner takes that route it also takes him four months to go that way.

Mr. WICKES. We would certainly like to prepare a statement giving the cost of glass from our records in this country. I think that statement should come from a man who makes the glass.

Senator STONE. You may prepare any statement that you desire and file it as an addition to what you have stated.

Mr. WICKES. We will prepare it only as he has prepared his.

Senator SHIVELY. You may prepare a statement as coming from a manufacturer of glass, and prepare it with respect to the cost of glass in your own factory.

Mr. WICKES. I can do that on the basis of what it is in all factories.

Senator SHIVELY. So the statement, then, will indicate whether it is from an individual factory or the average factory.

Mr. WICKES. Would you rather have it from a number of factories?

Senator SHIVELY. You may give your general view of the industry.

Mr. WICKES. The difference is not very great. We can do it for our own factory and their factories also.

Senator STONE. We will now adjourn.

(Accordingly, at 5 o'clock and 30 minutes p. m., the informal conference was adjourned.)



HEARINGS BEFORE SUBCOMMITTEE NO. 1.

MAY 21-27, 1913.



HEARINGS BEFORE SUBCOMMITTEE NO. 1.

SUBCOMMITTEE OF THE COMMITTEE ON FINANCE,
UNITED STATES SENATE.

SCHEDULE B.—EARTHIS, EARTHENWARE, AND GLASS- WARE.

STATEMENT OF MR. W. S. PITCAIRN, OF 44 MURRAY STREET, NEW YORK CITY, IMPORTER OF POTTERY.

PARAGRAPHS 81 AND 82.—*Earthenware and china.*

MR. PITCAIRN. This committee appearing before you this morning, gentlemen, represents the importer of pottery in New York and the wholesaler from Maine to California. We attach a list of such wholesalers on the back of this printed brief. This same committee appeared before the Ways and Means Committee contending that the tariff on earthenware was not only excessive but greatly prohibitive. We suggested at that time that the duty should not exceed 30 per cent. with no duty on outside packages. We did not imagine for a moment that a Democratic Congress would ever put again the duty on the external packages. It is a very severe and a burdensome tax. Those crates cost us \$7 each. We thought that would be eliminated. If we had not thought so we should have made a much lower recommendation. The contention was at that time that china was more or less of a luxury, and we did not ask for much of a reduction. As to earthenware, we concede that a generous protection would be 30 per cent. or, if competition is desired, the same would require a duty of 10 per cent on white earthenware, 20 per cent on decorated earthenware, with the duty on packages abolished entirely. Vast quantities of these goods are made in this country and sold at prices from 30 to 40 per cent less than similar goods can be imported for under the present tariff.

SENATOR STONE. Can you give us one or two specific instances?

MR. PITCAIRN. Yes, sir; we would be glad to do that. For instance, 10 crates of English white ware—that is, the ordinary white ware that goes on the table; white granite, and which would be used all over the country in such places as boarding houses—landed duty paid at the port of New York cost \$577.20.

SENATOR STONE. When?

MR. PITCAIRN. At the present time under the 55 per cent duty. The selling price of the same identical assortment produced at East Liverpool is \$401.29, so that a duty of about 5 per cent would equalize the two. That is the condition as it stands to-day.

SENATOR SIMMONS. Subtract the duty from the foreign price.

Mr. PITCAIRN. If we land the goods at New York without any duty the price would be \$388.70 as against the American selling price of \$401.29. From this it is easily demonstrated that a duty of 4 per cent would equalize the cost of English white granite with the selling price of American ware of the same grade. Those are incontrovertible facts, of which we can produce the invoices from the American dealer who buys those goods.

Senator SIMMONS. The result must now be that there is no importation?

Mr. PITCAIRN. Very little.

Senator SIMMONS. Why should there be any under those circumstances?

Mr. PITCAIRN. We would have to have a pretty strong market. England supplied this market for 50 years back with the common ware of the country. It got a hold on the affections of the people. After this high protection, which was raised to 60 per cent, that gradually eliminated the foreign ware. We imported in 1911 and 1912 less than \$2,000,000 all told in earthenware, as against a domestic production of \$35,000,000. That is 7 per cent in foreign value on the same kind of goods.

Senator STONE. Let me get those figures that Senator Simmons was talking about. The English manufacture laid down in New York, duty paid, was how much?

Mr. PITCAIRN. \$577, absolute cash paid.

Senator STONE. On how much?

Mr. PITCAIRN. On a 10-crate assortment.

Senator STONE. Where was the competing article made?

Mr. PITCAIRN. The chief competition in that line is East Liverpool and points in Ohio and West Virginia.

Senator STONE. They could be sold from their factories at what price?

Mr. PITCAIRN. \$401.29 for an identical invoice.

Senator STONE. Against that you imported \$2,000,000?

Mr. PITCAIRN. We imported \$2,000,000, not that class of goods alone; that is the decorated finest goods—dinnerware and all kinds of earthenware.

Senator STONE. But I want to keep to this particular item in making the comparison.

Mr. PITCAIRN. We managed to import \$360,000 or \$375,000 of this particular item.

Senator STONE. How could you import it at all and sell it?

Mr. PITCAIRN. We are pretty good salesmen. We press the goods pretty hard. The English goods have gotten a certain hold on the American people who have used them for so many years. The old brands have been well known.

Senator STONE. Taking that same item and keeping the comparison in view, how much of the domestic product is made and sold as against the three hundred and odd thousand dollars that you imported?

Mr. PITCAIRN. It would be about \$3,000,000.

Senator STONE. \$3,000,000 domestic against \$300,000 foreign?

Mr. PITCAIRN. Yes, sir.

Senator STONE. That is about 10 per cent?

Mr. PITCAIRN. It would be a little less than 10 per cent.

Senator STONE. What do you want done?

Mr. PITCAIRN. We want to suggest to you gentlemen that we made that recommendation of 30 per cent under a misapprehension. We did not know that the packages were going to be dutiable, and we did not know that the basis of tariff was upon competition. I think we are entitled to a lower rate of duty.

Senator JAMES. What part of a cargo of earthenware is packing; what proportion of the whole value?

Mr. PITCAIRN. Of course, it is larger in white ware than decorated. In a crate containing, for instance, 6 pounds, the packing, before the duty is paid, is \$4.10 out of \$32 or \$33.

Senator JAMES. That would be the package out of the \$32 or \$33? It would be \$4.10?

Mr. PITCAIRN. Yes. The duty on the package is now 55 or 60 per cent. We pay 55 and 60 per cent duty, and it costs us \$7 when it is landed.

Senator JAMES. You recommended a duty of about 30 per cent before the House Ways and Means Committee?

Mr. PITCAIRN. I did.

Senator JAMES. They put it at 40 per cent?

Mr. PITCAIRN. Thirty-five per cent and 40 per cent; yes, sir; but they kept the duty on packages.

Senator JAMES. They kept the duty on the outside package?

Mr. PITCAIRN. Yes, sir.

Senator JAMES. That would be about what difference, in percentage?

Mr. PITCAIRN. That would make a difference to us of 10 per cent.

Senator JAMES. What were the rates under the Payne bill?

Mr. PITCAIRN. Fifty-five and sixty per cent; the Wilson bill was 30 and 35 per cent.

Senator JAMES. You think it ought to be reduced from 40 to 30 per cent.

Mr. PITCAIRN. I think the figures warrant a more liberal reduction than we got. There was a story in the papers that the opposition was ruined. I think I explained before the Ways and Means Committee fully in regard to that matter. The total production in New Jersey, in 1911, was \$8,000,000—\$1,000,000 was china; \$5,000,000 sanitary ware, which you put at 40 per cent, and which we could not import a dollar's worth of; \$1,000,000 was electrical, of which we can not import a dollar's worth at 40 or 35 per cent; that is reaching \$7,000,000, and that leaves \$1,000,000 of ordinary earthenware, in which those men are interested; and yet they undersell us. They are not being ruined. Mr. Wells, who appeared before that committee, said they only wanted so much money. If they undersell us 30 or 40 per cent, what has the foreign price to do with their price? He very carefully did not quote the other 60 factories that make, according to his own statement—

Senator SIMMONS. Under all these circumstances, what do you think would be the best revenue duty?

Mr. PITCAIRN. Your revenue duty, of course, would be derived from china. That is \$8,000,000. That you do not change, except from 55 to 60 per cent.

Senator JAMES. No; they do not increase it.

Mr. PITCAIRN. They put it down; pardon me.

Senator JAMES. That was on the theory that the high duty would produce the most revenue; on the theory that it was a semiluxury.

I see here:

Common yellow, brown or gray earthenware made of natural unwashed and unmixd clay; plain or embossed; common salt-glazed stoneware; stoneware and earthenware crucibles; all the foregoing, not ornamented, incised or decorated in any manner, 15 per cent ad valorem.

Mr. PITCAIRN. It is reduced to 15 per cent. We suggested 10 per cent.

Senator JAMES (reading):

If ornamented, incised or decorated, or decorated in any manner and manufactures wholly or in chief value of such ware, 20 per cent ad valorem.

What have you to say about that? Do you think it is too high?

Mr. PITCAIRN. They are pretty difficult to import at any duty whatever, because of the enormous freight.

Senator JAMES. Rockingham earthenware, 30 per cent ad valorem. What does that word "Rockingham" mean?

Mr. PITCAIRN. That is the name of the man who established Rockingham there.

Senator STONE. Is that all you have to submit, Mr. Pitcairn?

Mr. PITCAIRN. I would like to offer, gentlemen, these briefs. On foreign labor, I would say that briefs presented to the Ways and Means Committee will show the proportion of labor and material as 30 per cent fuel and material, and 52 per cent as labor and salaries. The total difference in labor cost is \$56. The duty we paid under the present tariff was \$187 on the 10 crates referred to, which is about 233 per cent more than the difference in labor costs. We would like a little consideration given to that point if it is possible.

(The brief presented by Mr. Pitcairn reads as follows):

MAY 21, 1913.

To the FINANCE COMMITTEE,

United States Senate, Washington, D. C.:

The big outcry and protest made by the domestic potters against the proposed slight reduction in the tariff on their products, made by their paid agitators, backed up by delegations of workmen crying ruin, etc., is simply astounding to people in the trade who are conversant with the true situation. We will endeavor, as briefly as possible, to show you something of the real facts and prove that their fears, if they be genuine, are groundless, and the workmen especially have nothing to fear, for the following reasons:

IMPORTED EARTHENWARE COMES FROM ENGLAND.

England only produces earthenware that need concern the potters of this country. England is our largest customer. England buys vastly more goods from us than she sells to us. Almost everything we export to England goes in free of duty, unhampered by rules and regulations to harass the buyers and sellers.

This being so it would seem as though a little reciprocity and consideration for England's general relations with us should induce Congress to place a reasonable tariff on such products as would not interfere with the development of our own industries and give the American farmers, mechanics, and people of limited means an opportunity to have a little good English earthenware without being taxed to death for it.

Apart from all other considerations the geographical protection the American potters would always enjoy is in itself a big item of protection. The domestic

pottery know this very well, but make light of it in tariff arguments, but the facts remain that inland freights in England are high, ocean freights have practically trebled the past few years, consul fees, shipping charges, custom-house entries are all items that add to the cost.

Furthermore, costs of production in England have advanced greatly of late, especially during the past year, due primarily or largely to the heavy advance in the cost of getting out the coal and advance in practically every kind of material that they use. These facts are indisputable.

Furthermore, there is no likelihood at all of prices going back to the old figures. On the contrary, everything indicates still further advances. We would call your particular attention to the fact that whenever costs of production advance in England prices of pottery are always instantly advanced and the duty must be paid on those advances every time. The domestic potters have themselves admitted before the Ways and Means Committee in the past that the well-known values of English pottery made undervaluation practically an impossibility.

The following will give you an idea of these increases in prices of English pottery. The classes enumerated cover the great bulk of the importations.

English prices.

	Former prices.	Present prices.	Increase.
			<i>Per cent.</i>
Plain prints, best grades.....	35.5 and 5 1/2 per cent....	35.5 and 5 per cent....	0.18
Prints, gilt edges.....	35.5 and 5 per cent....	221.5 and 5 per cent....	.19
Decals, gilt handles and edges.....	271.5 and 5 per cent....	171.5 and 5 per cent....	.134
Cheap printed dinner ware.....	521.5 and 5 per cent....	45.5 and 5 per cent....	.154
Cheap printed short lines.....	60.5 and 5 per cent....	do.....	.371

Throughout the whole list, including china, the increases are in proportion.

We would impress upon you one indisputable fact, viz. that even before the heavy increase in prices of English pottery the importations of same have been dropping off tremendously, as follows:

From high-water mark in 1895, when 121,000 crates were imported, to last year, when the importations were about 33,000 crates.

Now that the above-mentioned heavy increases in prices have gone into effect, unless considerable relief is had through a reduction in the duty, importations are bound to fall off still more rapidly and dwindle in a short time to almost nothing and the American consumers be deprived of the privilege of securing good, sound English pottery at a reasonable price, and we believe they will resent it.

The above table mentions only decorated goods. Decals, or transfers, are the goods that are largely produced in this country. We make the assertion here that vast quantities of these goods are made in this country and sold to merchants, especially the scheme trade, 5 and 10 cent syndicates, at prices from 30 to 40 per cent less than similar goods can be imported for under the present tariff. This statement can not be successfully disputed. We can prove it, and being able to do so, it shows conclusively how groundless the fears and how senseless the talk that the slight lowering of duty from 60 to 40 per cent will upset the manufacturers and cause them to reduce wages, etc.

We make the statement here that on the class of goods that are produced in this market, and the only kind they are capable of producing, if the duty on decorated dinner ware was put down to 10 per cent English pottery could not be imported to undersell them.

We make the assertion here, and can prove it, that if any pottery fails to make money now, or under the proposed new tariff, it can only be from two causes—inefficiency, coupled with cutthroat competition among the domestic potters themselves, the latter being the principal cause of their troubles.

We will now say a few words on the subject of white ware—white granite—the most staple line produced in both countries and the one used by the masses. We will show you, as follows, what it costs to import a crate, which usually contains 100 dozen plates, 7-inch flat, the most staple item of the most staple grade of pottery used:

	£	s.	d.
100 dozen plates, 7-inch flat, at 3s. 6d.....	17	10	0
55 per cent.....	9	12	0
		7	17
5 per cent.....		7	10
		7	9
5 per cent.....		7	0
		7	2
			2
		s.	d.
Crate.....		18	6
5 per cent.....			11
		17	7
5 per cent.....			10
			10
			9
			11
Inland freight.....	0	10	
Shippers' charges.....		9	
Consul fees.....		8	
			8
			3
			2
			2
£8 7s. 2d., at \$1.90.....			\$40.95
£7 18s. 11d. duty equals \$39, at 55 per cent.....			21.45
£8 7s. 2d. insurance equals \$40, at 15 cents per \$100.....			.08
Customhouse charges.....			.25
Ocean freight.....			3.00

Total cost landed..... ¹65.73

Or, with duty at 35 per cent, as proposed, the duty on this crate will be \$13.65 and the cost of goods landed \$57.93, or \$3.31 per pound sterling.

These costs are bona fide and no one can land the goods any cheaper. We will now show you what we are told and believe the leading American factories sell the same quantity of goods for to the larger trade in this country, 1 crate to contain 100 dozen 7-inch plates:

List, \$1.30 per dozen.....	\$130.00
Discount, 60½ per cent.....	86.66
	43.34
1 per cent.....	.43
	42.91
Crate.....	2.00
	44.91

This illustration of one crate of plates 7 inches is not any trick assortment and is not exceptional. The same difference exists throughout the list and shows conditions of to-day on both sides.

You will see by the above comparison how much cheaper the American potter can and does sell a given quantity of goods than the same can be imported for, and to the imported cost must be added the expense of doing business here, which is a big protection in itself to the domestic potters.

WHAT FIGURING IN PERCENTAGE MEANS.

A domestic potter in making his arguments, especially through his paid emissaries, generally figures in percentages. The prime cost of producing a plate is the making price, i. e., the price paid to the man who makes the plate. Roughly speaking, we will say that the price paid the maker of a 7-inch plate in

¹ \$3.76 per pound sterling.

England is 3 cents per dozen; the price paid the domestic potter may be, say, 5 cents per dozen, a difference of 2 cents per dozen, which works out a big percentage, but let us see what it amounts to:

On 100 dozen plates it comes to \$2 difference in the making price, whereas, at the present rate of duty on this same quantity of goods, we have to pay \$21.45 in duty, or more than ten times in duty the difference in the actual making price on 7-inch plates, and under the proposed rate of 35 per cent we would still have to pay in duty the sum of \$13.05, which is nearly seven times as much duty to be paid as the difference in the making price of the plates.

Now, we will admit freely that the amount actually paid the workman for making the plates does not cover all the cost of making same, but it is the important part of the cost. Such items as dipping, oven placing, drawing the kilns, and warehouse work are all items to be considered as affecting the cost of production on both sides, but they are, all combined, small matters as compared with the amount of duty on the goods, especially when you consider that the clay and all materials that enter into the body of the ware cost to-day almost as much in England as they do in this country, and on top of this, coal, which is, next to labor, the most important item of cost in making pottery, actually costs a great deal more to-day in England than it does in this country, as we will show later on.

No doubt some materials cost a little less in England than here, but the difference in the method of handling materials is a big factor in the cost of same, for in this country the potters get their materials in large carloads, brought right into their yards, with, in most cases, no cartage or hauling charges and comparatively little labor; whereas in England materials are brought from a distance by canal at very heavy freight rate, and in many cases are carted long distances up steep hills in small loads, which adds very much to the cost and which item would not be shown in a comparison between the actual prices paid.

PRICES OF COAL.

We have it on good authority that the present price of English coal is \$3.00 per ton; English slack, \$2.60 per ton. We are told that the price of American coal to-day is \$1.70 per ton, American slack, \$1.30 per ton, and we wish again to emphasize the fact that coal is, next to labor, the leading factor in the cost of production of pottery, and the difference in the cost of coal alone is in itself large protection.

Another serious item of cost on imported pottery is distribution of same.

Most English earthenware is repacked, which entails expensive labor, breakage, rent, insurance, to which add traveling expenses, etc. All of this adds still more to the natural protection the domestic potters are bound to enjoy in any event.

ITEMS SHOWING WHY AND HOW DOMESTIC POTTERY CAN BE AND IS SOLD SO MUCH CHEAPER THAN ENGLISH POTTERY AND ALWAYS WILL BE AT ANY DUTY THAT IS LIKELY TO BE ASSESSED.

For instance, nearly all decorated goods are gilded, most decors nowadays have a big lot of gold on them, the value of gold being a big part of the cost of the finished article.

Gold costs the same here as it does in Europe. We are sure it's substantially the same. When gold is put on earthenware in England we have to pay the high duty on the value of the gold as well as on the labor of putting the gold on.

The same thing applies to chromo lithographs or decals. This represents the bulk of the decorated pottery produced in this country. The potters import, we believe, most of the lithograph sheets. The duty on the sheets themselves is nominal or moderate, whereas when the same sheets are used for decorated English earthenware we have to pay the high duty on the value of the sheets and also on the cost of putting same on the ware, as well as on the manufacturer's profit, the same as is the case with gold.

All of this constitutes a very heavy tax at the proposed rate of duty, and explains why the domestic potters can and do undersell English earthenware to such an extent that they are fast driving it out of the market. The records of importation will prove this without any further argument on our part.

ANOTHER SERIOUS ITEM.

English earthenware is imported in crates. Crates are a covering necessary to transport the ware.

On account of lumber being higher in England, crates cost more in England than they do in this country. When once used they are substantially worthless.

For some mysterious reason, years ago a duty was assessed on crates. We have been paying more duty on crates than it costs the domestic potters for their crates, the packing of same, and the straw used. This is disguised protection.

It goes beyond the realm of protection; in fact it's a Joker put into the situation years ago by a lot of adroit manipulators as additional disguised protection, and is on a par with the unsportsmanlike practice of taking a dead mouse from a blind kitten. The kitten in this case being the American public and consumers.

There is no necessity, rhyme, or reason for this iniquitous, unnecessary tax. If the American public realized what it means they would rise up shouting the battle cry of freedom, with a lot said in same about duty on crates. We had hoped that the present Congress would relieve us and the consumer of this iniquitous burden, and we still ask, in the name of the American consumers, that this unclean, unnecessary burden be wiped out.

EFFICIENCY VERSUS INEFFICIENCY.

We read in the papers that it is the intention of the present leaders in Congress and the President to restore competition; that the American people as a whole must not pay tribute to special privileges, special interests, or inefficiency, the ideas as expressed being that if any factories or interests were inefficient in their methods and requires undue protection thereby, that same be withheld in future.

Theoretically it sounds good, and there is no doubt that the principles as expressed are laudable, and if same were applied to the earthenware schedule, the duty would necessarily have to be about 10 per cent on white ware, 20 per cent duty on decorated goods, with no duty on the crates, for actually there is hardly any commodity that we know of that has been so much over-protected as the domestic pottery, and the fact that the relief proposed is so slight shows that good things and a lot of adroit manipulators can impress Congress to the detriment of consumers and the thousands of merchants throughout the country who make their livelihood in whole or in part from the sale of imported pottery.

Potteries and potters in this country are like factories everywhere. Some are efficient, some are medium, and some are thoroughly and hopelessly inefficient. All seem to be joining in the cry for more duty, the inefficient, because they need it badly. There are potteries in this country that could not make money if the duty was 1,000 per cent. The efficient potter wants the duty based upon the needs of the inefficient potter, for reasons that will be apparent to anybody.

BUILDING NEW POTTERIES.

We would ask why it is that if the potters were all going to be ruined by a reduction in the duty, how comes it that several immense potteries were projected at a time when they must have known the duty was going to be reduced, and the manufacturers that are building the new potteries and also acquiring interests in other potteries are in the front ranks of those crying for more and more protection, and those big potters are the factors for keeping down profits in the trade generally for purposes of their own, and the lack of profits among the potters is not due to English earthenware, nor could this possibly be the case.

We wish to emphasize this statement to the utmost of our ability. The conditions that cause a lack of profits among them have been due to inefficiency, in some cases poor equipment, in many cases poor business methods, in all cases price cutting and general demoralization due to overbuilding of potteries.

These facts are often admitted privately by the domestic potters' salesmen, but of course they don't talk that way when they appear before Congress with their pleas for more tax. Instead they talk in percentages and send delegations of their workmen.

POTTERIES AS ADJUNCTS OF LAND SCHEMES.

During recent years, especially of late, some potteries have acquired large tracts of land in outlying places and put up a large pottery on said property and deliberately start in to build up a town around it, selling the lots off at a large profit; in fact, in one or more glaring instances the profit from the pottery itself has been secondary; the big money came from selling building lots.

Every effort is put forth to sell large quantities of pottery, often at outrageous prices, to attract labor and thereby create a big demand for the building lots. This has resulted in general demoralization to the domestic potters' interests, and we emphatically tell your committee that the troubles of the domestic potters come from such schemes and schemers and not from English competition on earthenware; and yet those same people are in the front ranks shouting for more protection.

It is supposed by many that in the long run, by demoralizing the business, some of these people will acquire at cheap prices the other factories and ultimately, when they have foreign competition wiped out, they will be in position to compel the American public to use only their products, regardless of the quality or the price they demand for it. We are quite sure that many of the smaller potteries realize the above conditions perfectly.

MISBRANDING GOODS.

Of late years a very reprehensible practice has sprung up among a number of domestic potteries of misbranding their goods. These factories make earthenware only—in a number of cases they make a very ordinary brand of earthenware—and yet they have the effrontery to stamp or brand their goods as china.

It is done to deceive the public. It is a clear case of false pretense and, we believe, is contrary to law, as it is contrary to all ethics.

On this subject will advise you that a protest is now being prepared by importers, wholesalers, and merchants, addressed to the Hon. William C. Redfield, Secretary of Commerce, asking him to look into this matter, and if the same is illegal, as we believe it is, that he take steps to put a stop to such practices. We would mention incidentally that those misbranding their goods as mentioned above are among those most insistent for more protection.

DOMESTIC POTTERS GENERALLY COPY FOREIGN SHADES AND DESIGNS.

There is almost no artistic development among the domestic potters, very little originality, nearly all dependent on foreign factories and foreign artists for designs, shapes, styles, etc., simply appropriating same as they arrive here each season, thus saving the immense cost of foreign factories in maintaining a staff of artists, modelers, etc. For verification of all this we refer you to the United States Potters' Annual Report for 1911, page 27.

In conclusion, we protest to your committee that the proposed rates on earthenware of 35 and 40 per cent are entirely too high and out of all proportion to the proposed tariff on other commodities. The rate we propose to the Ways and Means Committee of 30 per cent would be amply protective, or, if healthy, stimulating competition is desired, same would require a duty of 10 per cent on white earthenware, 20 per cent on decorated earthenware, with the iniquitous duty on packages abolished entirely. This would be for the benefit of the people of the whole country.

Respectfully submitted,

W. L. PITCAIRN,
Geo. B. JONES,
JOHN J. MILLER.

THE TARIFF ON EARTHENWARE, SCHEDULE B.

A FEW ILLUMINATING FACTS AND FIGURES.

Domestic productions and importations.

	1912	
	Domestic.	Imports.
Paragraph 92, common yellow and brown earthenware, kitchen utensils, salt glaze, stoneware, etc.	\$14,000,000	\$150,000
Paragraphs 93-94, earthenware, table and toilet ware, etc.	15,000,000	1,800,000
Total earthenware.	29,000,000	2,000,000
Paragraphs 93-94, china, tea, and table ware, bric-a-brac, and fancy ornaments	2,000,000	8,000,000

The foreign value of earthenware imported is only 7 per cent of the domestic production, and decreasing each year.

Of china, the domestic production is practically all hotel china, as the domestic potters (except Lennox, of Trenton) have never seriously attempted to manufacture china dinner ware, which must therefore be supplied from the foreign factories. It is true a large quantity of domestic ware is sold and misbranded "china," but is actually and only earthenware.

FACTS VERSUS STATEMENTS OF WILLIAM BURGESS.

The whole argument of the domestic potters for the maintenance of the present high tax on earthenware is based on the difference in costs of production here and abroad. It is therefore vital that the figures should be correct.

In the brief presented to the Ways and Means Committee January 8, 1913 (Tariff Hearings, vol. 3), Mr. William Burgess, representative of the United States Potters' Association, quotes a mass of statistics so flagrantly erroneous as to merit flat contradiction. On page 336 he states that his figures were obtained while he occupied the position of United States consul at Tunstall, England. That was in 1890, over 20 years ago, and every intelligent man knows that industrial conditions have vastly changed in that period. His quotations for English labor and material are identically the same as he quoted before the Payne committee, in 1908 (print No. 28, pp. 4000-4008), and represented earnings during a period when English factories were working about three days a week. Mr. Burgess is careful to quote advances since 1908 in American labor, but entirely ignores similar material advances in the English market and present wages under full time.

The "actual prices" here quoted are those paid by the largest English factories during the past year.

	Mr. Burgess's figures.	Actual prices, 1912.
Coal (a heavy item of cost):		
English coal, Staffordshire..... per ton.....	\$2.56	\$3.70
English slack.....do.....	1.38	2.56
English materials:		
China clay.....do.....	7.87	8.50
Stone, Cornwall.....do.....	10.08	15.25
Feldspar.....do.....	12.86	17.00
Sugar clay, mixed.....do.....	.80	4.00
Wild clay.....do.....	.86	4.06
Labor in England per week of 50 hours:		
Male—		
Plate maker (man).....	6.50	19.85
Hollow wareiggerer (man).....	8.42	18.50
Dish maker (man).....	7.22	11.62
Hollow ware presser (man).....	5.94	15.80
Female—		
Saucer maker (woman).....	4.94	9.21
Cup maker (woman).....	4.06	7.79

On page 372 (Underwood Tariff Hearing No. 3, pp. 8-13) Mr. Burgess compares the total cost of an American and English factory output in a vain attempt to prove that the domestic white ware costs 78 per cent more than the English. Here again Mr. Burgess's figures of 1913 are identical with those of 1908, although he claims to be paying about 20 per cent higher for labor and materials.

Here are the actual selling prices of this output based on 1912 quotations of standard brands:

	Mr. Burgess's figures.	Actual figures.
English product, packed at Staffordshire factory.....	\$64,649.19	\$86,459.63
Domestic product in bulk at East Liverpool, Ohio.....	115,283.28	101,937.63

The difference is 18 and not 78 per cent, and if the expense of freights, etc., be added there would be practically no difference in cost whatever. The English ware at the port of entry, without any duty, would be almost on a parity with the domestic selling price.

A careful study of Mr. Burgess's figures forces us to the conclusion that no reliance whatever can be placed on his statistics, which are grossly inaccurate and misleading.

In our brief to the Ways and Means Committee we have demonstrated that the cost of English earthenware is 40 per cent higher than the selling price of similar domestic productions.

We submit that the tariff of 55 and 60 per cent on earthenware is excessive and prohibitive. We urge a separate classification of paragraphs 93 and 94 for china and earthenware, with a duty not exceeding 30 per cent on earthenware.

WM. S. PITCAIRN,
 GEO. B. JONES,
 JOHN J. MILLER.

Committee for Importers of English China and Earthenware.

FEBRUARY, 1913.

STATEMENT OF MR. W. E. WELLS, REPRESENTING THE HOMER LAUGHLIN CHINA CO., NEWELL, W. VA.

PARAGRAPHS 81 and 82.—*Earthenware and china.*

Senator STONE. To what provision of this bill, Mr. Wells, do you desire to address yourself?

Mr. WELLS. Particularly paragraph 81 in the House bill. That provides for a duty upon earthenware; and paragraph 82, I think, providing for a duty on china.

Senator STONE. What is your connection with the Homer Laughlin China Co.?

Mr. WELLS. I am the secretary, treasurer, and business manager of the Homer Laughlin China Co.

Senator STONE. And for whom do you speak, if for anybody, other than for that company?

Mr. WELLS. I speak for all the manufacturers of earthenware in the United States.

Senator STONE. There are several gentlemen here accompanying you, and I desire to know whether you represent them in your statement?

Mr. WELLS. Yes, sir. I presume others will have something to say in this connection also; but what I say does not specially apply or exclusively apply to the company that I represent.

Senator STONE. In the list which I hold here of gentlemen representing these industries I find the names of George C. Thompson, of the G. C. Thompson Pottery Co., East Liverpool, Ohio; William Burgess, of the International Pottery Co., Trenton, N. J.; John A. Campbell, Trenton Potteries Co., Trenton, N. J.; M. Solon, of the Mercer Pottery Co., Trenton, N. J.; H. D. Wintringer, of the Steubenville Pottery Co., Steubenville, Ohio; W. L. Smith, of Taylor, Smith & Taylor Co., Chester, W. Va.; and H. N. Harker, of the Harker Pottery Co., East Liverpool, Ohio.

That is as far as this list goes. Will you proceed, Mr. Wells?

Mr. WELLS. You doubtless are aware that a committee of investigation from the Bureau of Foreign and Domestic Commerce is now at East Liverpool looking into all the details that might have a bear-

ing upon the duties that should be assessed against pottery. Those men are now at the pottery that I represent. Their chief has been there for the past two weeks, and his assistants have been there for the last three or four days, and making, or planning to make, rather, a very complete investigation of all the details, cost, wages, selling price, health conditions, and competitive conditions. I make reference to that only for the purpose of saying that if I were inclined to make any misrepresentation whatever to influence your committee favorably to our proposition, that was not precisely accurate, I would hardly venture to do so in view of the fact that they are checking up all the things that we have said, as well as, probably, the things that we will say in this connection.

I am not going to take any more of your time than I can possibly avoid, but in the beginning I want to refer to the fact that the importers and the wholesalers of earthenware made in England have continuously represented that the American product—which is this [exhibiting a plate]—is sold in this country at very much below the prices that are charged for the English product, and that a further reduction would still leave their prices as high or higher than ours.

Senator STONE. In order that the record may show a little more clearly, you hold, or held up in your hands a plate and a saucer and referred to them as "this." Of course, the printed record would not indicate much as to what that was. Will you please state what the articles are?

Mr. WELLS. This plate is a decorated earthenware plate known as the 7-inch or dinner-plate size. The decorative treatment is a narrow floral border with the addition of an edge line in gold and a hair line in gold underneath the floral border, and both this plate and these cups and saucers are fair specimens of what is known as earthenware, made both in this country and abroad.

In fact, the product with which we compete abroad, in England, is similar to this, so similar that if there were no identifying mark on the bottom of the goods even an expert could not determine whether the goods were made in America or whether they were made in England. Any representation that any earthenware of English quality is superior to the American, upon the whole, or that the American is superior to the English, upon the whole, is absolutely without foundation. It is quite customary for our salesmen on the road to represent that their particular line is the best, of course, on earth; but coming down to brass tacks, they are one and the same thing in quality, and that fact is generally recognized by the purchasers of these goods in this country; that is, by the dealers.

Referring back to my statement concerning representations made by the importers that the American goods are sold much below the English: The facts are that in some particular lines the American prices are lower, and in other lines the English prices are lower; but on the whole there is about as much similarity between the English and American prices, as made by the large importer, as there is between the prices of two American or two English factories. No two American manufacturers sell their goods at identical prices. This particular pattern, made by the Homer Laughlin China Co., is sold at \$8.47 for a dinner set of 100 pieces, to the large wholesaler, and also to the large department store. Treatments of that type are sold to the large wholesaler in this country in English

goods below the price at which they can buy American goods. A set equally valuable, of very similar decoration, and costing the same as that, is sold in English goods to the large wholesalers at \$7.82, and our price is \$8.47.

We sell that same set to the smaller retailer, who does not buy such large quantities, at \$9.46; but the manufacturers of English earthenware abroad, their representatives in the New York market, and the wholesalers in this country control absolutely the selling prices of English earthenware by agreement, and through their associations the wholesalers in this country will not sell a dinner set of that value to the small retailer in English goods for less than \$12. The fact that the little retailer can buy our set for \$9.46, and he has to pay \$12 for a similar English set, makes it look as though our prices were away below the English prices; but the facts are that the wholesaler is responsible for that difference in price, because he can buy the English set at a trifle below what he can buy ours at.

To carry it still further: That set in American earthenware retails to the ultimate consumer, over the counter, at from \$15 to \$16. A corresponding set in English earthenware retails at from \$20 to \$24. The actual duty paid on a set of that character imported from England is about \$2.40; not more. Under the present Payne bill a duty of 60 per cent. If that is changed to 40 per cent, as proposed in the House bill, the duty would be \$1.60, or a difference of 80 cents on a 100-piece set. The retailer now paying \$24 for that, if he got all that difference of 80 cents on a set—which does not often work out in practice—would buy that set at \$23.20—well, he would still buy the American set at \$15 or \$16, simply because the American manufacturer goes straight to the little retailer and sells his goods to him without the intervention of importers' or wholesalers' profits. But the little retailer can not buy pottery from the English manufacturers direct. The English manufacturer prefers to allow the wholesalers and importers of this country to control the distribution of his product, and in that control they add such margins between the factory and the ultimate consumer that it makes it appear everywhere that our prices are lower, materially lower, than the English goods. The English goods are sold at retail over the counter much above ours.

Senator STONE. That is true, is it not?

Mr. WELLS. That is absolutely true; it is sold much above; yet the wholesaler buys that English set at less than he buys ours for; but he controls the markets. He can not control us. We go to the small retailer direct and sell our set at \$9.46. The wholesaler will not sell the English set for less than \$12.

Senator STONE. But if the goods are identical in quality and style, why would I or any other human being pay \$21 or \$23 for a set of the English goods when I could get an American set for \$15?

Mr. WELLS. That exactly explains the way the Englishmen are complaining that their trade is slipping away from them in this country. They are trying to maintain those fancy margins and sell an article no better. There was a time, 15 or 20 or 30 years ago, when the English product was superior to the American product, but we have advanced very rapidly in the last 15 or 20 or 30 years in the improvement of the quality of our goods.

Senator THOMAS. Does the fact that this ware is English; that it is imported into this country, account for the superiority of price?

Mr. WELLS. Senator, that always has a bearing upon any class of merchandise.

Senator THOMAS. That would be the case no matter what the duty might be?

Mr. WELLS. No matter what the duty might be. There is always a little preference because an article is imported. That applies in clothing, glassware, and everything you might buy. They have complained that they are losing their business in this country rapidly, and I know that they have complained before Congress, or before various committees here, and they have complained in the brief to that effect; but the largest wholesalers in this country are practically combined against the manufacturers of pottery. You see we go to their customers, many of our people go to the customers of our jobbers and sell the goods at a price very close to the price at which we will sell the big wholesaler. That does not leave the wholesaler much of a margin, so he strenuously tries to keep us from doing business. He tries to force the sale of the English article with that force and energy behind it, and they can sell some goods even at this advanced price, because there are very few people in this country that are really judges of pottery, especially amongst the ultimate consumers, and if they are told that this thing is a very much better article than this other thing that looks just the same, they sometimes believe it, and sometimes buy it.

The English earthenware manufacturers make very largely a line of goods known as blue underglaze; that is a decoration that is under this glaze [indicating]. It is applied to the ware before the glaze is applied. This decoration [indicating] and practically all floral decorations in colors are applied on top of the glaze, then fired, and the glaze fuses to a certain extent and binds the color in there; but in these underglaze products the Englishmen have monopolized the American market always, actually selling them in this country to the wholesalers at less than the production cost in America, and we have never been able to compete. There are some certain things that we can sell in this country below what they can sell them for in England, but it is a saw from one proposition to the other. While we can undersell them in some things, they can undersell us in others, and, aside from the fancy profits that they put on through their middlemen, we are just about on an equal basis.

There has been a good bit recently said in connection with the cost of American manufactured products. The claim has been made that a good many factories are not efficiently managed; that if they were more economically and intelligently operated and advantage taken of all the opportunities that were met we could produce our product at a much lower price, and that we could compete with imported goods with a much lower degree of protection than otherwise.

My idea of efficiency is the operation of a business so that wages may gradually and substantially increase, and that at the same time the finished product may gradually and materially decrease in price. If the potters are efficient, they have done those things. They have brought up the rate of wages and they have cut down the selling price. That seems to me to be the final answer to efficiency.

Briefly these are the facts: In 1895 the average wages paid in the factory that I represent were \$9.75 a week.

Senator THOMAS. Do you give that as an average?

Mr. WELLS. That was the average applying to all labor, skilled and unskilled, men and women, taking the entire pay roll and dividing it by the entire number of people employed—\$9.75 in 1895; \$11.38 in 1900; \$13.30 in 1908; \$14.51 last week. In other words, wages have increased from an average of \$9.75 in 1895 to \$14.51 last week. That, I believe, is as high an average scale as may be found in any establishment employing a considerable number of people, in the whole world. For example, we have a minimum wage scale to women of \$7.50 a week, and that applies to very few.

Senator THOMAS. That does not include all the compensation, the salaries to your clerks and bookkeepers and officials?

Mr. WELLS. It does not include salaries to officials, but it does include salaries to clerks and bookkeepers, because those salaries, as a rule, are much lower than is paid 150 other men working at the bench around our place.

Senator THOMAS. Does it include salaries to the superintendents?

Mr. WELLS. No, sir. Now, as to selling price: Here are five cups and saucers, showing five different decorative treatments, every one of those five being retailed to-day all over the United States, east of Kansas City, for 10 cents.

Senator THOMAS. You mean for both pieces, cup and saucer?

Mr. WELLS. Yes, sir; as it stands, per pair. Fifteen years ago it would have been impossible to have produced the equivalent of those to have retailed below 20 to 25 cents. There have been remarkable improvements in the methods of decorating. There [indicating cup and saucer] is a decorative treatment, wholly unknown in this country or in England 10 years ago. It is produced from a rubber stamp. This one [indicating another cup and saucer] is also produced from a rubber stamp, while the two cups and saucers that I have in my hand here are decorated by the decalcomania transfers. It formerly was necessary in decorating any pottery in colors to first engrave the pattern on a copper plate and etch it upon the ware and to fill in the colors with a brush by hand. Now all such patterns are first lithographed on paper and transferred by the decalcomania process.

In other words, every decoration represented by these five cups and saucers, and every decoration that we are to-day applying to pottery, represents some new and improved method that has come into practice within the last 15 years, the consequence being that the wholesale prices and the retail prices of real attractive earthenware have been decidedly reduced during that period.

Another point I want to make is that we wholesale those five decorated patterns represented on the table here at 90 cents per dozen, at the factory. The purchaser pays a little added price for the package in which it is contained, and the freight, and retails it at 10 cents.

Senator STONE. Do you sell those directly to the retail country merchants?

Mr. WELLS. Well, yes; principally to the 10-cent syndicates—the F. W. Woolworth Co. and concerns of that character, that have stores everywhere.

The point I want to make is this: Suppose, by some change in competitive conditions abroad, we were compelled to sell those cups and saucers to the dealer at 85 cents per dozen. It would be a considerable decrease in our selling price. Would the ultimate consumer get them at less than 10 cents apiece at retail? That seems to be the vital question. More than one-third of all the earthenware made in the United States is sold to the large 5 and 10 cent stores. The small reduction in our selling prices of 4 or 5, or even 10 per cent, I can not see would result in giving those things to the ultimate consumer at one cent less than he pays to-day.

I would like permission to file a statement here showing much more in detail than I want to trouble you with now to state to you orally. The gradual increase in wages in different branches from 1895 to 1913 are shown, showing, for instance, that we pay the unskilled laboring men about \$12 per week, or \$2 per day.

Senator STONE. What do you mean by unskilled labor in that industry?

Mr. WELLS. Men who work at odd jobs, at shoveling out and sweeping and cleaning and work of that kind, that any man can do without experience or training. That is the lowest item in our wage scale. Among our skilled workmen we paid for the two-weeks' period ending on May 17, at our factory, \$22.37 per week. To kiln placers, we paid \$25 per week; to dippers, we paid \$34 per week; to mold makers, we paid \$25 per week—

Senator STONE. Suppose you put that into the record.

Mr. WELLS. That is as far as I need to go in calling attention to the prevailing rates.

Senator THOMAS. What is the capitalization of your concern?

Mr. WELLS. \$2,000,000.

Senator THOMAS. Is it divided into common and preferred?

Mr. WELLS. All common stock.

Senator THOMAS. That represents your actual capital?

Mr. WELLS. Almost precisely. As against the rates of wages that I have referred to as being paid in the factory that I represent, I want to call your attention to this statement in the Pottery Gazette, published in London on May 1, 1913—this month—being the official organ of the potters of England. Under the heading "Employment in the pottery and glass trades," is states that for the week ending March 15, this year, there were 12,265 people employed in earthenware manufacturing, and the 12,265 people received for one week £11,652; being an average of less than £1 per week, against the average one week this month of the potteries that I represent of over \$14 per week.

I have also the April number of the same organ, in which the number employed in the earthenware manufacture is given at 11,585 and the wages paid £10,963, or less than £1 per week on the average there. I have a clipping from the last December number, which shows practically the same thing; and it being my business to keep posted on matters of this kind, I have followed this publication month by month for many years, and only in one or two instances have the wages in the English earthenware factories exceeded an average of £1 per week in all that time.

I just desire to call your attention to a statement made in this same pottery gazette of April 1, by a correspondent from the pottery dis-

trict, referring to this Payne tariff legislation in the United States Congress. With reference to the fact that the House proposed a larger cut on earthenware than it did on china, he comments as follows:

This is unfortunate for our manufacturers, but at the same time the high-class china which we send to America will doubtless hold its own even against the maintenance of a high tariff. And if the reduction on earthenware proves to be substantial, it will greatly benefit many of the manufacturers of the potteries.

That is the English viewpoint of a reduced tariff on earthenware. Senator JAMES. But it is mighty easy to get those articles inserted, you know, and really not reflect the view of the Englishmen. It might be done for the purpose of trying to influence the views of the committee over here, you know. Has that occurred to you?

Mr. WELLS. I am quite sure you are not suspicious of any American manufacturer or any representative of the American manufacturers that they had any influence in having those things inserted.

Senator JAMES. I am quite frank to say this, that I would not allow to influence me any article that would appear in an English newspaper while a tariff was up for consideration, for this reason, that it would be quite easy to do that, and for the second reason that the Englishman, if he thought he was really getting a benefit, would be quite slow to point that out while the bill was in the course of its making.

Mr. WELLS. Of course, I would not expect the members of this committee to endeavor to trace the authenticity of that statement, but anyone at all familiar with this particular publication sees the evidence that it is bona fide in the very way it is written. I am quite familiar with the style used by that particular correspondent from Staffordshire to London, and he uses that familiar phrasology.

Senator JAMES. But I think an American lawmaker ought to be able to pass upon questions as to their merits from the information he has at hand, and not be guided by what somebody else says is the effect of the proposed action. It is like saying to a fellow:

You don't want to do this. Of course, I can not give you any reason why you ought not to do it but because your enemy wants it done.

Senator THOMAS. That article indicates to my mind that this tariff is the sort of a tariff that the Democratic Party is obliged to make—that is, a competitive tariff, one that would enable some competition in all these various matters, both for revenue purposes and for the purposes of affecting prices. In other words, we do not stand in the position of having a prohibitory tariff on anything.

Senator JAMES. Oh, certainly not.

Mr. WELLS. There never has been on pottery anything approaching a prohibitory tariff.

Senator STONE. Have you finished?

Mr. WELLS. I could say a great deal more, but I presume I had better yield.

Senator THOMAS. We have had you gentlemen before us on a great many schedules, and in these oral hearings we are obliged to limit the time because of the imperative necessities of our position.

Senator JAMES. You had quite an extended hearing before the Ways and Means Committee?

Mr. WELLS. Yes; and you were on that committee, and this is what I want to refer to. That sworn statement that I submitted there as to our earnings of all of the factories in the vicinity where my plant is located, showing that their average earnings on the capital invested for three years had been but 6½ per cent. Your committee of investigation is now on the ground, and I leave that with the consciousness that it will be verified if found erroneous by them.

Senator STONE. Of course, gentlemen, you will understand, as Senator Thomas says, that the bare necessities of the situation require that we should limit these hearings to the extent of not having them unnecessarily duplicated. The hearings before the Ways and Means Committee are on our table here. I have received, all of us have received, numerous briefs, numerous conversations, and the gentlemen representing these industries have appeared before us. I have been very glad to hear what you have had to say; it has been very interesting and instructive, but it is a little hard to keep the others waiting too long. Does this conclude the hearing?

Mr. BURGESS. I would like to call attention to two or three matters that I believe are particularly vital because of the apparent misunderstanding in so high a source as Mr. Underwood himself.

STATEMENT OF MR. WILLIAM BURGESS, REPRESENTING THE INTERNATIONAL POTTERY CO., TRENTON, N. J.

PARAGRAPHS 81 AND 82.—*Earthenware and china.*

Mr. BURGESS. Mr. Underwood made two or three statements on the floor of the House when this bill was introduced which indicated that the facts were not clear in his mind. He made the statement that the total product of the United States of pottery ware, such as are included in paragraphs 81 and 82, amounted to \$76,000,000, and the wages paid were \$29,000,000, or 38 per cent of the cost of production.

I looked that matter up and found that in the handbook it gave these figures as the output of 778 factories, I think, including pottery, terra cotta, and other fire-clay products. Out of that number—778—66 potteries are such as we represent and come under these particular paragraphs; and the total production of these 66 factories is between \$15,000,000 and \$16,000,000 instead of \$76,000,000, and our percentage of cost, labor cost, is over 60 per cent, and not 38 per cent. That is a very vital point, and we desire to call it to your attention.

Mr. Underwood also stated that my figures, naming me, were very much exaggerated as to the difference in labor costs, basing his statement largely on the statement made by the importers to the effect that the labor was almost three times higher than the figures that I presented. For example, the plate maker, the importers claim, earned \$19.85 a week, against my figures of \$6.90 a week.

Senator THOMAS. You mean the outside labor?

Mr. BURGESS. Yes, sir; the plate makers, the makers of the plates alone.

Senator THOMAS. I know, but in this country or abroad?

Mr. BURGESS. In England—it is the English labor cost—that the hollow-ware jiggerman earns \$8.50. There are a number of figures given here showing that the total difference in cost was comparatively slight. One of the labor organizations' representative, who had come

from England, stated that if he could earn any such wages as the importers had represented he would never have come to this country, and he did not think it would be necessary for the manufacturing potters to have any tariff whatever; in which view we thoroughly coincided.

Senator THOMAS. Can you give us the name of that man, that labor leader?

Mr. BURGESS. Mr. Hutchins, the vice president of the association.

Senator JAMES. How long has he been here?

Mr. CAMPBELL. He made a statement that three or four who had been over here a few weeks had made that statement.

Mr. BURGESS. Another very important statement that Mr. Underwood made was:

And we have reduced the rate on earthenware. There were no importations coming in. Oh, I think there was a little high-grade decorated earthenware, but as a rule you may say there were no importations coming through the customhouse at all on earthenware.

That is a very serious statement in our case. China and earthenware, as you know, were combined under the one paragraph before, and it is very difficult to find the exact proportion of earthenware, but I went to the State Department and the Department of Commerce and Labor and took from there the consular reports, and I find that from Great Britain there was \$1,687,411 of earthenware.

Senator STONE. When?

Mr. BURGESS. That was the last reports up to 1911. In 1911 these figures are—the 1912 figures are not in yet: From Germany, \$786,339; from Holland, \$55,363; from Belgium, \$37,241; from Italy, \$54,716; from Canada, \$7,781; from Mexico, \$2,666; from Spain, \$1,319; from France the figures were rather complicated, and the estimate would be about \$175,000. That is a low estimate, making the total importations of earthenware more than \$2,000,000.

Senator JAMES. What sort of earthenware was that?

Mr. BURGESS. All kinds of earthenware—tableware.

Senator JAMES. Was it the cheap earthenware or was it the high grades?

Mr. BURGESS. There is no distinction, no way of drawing any distinction; it was both high and low.

Senator JAMES. Does that include china?

Mr. BURGESS. No; this is earthenware only. There is over \$8,000,000 of chinaware reported, but these are the figures that Mr. Underwood said were not imported to this country.

Senator STONE. What is the domestic production of earthenware?

Mr. BURGESS. For this class of stuff between \$15,000,000 and \$16,000,000.

Senator STONE. You say of this class of stuff. Your figures there on imports cover all kinds of earthenware?

Mr. BURGESS. All these same particular kinds of earthenware. We make some special goods that do not enter into the pottery-ware trade at all, that are made of earthenware. When these goods get into this country in competition with our goods, or sell in this country in a commercial way, they are worth at least double that, or, say, in round figures, \$5,000,000; so that in the total consumption, wholesale value, in this country of earthenware of \$20,000,000 the imports are at least \$5,000,000.

Senator THOMAS. Why is it that you could not find those figures at the customhouse?

Mr. BURGESS. They enter their goods in there in a single paragraph—china and earthen ware. There is no description of those and there is not in the statistical reports. I had to dig them out.

Senator THOMAS. Don't you think it is possible for you to have found some confusion in those consular reports, the same confusion that you found in the customhouse about that?

Mr. BURGESS. No. In the consular reports, as dated from Burslem for 1911, the exportations from the consulate at Burslem were: China, \$337,194; earthenware, \$1,619,676; or a total of \$1,986,870. It is specifically stated that one was earthenware and the other was china.

Senator JAMES. Do you export any earthenware?

Mr. BURGESS. No, sir.

There is just one other point that I want to bring out. Mr. Underwood made the estimate that there would be an increase of about \$1,500,000 of imports on this class of goods under the reduced tariff. When these goods come into this country they are worth double that, in round figures, including cost, importers' profits, and so on, or \$3,000,000, and that displaces \$3,000,000 of that product in this country. That is a saving of about seven-tenths of 1 cent per capita, or about \$700,000 to the consumers, and \$700,000 reduction in revenue. It takes from our working potters 6 per cent of that \$3,000,000, or \$180,000 less in wages that were distributed to our people here, if you speak of the masses, and \$700,000, or seven-tenths of a cent per capita. The amount of consumption of pottery ware in the country is about 30 cents per capita.

Senator JAMES. Of course you can not justify any governmental policy upon the theory that what you take from all the people is a small amount and that you give that small amount to a certain other class of people, which amounts to a good deal. That is hardly a fair argument, that the amount you take is small. The only argument you can possibly make, if you make anything at all, is for the purpose of making revenue.

Mr. BURGESS. But when those different takings-out come from different groups of men throughout the country—consumers as well as producers—it is affecting the consumers in a much larger way than the small reduction in price, provided they got seven-tenths of a cent.

Senator JAMES. I do not think any argument can be made for a protective tariff that does not start out upon the proposition that you take from the people for the benefit of the few.

STATEMENT OF MR. BENJAMIN A. LEVETT, OF 17 STATE STREET, NEW YORK CITY.

PARAGRAPH 97.—*Incandescient lamps.*

Mr. LEVETT. Mr. Chairman, I want to say a few words on incandescient lamps. I have a brief here which I purpose to leave with the committee.

Senator STONE. Do you live in New York City?

Mr. LEVETT. Yes, sir.

Senator STONE. What is your business?

Mr. LEVETT. I am an attorney. The parties in interest are the Laco-Phillips Co.

Senator STONE. What business are they engaged in?

Mr. LEVERT. They are engaged in the importation of electric lamps.

Senator STONE. Proceed.

Mr. LEVERT. In a bill of complaint filed by the United States Government against the General Electric Co. under the antitrust law the following is stated:

Approximately 80,000,000 incandescent electric lamps are manufactured, sold, and used annually in the United States, of an aggregate value of about \$18,000,000. Of these the defendants, in virtue of their combination and conspiracy, hereinafter described, control the manufacture and sale of more than 97 per cent.

Under the present act those lamps pay a duty of 45 per cent. The General Electric Co. have been gradually putting down the prices until they have driven out of business all but three concerns—ours and two others.

Senator STONE. Importers?

Mr. LEVERT. Importers.

Senator STONE. What was done with that suit?

Mr. LEVERT. That suit is still pending. We have been able to obtain the cost to the General Electric Co. of their lamps, and their selling price shows profits on those four which are chiefly used, viz. the 25-watt, the 40-watt, the 60-watt, and the 100-watt, ranging from 161 to 190 per cent profit. That is, the General Electric Co. Our profit runs about 16 or 18 per cent gross. It is now threatened that there will be another reduction, and if that be so, it means the end of our importation. The present bill carries a duty of 30 per cent.

Senator STONE. Another reduction of what—a reduction of duty?

Mr. LEVERT. Another reduction in the price. The General Electric Co. has been gradually reducing the price of the lamps until one after the other of the importing concerns has been driven out of business. We have managed to stay up to this time, but another reduction—and I understand one is contemplated for July 1—will practically shut us right off on the 45 per cent rate, and even on the 30 per cent rate, so that we ask that the duty be decreased to 10 per cent.

Senator THOMAS. Is that on carbons?

Mr. LEVERT. No; this is principally on the tungsten lamps. Those are the ones that the Leco-Phillips Co. imports—the drawn-wire tungsten lamps. The details are given in this brief which I will ask you kindly to read, and the successive drops are given. Of course it is to be expected that the moment that they have the field all to themselves up will go the price, and the consumer will pay for it.

Senator THOMAS. What schedule is this under?

Mr. LEVERT. It is under Schedule B, paragraph 97, now.

Mr. BRUNN. That is right—Schedule B, paragraph 97. Under the old law they were classified as manufactures of metals, chief value, under Schedule C, and they seem to have been transferred to the other schedule. Metal is the element of chief value in all these lamps, however, and as a matter of fact they belong in Schedule C; but I see they have been put in under the glass paragraph.

Mr. LEVERT. That was on the theory that glass was the element of chief value. There was a question as to whether or not the metal

would not be the element of chief value. There is platinum in these lamps, and under the House bill it is a question whether the platinum would not be the element of chief value, in which event the duty would be 50 per cent. Manufactures of platinum carry a duty of 50 per cent, although the other metals, except gold and silver, have a duty of 25 per cent.

Mr. BUNN. May I ask Mr. Levett a question or two here, Mr. Chairman?

Senator STONE. Yes.

Mr. BUNN. It is rather important that I should know something about this, too, if it is going in there. I used to handle these goods in the other paragraph. Taking all the metal that is in a lamp of this kind, is not the metal the element of chief value?

Mr. LEVETT. That is probably true; but under the ruling you would now have to segregate the two metals which pay different rates of duty. That was held in the basket case on the question of chip. They had willow and chip and other woods. There was a special provision for willow, and the Board of General Appraisers held that the three woods could not be considered as one wood for the purpose of ascertaining the chief value, as to whether it was wood or not, but you would have to separate them, because willow and other woods were separated in the paragraph.

Mr. BUNN. Yes; but just a moment. Electric lamps with metal filaments have been passed upon by the Board of General Appraisers in the contest between the importer and the Government as to whether metal or glass was the element of chief value, and the board has held that the metal was the element of chief value.

Mr. LEVETT. Yes.

Mr. BUNN. That is what I am trying to bring out; and the metal is still the element of chief value.

Mr. LEVETT. If you take all the metals together; but if you do not take them all together, under the wording of the present paragraph, the residuary clause, you would have to separate the platinum from the other metals.

Senator THOMAS. I do not think that is very important, because it is classified here under Schedule B, and that is what we will have to consider.

Mr. BUNN. It is only important to me, Senator, because I will have to pass on it.

Mr. LEVETT. We simply ask a chance to live on those articles.

Senator THOMAS. Your request, condensed, is a reduction to 10 per cent ad valorem duty?

Mr. LEVETT. Yes, sir. That will bring some revenue to the Government and enable us to compete.

I have one other matter that I should like to talk about, and that is what is known as a sand-blast machine. We appeared before the Ways and Means Committee and asked that these machines be put on the free list. They are illustrated by this cut that I will hand you. On the left of this picture you will notice a man with a hood and a leather coat. He is cleaning castings by a sand blast. The room is made of steel, and is air tight to keep the sand from flying all over the building. The result is that he has to be protected like this in order to keep him from getting these grains of sand into his

system. Even at that the evidence is that they are very short lived, and can work only two or three hours a day.

On the right of that is the machine for which we ask free entry. It does away with all of that business, puts the castings inside of the machine, and they are automatically cleaned. They are not made in this country, and there is no reason at all why they should not be permitted free entry, because they are really life-saving apparatus. I ask that a special provision for them be put in the free list along with cash registers in paragraph 450. If the committee does not think they ought to come in free, and that they ought to pay some duty, then I ask that they be put in with the machine tools, because they are of that class; that is to say, in paragraph 167, at 15 per cent.

I think I am within my 10 minutes.

Senator THOMAS. You say this is a life-saving machine?

Mr. LEVETT. Yes; they would come along with that. They are really life-saving apparatus, Senator.

Senator STONE. I have here two letters handed me by some glass manufacturers, who have been here to-day and yesterday wishing to be heard. They send notes saying that inasmuch as we have already given hearings on these subjects they will waive further hearing. I should like to have these letters incorporated in the record at this point.

(The letters referred to are as follows:)

WASHINGTON, D. C., May 23, 1913.

Hon. WILLIAM J. STONE,

Chairman, Senate Office Building.

DEAR SIR: We expected to appear before your committee to-day in behalf of eastern window-glass jobbers, but have decided to file a brief instead, as we understand you have already given considerable time to the window-glass interests.

Brief will be made promptly.

Yours, respectfully,

STEPHEN & MYER,

By C. R. MYER, *New York, N. Y.*

HRES-TURNER GLASS CO.,

By W. H. TURNER, *Philadelphia.*

WASHINGTON, D. C., May 23, 1913.

Hon. WILLIAM J. STONE,

Hon. OLLIE M. JAMES,

Hon. CHARLES S. THOMAS,

Senate Finance Committee.

GENTLEMEN: While we thank you for your courtesy in fixing a time for hearing us on the question of tariff schedule, as it applies to common window glass, we have concluded to waive our rights to the time you assigned to us this afternoon and to ask the privilege of going into details of several points in a brief we will file early this coming week.

We appreciate that your committee has heard us on a former occasion and we are quite agreeable to the surrendering of our time for the benefit of those who have not as yet had a hearing.

Respectfully,

H. R. HILTON,

*Chairman Window Glass Manufacturers' Tariff
Committee, Port Allegany, Pa.*

E. H. FLOOD,

Manufacturer, Alco, N. J.

J. R. JOHNSON,

President Johnston Glass Co., Hartford City, Ind.

STATEMENT OF MR. T. W. ROWE, PRESIDENT OF THE AMERICAN FLINT GLASS WORKERS' ASSOCIATION, TOLEDO, OHIO.

PARAGRAPH 86.—Glass.

Mr. ROWE. Mr. Chairman and gentlemen, I come here to protest in behalf of the American Flint Glass Workers' Union against the reduced tariff rates as provided by the Underwood bill.

Senator STONE. Do you recall what paragraph you wish to speak to?

Mr. ROWE. It was paragraph 98, Schedule B. I think they have changed it to 99, later. My subject is hollow-blown glass. It is a general line of flint glass. It is hollow-blown glassware, and the duty has been reduced from 60 per cent to 45 per cent. It takes in globes and shades and all kinds of hollow glassware.

Senator THOMAS. It is paragraph 86.

Mr. ROWE. They have taken incandescent electric lamps out of that schedule, the hollow glass schedule, No. 86, and put it into the basket clause, and they reduce the incandescent lamps from 60 to 30 per cent; that is, the unfinished incandescent lamps. The finished incandescent lamps are reduced from 45 to 30 per cent; and we have got another incandescent electric bulb in the basket clause against which we wish to record a very emphatic protest, because we believe that that properly belongs under hollow-blown glassware.

Mr. Sink has informed me that my time is limited to 10 minutes. So I want to say just as much as I possibly can that would cover some of the important facts connected with this business to substantiate our reasons for protesting against any reduction in the rates on blown glassware.

Take the American glass industry to-day and you will find that there is no combination of manufacturers; there is no cooperation among them governing the selling price of their goods. The entire flint-glass industry is conducted on an extreme competitive basis, and the selling price of glassware is extremely low; and you gentlemen can easily satisfy your own minds, if you feel a desire to do so, by going into any of the 5 and 10 cent stores and seeing all kinds of glassware, blown tumblers, etc., sold almost down to the cost of production. I do not believe that the American glass manufacturers in their business average 4 per cent profit. We have reduced our wages, increased our production, and changed our working system, and adopted the foreign method, the German method, the Belgian method, of making glassware, and exercised every faculty within our power to have all glassware used in the United States made by the American workmen, and, notwithstanding the fact that our members work on a piecework system, work nine hours for a day's work, and put in about an hour a day in addition to that preparing the work, day and night work, with the continuous tanks and pot furnaces that are in operation, we have done everything we possibly could within reason to have the glassware that is used in our country made in our country, but notwithstanding that there is \$7,000,000 of glassware which comes into this country every year.

Senator STONE. You mean of this blown glass alone?

Mr. ROWE. The blown glass alone. The United States census reports show about \$7,000,000 worth of glassware of varied kinds comes into the country every year.

Senator STONE. Do you mean to say that we should increase those rates so as to prohibit those importations?

Mr. ROWE. No; I do not maintain that. What I say is that the American glass industry is conducted on an extreme competitive basis, and there is very little profit in it for the American manufacturers. I do not believe they average 4 per cent at the present time.

Senator STONE. I would like to understand, if you please. The American glass industry covers a pretty wide field.

Mr. ROWE. The American flint-glass industry manufactures table-ware, blown lamps and shades, incandescent electric lamps, and all that line of goods. The American flint-glass industry manufactures all that line of goods, and the manufacturer's profit does not average 4 per cent throughout the entire country.

Senator THOMAS. You said they reduced their wages. How much did they reduce them?

Mr. ROWE. Well, two years ago, on the chemical lines, made down in New Jersey largely, we increased our production 40 per cent and put the men from a limited day's work to an unlimited system. They have taken a 20 per cent reduction at one time last season—

Senator THOMAS. How much was the reduction in wages?

Mr. ROWE. We took a 20 per cent reduction in wages.

Senator THOMAS. When?

Mr. ROWE. That was done under the Wilson-Gorman bill, when the tariff was reduced.

Senator STONE. Has it been raised since?

Mr. ROWE. Partly raised. When the tariff was restored we got a 10 per cent jump and then we got another 5 per cent. So we are within 5 per cent of getting back what we had.

Senator JAMES. Is not this true that glass is manufactured by a patent process?

Mr. ROWE. Only on bottles. The Owens electric bottle machine has been introduced.

Senator THOMAS. But is there not a machine that blows glass in large sizes?

Mr. ROWE. The American Window Glass Co. has a machine, but in our industry there has been no machine. We have a semiautomatic machine that makes certain kinds of work, but they employ skilled labor and do not hurt us.

Senator JAMES. In the blown-glass industry have they not supplanted skilled labor to a great degree?

Mr. ROWE. Only in the bottle-making industry—the Owens machine. They have got 15 in Alton, Ill. They are used in Streator, Ill., and in West Virginia and in Pennsylvania. We make beer bottles, ketchup bottles, brandy bottles, and in that industry there is no automatic machine introduced.

But I want to say to you that in the last seven or eight years the glass people in this country—the glass trade has been in its most prosperous state so far as production is concerned, but even during that period of time there has been an average of 14 per cent of our members unemployed. Our members' average wage for the year is less than \$14 a week. There is so much time lost on account of broken pots, imperfect metal, and other unavoidable causes, that have got to be seen to, or it interferes very seriously with the work, and

the average wage during the year is brought down very low on that account.

Senator JAMES. You stated that the profits of these people did not amount to 4 per cent. Do you base that statement on information which is accurate?

Mr. ROWE. I base it upon reliable information coming from the manufacturers; and they state that a number of flint-glass manufacturers have gone out of the business. We started a number of cooperative concerns, and we know from our own men and from our own personal experience and the experience of our own members and reliable statements coming from people in whom we have absolute confidence that that is a fact.

Senator THOMAS. Have you read the statements before the Ways and Means Committee of the House?

Mr. ROWE. Yes, sir.

Senator THOMAS. Do they make that statement there?

Mr. ROWE. Yes, sir.

Senator THOMAS. Four per cent?

Mr. ROWE. Yes, sir.

Senator THOMAS. Do they tell us there how much is watered stock and how much of their stock is capitalized, how much good will, how much overhead expenses, etc.?

Mr. ROWE. No; they do not say that, but there is not much watered stock in the American Flint Glass figures. There was one firm in Senator Scott's district which declared a 20 per cent profit one year; but their capitalization was only \$40,000.

Senator THOMAS. Did you read the testimony of one of these fellows who bought a plant capitalized at \$2,000,000, and declared a dividend, and refused to testify as to other facts that we asked him for?

Mr. ROWE. In a glass factory?

Senator THOMAS. Yes.

Mr. ROWE. It is not in the flint-glass industry.

Senator THOMAS. I do not know what special industry it is in.

Mr. ROWE. There is nothing like that in the flint-glass industry.

Senator STONE. Let me ask you what factory, if any, you are interested in.

Mr. ROWE. I do not own a single cent of stock in any factory. I have been the international president of the American Flint Glass Workers' Union for the last 10 years, and our members are employed from Massachusetts to San Francisco, and we have got them all up through Canada—Ontario and in Vancouver. I represent a labor organization.

Senator STONE. But I was getting at your source of information with respect to the industry. What experience have you had personally, in a personal way, in the making of this glassware?

Mr. ROWE. I personally learned the trade. I went into a glass factory when I was a little boy 12 years old and did a boy's work; and I got up to working on a press in the tableware shop—in fact, I am a practical glassworker. I have visited practically every glass works in the United States and all the factories in continental Europe, on two different occasions, and in the British Isles. I think I know a little bit about the glass industry.

Senator STONE. How long since you have been actually employed?

Mr. ROWE. Fifteen years this summer. I was elected general organizer of the American Flint Glass Workers' Union in the summer of 1898, in Zanesville, Ohio, and I traveled as a traveling organizer for two years. I have been president for 10 years.

Senator STONE. How old are you now?

Mr. ROWE. Forty-four years of age. I will be 45 years old on the 5th of December. I have been a member of the American Flint Glass Workers' Union for 27 years.

Senator STONE. Take a sample industry or plant and give me the average wage.

Mr. ROWE. Take this incandescent electric bulb that is over my head here—and, by the way, you have an imported chandelier there; that incandescent bulb there I can not tell. The gatherer who gathers the glass makes \$2.80, or \$1.10 a turn. They will average about \$600 a year. They have to knock off very often on account of bad glass. If the glass runs seedy or corded or wavy, or if the glass is not perfectly clear, it is laddled out, and the men are obliged to go, and instead of working 5½ days a week at 4½ hours for a turn, those men would probably average 7 or 8 turns a week. And then they would have pots break, or maybe the crown of the furnace caves in. There are unavoidable things connected with the industry that cause a reduction. Two thousand degrees Fahrenheit, with 14 to 16 pots and 33,000 pounds of glass in that heat, all confined in that little circle, the crown of the furnace is liable to come down and the pot break and interfere with production. So that the men average along about \$550 or \$600 a year. The average wage of the men, according to our quarterly report, is less than \$14 a week the year around.

What we would like to say, gentlemen, is, we do not expect that you are going to increase that rate, 45 per cent, very much, but we would like to see you at least take that unfinished incandescent electric bulb out of that basket clause and put it into the hollow-blown schedule, where it properly belongs. It is all flint glass, you know. That electric bulb up there [indicating] is flint glass.

Senator THOMAS. Your contention is rather for a different classification than a different rate?

Mr. ROWE. Particularly on the finished and unfinished incandescent lamps, because there were 10,000,000 of those came in here to this country last year; and the wages are now so low, taking a man that has ability to work in a glass factory seven or eight years before he becomes a gatherer and receives \$2.80, and then he gets \$1.50. It is not as much as a bricklayer or a carpenter or a stonemason throughout the country is getting. If you are going to let the incandescent lamps go into our country, you are going to seriously interfere with the wages of those men; and we would like to see, if you do not do anything else, those finished and unfinished incandescent lamps taken out and put in the 45 per cent class. That means a reduction from 60 to 45 per cent, anyhow.

I have a brief here that I have prepared, and there is one copy of it that I would like to have go to the committee.

**STATEMENT OF MR. STANWOOD E. FLITNER, REPRESENTING THE
COOPER-HEWITT ELECTRIC CO., OF HOBOKEN, N. J.**

PARAGRAPH 100.—Quartz.

Mr. FLITNER. I represent the Cooper-Hewitt Electric Co., of Hoboken, N. J., and I want to be heard by the committee with reference to the duty on quartz. I think I can put the matter before you best by reading this short brief.

Senator STONE. What does your company make?

Mr. FLITNER. Electric lamps. This is the raw material for use in that lamp, and I have written this brief on the subject. Shall I read it to the committee?

Senator STONE. Yes, sir.

Mr. FLITNER (reading). We desire to call attention to what appears to be an omission in the new tariff act with reference to the import duty on quartz tubing and bulbs used in the manufacture of mercury vapor lamps. None of the proposed schedules seem to cover this material.

This omission is undoubtedly due to the fact that the product is very new and comparatively little known in this country, and we request the opportunity of presenting to you for your consideration the facts in regard to it.

Mercury vapor quartz lamps have been in use abroad for several years, and recently their manufacture has been commenced in the United States. There are already a number of installations in service, including a number of Government buildings and navy yards, etc.

The quartz of which these lamps are constructed is a pure fused form of silicon dioxide— SiO_2 —or silica. Prof. Rensen, of Johns Hopkins, states in his "Chemistry":

Next to oxygen, silicon is the most abundant element in nature. There are extensive mountain ranges consisting almost entirely of the dioxide, SiO_2 , in the form known as quartz or quartzite. The clay of the valleys and river beds also contains silicon in large quantity, while the sand found so abundantly on the deserts and at the seashore is largely silicon dioxide.

For the manufacture of tubes and bulbs for the vapor lamps the silica is obtained in as pure a form as possible, generally in the shape of small broken crystals, the market price for which is about 30 to 60 cents per pound. These are melted at a very high temperature in an electric furnace or in iridium crucibles, and while in a fused state are drawn or blown into the desired shapes. The process is an extremely difficult one, and so far has never been undertaken commercially in this country; consequently, the makers of quartz lamps have had to import all their raw material.

Owing to a misunderstanding, due to the fact that silicon dioxide is sometimes found in the form of large, clear, and perfect crystals, which are called rock crystals, and which are capable of being carved into ornaments, etc., this raw material has been assessed under the present tariff act of 1909 under section 112 of Schedule B:

Marble, breccia, onyx, alabaster, and Jet, wholly or partly manufactured into monuments, benches, vases, and other articles, or of which these substances or either of them is the component material of chief value, and all articles wholly or in chief value of agate, rock crystal, or other semiprecious stones, except such as are cut into shapes and forms fitting them expressly for use in the construction of jewelry, not specially provided for in this section, 50 per cent ad valorem.

It is very evident that this clause was never intended to cover the material under discussion, and protest is now being made to the board of appraisers. The quartz in question bears no more similarity to rock crystal than coal does to diamonds. However, it does not appear that any clause, either in the present or proposed tariff bill, covers this material any more specifically.

In the proposed tariff the duty on articles mentioned under this schedule is reduced to 45 per cent. If the board of appraisers shall hold, as they have till now, that fused quartz tubing and bulbs, which is the raw material for the manufacture of vapor lamps, should be classified as a semiprecious stone, it will place an almost prohibitive tax upon the manufacture of vapor lamps in this country. Especially will this be so if as it would appear the finished lamps themselves might be imported under section 97 of Schedule B as "incandescent electric-light bulbs and lamps" at a duty of 30 per cent.

We would therefore respectfully request that quartz tubing and bulbs, which are distinctly raw materials of very little use until manufactured, be specifically listed in the new tariff bill, either under the free list or else at a lower duty than the finished product for which they are used.

Senator THOMAS. Will you prepare such a section as you think ought to be inserted, and give it to Mr. Shinn?

Mr. FLETNER. Yes, sir.

Senator THOMAS. So we can be relieved of that.

Mr. SHINN. Certainly.

STATEMENT OF THE EASTMAN KODAK CO.

Attention is respectfully directed to the statement this day filed by the Eastman Kodak Co. as to Schedule X, which contains a history of the Eastman Co. and other matters which should be considered in connection with those presented by this statement, which has to do with the subject of glass plates for photographic purposes, and such glass plates coated with sensitized gelatin emulsion.

Glass plates suitable for photographic purposes are not manufactured in this country in an amount sufficient for even a small part of the requirements. The Eastman Co., and no doubt others, has encouraged their manufacture here, but without satisfactory results. Manufacturers of photographic dry plates in this country must, therefore, rely upon foreign manufacturers for their supply of glass plates suitable for such purpose. This being so, glass plates for photographic purposes should be on the free list.

It is otherwise, of course, with the sensitized glass dry plates, which should be subject to at least the proposed duty of 15 per cent ad valorem. Reasons for this have been fully presented by others, and the Eastman Co. desires to refer to only one, namely, that as the raw materials—gelatin and nitrate of silver—which go to make up the sensitized gelatin emulsion in preparing such plates are to be subject to an ad valorem duty—25 per cent and 10 per cent, respectively—the finished product, namely, the sensitized dry plate, should also be made subject to duty.

EASTMAN KODAK Co.,
By GEO. EASTMAN, *Treasurer*.

UNITED STATES OF AMERICA,
City, county, and State of New York, ss:

George Eastman, being duly sworn, deposes and says that he has read the foregoing statement signed by him in behalf of the Eastman Kodak Co., and that the same is true except as to the matters therein stated upon information and belief, and that as to those matters he believes it to be true.

GEORGE EASTMAN.

Subscribed and sworn to before me this 27th day of May, A. D. 1913.

[SEAL.]

THOMAS F. KEHOE,
Notary Public, New York County.

SCHEDULE C.—METALS, AND MANUFACTURES OF.

STATEMENT OF MR. KNOX TAYLOR, PRESIDENT OF THE TAYLOR-WHARTON IRON & STEEL CO., HIGH BRIDGE, N. J.

PARAGRAPH 101.—*Ferromanganese.*

Senator STONE. What paragraph or part of this bill do you wish to speak to?

Mr. TAYLOR. With reference to the proposed increase of duty on ferromanganese.

Senator THOMAS. We have heard more on that subject, I think, than on any other in Schedule J.

Senator STONE. I do not think you need to take very much time on that.

Mr. TAYLOR. I am glad that that is the case. I hope it will be put on the free list.

It is a hardship on us to have the duty on ferromanganese increased. We use 1 ton of ferromanganese for every 4 tons of steel we make, and it is such an increase in duty as to protect our biggest competitor, the United States Steel Corporation. If you gentlemen have already decided what you are going to do on that—

Senator STONE. I do not say what we have decided, but I do say we have heard any number of gentlemen having the same interests that you have. I think the committee pretty well understands your position.

Mr. TAYLOR. There is perhaps no need of taking any more of your time. We began the manufacture of ferromanganese steel a great many years ago, and the industry has gone along very nicely, and we do not like to see the development of that industry interfered with by the Democratic administration.

STATEMENT OF MR. WALTER M. STEIN, PRESIDENT OF THE PRIMOS MINING & MILLING CO., PRIMOS, PA.

PARAGRAPH 156.—*Ferrotungsten ore.*

Mr. STEIN. We are engaged in the mining of ferrotungsten ores. Under the new Underwood schedule the duty on tungsten ore is supposed to be taken off. It is 10 per cent ad valorem at present.

Senator THOMAS. Ferrotungsten, under paragraph 101, carries 15 per cent ad valorem.

Mr. STEIN. Those are manufactured articles. All our tungsten ores are mined in the Southwestern States. Our minimum labor cost of mining out there is \$3 per day of eight hours. The wages we pay out in Colorado are \$3, \$3.50, and \$4 per day. The average payroll wage is \$3.14. That is for an eight-hour day, and we compete with the ores from Portugal, Spain, India, and the South American States, and also on some ores from China.

Senator THOMAS. This duty was first imposed on the tungsten in the Payne-Aldrich bill.

Mr. STEIN. Yes; in the act of 1909. They employ also in the foreign countries a great many women and children, whereas in this country we do not employ any female labor or any child labor. We employ only full-grown men.

Senator STONE. Do you mine this material?

Mr. STEIN. Yes, sir; in Boulder County, Colo. That is where the chief production of the United States is made now, although California produces a good deal, and there are some very important developments in the States of Washington and Idaho. The chief production, however, comes from the State of Colorado, and taking Spain and Portugal together they are the largest producers of tungsten ore in the world. Over there they pay their miners from 36 cents to 38 cents a day, and the women and children receive from 18 cents to 20 cents a day.

Senator STONE. Do women and children work in the mines?

Mr. STEIN. Frequently; yes. They do all of the top work—pushing of the buggies and things of that kind. In India they pay still lower wages. So it is a question of almost a thousand per cent more wages which we have to pay.

Senator STONE. I suppose Senator Thomas is familiar with this mining operation.

Senator THOMAS. Yes; to some extent. I know where the mines are located.

Mr. BORMECKE. The low cost of labor in foreign countries gives them such an advantage that they can make a higher grade of ore than we can with our highly paid labor in Colorado. The only way in which the industry has been built up is by working in a most economical manner and with the most up-to-date plants. Our plants in Colorado are known to be the best from a scientific point of view to handle the material in an economical manner, but we can not compete with these foreign ores and their cheap labor. Therefore we ask for a retention of the duty of 10 per cent. Since the duty was introduced the amount of ore produced in this country has increased materially, but even in the face of that one-half of the entire tungsten ore used in the United States to-day is imported, with an increasing tendency.

Senator STONE. What do you do with this ore when you mine it?

Mr. STEIN. We first concentrate it at the mines. The ore comes finely divided, carrying from 1 to 5 or 4 per cent of tungstic acid per pound of ore. This ore is concentrated at the mines in Colorado and then it is shipped East and converted into tungsten metal, or tungstic acid, used by the manufacturers of lamps and a great many other articles of commerce. It also goes into war material, especially

in foreign countries in the new small rifle, on account of its great specific gravity, which enables the governments to still further reduce the size of the bullet and have the same penetrating power for a 30 per cent smaller bullet. In fact, one of the foreign Governments is to-day in the market for a large amount for that purpose.

Senator STONE. What is the American production?

Mr. STEIN. The American production is about 300 tons of the finished product per year. We produce annually up to 1,200 tons of ore in the United States. Of the 50 per cent ore it takes 3 tons of ore to make 1 ton of the finished product; that is, the metal.

Senator STONE. What amount of ore would 300 tons of the finished product represent?

Mr. STEIN. That would represent about 1,500 tons of ore.

Senator STONE. What would be the value of it?

Mr. STEIN. The value would be about \$1,500 per ton of the finished product.

Senator STONE. How many establishments are engaged in this business?

Mr. STEIN. There are five now. Two of the steel works make their own product, and beside us there are two other manufacturers. A great many have tried it and have made a financial failure of it on account of the extreme competition from Europe. Our prices are made by Europe. We are not setting any prices here. Whatever price they make we have to meet or else let them have the trade.

Senator THOMAS. I received this letter the other day from a man who is engaged in tungsten mining. He says:

Prior to four years ago, or whenever the tariff was put on, we received at one time as high as \$12 a unit, and the price ranged from \$9 to \$12. Some time after the tariff the price commenced to go down, and I find on looking over our books that the lowest figure we ever received was \$4.50. The price now paid here is supposed to be about \$6. We received a settlement for a small amount yesterday that figured out a little less than this, but I am told that the statement is generally made in the district that the price is \$6. It, of course, depends on the mill, quantity of ore, and questions of that kind. But there is no fixed schedule that the smelter has for lead and zinc.

It appears from that that you were getting just double that for your product at the time the tariff was placed upon it. Since that time it does not seem to have reached a higher price than \$6. How do you account for that?

Mr. STEIN. In the first place, during the period when \$12 was paid, it was a war period when there was a certain unexpected demand, and everything was cleaned out, like, for instance, the Russo-Japanese War. Every bit of tungsten in stock was bought up and paid for in cash at any price. They sold tungsten ore then at \$2.50 a unit, and to-day it is sold at \$7; that is, for Boulder County ores that concentrate at about 50 per cent to day.

Senator THOMAS. This letter is from Mr. W. H. Bryant, of Denver. He goes on to say:

I suppose you know, with reference to the tariff, that at the time the tariff bill was pending which first imposed a duty—which, I think, was the Dingley bill, rather than the Payne-Adrich bill—old man Malcolm was alive and secretary of our company. He came down to the office one day with a petition addressed to Congress, praying that a tariff might be imposed to protect the tungsten market. I asked him what the devil the tungsten people wanted a tariff on tungsten for. He said that everybody realized that the tariff had nothing to do with it at that time, but that there might be a large production,

and everybody was getting a tariff, and the Boulder Chamber of Commerce, or some organization of that kind, was getting up a petition and wanted our company to sign it. I told him I was opposed to a protective tariff of any kind, nature, or description, and I did not believe it had anything to do with the price of tungsten, and that even if it did I would not sign any such petition, and I did not want him to sign the name of our tungsten company to it. I, of course, could not control his individual action, but he was not authorized, and I do not think ever did sign the name of our company. The next thing I heard the tariff duty was imposed, and nobody ever paid any attention to it and never dreamed it had anything to do with the price of tungsten until here lately, like every other protected industry, from onions to sawmills, and raising a howl that an infant industry will be destroyed if the tariff is touched.

I thought that I would like to read you all that he said about the subject instead of a part of it; and, I might say, that this gentleman is a tariff-for-revenue man. But it seems to me that if there has been such a remarkable fall in the price of tungsten since the tariff was proposed, the duty has nothing whatever to do with it.

Mr. STEIN. Without duty, Senator, every mine in Boulder County producing tungsten would be out of business to-day. If it were not on account of the duty to-day of 10 per cent, none of us would be mining ore in Boulder County to-day.

Senator THOMAS. I suppose you are aware of the fact that if the duty were removed from copper, copper would take precisely that position, notwithstanding which their business has since then been very much increased over what it was before.

Mr. STEIN. Copper and tungsten are two different things. Copper is a large proposition and tungsten is a small proposition.

Senator THOMAS. We can see that, now, looking back, that that was the position that copper would take. I read this into the record for the purpose of expressing not an opinion, myself, in the matter, but in an endeavor to put into the record two sides of the situation. I have, personally, an enormous number of telegrams and letters and resolutions which are directly in line with that contention.

Mr. BOERICKE. That price of \$12 a unit is entirely an abnormal price, and was due to an unprecedented demand for tungsten. In Europe all tungsten ores, practically, which were on the markets, were gathered up, and it was during a boom year in the steel industry, and practically any price had to be paid for the ores as we delivered them. It resulted in simply an increase of production in this country and showed what this country could do at high rates. Previous to that time this country had never produced as high as a thousand tons of tungsten ore.

Senator THOMAS. Is it not a fact that it is only within a few years that the demand for tungsten for filaments in lamps has existed? Has not that had a great deal to do with the increase of the mining of the product?

Mr. BOERICKE. No, sir; it has had practically nothing to do with it, Senator, because the lamp people buy in quantities of a thousand pounds of tung-tic acid, and the steel works buy almost by the car-load—by tens.

Senator THOMAS. But the two buy practically the output, do they not?

Mr. BOERICKE. Yes, sir; but consumption in the lamps is so small compared with the consumption in the steel industry.

Senator THOMAS. They fix the price, do they not?

Mr. BOERICKE. The steel men?

Senator THOMAS. Yes.

Mr. BOERICKE. The price is fixed in Germany alone. There are about 21 manufacturers of tungsten, and the price in this country is fixed absolutely by the quotations made in Europe, mostly in Germany. We have been asked a number of times to join a syndicate over there to keep up prices of tungsten, and had we felt that we had a right, that it would be the right thing to do, we would probably have done it. Before there was any thought of the enforcement of the Sherman Act, or before we knew there was such an act, we turned it down, because it did not seem the right thing to do, and we have been practically the only people in the market who have been free-lances and willing to buy our ore as long as we had a fair chance to do so.

Senator THOMAS. When was your investment in tungsten mines made?

Mr. BOERICKE. As far back as 1898.

Senator THOMAS. 1898?

Mr. BOERICKE. 1898. It was in September of 1898 that we bought our first tungsten mines. I think there is absolutely no question but what if we were driven out of the business here there would be a syndicate formed in Europe, and the consumers would be at the mercy of that syndicate.

Senator THOMAS. You have your brief to leave with the committee, of course?

Mr. STEIN. Yes, sir.

STATEMENT OF MR. FRANK SAMUEL, HARRISON BUILDING, PHILADELPHIA, PA.

PARAGRAPH 101.—*Pig iron.*

Mr. SAMUEL. I am complaining of the raising of the duty on Schedule C, clause 101. Under the present tariff the duty on pig iron is \$2.50 a ton. Under the proposed bill the duty on pig iron was made 8 per cent ad valorem and on ferromanganese —

Senator THOMAS. Do you want to talk about that difference between ferromanganese and pig iron?

Mr. SAMUEL. Yes, sir.

Senator THOMAS. We have heard all about that a dozen times, and I think we are thoroughly posted.

Mr. SAMUEL. I also want to call the attention of the committee to other inconsistencies in that clause.

Senator THOMAS. Go ahead, then. However, we have heard so much about it that I do not believe you can tell us anything new.

Mr. SAMUEL. I thought that while I was on this one clause I would call the attention of the committee to the fact that duty on pig iron itself has been raised by this ad valorem duty. Where the duty is made 8 per cent it makes the duty equal to what it was before, and on scrap material it raises the duty from \$1 a ton to \$1.50 and \$2 a ton.

Senator STONE. On pig iron?

Mr. SAMUEL. Pig iron is now made 8 per cent ad valorem and on scrap iron it is made 8 per cent ad valorem. The former duty was \$1 a ton on scrap, and taking \$20 a ton as the price of high-grade

scrap, it makes a duty of \$1.60 against \$1. It is an inconsistency that I hardly think was seen when the Underwood bill was framed.

I also want to call the attention of the committee to the item of ferrosilicon, which is also essentially a blast-furnace product. It should take the same duty as pig iron. There should be no question that these products that are made in a blast furnace should be entirely separated from a product that is made in an electrolytic furnace. All the products made in a blast furnace should undoubtedly take the same rate of duty, whether it is ad valorem duty or specific duty. I have submitted a brief to the committee, and I merely wanted to supplement that by the statement I have just made.

**STATEMENT OF MR. EDWIN G. SLOUGH, REPRESENTING THE
GLOBE STEEL CO., MANSFIELD, OHIO.**

PARAGRAPH III.—Steel abrasives.

SENATOR STONE. What provision of the bill is it that you desire to speak to?

MR. SLOUGH. Paragraph III, Schedule C. It was 116, I think; it has been changed to 111.

I do not wish to detain the committee more than a few moments. It is a comparatively small matter. The question is an ad valorem duty as compared with a specific duty.

Under the present act of 1909 there was an unfortunate wording employed by which it states that it can be used only as an abrasive, resulting in constant litigation on the part of the importer involved and the United States Treasury Department and the defendant company in defending the suits. As to the possibility of employing this article as an abrasive or for other purposes, to testify to that there is a letter here from the assistant attorney general of New York, which I leave with the committee.

SENATOR STONE. I think we have it already.

SENATOR THOMAS. The present proposed law leaves out the word "only"?

MR. SLOUGH. Yes, sir; it leaves out the word "only"; but even then, as indicated by the assistant attorney general, it would still leave room for doubt, as the article is sorted in so many varied sizes, and it would be difficult to determine its uses, and the off-sizes being brought in competition with the American manufacturer as would reduce the cost of the standard-size production, which is limited to 1 of the 20 sizes, and on account of the fact that the American manufacturer has not yet found a market for his off-sizes.

This plant was established in 1908, but really did not go into operation effectively until after the Payne bill went into effect, which granted a duty of 1 cent a pound specific. It was fully two years before the Globe Steel Co. was able to enter the market effectively on account of the flooding that had taken place from the time the Payne bill was passed until it became a law; and it has only been in the last 18 months that the Globe Steel Co. has been able to enter the market or make any considerable profit even in its cost of manufacture. It is a small institution; it is the only one in this country now. Under the previous tariff, existing prior to 1909, under the 45 per cent ad valorem, there were three different factories estab-

lished in this country. The product was invented by Mr. Tilghman, of Philadelphia, in 1872, and was being manufactured under patents; but in the meantime Harrison & McGregor, of Scotland, obtained the devices by which this abrasive is manufactured. After the patents expired Tilghman succeeded in running his factory a few years and discontinued. Although he had back of him ample money and all of the devices, the foreign competition put him out of business.

Senator STONE. Under the 45 per cent duty?

Mr. SLOUGH. Yes, sir; under the 45 per cent ad valorem tariff. I want to be very careful in anything that I state to the committee here, because I am representing the Chamber of Commerce of Mansfield, Ohio, which is sponsor for the Globe Steel Co.; and we induced people to put their money in the plant, and they are our own citizens there, and they have spent much more money in obtaining their profit than they have in their actual plant and in endeavoring to make a field for their by-product.

Senator STONE. How much is your actual cash investment in that plant?

Mr. SLOUGH. In plant alone?

Senator STONE. Yes.

Mr. SLOUGH. As near as I can tell you, the actual investment in the plant represents something like \$35,000 or \$45,000.

Senator STONE. What is the capitalization of the company?

Mr. SLOUGH. It is capitalized at \$100,000, but only about half of that capital has been issued.

Senator STONE. It is a small concern?

Mr. SLOUGH. It is a small concern, Senator.

Senator STONE. And what do you make?

Mr. SLOUGH. The abrasives that we make are used for polishing and cutting granite and marble. For instance, the very granite put into the House Office Building was cut with that class of abrasive. Formerly common sand was used. This has accelerated cutting over 200 per cent. It is one of a class, a selected high-grade pig and selected high-grade iron, of which there is quite a scarcity and the molten metal is discharged from the cupola by a high pressure of steam throwing the metal into immense vats of water, resulting in an average of about nineteen sizes, from the very minutest sand to an article about the size of a small pea—what we would commonly call "shot," Senator. They are round and angular, in various forms, similar to what we commonly call "chilled shot," you know. In producing these, the American granite cutter uses only about three, or not to exceed four, of those sizes. The balance are what we call "off sizes," or by-product. The company has been trying to educate the American manufacturers to use the finer grades for sand blasts, but the American manufacturer has not yet taken to it; so that about 38 per cent of that by-product is practically useless to the company, thus increasing the cost of the standard sizes.

When the Globe Steel Co. was established in 1909, the price ranged as high as \$85 and \$90 a ton. This has gradually gone down, until we are as low as \$35 now; and the testimony, if you will refer to it, taken by the committee, will give you some additional information upon the subject. The pages are numbered 1165, particularly to, say, 1187.

Senator THOMAS. You mean the House Ways and Means Committee hearings?

Mr. SLOUGH. Yes, sir; of the House Ways and Means Committee.

Senator THOMAS. The last hearings?

Mr. SLOUGH. Yes, sir; on Schedule C. The testimony submitted there shows communications and letters from the consumers throughout the country using this product, which indicates clearly that the American consumer is making a saving. Probably there will nothing come up before your committee like this. This product is confined in its importation to one man, Harrison, up in Boston, and this same Harrison is the brother of the Harrison in the firm of Harrison & McGregor, of Aberdeen, Scotland, who are the manufacturers. He took the devices from Tilghman, of Philadelphia, and established these plants over in America.

Another peculiar feature is that the Scottish marble cutter does not use the same standard sizes that we use in this country; consequently their competition comes in on their off sizes against our standard sizes.

Senator THOMAS. You said a few moments ago, I believe, that scrap iron was one of your materials?

Mr. SLOUGH. Selected high grade.

Senator THOMAS. The duty upon scrap iron is therefore a duty upon your raw material?

Mr. SLOUGH. It might be.

Senator THOMAS. Well, it is, as a matter of fact, is it not? Does that handicap you at all to any extent?

Mr. SLOUGH. Well, the limited quantity which we are using I do not think would interfere to any great extent, because we are almost able to use chiefly pig iron.

Senator THOMAS. There is a duty on pig iron also. To what extent does that duty operate as a handicap to your industry?

Mr. SLOUGH. It might operate to some extent.

Senator THOMAS. Do you have any compensatory duty?

Mr. SLOUGH. None at all.

Senator STONE. What is the annual output of your mill?

Mr. SLOUGH. The consumption in the United States last year, as near as I can obtain it from the most authentic data, was about 6,600 tons. The output of our plant was about 3,600 tons.

Senator THOMAS. Something more than half?

Mr. SLOUGH. Yes, sir; something like a little over half; and that was as far as our people felt justified in going, because the present capacity of our plant is limited to that amount.

Senator THOMAS. I suppose the demand for your product is, in a sense, limited also?

Mr. SLOUGH. Yes; in a certain way, Senator. Our plant might have sold more of that product, I think, under the present conditions, had we had the capacity, and the demand now for the American product is standardized; but the trouble about it is that the company has not been making any money, and there has not been any addition made in the plant. It stands just as it was originally built.

Senator STONE. Who competes with your product?

Mr. SLOUGH. There is only one competition, Senator, and that is the Scottish production of the same class of material.

Senator STONE. No other kind of manufacturers?

Mr. STOVEN. No, sir, Senator; there is not. It is known really as a secret process. While it is not secret in a way, there is a knack in mixing of the proper kinds of iron in the cupola and securing the required result. That is where one of the difficulties arise, Senator, in this matter, in producing the material. I might mention now the Calais works at Calais, Me., which produced a very good grade of this material, but they ceased to exist in 1910 or 1911—the early part of 1911—and the financial statement of the company shows that they were running at a loss. The Vulcan Iron Works, of Vulcan, Ind., then the Tilghman plant in Philadelphia. That plant went out of existence about three and a half years after the patent expired, and these plants in the meantime had been established—the McGregor plant and the other plant at Aberdeen, Scotland.

Senator STONE. Who buys your material?

Mr. STOVEN. Principally the granite cutters of the East and the West; some in the South—quite a few in the South; but the largest consumers are in Wisconsin and Minnesota and in Massachusetts and Maine. In other words, the product is being used now altogether for, I might say, better than to use a technical term, sawing. Perhaps you have seen the sawing of stone with blades. There used to be sand dropped in there with a shovel, you know. Now, in lieu of that, these little shot are dropped down into the channel in that form in lieu of a saw tooth. They are round and angular and act as a saw tooth to accelerate the cutting of the marble or the granite. When the marble wants to be smoothed from a rough condition these abrasives are put in a rotator, first the small and then the large, until the three or four sizes that are standardly used are employed in that work.

Senator STONE. What do you suggest about the duty?

Mr. STOVEN. We would like to ask your committee, first, above all, in all spirit of fairness, to give us a specific provision to avoid litigation. And, next, if you can see your way clear, in view of the briefs that were left with you—we only want to be fair—if you can give us three-quarters of a cent a pound specific, we feel that our plant can enlarge and continue.

Senator STONE. What would be the ad valorem equivalent?

Mr. STOVEN. The ad valorem equivalent of three-quarters of a cent would be about 51 per cent—about 52, I should say. It is pretty difficult to figure out on account of the fluctuation of the prices.

I want to leave with you this little memorandum, and we will beg leave to file a more definite brief.

I want to thank you very much. I am not here as a lobbyist. I am representing the the Chamber of Commerce of Mansfield, Ohio.

Senator THOMAS. Oh, we know that; we are glad to have you here.

**STATEMENT OF MR. C. ZIMMERMAN, OF CLEVELAND, OHIO,
SECRETARY AND ASSISTANT TREASURER OF THE W. S.
TYLER CO.**

PARAGRAPHS 116 AND 169. *Wire Cloth.*

Senator STONE. Mr. Zimmerman, you desire to address yourself to what paragraph?

Mr. ZIMMERMAN. Paragraph 169 or 116. There is some doubt in my mind which paragraph wire cloth will come under.

Senator STONE. Whether it is the last clause of the schedule 169, or whether it goes under 116?

Mr. ZIMMERMAN. I believe it will come in under 116.

Senator THOMAS. The gentlemen who have been before us on this matter first based it upon 169, but after discussion we thought it probably belonged to 116. Go ahead.

Mr. ZIMMERMAN. I notice there is a little change in the wording of 116 which, I believe, will include wire cloth of all kinds, all metals, which will have a duty of 20 per cent.

Senator THOMAS. It was suggested that an addition be made at the end of paragraph 116 covering your product, without stating the amount, of course, so far—that is, to add right after it "copper, brass, and bronze woven-wire cloth."

Mr. ZIMMERMAN. Should it not include iron and steel cloth? The labor in that is the same, of course. The men who appeared before you were working men, I believe, and they work on it.

Senator JAMES. I think this covers it. It says "covered with cotton, silk, or other material." Why would not that cover wire covered with cloth?

Mr. ZIMMERMAN. No; when I say "wire cloth," I mean wire screen. It is commonly known as cloth, but it is screen just the same.

Senator THOMAS. Yes; here it is [exhibiting sample].

Mr. ZIMMERMAN. That is only brass.

Senator STONE. Proceed.

Mr. ZIMMERMAN. The company I represent, the W. S. Tyler Co., make all kinds—iron, brass, and copper—from the coarsest up to 100 mesh.

Senator STONE. Where?

Mr. ZIMMERMAN. In Cleveland.

Senator STONE. What do they do?

Mr. ZIMMERMAN. They make wire cloth of every description, also ornamental iron and bronze, mostly wire cloth.

Senator STONE. What is the capitalization of the concern?

Mr. ZIMMERMAN. Do you mean the amount invested?

Senator STONE. Yes.

Mr. ZIMMERMAN. Three millions.

Senator STONE. How much is the capitalization not invested, if any?

Mr. ZIMMERMAN. None. Do you mean is it capitalized for more than the investment?

Senator STONE. Yes.

Senator THOMAS. How much is your preferred stock and how much is your common stock?

Mr. ZIMMERMAN. It is all common—one million.

Senator JAMES. It seems to me section 116 certainly covers the material you are talking about. It says:

Round iron or steel wire; wire composed of iron, steel, or other metal.

I do not see why that does not include yours without adding any extra words at all.

Mr. ZIMMERMAN. I think it does, although heretofore it has been in the basket clause. We had applied for a separate classification for wire cloth, taking it out of the wire schedule as well as the basket schedule, and assessing it in a paragraph by itself.

Senator JAMES. You are satisfied with the duty that is provided in the Underwood bill, are you?

Mr. ZIMMERMAN. No; we are not; because it is 20 per cent, and that is the same on the wire as it is on the finished article, and on the finer meshes the labor is much greater than the material—the cost of the labor. In other words, there is no protection for the labor in weaving it.

Senator JAMES. You do not expect a Democratic committee to report a bill for protection, do you?

Mr. ZIMMERMAN. No; but we would like—

Senator JAMES. We are trying to frame a bill for revenue.

Mr. ZIMMERMAN. We would like to have it equalized according to meshes, so that we can import it if we can not make it. We are suggesting a lower rate of duty on the coarser meshes, which are now too high under the Payne-Aldrich bill.

Senator STONE. Proceed, Mr. Zimmerman, and make your statement.

Mr. ZIMMERMAN. We have a brief here that I should like to file. I do not suppose you want me to read it; but attached to this is a copy of the application we made before the Ways and Means Committee. We suggested a schedule there, giving reasons for having it classified according to the number of meshes to the inch. We would like to submit that, with samples.

Senator JAMES. All right.

Senator THOMAS. Have you any different samples than the ones already before us?

Mr. ZIMMERMAN. Oh, yes; here are samples that will take in a much larger variety.

Mr. BUNN. This is another thing, Senator.

Mr. ZIMMERMAN. Here is a spool of the wire before it is woven, and there is the finished article [exhibiting samples]. If you would like to look them over, I should be glad to have you do so. I have brought them just to show you why we ask for a separate paragraph on the woven fabric.

Senator STONE. What paragraph do you suggest?

Mr. ZIMMERMAN. Do you mean what rate in the paragraph?

Senator STONE. Have you a form to suggest?

Mr. ZIMMERMAN. Yes.

Senator THOMAS. Suppose you read the form that you suggested before the Ways and Means Committee.

Mr. ZIMMERMAN. This form says:

Not finer than 10 wires to the lineal inch in the warp, 25 per cent; finer than 10 and not finer than 20 wires to the lineal inch in the warp, 30 per cent; finer than 20 and not finer than 30 wires to the lineal inch in the warp, 35 per cent; finer than 30 and not finer than 40 wires to the lineal inch in the warp, 40 per cent; finer than 40 and not finer than 50 wires to the lineal inch in the warp, 50 per cent; finer than 50 and not finer than 60 wires to the lineal inch in the warp, 60 per cent; all meshes finer than 60 wires in the warp, 65 per cent.

Senator JAMES. That is higher than the Payne-Aldrich bill carries, is it not?

Mr. ZIMMERMAN. It averages the same, because the duty under the Payne-Aldrich bill was 40 per cent. Now, we will be satisfied with 45 per cent, the maximum rate of duty that is assessed now on the finer meshes, say, 50 mesh and finer.

Senator JAMES. Why did you not say that in your brief, then? Why do you ask for more than that?

Mr. ZIMMERMAN. We suggest what we think is right here. Now, if it is the intention to cut the tariff, then we would suggest to cut all but the finer meshes, on which the rate at present is already too low.

Senator JAMES. You do not manufacture any of the coarser meshes, do you?

Mr. ZIMMERMAN. Yes, sir; we manufacture more of them than we do of the finer ones. In fact, when we get down to the real fine ones, we can not make them.

Senator JAMES. Then, you are willing for us to lower that duty, so that you will have the competition of the coarser meshes?

Mr. ZIMMERMAN. Not necessarily competition. We acknowledge that 40 per cent is too high, and in offering a schedule we did not think it was fair to offer a one-sided schedule, but admit where it is too high.

Senator STONE. You do not make any of the fine wire?

Mr. ZIMMERMAN. We can not make it and sell it at a profit.

Senator THOMAS. What is the finest you do make?

Mr. ZIMMERMAN. One-hundred mesh. Finer than that we can buy cheaper abroad and pay the duty. In fact, down to 80, 90, and 100 you can just about do that.

Senator JAMES. You request a higher duty on the finer meshes, do you?

Mr. ZIMMERMAN. Yes; compared with the cost of production. Even that will not keep them out. We import quite a lot of it, and it will not stop any of the importations that we make.

Senator JAMES. Do you manufacture any of it at all?

Mr. ZIMMERMAN. Yes; we manufacture up to 100, all those that are mentioned here except those finer than 100.

Senator JAMES. You manufacture it and import it also, then, do you?

Mr. ZIMMERMAN. We manufacture it up to 100. Finer than that we import it. We also import some of the others.

Senator JAMES. On that which you import are you recommending a higher duty than that carried by the Payne bill?

Mr. ZIMMERMAN. Yes, sir.

Senator JAMES. A higher duty than there is in the Payne bill?

Mr. ZIMMERMAN. Yes, sir.

Senator JAMES. That is because you want to pay more to help sustain the Government in the way of revenue, is it?

Mr. ZIMMERMAN. You can put it that way. It will enable us to make more of them here.

Senator JAMES. That is what I was trying to get at. That is the point I was trying to find out about. I thought at first that it was rather strange that you were advocating a higher duty upon that class of goods that you had to import, but now I can understand it.

Mr. ZIMMERMAN. To be fair, we should do that.

Senator JAMES. Is it not true that you manufacture that?

Mr. ZIMMERMAN. I said up to 100 mesh we do manufacture it. Beyond that we do not. Now, it would not be fair for us to ask for a higher rate of duty up to 100 because we make it and a lower rate

of duty on meshes finer than that because we do not make it. We are offering a schedule here that is consistent all the way through.

Senator JAMES. I was interested in your proposal of a higher duty to this committee than is in the Payne-Aldrich bill, because I believe up to date you are about the only man I have heard of who would suggest that this committee write a schedule imposing a higher duty than the Payne bill.

Mr. ZIMMERMAN. That is true if you only pick out the one part where it is higher. You are not referring to the four items that I called off here that are lower. It was an average rate of duty before and we suggested a graded one.

Senator JAMES. What revenue does this duty on wire cloth bring to the Government?

Mr. ZIMMERMAN. I do not know.

Senator JAMES. You do not know what revenue it brings in?

Mr. ZIMMERMAN. No.

Senator JAMES. Do you think your proposed schedule would increase or diminish the revenue?

Mr. ZIMMERMAN. That is hard to say. It would bring in more of the coarser meshes, which would offset any decrease in the finer ones, I think. It is hard to tell what effect it would have.

Senator JAMES. How do you expect to advise a committee which is seeking to frame a bill from the standpoint of the production of revenue, when you yourself can not tell us whether the schedule you propose will increase or diminish the revenue?

Mr. ZIMMERMAN. That can be determined only by actual experience. That would be true of any change.

Senator JAMES. But you certainly have an opinion about it yourself, have you not?

Mr. ZIMMERMAN. No; I would not be able to tell you whether it would increase or diminish the revenue.

Senator JAMES. If you have no idea whether it would increase or diminish it, what ever caused you to make a suggestion to our committee about what to do?

Mr. ZIMMERMAN. We wanted it properly classified, whether it increased or decreased the revenue. It never has been properly classified before.

Senator JAMES. I know; but from our standpoint you can not make a proper classification without having some knowledge or some idea of what would be the effect on the revenue, because you might be suggesting a classification here that would be absolutely prohibitive.

Mr. ZIMMERMAN. It would be just as apt to increase the revenue as to decrease it. I would not want to say one way or the other. To be frank with you, it is just as apt to do one as it is the other.

Senator JAMES. So it is just as apt to let it all in as it is to keep it out?

Mr. ZIMMERMAN. It is apt to let in a lot more of the coarser meshes.

Senator THOMAS. Did you say you manufactured woven wire cloth of both iron and steel?

Mr. ZIMMERMAN. Both iron and steel.

Senator THOMAS. In addition to copper and brass and bronze?

Mr. ZIMMERMAN. In addition to copper, brass, bronze, nickel, aluminum, and almost any metal. There are some samples there of the iron cloth.

Senator JAMES. What is this wire cloth chiefly used for?

Mr. ZIMMERMAN. It is used in cement works; mining companies use it; railroads, paper mills, filter companies, etc.

Senator THOMAS. You use it a good deal for screens like that one over there, do you not [referring to screen in committee room]?

Mr. ZIMMERMAN. Yes; it can be used for that as well. It is used for bank windows; it can be used in almost any industry. It is used very largely in paper mills.

Senator THOMAS. Do you manufacture the stuff that is used for window screens?

Mr. ZIMMERMAN. Some kinds. We do not manufacture the ordinary painted material, but we manufacture the bronze and brass and copper that is used.

Senator STONE. Is there anything more you care to say?

Mr. ZIMMERMAN. In one paragraph of the brief we have submitted we refer to the tinsel-wire schedule, which I believe is No. 152. That imposes a certain rate of duty on the wire, and a much higher rate on articles manufactured of that wire. We think it is no more than fair that wire cloth shall be classified in the same manner.

Senator THOMAS. Let me ask you a question. Is this wire that is called tinsel wire your raw material?

Mr. ZIMMERMAN. No; we do not make that; but that is the raw material for the manufacturers of tinsel-wire articles.

Senator THOMAS. What is your suggestion about it?

Mr. ZIMMERMAN. To have the duty assessed in the same manner; not to leave it at the same or practically the same rate of duty as the wire. It ought to be 45 per cent, and if any cut is made it should be on the coarser grades.

Mr. SHINN. Senator, there is \$12,000 revenue under the present schedule.

Senator JAMES. How much is the importation in pounds?

Mr. SHINN. Three hundred and twenty thousand pounds.

Senator JAMES. What is the total production in pounds of this wire in the United States?

Mr. ZIMMERMAN. Oh, I could not say as to that.

Senator JAMES. Have you not any idea at all?

Mr. ZIMMERMAN. No. It would be pretty hard to get at the total number of pounds. We would not have any figures in reference to it.

Senator JAMES. How many hundred thousand dollars would the output be worth?

Mr. ZIMMERMAN. I can not give you any figures on that. It is quite large, I will admit, because there is probably \$18,000,000 or \$20,000,000 invested in the industry.

Senator JAMES. If it is quite large, and the imports amount to only \$12,000 in revenue to the Government, it does not seem to me there would be much trouble—

Mr. ZIMMERMAN. You are taking your figures from the old bill. That does not show what might happen under the proposed bill. It may be increased one hundred fold under the proposed bill. That is what we are trying to explain.

Senator JAMES. I do not see how it would increase it 100 fold.

Mr. ZIMMERMAN. It could, very easily.

Mr. BUNN. Mr. Chairman, may I ask Mr. Zimmerman a question or two to check up some figures that we have no verification for here? I presume this gentleman knows about these other people. There were some figures filed here that we did not have any means of verifying, in this other brief. If Mr. Zimmerman makes this material, too, I should like to ask him about the cost of labor, if you have no objection. It will take only a minute. Mr. Shinn and I were looking the matter up, and we did not have any absolute source of checking up certain figures which were filed with the committee.

Senator STONE. Go ahead.

Mr. BUNN. Do you make this No. 60 mesh?

Mr. ZIMMERMAN. Yes, sir.

Mr. BUNN. Will you tell me what the material cost is in a square foot of that?

Mr. ZIMMERMAN. The material?

Mr. BUNN. Yes; just the material. Can you tell me what the material cost is in a square foot of that?

Mr. ZIMMERMAN. About 8 cents.

Mr. BUNN. What would be the weaver's wage in a square foot of that?

Mr. FRANK W. CABLE. May I answer that?

Mr. BUNN. Certainly; anybody who knows.

Mr. CABLE. That is my sample. The weaver's wage would be 10 cents a square foot.

Mr. BUNN. What does it cost you to draw the original wire material that you pay 8 cents for down to that size of wire?

Mr. CABLE. About $3\frac{1}{2}$ cents a pound.

Mr. BUNN. That is what I want to get at; thank you.

Mr. ZIMMERMAN. I should like to refer also to card clothing. There is an article which I will not say is similar, but it has a duty of 40 per cent in the new bill. The labor item, if I remember right, is not as much as in the case of wire, just as a matter of comparison; but what we would like transferred is the paragraph simply to cover wire cloth, screen, and netting. There is a good deal of dispute about it, and we would like to have it properly classified. The brief that we are filing here to-day, with the other one, covers that. The samples I can leave with you, if you wish.

STATEMENT OF MR. WILLIAM A. SCHLOBOHM, OF YONKERS, N. Y., REPRESENTING THE CUTLERY IMPORTERS AND SURGICAL IMPORTERS' ASSOCIATION OF NEW YORK.

PARAGRAPH 130.—Cutlery.

Mr. SCHLOBOHM. I want to take up the question of the nippers and pliers, paragraph 168 in the Underwood bill, which fixes the rate at 30 per cent ad valorem and which is a reduction from the old Payne bill of 8 cents a pound and 40 per cent ad valorem. The importers simply ask you to keep that rate of 30 per cent and not to make it any higher.

Senator THOMAS. That is a grateful change from what we have been listening to here. How about putting it lower?

Mr. SCHLOBOHM. We are satisfied. We are willing to have it lower. We are also satisfied with the 30 per cent ad valorem. I

represent 80 per cent of the import trade of the United States. Now, this sample I have here is the American plier. This implement is used on every farm in the United States for tightening farm implement parts and cutting wire. The American price is \$2.75 a dozen. This one is an imported implement, the kind that we import. This costs the importer \$2.40 a dozen. They weigh 10 pounds to the dozen and there is a rate of 8 cents a pound; that adds 80 cents plus 40 per cent ad valorem, which makes the total cost to the importer \$4.16 against \$2.75 for the American tool. If you leave it at 30 per cent we can bring it into the country at \$3.12 a dozen, while the American manufacturer sells his to the jobber at \$2.75.

Senator SIMMONS. You are a manufacturer?

Mr. SCHLOBOHM. I represent the importers. Now, this plier that I have here is an automobile plier. It is made in America and sells to the dealer for \$2 per dozen. That same plier is manufactured in Germany. For this plier the importer pays \$2.05 a dozen. The weight duty is 42 cents, and the 40 per cent ad valorem 82 cents, making the total cost \$3.29; so there is \$1.29 margin for the American manufacturer. If you leave the rate as it is in the Underwood bill, it will cost the importers \$2.66 to bring it into the country, and he feels that he can compete. It will be a good revenue producer.

The next item I want to take up is that with reference to cutlery, paragraph 130. The Underwood bill has a dividing line at \$1 a dozen, 35 per cent ad valorem on all goods valued at less than \$1 a dozen, and 55 per cent ad valorem for all goods valued at above \$1 a dozen. The importers ask you to take out the dividing line and to put a flat rate on all goods.

Senator THOMAS. What rate?

Mr. SCHLOBOHM. They would be willing to take 50 per cent ad valorem on all their goods.

Senator THOMAS. What is the matter with 35 per cent for the whole thing?

Mr. SCHLOBOHM. They are willing to accept 35 per cent, but they do not want to hog it.

Senator SIMMONS. If you were a manufacturer saying that, you might use that word.

Senator THOMAS. Here is an importer suggesting 50 per cent.

Senator SIMMONS. I was referring to his statement regarding the 35 per cent.

Mr. SCHLOBOHM. We represent 80 per cent of the importers, Senator. We absolutely are satisfied if you will fix that one rate of 50 per cent ad valorem on the whole thing and do away with the dividing line. They are in trouble all the time in New York, because where there is a rate on goods valued at over \$1 a dozen and another rate on goods valued at less than \$1 a dozen, supposing a dishonest importer has cutlery that costs him \$1.10 a dozen, he might mark down his price to 95 cents and get it in at the lower rate. They are always in trouble at the customhouse in New York. The importers have a brief which I will leave. We ask for a flat rate. Of course, we will take 40 per cent if you will give it to us, but we are satisfied with 50 per cent.

Senator THOMAS. I suppose from your standpoint you could manage to live if we put it on the free list.

Mr. SCHLOBOHM. Absolutely.

Senator SIMMONS. Have you made any calculations that would enable you to tell us what would be the difference between a 35 per cent rate on knives at less than \$1, 50 per cent on those worth more than \$1, and a flat rate of 50 per cent on all?

Mr. SCHLOBOHM. No, Senator. We did not figure that out, because in the Payne bill there were 12 different rates, and we could not classify just how much revenue produced was under each class.

Senator SIMMONS. Under the Underwood bill there are only two classes, and it seems to me that an importer might be able to answer that question without very much difficulty. Do you think now that a flat rate of 50 per cent would be an increase or a reduction from the Underwood rate of 35 per cent on those worth less than \$1 and 55 per cent on those worth more than \$1?

Mr. SCHLOBOHM. We feel that it would be a little bit more, but we are willing to pay a little bit more so as to do away with the dividing line.

Senator THOMAS. Did you appear before Mr. Underwood?

Mr. SCHLOBOHM. Yes, sir; we appeared before Mr. Underwood.

Senator THOMAS. Do you know why that dividing line is there?

Mr. SCHLOBOHM. No, sir; I could not say. They took off the specific and ad valorem rates and gave as an ad valorem rate, and they did away with 10 of those dividing lines.

Senator THOMAS. Is labor cost not higher in the higher grades of goods than in the lower grades?

Mr. SCHLOBOHM. Yes; it is.

Senator THOMAS. That may have been the cause of the division. Of course, there is a reason for everything that appears in this bill, although you may not know or can not find out what it is.

Mr. SCHLOBOHM. Coming back to the nippers and pliers again: If you leave the tariff where it is in the Underwood bill, at 30 per cent ad valorem, there is no doubt that the consumer would get the benefit of that reduction. When they made the rate 8 cents per pound and 40 per cent ad valorem, instead of the old 45 per cent in the Dingley bill, the rate went up to the consumer. I want to show you our price list as used before the Payne bill went into effect. The price of this article was \$4 a dozen.

Senator THOMAS. You mean what was called buttons pattern?

Mr. SCHLOBOHM. Yes, sir; that was sold to the jobber at \$4 per dozen. In our first catalogue issued after the Payne bill we were obliged to put our rate up to \$5.40.

Now, again taking up paragraph 130, I wish you would consider fixing that at a flat rate of 50 per cent ad valorem on cutlery and do away with the dividing line.

Senator SIMMONS. Do you not think that 50 per cent on the lower grade would be rather high?

Mr. SCHLOBOHM. I think it is; but we prefer a 50 per cent ad valorem, a flat rate on both grades, and no dividing line.

Senator SIMMONS. It might be too high on the low grades and not too high on the high grades. I was just asking you whether you thought it would not be too high on the low grades?

Mr. SCHLOBOHM. They have been making cutlery in this country 100 years, and if they have not got their factories up to that standard of efficiency and have not now reached the point where they can

produce the goods as cheaply as they can abroad it is time that you cease giving them protection.

Senator SIMMONS. That is the question that I asked you. I asked if you did not think it would be too high on the low grades?

Mr. SCHLOBOHM. Yes; I do think it is too high on the low grades; but they are willing to take it a little bit higher on the low grades if they can do away with the trouble at the New York customhouse.

Senator SIMMONS. We are not fixing this to accommodate the importer or the manufacturer; we are fixing it to do justice toward the people, and if that is too high on the low grades we do not want to put it on just for the purpose of convenience.

Mr. SCHLOBOHM. Then reduce it on both the grades to 40 per cent ad valorem.

STATEMENT OF MR. E. P. REITHHELM, REPRESENTING THE AMERICAN GAS FURNACE CO., OF ELIZABETH, N. J., AND THE AMERICAN SWISS FILE & TOOL CO., OF ELIZABETH, N. J.

PARAGRAPH 133.—*Files.*

Senator STONE. To what clause in the bill do you wish to address yourself?

Mr. REITHHELM. Schedule C, paragraph 133.

Senator STONE. Proceed.

Mr. REITHHELM. Mr. Chairman and gentlemen, I come here somewhat unprepared. I have a communication from Senator La Follette promising this interview with you this morning, which I received at 10 o'clock last night. I had intended to bring along some exhibits, which I could not get out of my office or factory, and so you will have to put up with a little informal talk.

Senator THOMAS. We have had a number of interviews already in connection with this section with other gentlemen in the same business who have exhibited samples, so we are not entirely unfamiliar with it.

Mr. REITHHELM. I presented an argument before the Ways and Means Committee of the House in January, to which I will have to refer.

Senator JAMES. We have that, you know, here on our table. If you have any new thoughts on the subject, we would be very glad to hear them.

Mr. REITHHELM. Files of precision are something entirely different from the common files, differing about as much as knives and razors do. When the Payne-Aldrich bill was pending I tried to get a separate classification for that class of files.

Senator THOMAS. What do you call them?

Mr. REITHHELM. Files of precision. They are known as such throughout the trade and in the whole world. Here, for instance, is the German price list of such files. [Exhibiting pamphlet to the members of the committee.] They are used by tool makers, jewelers, and the finest instrument makers. They must be made in exceedingly small sizes and can not be made by machinery. The labor cost, then, enters very largely into the production of these files, more largely than it does in the ordinary files. I will give you an instance. There is one [indicating] which it costs to import 52½ cents. Adding

to that the duty of 25 cents specific, would make the cost delivered here last year $77\frac{1}{2}$ cents. The same foreign cost, with 25 per cent, would make the landed cost $65\frac{1}{2}$ cents. An added import profit of 24 cents to the dealer here would give a price of 79 cents. My cost of production, with all the facilities that I have been able to provide, could not be reduced below \$1.06 with any profit at all. That is the result of this change in duty.

Senator JAMES. Do you confine your business to that one class of files, or do you manufacture all classes?

Mr. REITHHELM. There are 2,800 different files of precision.

Senator THOMAS. You simply produce what is known generally as files of precision?

Mr. REITHHELM. That is all; that is my specialty. The ad valorem which is proposed in the new bill seems to me to be perfectly just excepting with regard to files of precision, which ought to have a little higher duty.

Senator THOMAS. I notice that in the Payne-Aldrich bill there is no distinction made between them.

Mr. REITHHELM. No; there was not. We tried very hard to get that act of justice performed. They did so with reference to pen-knives and such things as that. They make a distinction between the high-grade goods in the rate of duty and the low-grade goods, and the reason is that the low-grade goods would be produced largely by machinery. High-grade goods can not. They require a very much larger percentage of hand work, which must be highly skilled, and these files can not be produced without it. The hand labor in Europe is so much lower that it ought to be taken into consideration. The difference is 150 per cent. Our American mechanics are twice as efficient as the Swiss; I assert it with pride; but we can not overcome it—150 per cent with a 25 per cent duty. Ninety per cent of the cost of production is labor in these small files, while in large files a much greater percentage is material; it is steel. I would not care what the duty was, but there ought to be a distinction between files of precision and ordinary files and rasps. That would be but a matter of justice.

I am an all-around mechanic and engineer, practical and theoretical, and these files of precision were never produced in this country before I took hold of the job, 12 years ago, as a matter of interest. I do not depend upon that for my living, but I have enticed men into the business, splendid young fellows that are brought up in it and who are the best mechanics in their line. I do not want to reduce their wages or to put them out of employment, and I need an additional duty, a duty of about 35 per cent, to equalize in a measure only.

Senator THOMAS. Your suggestion, then, would be that as to files of precision the duty should be 35 per cent instead of 25 per cent?

Mr. REITHHELM. That is precisely it. The Government held out a promise of a certain amount of protection to me, or I could not have gone into business; and for the first eight years of the existence of my factory we sold those files of precision at a loss, and we gradually trained our men up to the point of efficiency that was required to overcome the difference, and we beat the foreign files all hollow, but it will be an exceedingly difficult matter to exist on this basis. I have got to add something for profit to \$1.06, which is my cost. We

have sold those files at \$1.12. The files are a little more profitable. That is an unfavorable case, I will grant; but on the whole files of precision require so much of this skilled hand labor that it is impossible to overcome the price sufficiently, with equality, to hold the market. The whole importation of files of precision was about 69,000 dozen last year, 1912.

Senator THOMAS. They are pretty small in size, are they not?

Mr. REITHHELM. Yes, sir. The year before there were 82,000 dozen; and then I gathered up all my boys—that is, we reduced the imports by replacing it with our files at a higher price than the importers were asking; but the importers of those files—it is only one house that makes them, in Switzerland, the house of Grobet—they have a sort of a process of combining all of the manufacturers of fine files, and of course they are looking for the American market.

Senator THOMAS. You have given the importation of this class of files. Are you the sole manufacturer of them in this country practically?

Mr. REITHHELM. Practically; yes, sir.

Senator THOMAS. What was the American production?

Mr. REITHHELM. The American production, so far as I am concerned, was \$140,000 last year. It included a large amount of files which were substituted for common files because they are so good.

Senator THOMAS. As a matter of administration, suppose we particularize as to this class of files. In what way would the customhouse be able to differentiate or determine or specify or distinguish those files from the ordinary files in enforcing or applying the statute?

Mr. REITHHELM. I have provided for that in a brief which I have submitted to the Ways and Means Committee. Files of precision are such as are not to exceed 6 inches in length of cut. They are graduated; and according to the present Swiss designation of cuts, they are No. 3-0 to No. 8, including gauge, rilling, and escapement files. That is a perfectly clear-cut differentiation, which is generally recognized in the trade and understood by customhouse officials perfectly.

STATEMENT OF MR. JOSEPH E. PFLUEGER, REPRESENTING THE ENTERPRISE MANUFACTURING CO., AKRON, OHIO.

PARAGRAPH 138.—*Fishing tackle.*

Senator STONE. To what paragraph do you desire to address yourself?

Mr. PFLUEGER. I want to refer to what I believe was an oversight or a conflict between paragraph 138 and 357.

Senator THOMAS. Relating to fishhooks?

Mr. PFLUEGER. One hundred and forty relates to fishhooks.

I was not sure whether we understood the paragraphs as they related to each other correctly, so I came to see Senator Pomerene about it this morning, and after hearing me he advised me to come before your committee and explain it.

The paragraph 138, fishing tackle, states:

Fishhooks, fishing rods and reels, artificial flies, artificial baits, snelled hooks, and all other fishing tackle or parts thereof not specially provided for in this section, except fishing lines, fishing nets, and seines, 30 per cent ad valorem.

Where this paragraph conflicts is in this regard.

This is what we have, Senator—fishing flies. Perhaps you have fished with them?

Senator STONE. I have, time and again.

Mr. PFLUEGER. This will conflict with paragraph 140 in this particular:

Provided, That the importation of aigrettes, aigrette plumes, or so-called osprey plumes, and the feathers, quills, heads, wings, tails, skins or parts of skins of wild birds, either raw or manufactured, and not for scientific or educational purposes, is hereby prohibited.

The way we look at it is this: Under paragraph 140 of the Underwood bill the Englishman, who is the principal competitor of ours in this class of goods—and, in fact, England is where the art originally started—could bring in his flies with these raw feathers on, and bring them under paragraph 138, and we would be prohibited from even importing those feathers to tie our flies in this country.

This jungle cock skin here is a bird that is killed in Africa. We would be prohibited from bringing in any of those under that paragraph 357. The Englishman would be permitted to import his flies under paragraph 138 with those feathers on, and we would not be permitted to tie the flies in this country unless we were permitted to get the feathers.

Here is another feather that is used very much in that work—the golden pheasant. That likewise is raised altogether on the other side and is an African bird.

Senator STONE. Your objection, then, is to the provision prohibiting the importing of such feathers?

Mr. PFLUEGER. Well, we feel, naturally, that if we are prohibited from importing the feathers to tie the flies, likewise the goods that the feathers come on should be prohibited, so as not to give the Englishmen an advantage over us.

Senator THOMAS. In what manner will you suggest an amendment?

Mr. PFLUEGER. That is what Senator Pomerene asked me this morning, and in his presence I made a suggestion. Of course, I am not expert in these matters, but in the way of a suggestion, as it appealed to me, I would think that paragraph 138 regarding fishing tackle could be amended, possibly, to read something like this:

Provided, That no articles of that nature shall be imported having attached thereto any of the feathers mentioned in paragraph 357 of this act, which act prohibits such feathers from importation.

The Senator said the purpose of that paragraph 357 was to protect the birds from which these feathers were taken—to prevent the extermination of the birds. Of course, we know that the feathers of the aigrette are taken from a bird that is killed while it is nesting. These birds are fast becoming very scarce. We used to pay 50 cents a neck for them; now we pay \$2 and \$3. One of these feathers [indicating] is worth 50 cents. The Senator said that the purpose of that paragraph was to prevent the extermination of those birds.

Senator STONE. Would you be satisfied with either solution—to prohibit the importation of these flies or fishing tackle having these feathers on them or to admit the importation of the feathers themselves?

Mr. PFLUEGER. Yes, sir; to put us on a level with the foreigner, so that if he is permitted to come in with the goods with the feathers on we are permitted to import feathers in competition with him.

STATEMENT OF JUDGE H. B. LINDSAY, OF KNOXVILLE, TENN.

PARAGRAPH 145.—*Aluminum.*

Judge LINDSAY. The Underwood bill goes up to 25 per cent, and that appears to be now made a sort of a party measure. While I do not agree with those who do not believe in a doctrine of protection for protection's sake, nevertheless I am not here to butt up against a stone wall and interfere with the views of those who are just as honest in their views as I am in mine.

Senator STONE. Do you believe in the policy of protection?

Judge LINDSAY. I believe in a policy of protection for protection's sake. I am a Republican, Senator Stone. Especially do I believe that until we get the manufactures well established and on their feet so that they will have an equal chance to operate with people of other countries.

Senator THOMAS. That does not seem to ever occur, however.

Judge LINDSAY. The aluminum industry is really an infant industry. Until 20 years ago it was known nowhere in the world on a basis where they could produce it in commercial quantities at anything like a reasonable price. It was \$8 a pound when there was a patent device invented for the making of aluminum by electricity. It was then selling at \$8 a pound, and there was less than a wagon-load made in the United States in that year. Under this process the production of aluminum has increased enormously, until last year there were produced 40,000,000 pounds in this country.

Senator THOMAS. That is absolutely controlled by the owners of the patents?

Judge LINDSAY. The patents have now expired, and these people are now on the same basis as anybody else. Anybody is now at liberty to go in and engage in the manufacture of aluminum.

Senator THOMAS. Has anybody done so?

Judge LINDSAY. It has been only three years since those patents expired. The Southern Aluminum Co., a \$10,000,000 concern, has been formed in this country and has bought properties in North Carolina. It has started in to develop the water power there necessary to make the electricity. In order to make aluminum you must have an electrical power and force and heat, and in order to have such power it must be a cheap power, cheaply produced. You can not use coal, because it costs too much. Hence the company has gone to North Carolina in order to get its water power for electricity there.

Senator STONE. What company is that?

Judge LINDSAY. That is the Southern Aluminum Co.

Senator STONE. Is it a French company?

Judge LINDSAY. It is chiefly financed by the French. They are engaged in making aluminum in France. They say, if we have to pay 7 cents a pound we will put up factories and produce it within the country and save ourselves that tariff; but if there is no tariff we can stay home and manufacture and get in there cheaper than we can go there and manufacture. That comes about for this reason: The French ores are 25 per cent richer than the American ores. The French water powers can be produced for 50 cents on the dollar for what the American water powers are developed for, and it takes 5 tons of coal for every ton of aluminum produced in order to

carry on this first process. The aluminum ore in France is located within, you might say, almost gunshot of the power facilities, while in this country they are widely separated and one must be taken to the other before that first process can be carried on. From the first to the second process it has got to be taken to the electrical power, but that is a long way from our base of supplies, while in Norway and France they are right together. There are four controlling things in the manufacture of aluminum. You understand it is not only the question of the increased cost of labor in this country that enters into the situation, but the leaner ores, the widely separated points of the raw materials and the necessary expense of assembling, railroad freights, etc., and then the expense of water power that we have to develop in this country. In France they go up on the French Alps and on the steep mountain sides and harness the streams and carry the water down for their water power, and develop it for less than 50 per cent of what it can be developed for in this country, except in such cases as locations like Niagara Falls. In this country they have just reached the point where they are fixing to put in their own water power, incurring expenses up to more than \$20,000,000, and I fear that if we were to cut this rate of duty below the point where it would look like it might be profitable, it might deter them from going into this business.

Senator THOMAS. What is the capital stock?

Judge LINDSAY. \$20,000,000.

Senator THOMAS. Is it divided into common and preferred stock?

Judge LINDSAY. No. There was \$1,000,000 of preferred stock, but I think that has all now been made common stock.

Senator THOMAS. Do you mean that \$20,000,000 was actually paid for \$20,000,000 of stock?

Judge LINDSAY. No; I do not mean that.

Senator THOMAS. How much water have you in your stock?

Judge LINDSAY. There is not a particle of water.

Senator THOMAS. How much overcapitalization?

Judge LINDSAY. Not a particle.

Senator THOMAS. What is the difference between the amount of money actually paid into the common and the par value of the stock?

Judge LINDSAY. The actual amount of money paid is dollar for dollar, but they began, of course, with a limited amount of capital like all other institutions. They have been putting back their earnings and profits into the business and enlarging the business until they have increased the output last year over what it was the first year they began by over sixteen thousand fold, but the price of the aluminum to the consumer is not one-fortieth of what it was then.

Senator THOMAS. There has been no big block of stock given for promotion?

Judge LINDSAY. Not at all. It is all in this business, and it takes a vast investment to carry on the business. That is the reason that three years elapsed after the expiration of these patents before anybody started into the business on a large scale in this country. It takes a vast amount of capital to put up a plant of this size. It takes an investment of about \$75 for every pound of aluminum that is turned out per annum. These people have not got anything like a third of the desired investment made yet, because this is a new indus-

try. They are buying the major part of their power to date, but within the last two years they have come down into Tennessee and North Carolina and undertaken to get together a water power there that they can develop for their own power.

Senator THOMAS. Is the original company interested in your company?

Judge LINDSAY. I am talking now of the original company.

Senator THOMAS. But I am speaking of your company.

Judge LINDSAY. I am speaking of the Aluminum Co. of America, not of the Southern Aluminum Co.

Senator THOMAS. Has the Aluminum Co. of America got any interest in the Southern Aluminum Co.?

Judge LINDSAY. Not a particle; there is no relation whatever. The French and the Norwegians are able to make aluminum and sell it in this country much cheaper than we can for the four reasons I set out a while ago. They sometimes say that we are a monopoly, but we can not help that; the Government is a monopoly when they come to carrying the mails, although it is not an unlawful one. We were the only company that could operate under the patented process, because the old fellows could not compete with us. When we got to applying electricity that changed the case so greatly that they went out of business. This line [referring to a diagram] represents the price of aluminum when we began to make it, and this line represents the downward flow of the price.

Senator THOMAS. In order that the record may be kept straight, the illustration which you hold is an illustration connected with your brief with two white lines upon it that cross each other roughly like the letter "X," and those are the lines that you referred to just now?

Judge LINDSAY. Yes; this is a diagram made especially to bring vividly before this committee how rapidly the production of aluminum has increased in America since this device for making it, was discovered and how rapidly the price has fallen, so that the American consumer is getting the benefit of pushing the patent. They did not go to sleep.

Senator STONE. Let us get down to brass tacks here. This so-called French company represents a large capitalization?

Judge LINDSAY. I have understood that they have a \$10,000,000 capitalization to engage in the manufacture of aluminum in this country. Of course, there is domestic competition, and the fact that one-third of all the aluminum in this country consumed last year was imported aluminum from abroad shows that there is foreign competition.

Senator STONE. The French company, known as the Southern Aluminum Co., manufactured what?

Judge LINDSAY. They bought out what is known as the old Whitney Reduction Co. property in North Carolina, near Salisbury. Either Senator Simmons or Senator Overman, from that State, could give you more accurate information on that subject than I. The water power was started in that district several years ago to generate electrical power to mine coal and copper in that State, and they failed, and I think the property went into the hands of a receiver. This French syndicate has recently become the owners of that property, and they started in to convert it into an aluminum plant.

Senator STONE. They are developing this water power at the point you have mentioned in North Carolina?

Judge LINDSAY. Yes, sir.

Senator STONE. When the water power is developed, where do they expect to use it?

Judge LINDSAY. In that locality, because you can not transmit electrical power any very great distance without the loss being very heavy.

Senator STONE. Have they any establishment for the making of aluminum?

Judge LINDSAY. No; that could be put in before they get their water powers complete. They could start after the water power was 50 per cent developed, and then get their appliances in in time to begin the using of their current.

Senator STONE. They have not established any appliances for making aluminum?

Judge LINDSAY. No; neither has the American company.

Senator STONE. I am talking about the Southern Aluminum Co. You say they have not established any appliances for making aluminum?

Judge LINDSAY. Not as I understand it.

Senator STONE. Now, what have they done in the way of developing the water power?

Judge LINDSAY. I could not answer that definitely, except that they have spent a great deal of money, and they have got their orders placed with factories for the necessary electrical equipment, etc.

Senator STONE. Are you connected with that company?

Judge LINDSAY. No, sir; and, therefore, I do not happen to know so very much about their business.

Senator STONE. Then you do not know very much about their business at all?

Judge LINDSAY. No; I do not pretend to know much about their business.

Senator STONE. You are connected with what company?

Judge LINDSAY. The Aluminum Co. of America.

Senator STONE. Where does that company operate?

Judge LINDSAY. Their first process, where they make alumina; is at East St. Louis, just across the river in Illinois from St. Louis, and that alumina is then carried to where they can get electrical force to manufacture it into aluminum, and one of their factories is located at Niagara Falls, and another at Messina, on the St. Lawrence River.

Senator STONE. That is, your company makes the alumina in East St. Louis?

Judge LINDSAY. Yes, sir.

Senator STONE. What do they make it from?

Judge LINDSAY. They make that from the aluminum ore known as bauxite. That comes most largely from Arkansas, although there are bauxite deposits found in Georgia, Alabama, and Tennessee.

Senator STONE. You get your supplies largely from Arkansas?

Judge LINDSAY. Yes; largely from Arkansas, because that is the closest source of supply to the present alumina plant at East St. Louis, and also because it is richer than the Georgia, Tennessee, and Alabama ores.

Senator STONE. Do you make this alumina from a crude metal?

Judge LINDSAY. Yes; it is purer metal than the bauxite.

Senator STONE. Still, it is in a crude form?

Judge LINDSAY. Yes.

Senator STONE. You transport it to Niagara Falls, where you have a plant, and where you refine it into aluminum?

Judge LINDSAY. That is correct.

Senator STONE. Is this company with which you are connected the only one in the United States making aluminum?

Judge LINDSAY. Yes, sir; they were the owners of the patents and no one else could engage in the business until the patents expired. This Southern Co. is the first company to muster up the courage to go into the business.

Senator STONE. They are just laying the foundation?

Judge LINDSAY. Yes; they bought the property at quite an outlay of money and have been doing a vast amount of work down there, as I understand it.

Senator STONE. What is the volume of production of aluminum in the United States?

Judge LINDSAY. Forty million pounds were produced by the Aluminum Co. of America in the United States in 1912, and something less than the year before, and less than the years before that, as this diagram¹ will show. You can refer to this diagram.

Senator STONE. You can answer the question in a general way. Last year what was it?

Judge LINDSAY. Last year 40,000,000 pounds, and two years before that 38,000,000 pounds; three years prior to that, 35,000,000 pounds.

Senator STONE. And that was made by the Aluminum Co. of America?

Judge LINDSAY. Yes, sir.

Senator STONE. What was the volume of the imports last year?

Judge LINDSAY. Thirty-six per cent of all that was used last year was imported.

Senator STONE. You have given the exact number of pounds your company made last year. Can you give offhand the amount of aluminum that was imported last year?

Judge LINDSAY. About 22,000,000 pounds were, as I understand it, imported last year.

Senator THOMAS. The Handbook gives it as 14,907,000 pounds.

Judge LINDSAY. That was for only a part of the year. The Government year runs from June 30 to June 30, while I am speaking of the annual.

Senator STONE. What is the present duty on it?

Judge LINDSAY. Seven cents per pound.

Senator STONE. And this bill fixes it at 25 per cent?

Judge LINDSAY. Twenty-five per cent ad valorem.

Senator STONE. What would be the specific equivalent?

Judge LINDSAY. At the price aluminum is selling at now it would be something like 4½ cents a pound, but aluminum has jumped in price the last six months from around 11 or 12 cents a pound up to 18 cents a pound. I understand that aluminum is a good deal like eggs and butter; it fluctuates very violently in price.

¹ Not printed.

Senator STONE. What do you do with your products that come from your factory? What is the market for it?

Judge LINDSAY. We have been very industrious in trying to develop markets, and only recently it has been discovered that aluminum is a splendid conductor of electricity and takes pretty well the place of copper wire in transmitting electrical current.

Senator THOMAS. It is used very largely in the automobile business.

Judge LINDSAY. Yes; very recently the manufacturers of the high-priced automobiles have found it desirable to embrace aluminum in the body structure of their autos and in the steps, etc., because it is stronger than wood and not so very much heavier; not so heavy as some of the other strong metals.

Senator STONE. Exactly what is it you desire done with this bill as to aluminum? What is your recommendation?

Judge LINDSAY. Certainly I believe that no cut can be stood by American companies below that where the Underwood bill puts it, and if I had an opportunity I could show the best of facts to prove that it ought to be increased; but I do not want to undertake to do what would appear at this late day in the hearings to be an impossibility. Any further cut would be disastrous to the industries in this country, and especially to the extending of it in other industries.

Senator STONE. What you are asking is to have it left as it is now?

Judge LINDSAY. I would ask that no further cuts be made.

Senator THOMAS. You are asking to leave it as it is because you can not do any better?

Judge LINDSAY. I believe that is true, because the bill as it came from the House on this point, with our limited time to present the matter and the fact that we are supposed to be big and rich and powerful, is militating against us. I think a lot of fellows would look at us like they would at a big, fat steer, and say, "He is so big and fat that he does not need any more; let us eat him now."

If anyone files a brief or any statement in support of any motion for a further reduction in this matter, I should like to have an opportunity to see such brief or statement and submit an answer.

Senator THOMAS. We have half a dozen of them now.

Judge LINDSAY. Is there any opportunity, then, for me to see them? I am speaking in the dark on the matter.

Senator THOMAS. If you will have a seat over here you may look them over.

STATEMENT OF MR. MAX BAER, REPRESENTING BAER BROS., OF NEW YORK, MANUFACTURERS OF BRONZE POWDER.

PARAGRAPH 148.—*Bronze Powder.*

Senator STONE. You want a few moments in order to make your train? State your name to the committee.

Mr. BAER. My name is Max Baer, representing Baer Bros., of New York, with factory located in Stamford, Conn. The article we make is bronze powder.

Senator THOMAS. A man by the name of Cleary talked to me about that yesterday. I am very glad you are here.

Mr. BAER. Our product is covered by paragraph 148 in the Underwood bill.

Senator THOMAS. The metal schedule?

Mr. BAER. Metal Schedule C and in paragraph 175 in the Payne bill. The present duty on bronze powder is 12 cents per pound, and notwithstanding this fact Germany is sending over to this country one-half of all the bronze powder used.

Senator STONE. What is the consumption?

Mr. BAER. Three million pounds.

Senator STONE. How much comes from Germany?

Mr. BAER. A million and a half, and the other million and a half pounds are made here.

Senator STONE. What do you use it for?

Mr. BAER. For gilding and decorative purposes, such as for making cigar labels, gold paper—gilding of every kind. It is not an article of necessity.

Senator THOMAS. Picture frames?

Mr. BAER. Picture frames; yes. It is more an article of luxury.

Germany, outside of supplying this market with one-half its consumption, supplies the entire world. Nothing is exported from this country. If the proposed duty of 25 per cent ad valorem goes into effect, it would mean a reduction from 12 to 7 cents per pound and less, and the reduction is too drastic, too extreme, and I am afraid that it would mean that the domestic manufacturers could not go on.

Senator JAMES. What is the total production here in this country?

Mr. BAER. A million and a half of pounds.

Senator THOMAS. The gentleman told me yesterday this—see what you think about it: He said that there are two grades of the goods, one inferior and the other very superior, but that even experts are deceived very frequently as between the two, and that difference can not be detected sometimes until it is used, and that under an ad valorem duty the superior grades could be very easily imported into this country as inferior grades, in consequence of which the ad valorem duty is not safe, and that it ought to be a specific duty.

Mr. BAER. The statement made by the gentleman is practically correct.

Senator THOMAS. That was his argument to me yesterday, and he was very much concerned.

Mr. BAER. He has told you the absolute fact, only I did not wish to go into it so deeply for fear I might take up too much time of your committee.

Senator JAMES. It says under this article here, "bronze powder, brocades," etc.

Mr. BAER. "Brocades" means coarser quality; it means more in the shape of sifters or flakes. It is used, for instance, on the merry-go-rounds, so the gilt decorations will stick out more prominently; it is made in larger pieces.

Senator JAMES. It is bronze powder?

Mr. BAER. The very same goods.

Senator JAMES. What did you say the imports were?

Mr. BAER. It is known also as flittle or flake.

Senator JAMES. What did you say the imports were last year?

Mr. BAER. The imports were—

Senator THOMAS. Eight hundred thousand pounds.

Senator JAMES. More than that—1,154,000 pounds.

Senator THOMAS. Oh, yes; I was looking at the wrong place—one is bronze or Dutch metal.

Mr. BAER. About a million and a half pounds, as I said before.

Senator STONE. What figures have you?

Mr. BAER. The same figures as you have.

You see, if the proposed revision of bronze powder goes through, it means that the United States Government would increase its revenue by \$13,000 a year.

Senator STONE. If what?

Mr. BAER. If by reducing the tariff from 12 to 7 cents per pound, or 25 per cent ad valorem, it would increase the importations through which the United States Government would increase its revenue on bronze powder by \$13,000 a year.

Senator STONE. Is that the estimated increase?

Mr. BAER. Yes, sir.

Senator JAMES. You must be mistaken about that.

Senator THOMAS. Would it do that on an ad valorem duty?

Mr. BAER. Yes.

Senator JAMES. This schedule here shows that the estimate of 12 months' consumption under this bill would increase the value of the imports—that is, bronze powder, brocades, etc.—from \$416,000 to \$750,000.

Mr. BAER. And the duty thereon?

Senator JAMES. And the duty thereon would have been increased from \$174,000 to \$187,000.

Mr. BAER. Which verifies my figures.

Senator JAMES. Which would agree with the statement you make.

Mr. BAER. Yes.

Senator JAMES. Your argument is that this is a luxury and that it ought to bear—

Mr. BAER. It would mean this, the United States Government would receive in revenue \$15,000 more per year, but on the other hand the half a dozen bronze manufacturers of this market would be driven out of business.

Senator THOMAS. Is it a luxury?

Mr. BAER. Absolutely.

Senator THOMAS. Is it not a sort of poor man's gold leaf?

Mr. BAER. No, sir.

Senator JAMES. According to your statement, if the production in this country now is a million and a half—

Mr. BAER. Of pounds?

Senator JAMES. Of pounds; and the imports, 1,154,000. Then you have half the market now?

Mr. BAER. Do you not think that is enough competition?

Senator STONE. It is fair competition.

Mr. BAER. I think it is very keen, and I would respectfully ask the gentlemen of the committee to approve of a reduction in duty, but not quite so drastic.

Senator THOMAS. Do you think a specific duty is better than an ad valorem for your protection?

Mr. BAER. If I would dare to make a proposition—

Senator THOMAS. You dare do anything here; that is what you are here for.

Mr. BAER. I would recommend, gentlemen, that you reduce the present specific duty by 25 per cent, and we will be happier than we would be under any amount of ad valorem duty. Ad valorem duty on our particular article means a loss of time for everybody concerned and a loss of income to the Government absolutely. The present duty on bronze powder is 12 cents per pound, and if you reduce it to 9 cents per pound specific we would thank you and be satisfied with the reduction. We only want what is fair and reasonable and equitable.

Senator THOMAS. I think that is a fair proposition.

Senator JAMES. Do you believe that would bring in more revenue than we are now getting?

Mr. BAER. The United States Government would get at least the revenue to which it is entitled, while under an ad valorem duty you would not get the largest returns.

Senator STONE. What?

Mr. BAER. You would not get the right returns, because there would be too much undervaluation.

Senator STONE. You think 9 cents would bring in more revenue than 25 per cent ad valorem?

Mr. BAER. Yes, sir.

Mr. BARNER. From an appraiser's standpoint, we would like that, but we did not suggest that much to the committee, as we did not want it to appear that we wished to shirk our duty in looking up foreign market values. On many of them the appraiser would have been glad to stick to the specific rate and reduce a certain percentage; but I did not like to suggest that much to you, for the simple reason that I did not want you to think that the appraisers wished to shirk their work.

Senator JAMES. Specific duty, as an ordinary proposition, is unfair, but I can see in some cases it is better.

Senator THOMAS. There are two distinct grades of this material, the gentleman said to me yesterday. They look very much alike, and the tests made to distinguish them are frequently uncertain and unsatisfactory, and that with an ad valorem duty there is no question but what a great amount of fraud would be perpetrated upon the Government and great injury done to manufacturers here; and he said that he would have some gentlemen from New York in the business down here in a day or two. He may have meant these gentlemen, for all I know.

Mr. BAER. The value of bronze powder as we sell it is absolutely based on the confidence between the manufacturer and the buyer. For instance, if I were to ask from some of our clients 10 per cent more and tell them it is so much better article, they would have no way of determining it until they had a chance to use the goods, to determine the covering power and the spreading capacity; but by looking at it or by trying it by hand tests no expert can tell the value of our goods.

Senator JAMES. The rate now is 12 cents per pound?

Mr. BAER. The rate now is 12 cents per pound; yes, sir.

Senator JAMES. And that is equal to an ad valorem, as I reckon, of 41.08 per cent?

Mr. BAER. Yes, sir.

Senator JAMES. So you think you would be happier, as you put it, with the reduction to 9 cents per pound than to make it an ad valorem of 25 per cent?

Mr. BAER. Yes, sir; and I think it would be more advantageous, more equitable, not only to the American manufacturers, but also to the United States Government. If you have an ad valorem duty on bronze powders, it seems that your appraiser's office would require quite an additional number of examiners to examine every case of bronze that comes in, and a lot of time is wasted—I would not want to say wasted, but lost and taken up.

Senator STONE. I think we understand that.

Mr. BAER. The very fact that we are ready to accept a reduction from 12 to 9 cents a pound I think ought to appeal to you, if you take into consideration that one-half of all the bronze powder used is supplied by Germany at the present time.

Senator STONE. I think we understand you.

Senator JAMES. Yes.

Mr. BAER. I wish you would give my argument your time and careful consideration.

Senator STONE. We will do that.

Mr. BAER. I thank you and am very much obliged.

STATEMENT OF MR. MAURICE A. HARWICK, PRESIDENT OF THE HARWICK BRONZE POWDER CO.

PARAGRAPH 148.—*Bronze powder.*

Senator STONE. Are you a manufacturer or an importer?

Mr. HARWICK. I am an importer.

Senator STONE. What is your view of this bill?

Mr. HARWICK. My view is that the bill is very unjust to the American laborer and to the American importer.

Senator STONE. The American laborer and American importer?

Mr. HARWICK. Yes; this proposed tariff in the Underwood bill on bronze powder is a great injustice to the American laborer and the American importer.

Senator STONE. It is now proposed in the bill to fix the duty at 25 per cent ad valorem. The present duty is 12 cents per pound. What do you think the duty ought to be?

Mr. HARWICK. There ought not to be any duty on bronze powder if you permit clippings and schrot, from which bronze powder is made, and which is 66 per cent manufactured bronze powder, to come in free.

Senator STONE. What is schrot?

Mr. HARWICK. I can explain that better by presenting some exhibits that I have here. This metal is called clipping. High-grade bronze powders are made from this metal—metal which the cost of labor alone to produce is from 12 to 18 cents per pound. It comes in free of duty as raw material.

Senator STONE. That is a foil?

Mr. HARWICK. It is stamped metal from which high-grade bronze powder is made. Then it is torn into small pieces and imported into the United States in this form, as well as in schroted form. The clippings cost to manufacture from 12 to 18 cents per pound,

whereas cast metal costs to manufacture from 3 to 4 cents per pound; and they both come in free of duty as raw material.

Senator STONE. Do you mean under the bill or under the law?

Mr. HARWICK. Both under the bill and under the law.

Senator STONE. This sheet that looks like foil is the material out of which bronze powder is made?

Mr. HARWICK. Yes, sir; high-grade bronze powder.

Senator STONE. This exhibit that you have here is clipping?

Mr. HARWICK. That is clippings in schroted form.

Senator STONE. What does "schrot" mean?

Mr. HARWICK. It means clipping metal or cast metal that has been reduced by machinery to small flakes.

Senator STONE. Then there is some process of manufacture in converting the sheet into schrot?

Mr. HARWICK. Yes, sir.

Senator STONE. You say the sheet is taxed and the schrot comes in free?

Mr. HARWICK. Both come in free in sheet form clipping or schroted form. They come in free of duty as raw material.

Senator STONE. Under the Payne law?

Mr. HARWICK. Under the Payne law and under the proposed Underwood bill.

Senator STONE. Do you wish to change that?

Mr. HARWICK. I propose that they put a duty on clippings on which the labor cost is three times as much as the cost of finishing the same into bronze powder. It should be dutiable at a pro rata of its value. It is up to you gentlemen to look into that and decide what the duty should be. The same applies to cast metal and schrot.

Senator STONE. You want the duty on schrot?

Mr. HARWICK. We want duty on schrot.

Senator STONE. You wish this sheet to continue to come in free?

Mr. HARWICK. No, sir; we object to that. We want a duty on it, the same as on schrot.

Senator STONE. And are you importing all these things?

Mr. HARWICK. No, sir; we are importing bronze powder. If these clippings and this schrot come in free of duty under the proposed 25 per cent ad valorem rate, which is a reduction of 20 per cent from the present Payne law, we can not compete with American manufacturers in bronze powder. They merely finish the bronze in the United States. It costs them from 5 to 7 cents per pound to manufacture a pound of bronze powder in the United States.

Senator STONE. Then you want to tax the material out of which the bronze manufacturer makes his bronze powder.

Mr. HARWICK. Yes, sir. They can make this material in this country, which will give employment to American labor.

Senator STONE. And you want to do that in order to enable you to import foreign-made powders?

Mr. HARWICK. In order to enable us to import on a competitive basis.

Senator STONE. What duty do you suggest should be levied on these materials you exhibit here; this stamped metal sheet, cast metal clippings, and the schrot?

Mr. HARWICK. Before I make a suggestion may I make a further explanation?

Senator STONE. I wish you would be as brief as you can. You see how we are crowded here for time.

Mr. HARWICK. This is an important feature: This cast metal is first cast into these castings and then is schrotoed into the form of these little flakes as represented by this exhibit.

Senator STONE. Do you mean that these clippings here, as schrot, is made out of this exhibit of cast metal?

Mr. HARWICK. Yes, sir; they are made from cast metal and from stamped metal.

Senator STONE. And this cast metal is made out of these sheets?

Mr. HARWICK. No, sir.

Senator STONE. What is it made out of?

Mr. HARWICK. This is a cast alloy of copper and zinc, which is produced through cast by machinery and is an imitation clipping.

Senator STONE. What is the cast metal made from?

Mr. HARWICK. Copper and zinc.

Senator STONE. And the stamped metal leaf that you exhibit has nothing to do with that?

Mr. HARWICK. Yes, sir; that is also made from copper and zinc, and is beaten into these fine leaves from which bronze powder is made. The clipping sheets cost about 35 cents per pound to produce under the present market of copper.

Senator STONE. You mean the cast metal which is made out of copper and zinc?

Mr. HARWICK. No, sir.

Senator STONE. What are these sheets made out of?

Mr. HARWICK. From the same materials, copper and zinc. These sheets represent a cost of labor of from 12 to 18 cents a pound, and the labor cost of the cast metal is something like 4 cents a pound. Now, Senator, this cast metal is schrotoed. This is an exhibit of schrot made from this cast metal. When this sheet is schrotoed and ground into bronze you can not tell them apart. They both come in free of duty.

Senator STONE. You mean in this schrotoed form?

Mr. HARWICK. Yes, sir. The consequence is that the American bronze-powder manufacturer only finishes bronze powder in the United States. This represents 65 to 70 per cent of manufactured bronze powder.

Senator STONE. What do you want to do?

Mr. HARWICK. If we have these clippings and schrot free of duty, there ought not to be any duty on bronze powder to enable us to compete.

Senator STONE. I have a telegram here signed by the Harwick Bronze Powder Co., 261 Broadway, New York City—

Mr. HARWICK. That is my company.

Senator STONE. Saying:

Referring to section 150 under the Underwood bill, a fixed rate per pound of 4 or 5 cents instead of an ad valorem rate is desired by foreign manufacturers as well as American producers of bronze powder. While these interests are competitive and naturally antagonistic, yet they agree upon the necessity of a fixed rate per pound in place of ad valorem which will permit and encourage undervaluation and unfair competition by unprincipled foreign manufacturers or exporters, as this is requested by the antagonistic American manufacturers and interests who are familiar with this business, their representation should be seriously considered by your committee in framing the schedule

In the Senate bill. Rate was 5 cents per pound in original Aldrich bill. Increased to 12 cents in present law by conference at request and influence of the American manufacturers.

Mr. HARWICK. That is correct.

Senator STONE. Your desire is to have a specific rate of 4 or 5 cents on these powders?

Mr. HARWICK. If you put a duty on clippings and cast metal and schrot at 5 cents per pound.

Senator STONE. If these sheets and castings and this schrot are all admitted free, then what ought to be the duty on powder?

Mr. HARWICK. There should be no duty.

Senator STONE. Then, what do you mean in the telegram, by saying:

A fixed rate per pound of 4 or 5 cents instead of an ad valorem rate is desired by American manufacturers as well as foreign producers of bronze powder?

Mr. HARWICK. We took the Underwood bill as making clippings and schrot free of duty. If clippings or schrot are free the rate on bronze powder should be free or not more than 4 cents per pound. We asked for a specific duty instead of an ad valorem, as an expert can not tell differences of value in the bronze powder without knowing the quality of materials from which it was made. If the duty is over 4 cents per pound on bronze there will be no more competition than now when there is none, as a single American manufacturer produces more than the entire importation of bronze powder.

Senator STONE. Very well. I think I understand your position correctly.

Mr. HARWICK. If you like I will gladly file a brief with you. We feel, however, that the proposed tariff in the Underwood bill on bronze powder is a great injustice.

Senator STONE. I would be glad to have you file a brief if you wish to do so.

STATEMENT OF MR. FRANK H. SCARDEFIELD, OF 28 MARCY AVENUE, BROOKLYN, REPRESENTING THE UNITED STATES GOLD LEAF MANUFACTURERS ASSOCIATION, AND ACCOMPANIED BY MR. STEPHEN HICKSON, OF 559 BROOME STREET, NEW YORK CITY, AND MR. LEONARD RIKER, OF DELAWANNA, N. J., MANUFACTURERS OF GOLD LEAF.

PARAGRAPH 150.—*Gold leaf.*

Mr. SCARDEFIELD. We want to call your attention, gentlemen, to paragraph 150, H. R. 3321, in regard to gold leaf being placed at 35 per cent duty. We do not wish to be unreasonable but desire to explain that an error was made in calculating the ad valorem duty equal to the present duty of 35 cents per 100 leaves, the committee making it equal to 38.77 per cent, by taking the unit (100 leaves) as 90 cents, whereas the proper unit, as proven by copies of foreign bills attached and sworn to, should be 85 cents; that is, 500 leaves, at \$1.25 (actually \$4.20), is 85 cents per hundred leaves, which is the unit used. This makes the present duty of 35 cents per unit equal to a duty of 41.18 per cent, and makes the reduction in duty 6.18 per cent in place of 2.88 per cent as proposed, which means a reduction of about \$3 per week to each employe in order to keep the

German importation where it now is. In 1907 there was imported from Germany gold leaf valued at \$167,263 worth; with duty added, \$234,168.20. To meet this very serious situation the employees gradually reduced their wages from \$20 per week to \$12 or \$15, which they are now receiving, and at present the importations are about \$60,000 per year, duty added. The employees would leave the business rather than take less wages, which are already very small compared with other skilled trades.

Senator THOMAS. Can you give us the amount of the domestic production?

Mr. SCARDEFIELD. About \$2,000,000 a year.

Senator THOMAS. Is that increasing or decreasing?

Mr. SCARDEFIELD. No; that is about the average.

In contrast with every other article the price of gold leaf has not been advanced in price for the past 10 years, and therefore does not come under the criticism of having been overprotected; so with the present duty it is almost the ideal tariff being sought for. There is no combination among the manufacturers, and the market is open and free.

We therefore trust you will correct the error in the units from 90 to 85 cents and place the duty at 40 per cent in place of the proposed 35 per cent, as everything sought for in the new tariff bill has already been accomplished in this industry.

Senator THOMAS. The equivalent ad valorem last year was 35.77 per cent. That is a very small reduction, it seems to me.

Mr. SCARDEFIELD. There is another point. They have taken their unit as 90 cents instead of 85 cents, and here is a foreign bill, and also copies of two other foreign bills, which are sworn to. I have filed a copy of one of these foreign bills with the committee. I mailed it to the chairman. They show 17.50 marks for 500 leaves, which is equivalent to \$4.20. In all our briefs furnished the House we stated at all times that it was \$4.20 for 500 leaves, and I do not know where they got their figure of \$4.50, or 90 cents per hundred leaves.

Senator STONE. To whom is the consignment made?

Mr. SCARDEFIELD. It is made to Hastings & Co., of Philadelphia.

Senator STONE. That is not your company?

Mr. SCARDEFIELD. No; that is another company—one of the manufacturers of gold leaf in the United States.

Senator STONE. Was this a bill sent by a manufacturer in Germany?

Mr. SCARDEFIELD. That was a purchase of 200 packs of gold leaf.

Senator STONE. How did this bill come into your hands?

Mr. SCARDEFIELD. I asked this manufacturer for this bill so that I could prove to you that \$4.20 was the price, or 85 cents a unit.

Senator THOMAS. You have the unit price of 100 leaves?

Mr. SCARDEFIELD. Yes. Here are two other bills from the same firm to the same house under different dates showing that the same prices were paid in 1911, 1912, and 1913. I mailed the originals of these copies to you on the 16th of this month. They must be among your papers somewhere.

Senator STONE. You say you mailed them to me?

Mr. SCARDEFIELD. Yes, sir. This is another copy that I have secured since then in order to show this condition.

Mr. HICKSON. I would like to break in here long enough to give you a little information on the sad effects of the reduction in duty. I, as a boy in 1851, went to learn the trade in the city of London. Three years afterwards Gladstone became chancellor of the exchequer. He introduced free trade. While the duty was not taken off entirely on gold leaf, it was reduced so that in one or two years after the free trade became the law of England there was no work for the journeymen goldbeaters. In 1858, after having served seven years in the trade, I could not get a position anywhere in the city of London to work at the business, and my mother furnished me with means to come to this country. When I reached New York I met several hundreds of men that had preceded me—men who had been provident and had saved enough money to bring them to this country. There are some 3,000 people employed in the business. They are here and can not move away. They can not go to Cuba; they can not go to South American States; and they can not go to Canada, because Germany has the entire market.

Mr. SCARDEFIELD. We export gold leaf to no country, not even to Canada.

Mr. HICKSON. I earnestly pray that the United States will give these good people a chance to make a living. From what I say you can imagine that I am just about 76 years of age. My time has passed, but I have a great interest in the men. I have some men who have been in my employ many years. I have one man who has been in my employ for 40 years, another man for 27 years, and another man for 25 years. I am able to pay them from \$12 to \$15 per week. I feel ashamed to pay them that, but I can not pay any more. The profits on gold leaf are so small that they are almost invisible.

Senator STONE. Your objection lies primarily to the unit upon which the classification was made?

Mr. SCARDEFIELD. Yes, sir. We are quite willing to stand the reduction of 2 per cent which the House has made. If it is made at 40 per cent we would be quite satisfied, and I think you would still be making a reduction if the classification can be made correctly.

Mr. HICKSON. I believe the House would have done that only they made a mistake in the classification.

Senator THOMAS. Who had charge of this particular item in the House rating?

Mr. SCARDEFIELD. Chairman Underwood.

Senator THOMAS. No; he was chairman of the committee, but these several schedules were assigned to different persons.

Mr. SCARDEFIELD. I believe Congressman Palmer, of Pennsylvania, had charge of that.

Senator THOMAS. Can you not see Mr. Palmer and call his attention to this matter which you claim to be an error?

Mr. SCARDEFIELD. We called his attention to it, but he has taken no notice of it.

Senator THOMAS. Have you called his attention to it since the bill came to the Senate?

Mr. SCARDEFIELD. Yes, sir; during the passage of the bill through the House we called their attention to this point, and in the debate on the floor of the House Congressman Moore called their attention to it, but it was voted down.

**STATEMENT OF MILTON S. LISSBERGER, REPRESENTING MARKS
LISSBERGER & SONS, LONG ISLAND, N. Y.**

PARAGRAPHS 154 AND 155.—*Pig lead and lead ore.*

Senator STONE. To what provision of the bill do you desire to address yourself?

Mr. LISSBERGER. On the pig-lead and lead-ore schedule, both. The numbers have been changed.

Senator THOMAS. Paragraphs 154 and 155.

Senator STONE. What do you represent?

Mr. LISSBERGER. The American manufacturers of metal products, which practically include all the independent lead manufacturers of the United States. We got together and held several conferences and meetings and agreed upon a brief which has been sent to your honorable body and also to the House.

I want to say that at a meeting the other day of the committee it was agreed that we were exceptionally fortunate in having this matter come up in front of this particular subcommittee, because both the chairman and yourself, Senator Thomas, we feel are thoroughly familiar with the lead question. You come from the two greatest lead-producing States that we have.

Senator THOMAS. That is saying a great deal, to say that we are thoroughly familiar with the subject.

Mr. LISSBERGER. I think they are not going to put over anything on you. There is not going to be any jokers or anything else. Our committee, in submitting this brief, did not urge any specific figure at all.

The independent lead manufacturers felt that anything that would be done that was fair would not hurt them. We believe these manufacturers, as manufacturers, are able to compete with the world. They may have cheaper labor, but with our knowledge of the manufacture of white metals in this country and our modern methods, whether our manufactured products bore any additional duty to the raw material or not, made no difference to us, and we have not asked for any. But the bill as Mr. Underwood finally submitted it to the House is wrong. If there is any protection at all due anybody, it is due the miners. That bill is protecting not the miner, who may possibly need it, but it is protecting the so-called Lead Trust, who do not need it, because Mr. Brush's testimony—and that was the only point that the independents and the trust agreed upon in front of the Payne committee—shows that the cost of smelting lead ore into pig lead runs from \$3.50 to \$8 a ton. I think \$4 is a very fair average.

Senator THOMAS. Just a minute. Was that intended to apply to the smelting of lead ore as such, or to the smelting of argentiferous ores?

Mr. LISSBERGER. It applied to both. They were very particular in questioning him, Senator, that he even sold his argentiferous ores; those that were refractory sometimes cost as much as \$8 a ton for smelting and refining; and he said that the bulk of the ores, including argentiferous, did not cost \$5 a ton simply to refine. He said \$4 was as near to the figure as one could come from the various statements given by the smelting companies from time to time.

In setting this rate over in the House they put a half a cent a pound on the lead contents of lead ore. In talking to several of them over there, notably Mr. Palmer, he stated: "Mr. Lissberger, that is equivalent to 25 per cent."

Senator THOMAS. It is now a cent and a half, if I remember rightly.

Mr. LISSBERGER. Yes. I said: "Where did you get any such thing? That is not true; it is not equivalent to 25 per cent." "Well," he says, "here is the report from the Department of Commerce and Labor, and it shows the valuation of the lead ore brought into this country, with the lead contents, was worth 2 cents a pound." "Well," I said, "that is a misstatement." He said: "Do you mean to say that the importers have given us false invoices?" I said: "It does not make any difference what their invoices were; the duty was specific. It was not an ad valorem duty. You could not get your custom-house to administer this law without you clog your courts. You ought to make it specific, anyway."

Now, Senator, I have brought out, I believe, the way that the duty of a half a cent was arrived at. I consider that a half a cent duty on both pig lead and lead ore is ample to protect the American miner.

Senator STONE. What is the ad valorem equivalent of the half cent?

Mr. LISSBERGER. How can you tell on a metal that fluctuates from 2 cents a pound up to 6½ cents a pound? It is changing as frequently as three or four times a day on the markets of the world. It is just as rapidly changing as any stock on the New York Stock Exchange.

Senator THOMAS. If that is the case, how does 25 per cent ad valorem figure out at \$11.50?

Mr. LISSBERGER. Because we have based that on the price for the last five years.

Senator THOMAS. Then, I should think you could figure out the other by basing it upon the price for the last five years.

Mr. LISSBERGER. If we figure it that way, possibly 12½ per cent would cover it properly.

Senator STONE. You mentioned that a half a cent a pound would be equivalent to 12½ cents ad valorem?

Mr. LISSBERGER. Yes, sir. The American Smelting & Refining Co. believes 4 cents is the proper price for lead ore, and the price in Europe now, being the same, practically--

Senator STONE. You want to reduce the duty?

Mr. LISSBERGER. No, sir; I do not care what you make that duty, as long as you make it specific. I believe, however, that anything above a half a cent would be just as prohibitive, whether it is 10 cents or a half a cent a pound.

Senator STONE. You say you do not care anything about it, so far as your industry is concerned; but you are speaking in behalf of the miners and the laboring men?

Mr. LISSBERGER. As to the laboring men, I consider that a half cent is fair to them, because the actual business is done on a percentage basis and not on a per ton basis.

Senator STONE. You mean to say he ought to have some protection?

MR. LISSBERGER. Personally, I feel that he should have, if he is entitled to any. Most of the lead people believe that he ought to be protected.

SENATOR STONE. Would not 25 per cent be more protection to him than 12½ per cent?

MR. LISSBERGER. Yes, sir; at times it would be more protection than 12½; but 25 per cent would not be more protection than a half-cent.

SENATOR STONE. But the half cent only equals 12½ per cent.

MR. LISSBERGER. The lead in the ore costs 2 cents to mine it in Mexico. You will have to disprove that, if you want to put it on that basis; and an ad valorem duty on a fluctuating article like metal is wrong. It is not a sensible duty, and that is why we have come down here to urge you to make the duty on lead specific.

SENATOR THOMAS. Your principal objection, after all, is to section 155?

MR. LISSBERGER. No ad valorem.

SENATOR THOMAS. And being at that rate?

MR. LISSBERGER. Being at that rate as compared with the lead ore, because doing that now you are handing the lead trust a compensating duty of two and one-half times what it needs for smelting that lead ore. In other words, you have said: "Gentlemen, you can bring your ore in at a half a cent." The consumer does not bring any here. The consumer buys at 25 per cent, and he is buying just twice that half per cent.

SENATOR THOMAS. In other words, the American Smelting & Refining Co. occupies a different ground between the man who digs the ore and the man who consumes the lead?

MR. LISSBERGER. Exactly.

SENATOR THOMAS. And therefore fixes the price to suit himself at each end?

MR. LISSBERGER. Exactly; and consequently, if you make it specific, at times, when they could work it, as they have in the past, and can get relief from the half cent, it will not permit the entry of any lead ore with the intent that it shall be smelted into pig there to be used within the United States, and it will not permit any pig lead to be brought into the United States with the intention that it shall be finally consumed in the United States. All of these imports, up to now, Senator, have been smelted there; not a ton of the material has been taken out and manufactured and the duty paid back. We have not imported 1 per cent of the lead consumed.

SENATOR STONE. You are addressing yourself to paragraph 155, are you not?

MR. LISSBERGER. Yes, sir.

SENATOR STONE. What have you to say about amending that provision so as to make it apply to lead contents?

MR. LISSBERGER. It does read on lead contents, now.

SENATOR STONE. Not this bill; I mean in the bill that passed the House.

MR. LISSBERGER. Twenty-five per cent ad valorem. We want that changed to a specific rate.

SENATOR STONE. I am not asking about that. This is lead dross—lead bullion or base bullion—lead in pigs and bars, etc.

MR. LISSBERGER. That has been drawn in order to prevent any other smelting, even the recovering of metals. You allow zinc ashes and

zinc skinnings to come in the same as the ore. The trust has got this protection that even we recoverers of old metals can not bring in lead except we pay the duty on the full amount—not even on the lead contents.

Senator STONE. This base bullion has gold, silver, antimony, and other things in it that are on the free list.

Mr. LISSBERGER. The same thing there. They have to pay it on the total.

Senator STONE. If any of these articles embraced in this base metal carry a higher duty, why should not they pay it?

Mr. LISSBERGER. They ought to.

Senator STONE. They are on the free list as gold.

Mr. LISSBERGER. They all come in free.

Senator STONE. Why not let it come in free?

Mr. LISSBERGER. But that is almost the same as the Payne tariff, and under the administration of that they charged them one duty on the gold and silver contents.

Senator THOMAS. What is your suggestion as to what that duty ought to be?

Mr. LISSBERGER. Those two clauses ought to be combined—155 and 154.

Senator STONE. In other words, you want to put the ores and bullion on the same basis?

Mr. LISSBERGER. The ores, the bullion, and the pig lead on the same basis because we know—in fact, it is natural that we can smelt and refine those things cheaper here than any other place. I have handed the stenographer some extracts from Mr. Bush's testimony before the Payne committee in which he made that statement.

Now, gentlemen, I will just say this one word. I want to urge you gentlemen in the interest of the smaller manufacturers who are being pressed, whom the trust is attempting to drive out of business, to give us a specific rate on pig lead. That is the one thing that we need. We must buy it abroad. We have not got the money to buy six months' or a year's supply and bring it over at once, and when we do buy it abroad we have no way of telling what it is going to cost us laid down here, owing to the fluctuation. That is all, gentlemen. I thank you for your kindness.

STATEMENT OF MR. SIDNEY MASON, PRESIDENT OF THE WELSBACH CO., GLOUCESTER CITY, N. J., MANUFACTURERS OF INCANDESCENT GAS MANTLES.

PARAGRAPH 156.—*Gas mantles.*

Mr. MASON. The paragraph I wish to speak to is paragraph 156 of the present Underwood bill, in reference to the items of monazite sand, thorite, thorium salts and oxide, gas-mantle scrap, and gas mantles.

Monazite sand is the only source of producing thorium, and thorium is used only in gas-mantle manufacture. I have here an exhibit of the crude mineral—monazite sand.

Senator SIMMONS. Will you explain exactly what a gas mantle is?

Mr. MASON. A gas mantle is a structure of thoria which is used on an atmospheric burner and becomes incandescent.

Senator STONE. Just how do you use them?

Mr. MASON. They are placed on the burner, and the composition of the gas heats up the mantle to an incandescence.

Senator STONE. And increases the candlepower?

Mr. MASON. It increases the candlepower and reduces the consumption of gas.

Senator SIMMONS. It is cylindrical in shape and looks like a piece of network?

Mr. MASON. Yes, sir. The Underwood bill has placed an alteration in the Payne rate on these several articles. Under the Payne bill monazite sand is 4 cents a pound, and under the Underwood bill it is 25 per cent, which is equivalent to 2½ cents a pound. On mantle scrap, which is the waste product of the factory and which is used to manufacture thorium, the Underwood bill has reduced the rate from 40 per cent to 10 per cent, or equivalent to a 30 per cent reduction. On thorium salts, which is the final product from which a gas mantle is made, the Underwood bill makes the rate 25 per cent, whereas the Payne bill was 40 per cent, or a reduction of 15 per cent. On the finished gas mantles the Payne rate was 40 per cent, and the Underwood bill proposes 25 per cent, reducing it 15 per cent. Monazite is the crude mineral material from which thorium is produced. There is no other commercial source for its production, and thorium is imperatively necessary in the manufacture of a gas mantle. Thorium is also made from the waste product of the mantle factory, which is scrap, but that thoria comes originally from monazite sand. The value of monazite sand is 11 cents a pound in the American market, and it takes 20 pounds of that sand, at 11 cents a pound, to make 1 pound of thoria oxide. Therefore it costs \$2.20 to produce 1 pound of thoria oxide, based only on the cost of the sand and not including the cost of the process. Mantle scrap is sold in Europe to the German-Brazilian syndicate on their published prices at 16 pfennig per 1 per cent of oxide per thousand grams or kilo; and 1 pound of oxide from scrap, which is that material [referring to the sample], at that rate would work out at \$1.84 a pound, so that it costs \$1.84 a pound to produce this oxide from scrap and \$2.20 a pound to produce it from a crude mineral substance. The Underwood bill proposes to put a duty of 10 per cent on this material.

Senator STONE. What material is that?

Mr. MASON. Mantle scrap, which, when added, would make that cost \$2.02 a pound, and it proposes to put 25 per cent duty on this crude mineral substance, which would make it cost then \$2.75 a pound. If monazite sand is placed on the free list, a pound of that oxide would cost \$2.20, and if 20 per cent were put on the mantle scrap, the value being \$1.84 a pound, it would cost \$2.21; so that to equalize the value of a pound of oxide made from monazite and made from scrap requires monazite to be free as a crude mineral substance and scrap to have 20 per cent instead of 10 per cent.

Senator STONE. If the monazite sand is free and scrap is taxed 20 per cent, what would be the actual difference in the cost of producing a pound of the oxide?

Mr. MASON. They would both be exactly the same.

Senator STONE. Do you mean to say that the cost of the scrap per pound would be identical with the cost of the sand per pound?

Mr. MASON. No; I do not mean to say that. I mean to say that a pound of oxide based on the price paid for the sand and paid for the scrap would work out so that a pound of oxide would be produced from monazite free at the same price as a pound of oxide would be produced from scrap if the scrap paid 20 per cent.

Senator SIMMONS. You use both in your business?

Mr. MASON. Yes, sir.

Senator SIMMONS. Do you want monazite put on the free list and a duty on the scrap?

Mr. MASON. Yes, sir.

Senator SIMMONS. Why do you want duty on scrap, if you use both? Both are raw material, are they not?

Mr. MASON. The value of this scrap will always be at a parity with that monazite.

Senator SIMMONS. Are you interested in booming the price of that scrap in any way?

Mr. MASON. No, sir.

Senator SIMMONS. Are you interested in having to pay more for it?

Mr. MASON. No, sir.

Senator SIMMONS. Why do you want a duty put on it, then? Are you interested in keeping up that parity?

Mr. MASON. I can not affect that parity. If monazite is worth 15 cents a pound, that makes that scrap worth so much more, and the seller of that scrap will get that much more for it.

Senator THOMAS. Do you not produce that mantle scrap?

Mr. MASON. We produce it in our factory.

Senator THOMAS. You want a duty on a raw material which you produce, and the rawest material, the ore, you want that on the free list. Is not that your position?

Mr. MASON. That is not the reason for it.

Senator THOMAS. But is not that a fact?

Mr. MASON. I do produce this, but I do not wish to protect it.

Senator THOMAS. Are you not operating under a patent?

Mr. MASON. No, sir.

Senator THOMAS. Is not the gas mantle a Welsbach patented article?

Mr. MASON. No, sir; the patents are entirely expired.

Senator SIMMONS. You produce some of that scrap, do you not? Does anybody else in this country produce monazite that you want put on the free list?

Mr. MASON. At the present time there is no production of monazite in the United States.

Senator SIMMONS. Has there been any?

Mr. MASON. Yes; prior to the year 1909 there was considerable. Every pound that was produced, or at least 98 per cent of all that was produced, was bought and used by my company.

Senator STONE. There is a good deal of it in the United States, is there not? And it is scattered pretty broadly?

Mr. MASON. It is not on the market, and the only time it ever did get on the market was when we personally went down into the Carolinas and developed the market and produced it.

Senator THOMAS. We have received some applications—some pretty strong ones—to increase the duty on monazite.

Mr. MASON. The monazite has one sole commercial value; that is for the manufacture of nitrate of thorium. If it can not be bought at a price which will enable it to be manufactured into nitrate of thorium in competition with imported nitrate of thorium, there would be no demand for monazite.

Senator THOMAS. It is the only substance, is it not, from which the nitrate of thorium is produced?

Mr. MASON. Yes, sir. Therefore the question that governs the production of monazite is a question of whether monazite can be produced at a low enough cost to convert it into nitrate and meet the competition in the market. We are manufacturers of thorium nitrate.

Senator THOMAS. Is that used for anything except gas mantles?

Mr. MASON. That is used for nothing but gas mantles.

Senator THOMAS. You presented your case before the House committee, did you not—the Ways and Means Committee?

Mr. MASON. No, sir. I had appeared before the Senate Finance Committee some considerable time ago, when they were holding hearings, and put the whole matter on record there. To make 1 pound of standard thorium nitrate it requires the use of 10 pounds of this monazite.

Senator STONE. Is that monazite in the bottle you hold—the sand as it comes from the mine?

Mr. MASON. This is a sample of sand that was produced in Brazil, and the deposits in Brazil are found on the coast in strata. The stratas vary from a half inch in thickness to as much as 3 inches in thickness. The sand is highly pure. It contains considerable magnetite, and that is separated by magnetic separation before it is finally packed for shipment. But that is practically the form in which it comes from the Brazilian fields. In the American deposits it is located in an entirely different formation. It is found principally in the stream beds, being washed down from the hillsides. It is found down on the bedrock, and the overburden there is considerable. Its production there is very expensive, and the graded produce is about 60 per cent of thoria compared to this. In other words, the Carolina sand will average out about 4½ per cent of oxide. The Brazilian will carry from 5½ to 6 per cent of oxide. Of the sand mined in the Carolinas, as I say, we used 98 per cent of all that was produced, and I estimate that the production from that field was about 15,000,000 pounds in the 10 years preceding 1909.

Senator STONE. What is the volume of your business? I do not mean your individual business, but the industry.

Mr. MASON. It is estimated to produce about 65,000,000 gas mantles a year, out of which the sales values are about \$4,000,000, or an average of 6 cents a piece, approximately, to the manufacturer.

Senator STONE. You mean that is the American production?

Mr. MASON. That is the American production.

Senator STONE. Do you export it?

Mr. MASON. Well, our own company exports some, principally to Canada. We ship some few mantles to Russia and India, but they are sold in connection with lamps that we have formerly sold.

Senator STONE. Take the 65,000,000 mantles you produce, about how many millions do you export?

Mr. MASON. We do not produce the entire 65,000,000; we produce about 32,000,000.

Senator STONE. You mean your individual company does?

Mr. MASON. Yes, sir.

Senator STONE. I am speaking of the industry.

Mr. MASON. I do not know what the industry exports. We export probably less than 100,000 mantles a year. We may ship 200,000 or 300,000, counting Canada.

Senator STONE. What proportion of the production does your individual company make?

Mr. MASON. I have no means of knowing definitely. I judge that we make 30,000,000 out of the 65,000,000. There may be more than 65,000,000 produced. I should say that we make approximately one-half.

Senator STONE. What are the imports?

Mr. MASON. The imports have amounted to about \$50,000 to \$70,000 a year in value.

Senator STONE. How many mantles?

Mr. MASON. They do not state that in the customs department records, but I should judge that they would ship somewhere around two to two and a half million mantles.

Senator TOMAS. There is a very small importation of gas-mantle scrap. The book gives \$26,031 worth in 1912. It is practically negligible.

Senator SIMMONS. You stated the American price of that monazite sand a while ago.

Mr. MASON. Yes, sir; 11 cents a pound was the price paid for Brazilian sand in this country.

Senator SIMMONS. That is with the duty added?

Mr. MASON. There is no duty on that at all. If the duty were added it would be 15 cents, at the present rate of 4 cents a pound.

Senator SIMMONS. Do you know what the foreign selling price is?

Mr. MASON. The German price the Germans pay under their contract, and they are practically the owners of the producing deposits in Brazil, is 115 marks for the thorium, and that works out close to 8 cents a pound for the German manufacturers of thorium nitrate. We pay 11 cents a pound. We can not buy from them or their property. We made a contract for 1,000 tons of sand in 1902 and specified deliveries and everything, and when it came to getting the delivery they declined to deliver.

Senator STONE. What is the Payne-Aldrich duty on monazite sand?

Mr. MASON. Four cents a pound.

Senator STONE. What is it on scrap?

Mr. MASON. Forty per cent.

Senator STONE. Now, what is it you wish?

Mr. MASON. I wish, in order to meet the Underwood rate of 25 per cent on the thorium, to put monazite sand on the free list and scrap at 20 per cent.

Senator SIMMONS. But you do not want scrap put on the free list?

Mr. MASON. Personally, I do not care. If I were a buyer of scrap, I would pay exactly the same price. It would be a case where the foreigner would get it instead of the Government.

Senator SIMMONS. What is the Underwood provision for monazite sand?

Mr. MASON. Twenty-five per cent.

Senator SIMMONS. And it is 4 cents, under the present law, a pound?

Mr. MASON. Four cents under the present law; yes, sir.

Senator SIMMONS. If we put it on the free list, what would the Government lose in the way of revenue?

Mr. MASON. On monazite?

Senator SIMMONS. Yes.

Mr. MASON. I should say that the total importations per year of Brazilian would be approximately 600,000 pounds; that is \$24,000. Under the proposed Underwood bill, at 2½ cents a pound, that is about \$13,000; so that the Government would lose in revenue, if monazite sand were placed on the free list from the present rate, about \$24,000.

Senator SIMMONS. Then, as to the scrap, what would be the loss in revenue under your suggestion, if any, at 20 per cent?

Mr. MASON. There has been substantially little or no importation. I do not imagine that there has been \$5,000 worth imported since the Payne-Aldrich bill was passed, and therefore, if the Government cuts that duty to 40 per cent, it would be \$1,000, we will say, if it were made 20 per cent, and \$2,000 if it were made free. As far as the producing of thorium in this market is concerned, if the manufacturer buys scrap and gets the advantage of the reduction in duty, he would be very glad indeed to do it, and so would I, because I would rather make thorium out of scrap than make it out of monazite. It takes less than 1 week to make nitrate of thorium from mantle scrap, and it takes 12 to 14 weeks to make nitrate of thorium from monazite. In the process of treating that sand there are 4½ tons of reagents used to treat 1 ton of sand, and the reduction in the duty on those reagents proposed by the Underwood bill will not change the cost of those reagents in the United States, because they are all acids which can not be transported safely. Therefore the only means of economizing in the cost of producing thorium in this country is by means of free monazite. The present Underwood rate on nitrate of thorium is 25 per cent. It is reduced 15 per cent, and the cost of making nitrate of thorium in America, figuring 10 pounds of sand at 11 cents, \$1.10, and the reagents, labor, etc., at \$1.48, is \$2.58 a pound. In Europe the monazite is 8 cents a pound, or 80 cents, and the reagents, labor, etc., are \$1.04, or \$1.84 a pound. They are selling that material at one dollar and ninety-odd cents a pound in Europe, and it costs them to make it in Europe \$1.84. Adding the Underwood duty of 25 per cent, or 46 cents, and their cost of transportation and their commission to their agents, estimated at 25 cents per pound, brings their cost in the American market, with a 25 per cent duty, to \$2.55 a pound, against a production cost, with free monazite, of \$2.58 a pound.

Senator STONE. You mean an American production?

Mr. MASON. Yes, sir; an American production. In other words, my company, to meet the production cost at a 25 per cent duty, would have to have free monazite, our cost being \$2.58 with free monazite against the cost of the German product of \$2.55.

Senator THOMAS. What is the capitalization of your company?

Mr. MASON. There are \$3,500,000 common stock, \$1,250,000 preferred stock.

Senator THOMAS. What is your actual investment of capital?

Mr. MASON. The actual investment of capital is estimated at about \$6,000,000.

Senator THOMAS. Do you mean that you have more capital actually invested than capital stock, both common and preferred?

Mr. MASON. Yes, sir. We have considerably more than the capital stock.

Senator STONE. You mean that you have more money invested than is represented in all the stock?

Mr. MASON. There is a bond issue on our company, a bond issue of \$6,500,000, I think.

Senator THOMAS. What was your stock issued for? What value was represented?

Mr. MASON. The present company was a combination between the manufacturing division and the commercial division, and the stocks were issued in exchange for the securities of those other companies, with a certain percentage of bonds and a certain percentage of stocks.

Senator STONE. What was the capital stock of the constituent company?

Mr. MASON. The capital stock of the commercial company was \$7,000,000, I think.

Senator STONE. And of the other?

Mr. MASON. And of the other \$525,000.

Senator STONE. Then, as a matter of fact, in the combination all the stock was less than the aggregate of the stock of the constituent companies?

Mr. MASON. Yes, sir.

Senator STONE. Is there anything else you wish to say, Mr. Mason?

Mr. MASON. May I have just one more moment to explain this other feature? The Underwood bill reduces the duty on gas mantles equivalent to \$3.75 a thousand, and up to as much as \$6.75 a thousand, and the materials that enter into the manufacture of gas mantles, under the Underwood bill, are reduced, in the common grades, \$1.63 a thousand and \$2.46 for the better grades; so that after allowing for the deductions the foreigner has an advantage in manufacturing gas mantles against the American-mantle producer of \$12.61 per thousand on common red mantles and \$16.81 on the better grade mantles. The present 40 per cent duty makes that difference \$2.61 on the common grade mantles in favor of the German manufacturers, and \$1.19 in favor of the American manufacturers. Therefore, the gas-mantle industry requires a 40 per cent duty on gas mantles, not to protect them in making a profit, but to protect them in being able to manufacture gas mantles at no higher cost, and that is conditioned upon thorium nitrate being reduced to 25 from 40 per cent. This exhibit represents a gas mantle in a certain stage of production. Paying the present Underwood rate, that structure can be made in Europe and a 25 per cent duty paid on it and laid down in my factory at a saving in cost of manufacture at \$7 per thousand, and I make 30,000 of them.

Senator SIMMONS. How many are imported?

Mr. MASON. None of those are imported at the present time, because it would pay 40 per cent.

Senator THOMAS. I understood you to say that the advantage was with the German manufacturer, even under the present rate.

Mr. MASON. I can import finished mantles under the Payne rate cheaper than I can make them in this country.

Senator THOMAS. And yet you say there are no importations?

Mr. MASON. Substantially no importations of mantles. There are less than \$75,000 worth of mantles imported.

Senator THOMAS. There must be some reason for that. What is the reason?

Mr. MASON. The reason is because his advantage lies in the cheap mantle. Under the Payne act he has \$2.61 a thousand on the cheap mantles. Now, cheap mantles are sold in the American market by American manufacturers at practically cost price of material and labor. The mantles are sold by the American manufacturers at from \$38 to \$42 a thousand.

Senator THOMAS. Do you make any profit on those at all?

Mr. MASON. There is absolutely no profit made on goods of that grade.

Senator THOMAS. Your profit comes from the higher grade?

Mr. MASON. It comes from the higher grade. That stops the importation of the common-grade German goods.

Senator THOMAS. But you do not sell below cost, do you; I mean for the cheaper grades?

Mr. MASON. You sell cheaper grades below cost if you figure your selling expenses and everything. You sell them, perhaps, for a dollar a thousand less.

Senator SIMMONS. You do not want any reduction, then, in the duty on mantles?

Mr. MASON. No, sir; the industry can not exist on a reduction in the finished product.

Senator SIMMONS. But you say the present duty does not allow any importations at all, and you do not want that changed. You do not want anybody from abroad to be allowed to sell any mantles in this country.

Mr. MASON. That is quite right. The reduction in the mantle duty is equivalent to \$3.75; the thorium is \$1.63.

Senator SIMMONS. If this is obtained so that nobody can sell any mantles in this country, then we are levying that tax not to get revenue out of it, but as a prohibition against any foreign importation.

Mr. MASON. You are levying the tax so as to make it possible—

Senator SIMMONS. We are calling it a tax for the purpose of raising money, I assume, to run the Government. You say that under the present tax there are no importations. You say you want the present tax continued. If we do that we do that not for the purpose of getting any money for the Government, then, but simply as a means of absolutely excluding foreign importations into this country.

Mr. MASON. If you lower the duty you will collect less of taxes, because the 26 American manufacturers, employing three or four thousand people, will go out of business.

Senator SIMMONS. Do you not think that at least part of the purpose of a tax is to get money to defray the expenses of the Government?

Mr. MASON. Yes.

Senator SIMMONS. But you do not get it out of the gas mantles, the tax we levy on gas mantles?

Mr. MASON. You will get plenty of tax out of the gas mantles when you make the tax 25 per cent on the mantles, because I can make goods in that form and finish them in my factory and save money.

Senator SIMMONS. Your proposition is that we shall retain a tax on gas mantles, your product, so high that there will be no importations, so the Government would get no revenue on that. Your proposition is that we shall take the tax off your raw material, upon which the Government would get a revenue, for your benefit, thereby by both processes the Government is getting no revenue at all?

Mr. MASON. The Government does not get any revenue now.

Senator SIMMONS. But it does get revenue from the monazite sand. You say that we shall take that off for your benefit. It does not get any revenue from the tax on your product, gas mantles. You say that we shall retain that so as to protect you from having competition.

Mr. MASON. The Government will not get any revenue from monazite if the duty on its full product is made 25 per cent. There will be no demand for this sand and the Government will get a great quantity of revenue from these mantles if they reduce the tax to the point that they are proposing. It is a question of maintaining compensatory relations and to secure, in a revision of the tariff, a reduction on the materials which enter into the final product that goes to the consumer compensatory with the reduction in the duty on the final product. You will get plenty from these mantles.

Senator SIMMONS I understood you to say a little while ago that there was practically no importation of gas mantles.

Mr. MASON. Under the 40 per cent duty.

Senator SIMMONS. But you do not want it reduced.

Mr. MASON. I do not really care.

Senator SIMMONS I am not talking about the proposition in the House bill. I can see that under the proposition in the House bill there would be more importations and the Government would get some revenue, but I am talking about your proposition that there shall be no reductions at all.

Mr. MASON. If they reduce the mantle rate, say, 5 per cent, or make it 35 per cent, it is equivalent to the reduction that they made in the cost of material.

Senator SIMMONS. But you say you do not want any reduction.

Mr. MASON. I do not object to the reduction of the rate to 35 per cent. In view of the reduction on thorium, I propose that you make a reduction compensatory on monazite. It is immaterial. If you don't do it you will get plenty of revenue on the gas mantles and no duty on monazite.

Senator SIMMONS. You say we will get revenue on gas mantles, provided we reduce the present duty on gas mantles?

Mr. MASON. Yes; if you reduce the present duty 25 per cent. A 2 per cent reduction on the gas mantles, both common and good grades, is equivalent to the reduction that has been made in the material thorium and ramie.

Mr. SHARRETS. Mr. Chairman, if you will permit me, I should like to ask Mr. Mason a few questions. I am counsel for these corporations. Mr. Mason, is it or not true that the German syndicate controls almost absolutely the product from Brazil?

Mr. MASON. The German syndicate as it is now constituted controlled every pound of monazite sand produced last year.

Senator THOMAS. Do you mean that this syndicate controls the raw-material supply?

Mr. SHARRETS. Yes, sir; that is, monazite sand, which is the raw material. I want to ask Mr. Mason a few more questions, but before doing so I would like to state that in 1897 I was called to Washington, and I was instrumental in putting the duty on monazite sand up to 6 cents per pound. I thought the North Carolina and South Carolina mines were entitled to have that amount. It was put in the act of 1897 at 6 cents a pound, and this concern bought one of the large mines in North Carolina and worked it continually. It took a great deal of sand out of the mine. In 1909 I again tried, and this gentleman asked Congress to do it. He begged them to put a duty of 6 cents per pound on North Carolina sand.

Senator SIMMONS. Is it not produced somewhere else than in North Carolina?

Mr. MASON. No, sir.

Senator THOMAS. Isn't there a product found in Connecticut?

Mr. SHARRETS. No, sir.

Senator STONE. A statement has been furnished here by some gentleman who appeared before me in reference to this matter, giving seven or eight States where monazite deposits are found in some considerable amount—New England States and the Carolinas, and in some of the Western States.

Mr. SHARRETS. Now, Mr. Mason, did this German syndicate, when they got control of the Brazilian market, manufacture the thorium out of the sand and export the thorium to the United States?

Mr. MASON. Yes, sir; they did.

Mr. SHARRETS. In large quantities?

Mr. MASON. Yes, sir.

Mr. SHARRETS. Are they still sending to the United States?

Mr. MASON. They are.

Mr. SHARRETS. And if they did not export the mantles to the United States, would not it reduce the percentage of thorium that they sell in this country?

Mr. MASON. Most assuredly.

Mr. SHARRETS. Did they ask your company to join that trust, promising to give you the control of the sand, providing you would agree not to sell it to anyone else in this country?

Mr. MASON. Yes, sir.

Mr. THOMAS. Fix a date; when was that?

Mr. MASON. They have been making that demand of me for 10 years, and within the last 60 days.

Mr. SHARRETS. In other words, they wanted to get your assistance here to form a trust in the United States also.

Mr. MASON. They wanted to get in absolute control of the situation so they could regulate the price.

Mr. SHARRETTS. If this duty is put on of 25 per cent on the monazite sand, would it help the American industry at all; that is, the mining industry?

Mr. MASON. No; it would not help it at all.

Senator SIMMONS. It would be just a revenue. He has already stated that there is not any monazite sand produced in this country.

Mr. MASON. There would not be a revenue if thorium nitrate were dutiable at the same rate, 25 per cent, because there would be no demand for this material.

Mr. SHARRETTS. If the duty were put on the monazite sand at 25 per cent, and you could not use your mines in North Carolina, would the result be that they would be in absolute control of this market?

Mr. MASON. Yes, sir.

Mr. SHARRETTS. It would either do one of two things, force you to join the German trust or go out of business, or manufacture abroad and ship here.

Mr. MASON. I could not manufacture abroad.

Mr. SHARRETTS. You have stated, in answer to the Senator's question, that the cost of manufacturing abroad was less than in the United States?

Mr. MASON. It is.

Mr. SHARRETTS. You have stated also that notwithstanding that fact they do not ship any mantles to the United States. How do you account for that?

Mr. MASON. On account of the 40 per cent duty.

Mr. SHARRETTS. With 40 per cent added, is the German price more than the American price?

Mr. MASON. It is, in the case of the good mantles, about \$1.19 a thousand.

Mr. SHARRETTS. Against the German production?

Mr. MASON. Yes, sir.

Senator THOMAS. I understood you to say, Mr. Mason, in answer to my question, that there was an advantage of \$2.61, even under the present duty.

Mr. MASON. \$2.61 exists on the common grade mantles, to the advantage of the German manufacturers. I want to say that I have not taken into consideration in producing those results the transportation cost to this country, but I know that the rate of transporting 1,000 mantles does not exceed \$1 or \$1.25.

Senator SIMMONS. I want to see if I fully understand you, Mr. Mason. I understood you, of course, that you wanted the duty taken off of monazite sand. What did you say you wanted to do with reference to the duty on thorium?

Mr. MASON. Left in the Underwood bill at 25 per cent.

Senator SIMMONS. The present rate is what?

Mr. MASON. Forty per cent.

Senator SIMMONS. You want that reduced to 25 per cent?

Mr. MASON. Yes, sir.

Senator THOMAS. I think we have already given these gentlemen more time than we had allotted them.

Mr. MASON. I have but this to say in supporting some things that Judge Sharretts has been referring to: When the Payne bill was

passed, or just prior to that time, the thorium combination in Europe sold thorium in the American market with duty paid at \$3.28 a pound. The Payne bill raised that duty from 25 per cent to 40 per cent; but simultaneously it cut the rate of monazite 2 cents a pound, so there was an economy to the American manufacturer of 20 cents in the cost of monazite. Immediately after the Payne bill passed, notwithstanding the raise to 40 per cent, the German syndicate made their price in the American market \$3.10 a pound. That price has continued without any change until the 1st day of April of the current year, and upon their assuming that the Underwood bill proposed a reduction on monazite, they notified their agents in New York to accept contracts for \$2.90 per pound, still paying 40 per cent, and writing those contracts so that the buyer should have the advantage of any change in duty. That German syndicate, within the past 60 days, has added to their body seven other manufacturers abroad. There is not to-day one manufacturer of thorium in Europe—I can furnish the names of every one—who is not signed, sealed, and delivered in an agreement providing for the control of their individual production and their proportion of profit in a pooling agreement. The only independent manufacturer of thorium nitrate in the world to-day is my company. If thorium is admitted at 25 per cent, and monazite pays 25 per cent, I can not resist that situation, and I can very easily buy 100 to 125 pounds of thorium from them at a price considerably below what any other individual manufacturer in this country can buy it for on account of the fact that I use so much.

Senator SIMMONS. You would be opposed to putting thorium on the free list?

Mr. MASON. If thorium is put on the free list, I am in the same position. I will not manufacture thorium. I will buy it from them, and then the price in this market will be exactly the same. It is simply a case of the Government handing it over to them.

Senator SIMMONS. You do manufacture thorium, and you want some duty retained on that?

Mr. MASON. To continue manufacturing thorium, we have to have at least 25 per cent on it if monazite is free.

Senator SIMMONS. Your chief business is the manufacture of gas mantles. You manufacture thorium as a product. You do not want thorium put on the free list, though you do want monazite sand put on the free list.

Mr. MASON. If thorium is put on the free list, of course we do not need to make it.

Senator SIMMONS. I think I understand your contention. I simply asked if you wanted thorium put on the free list.

Mr. MASON. I want the industry protected.

STATEMENT OF MR. JOHN S. BLANDY, OF CAMDEN, N. J., MANUFACTURER OF GAS MANTLES.

PARAGRAPH 156.—*Gas mantles.*

Senator THOMAS. Do you take a different position from that which Mr. Mason takes?

Mr. BLANDY. Yes, sir; I do not think it is fair to give monazite sand free and tax the rest of the people on their thorium. I think

that the reduction in the price of mantles might be a little too far, but I think it will tend to decrease the price of the mantles to the consumer. I think if Mr. Mason wants free monazite we ought to have free thorium. We have no other means of getting our thorium without we get our thorium from Germany.

Senator STONE. Where do you get it from now?

Mr. BLANDY. We buy it from Germany. In 1909, under the Payne-Aldrich bill, they asked for a duty on thorium, a specific duty of 65 cents per pound and 45 per cent ad valorem. That was simply to get us by the throat.

Senator SIMMONS. Who asked for that?

Mr. BLANDY. Mr. Mason.

Senator SIMMONS. Your competitor, Mr. Mason?

Mr. BLANDY. Yes, sir. Now, last year, during the hearing before the Finance Committee, before Mr. Penrose's, Mr. Mason wanted the duty raised to 60 per cent on thorium.

Senator THOMAS. Was that in addition to the specific duty?

Mr. BLANDY. No. I do not object to Mr. Mason getting his free monazite, if you want to give it to him.

Senator SIMMONS. You do not buy it?

Mr. BLANDY. No, sir: I do not want to say anything about it. Because of the great advantage to him, I would not lay a straw in his road, but if he gets free monazite we ought to have free thorium.

Senator STONE. Will you explain this to me: You and Mr. Mason are engaged in making the same article. He wants free monazite and 25 per cent on thorium. You do not care about the monazite, provided you get free thorium. Now, what is the point of difference between you? Where is the line of divergence? What is the ground of your hostility?

Mr. MASON. His raw material is the sand. Our raw material is thorium; that is the difference. He wants his free and to tax us. I say that is not right. It is not just.

Senator STONE. You mean that he wants his thorium free?

Mr. BLANDY. He wants his sand free.

Senator STONE. He makes his material out of the sand. He wants sand free so that he can make thorium. You do not make thorium and you want that free as your raw material?

Mr. BLANDY. That is it.

Senator STONE. How much do you produce?

Mr. BLANDY. We make 3,000,000 mantles a year.

Senator STONE. What is your capitalization?

Mr. BLANDY. We have \$75,000 capital stock; it is not all issued.

Senator STONE. How many manufacturers, to your knowledge, are in sympathy with your view?

Mr. BLANDY. I should judge about one-quarter. They all used to be. I do not know why they have changed their minds, but I know that they have a mantle association, and two of the members of the executive committee are not manufacturers.

Senator STONE. What are they?

Mr. BLANDY. They used to be, but one failed, and I understand the other man is going to retire from business the 1st of July.

Senator STONE. Does Mr. Mason's company or other American producers of thorium sell that product to you?

Mr. BLANDY. No; he never sold a pound, I do not think.

Senator STONE. Could you buy it of them?

Mr. BLANDY. No; I do not think so. You might ask him. I never had it offered. He stated in his brief, however, that he did not sell it.

Senator THOMAS. I suppose his own demands are equal to his production of thorium.

Mr. BLANDY. I do not know whether his patent rights would allow him to sell it.

Senator THOMAS. Have not the patents expired?

Mr. BLANDY. They have expired, but I do not know whether he has an agreement with those people not to sell to the rest of them.

Senator SIMMONS. You buy all your thorium from abroad?

Mr. BLANDY. Yes, sir.

Senator SIMMONS. How many other people in this country besides Mr. Mason's company manufacture thorium?

Mr. BLANDY. None.

Senator SIMMONS. Who is the sole manufacturer of thorium?

Mr. BLANDY. Mr. White manufactures thorium from scrap, and I think as long as he is in the market it would have a tendency to keep these people from getting a monopoly.

Senator SIMMONS. You say that Mr. White manufactures thorium from scrap. Mr. Mason manufactures from sand, does he not?

Mr. BLANDY. And scrap also.

Senator SIMMONS. If we give Mr. Mason free sand and require Mr. White to pay a duty of 20 per cent on scrap, as Mr. Mason insists should be done, then we would give Mr. Mason an advantage in his competition with Mr. White, would we not?

Mr. BLANDY. That would not be fair.

Senator SIMMONS. But that would be the effect, would it not?

Mr. BLANDY. That would be the effect.

Senator SIMMONS. Then, if we give him free sand and dutiable monazite, we would give him an advantage in competition with you; so this arrangement gives him the advantage of his competitors?

Mr. BLANDY. Certainly.

STATEMENT OF MR. OSCAR B. EISENDRATH, OF PHILADELPHIA, PA., REPRESENTING THE NEW PROCESS GAS MANTLE CO.

PARAGRAPH 156.—*Gas mantles.*

Mr. EISENDRATH. If, as I believe, one of the great objects of reducing the tariff is to obtain a lower price for the consumer, that purpose will not be fulfilled by reducing the tariff on gas mantles. Mr. Mason's figures showing that the entire saving would be from about \$3 to \$5 per 1,000 from the present prices are about correct. Gas mantles are sold singly almost in every case to the consumer; that is, one at a time. A user of a gas mantle usually gets only one to supply one that is broken. They never buy them in two or three dozen lots. Now, the retail prices are fixed at 10, 15, and 25 cents. For some reason or other the Americans, when they buy articles of such low value as that, do not usually split a dime or a quarter and so the prices would never be changed to 9, 8, or 7½ cents, which is the only difference that the reduction in tariff would give in the prices; and in addition to that, on account of these single and small sales, the retailing of gas mantles is not a very profitable

business in net profits, and in order to conduct the business at all and exist, they have to get about 100 per cent profit on their sales; so that a difference of \$3 or \$4, if we could meet the competition which will be offered by the foreign manufacturer, would not find its way at all into the pockets of the consumer. I would therefore suggest that the duty on gas mantles, in the interest of the manufacturers who sent me here, be not reduced to less than 35 per cent.

Senator SIMMONS. Suppose they are reduced to the amount fixed in the Underwood bill, do you think the consumers of this country would get any benefit from that?

Mr. EISENDRATH. No; I have contemplated that in my statement. If the duties were reduced to 15 per cent, which has been offered in the Underwood bill, that would only amount to a difference of about \$2.50 to \$5 per 1,000, or one-quarter to one-half cent per gas mantle.

Senator THOMAS. If the price to the consumer is not reduced, how would a reduction of the duty injure the business?

Mr. EISENDRATH. The jobber to whom we manufacturers sell would take advantage of a cut of \$5 per 1,000. When it comes to figuring the reduction in wholesale quantities it amounts to a great deal, but when it is finally up to the consumer and it amounts to only one-quarter of a cent or one-half of a cent, he would not get the benefit of it.

Senator SIMMONS. But the Government would get some revenue?

Mr. EISENDRATH. The Government would get some revenue if that cut were made to 25 per cent. It would get its revenue at the cost of killing the gas mantle business in this country as a manufacturing business.

Senator SIMMONS. You think we ought to levy a tax for protecting you without any idea of revenue whatever?

Mr. EISENDRATH. I think a tax on the raw material ought to yield pretty near as much as a tax on the gas mantles would.

Senator STONE. Are you in favor of a tax on monazite?

Mr. EISENDRATH. On that question I am not prepared to say anything, because we do not manufacture thorium, and I have not investigated that phase of it.

Senator STONE. What is your raw material?

Mr. EISENDRATH. Thorium nitrate.

Senator STONE. Where do you get it?

Mr. EISENDRATH. From Germany.

Senator STONE. You import it?

Mr. EISENDRATH. Yes, sir.

Senator STONE. Do you want that taxed or free?

Mr. EISENDRATH. If the tax on gas mantles were made to a sufficient degree to allow us to make mantles in this country, we would be willing to pay a tax.

Senator STONE. If you got your thorium free, would that make any difference in your business as to the tax on the mantles?

Mr. EISENDRATH. It would make the entire proportion of reducing duties on thorium to reducing duties on gas mantles in per cent; that is, 5 per cent on thorium nitrate would only equal a reduction of about 1 per cent on the gas mantles. The reason for that is this: Gas mantles represent 100 per cent dutiable value coming into this country. Thorium represents only about 20 per cent of that full amount, so you see that by reducing 15 per cent on the gas mantles

you are taking 15 per cent from us, and reducing 15 per cent on thorium, as you have done, would amount to a reduction of 15 per cent or 20 per cent, which would be only 3 per cent, leaving a difference of 12 per cent to our disadvantage.

Senator SIMMONS. Do you use a part of your raw material, scrap mantles?

Mr. EISENDRATH. We produce scrap, we do not use it. We do not, as yet, convert thorium from scrap. It could be done.

Senator THOMAS. What do you do with your scrap?

Mr. EISENDRATH. We sell it now.

Senator THOMAS. You have a market for it?

Mr. EISENDRATH. We have a market for it.

Senator STONE. Do you sell it to Mr. Mason's company?

Mr. EISENDRATH. No. There are two or three manufacturers of thorium from scrap—the Chemical Refining Co. and the Hershey Oil Co. They are buyers of scrap.

STATEMENT OF MR. E. W. BRADFORD, REPRESENTING THE KEYSTONE TYPE FOUNDRY AND OTHER FOUNDRIES.

PARAGRAPH 162.—*Types.*

Mr. BRADFORD. Mr. Chairman and gentlemen of the committee, I do not want to detain you more than a few moments. As explained to you this morning, Mr. Chairman, I have a brief prepared covering all of the points, I think, I desire to speak to.

The paragraph of H. R. No. 10 to which I wish to call your attention, and which we are interested in, is 162, relating to types and type metals. It is the type in which we are specially interested, as I represent the manufacturers of type and type foundries of the country. My immediate clients are the Keystone type foundries. The other type foundries of the country are associated with us in this presentation of their interests to you.

The rate under the old bill was 25 per cent ad valorem. The House bill has reduced that to 15 per cent ad valorem, making a reduction of 40 per cent. I have pointed out in my brief the reasons why we feel the original rate was not higher than what the type foundries need, for the reason, chiefly, that the type foundries of Europe pay, as near as I can figure, just 40 per cent for their labor what our type foundries have to pay here for the corresponding classes of labor. Then, too, the raw material is cheaper in Europe, and it figures out, as we believe you can readily ascertain, that under the present rate the European type foundries have a manufacturing advantage over our type foundries at the present time. We have asked, of course, for the maintenance of the present rate.

Senator THOMAS. The importations in 1912 of type metal are valued at \$116,033, and of the type the value was only \$500,092 against the production of \$2,806,000 and exports of \$145,000.

Mr. BRADFORD. That is very true. I can say, however, that so far as our people are concerned they are at a loss to understand why the European foundries do not bring more type into the country, and they attribute it chiefly to the lack of enterprise on the part of those foundries.

Senator THOMAS. Not to philanthropy.

Mr. BRADFORD. All because they are not willing to accept the small margin of profit under which our founders are doing business.

The Keystone Type Foundry is a concern in Philadelphia, capitalized at \$1,000,000, with not a dollar of water in its stock. It is all cash, paid in, and it does a business of \$1,000,000 a year gross, and it has not been able to pay a dividend on any of its stock for more than six years. Its earnings have all been devoted to maintaining the plant and the efficiency and the standard of its product. It is an expensive business to carry on. The wages have increased in this country right along for the last 20 years, until they are paying wages now 20 or 25 per cent higher than they were five years ago, whereas the price of type has gone down.

Senator THOMAS. Has the linotype had anything to do with it?

Mr. BRADFORD. The linotype and the monotype and the other type-casting machines, of course, have largely interfered with the prosperity of this country, and yet the printing arts depend wholly upon the type founders for the progress and development of the arts. There is not a machine manufactured in the United States that has done anything toward the development of the art of printing in the way of designing new type faces or advancing the styles of type faces. All of the expense and burden of that would fall upon the type founders. The machine manufacturers copied from the type founders, and of course have profited very largely by their work. When a type founder advertises a new face, they copy it at no initial cost to themselves, whereas the production of those faces costs the founders enormous sums of money.

This has nothing to do with the tariff question, but it can be demonstrated that every new popular face that a founder brings out costs that founder a hundred thousand dollars, because the expense of bringing out a single face amounts anywhere from \$20,000 to \$25,000 or \$40,000.

Senator STONE. What do you mean by "new face"?

Mr. BRADFORD. A different style of type. I have not a sample here; I would like to show you exactly what I do mean. Most type is very largely the same; but when you come to display type used in making catalogues—and that is a very large part of the printing to-day, the manufacture of catalogues advertising manufactured articles. The automobile people use a great many hundreds of thousands of dollars' worth of printed matter every year in advertising their product, and that is one particular line that insists upon having their catalogues of the most artistic style, and some of those catalogues are really works of art. These new styles of type faces are copied, and they keep the graphic arts in advance of the times. That is a burden and a work that is carried on wholly by the type founders.

So while there has been a great deal of type exported by our type founders, the facts are that the exportations almost exclusively are of these new styles of faces that are advanced and brought out by the founders. But very little body type or common or book type and faces and slugs and things of that kind are ever exported, because the European founders produce that class of type very much cheaper than we can, and there is no possibility of our competing with them

in their markets; but when it comes to those new styles that our people are bringing out constantly, these European people send over here and buy certain amounts of it, because they see it and they want it, and after a while it is copied over there and a demand is created for it.

But, getting back to the proposition of tariff rates, we realize, of course, that the policy of the present bill is to reduce rates all along the line, and reduce them to the basis of competition so that some revenue may be derived, and in doing that we have suggested in this brief that it seems to us that a 20 per cent reduction instead of a 40 per cent reduction would even be better for such purposes, and it would afford our people a reasonable competitive basis.

Senator THOMAS. Did you present this matter to the consideration of the Ways and Means Committee?

Mr. BRADFORD. I have the brief that was filed before the Committee on Ways and Means. I have merely added two or three pages to that brief and submitted it for the consideration of your committee; and while ours is not a very large industry, probably not more than \$15,000,000 invested in it, and perhaps not more than 2,000 or 2,500 people employed in it, yet it is an important industry because when you come to think of the use to which type is put, the value of it, because of the dissemination of all knowledge, the exploitation of all business, all news, all such things, all publications depend upon printed matter and all printing depends upon type, it seems to me that it is of such importance that it justifies careful attention on the part of the committee; and we do believe and submit to you that a reduction of from 25 to 20 per cent ad valorem would serve the purposes of this bill and would give the founders a chance to live.

The facts are that under the present rate the profits are very small; and, as suggested a moment ago, my immediate client, the Keystone Type Foundry, has not been able to pay a dividend for more than six years, and it is capitalized, and it is not a water capitalization—every dollar of it is paid in; it is economically and efficiently managed; they do not pay large salaries to their managing officers; and the stockholders have waived the privilege of the dividends, hoping to increase the efficiency of the concern, hoping that they might be able in the near future to make some money for the concern. But if this reduction is made, it seems to me it is going to be a very severe blow to their future existence.

Senator STONE. What do you wish to do with those briefs?

Mr. BRADFORD. I brought them down thinking you might want to read them.

Senator STONE. I hardly think it is necessary to reprint anything that is already printed in the Ways and Means hearings.

Mr. BRADFORD. I thought that perhaps I might present to you the complete brief.

Senator STONE. I think your case is perfectly plain.

Mr. BRADFORD. We certainly shall appreciate having a slight advance, at least over the rate fixed by the House.

Senator JAMES. Your position virtually is that you wish to split the difference?

Mr. BRADFORD. Yes; we will split the difference.

STATEMENT OF MR. CHARLES E. RENSHAW, OF 178 FULTON STREET, NEW YORK, MANUFACTURER OF TIME RECORDERS.

PARAGRAPH 163.—*Time detectors.*

Mr. RENSHAW. We appear here, gentlemen, to bring to your attention what we believe to be an unintentional error in rates.

Senator JAMES. What section of the bill are you speaking to?

Mr. RENSHAW. Paragraph 163. The time detector is a little device. Time-detector movements are a component part of what is called a watchman's clock. They are all made in Germany. It is a business long established; but it has never taken on any volume, because the National Board of Fire Underwriters have only for the last few years encouraged their use. They now, in order to introduce the spread of what may be termed fire prevention, are giving a reduction in rate for the use of a watchman's clock. The watchman's clock consists of a number of units, one of which is the one in question before us. They are in reality a large watch movement and a marking mechanism and some keys that go with it. The movements have always been made in Germany for the reason that they are entirely handmade. In this country the watch manufacturers manifold, and any watch concern would make in one morning all the watch movements that we use for a year, because the estimated number based on the reports of the consul general at Stuttgart is only 4,000 a year in this country. Under the Payne tariff we are such a small business that we have been put in with the watch schedule, which reads "watch movements, including time detectors, whether imported in cases or not."

Under the present Payne tariff a specific duty is levied which is equivalent, on the average, of forty-eight and a fraction per cent. Evidently the framers of the bill intended to reduce the average ad valorem rate very materially, and you will find that under the proposed bill it is now 30 per cent. In other words, they have reduced the average import duty by an excess of one-third. A watchman's time-detector movement costs more than the equivalent watch movement. The average movement of this class has cost \$2.31. The average cost of a time-detector movement is about \$10. Under the Payne tariff a specific duty of \$1.35 is levied, because the movement has 11 jewels, and under the proposed tariff a specific duty of 30 per cent is equivalent to \$3; so that while we have heretofore paid for the same movement \$1.35, it is now proposed that we pay \$3, and I am using the figure \$10 because that is the price that we pay. I represent other manufacturers, six out of eight importers, and I am using a high figure. They pay possibly less, but \$10 is an average price, in my opinion.

You perceive, gentlemen, that this change raises us just 100 per cent, and I make this suggestion: First, that we are quite satisfied with the present rate, that no manufacturer, importer, or anyone connected with the business has appeared, because we are not asking for a change of any kind. They are not made in this country; never have been and never will be.

Senator THOMAS. Your contention is that this provision as to your commodity, instead of reducing, raises the whole duty?

Mr. RENSRAW. Yes, sir. We have suggested to put us on an equivalent rate it would be 15 per cent. In order not to ask you gentlemen to consider a new paragraph, we have suggested that you place it in paragraph 167. I have endeavored to lay before you gentlemen a copy of these suggestions, and I believe a copy has been filed with each of you.

I have here samples of time-detector movements, showing a complete range of quality, and they form a component part of a watchman's clock. Within this case [referring to one of the samples] there is one of those movements, and we furnish the box. The box is used to protect the keys from theft. The key is put in the clock and turned, and the only object in the movement is to revolve a paper dial every 24 hours. They must be made strong and must be jeweled to stand rough usage.

Senator THOMAS. I believe your allotted time is up, Mr. Renshaw.

Mr. RENSRAW. I thank you gentlemen very much for your attention.

Senator JAMES. You say that is an increase of 100 per cent in this schedule?

Mr. RENSRAW. Yes, sir.

Senator JAMES. You think we ought to follow the old schedule and state it by jewels?

Mr. RENSRAW. Our business is so small that I am not prepared to answer. It would suit us very well.

Senator THOMAS. You suggested a differential rate of 15 per cent.

Mr. RENSRAW. That would be quite satisfactory. The National Board of Fire Underwriters will not permit of a monopoly. We have to operate under a license from them. They are very anxious to have existing conditions continued.

STATEMENT OF MR. MELVIN H. DALBERG, OF 27 WILLIAM STREET, NEW YORK CITY, REPRESENTING THE FIRM OF LEHMAIER, SCHWARZ & CO., MANUFACTURERS OF BOTTLE CAPS.

PARAGRAPH 166.—*Bottle caps.*

Senator STONE. Just what is that industry? What do you make, and what do you use your product for?

Mr. DALBERG. Bottle caps are largely composed of lead. It is in the nature of a tin foil. The material is used as a covering for wine bottles and bottles containing olive oil and other articles, all of which we think are luxuries.

Senator STONE. What is the total consumption in the United States?

Mr. DALBERG. About \$200,000.

Senator STONE. How much of it is made in the United States?

Mr. DALBERG. The production in America is \$200,000 worth, and the imports are approximately \$250,000 worth.

Senator STONE. Then you make in this country \$200,000 worth as against \$250,000 that is made abroad?

Mr. DALBERG. Yes.

Senator JAMES. Did you not appear before the Ways and Means Committee?

Mr. DALBERG. I did, sir.

Senator JAMES. Did you make an argument there?

Mr. DALBERG. I did.

Senator JAMES. What objection have you to the rates they placed in the bill?

Mr. DALBERG. It would be absolutely killing to the industry, if they are reduced at all. I would like to repeat some of the things that I said at that time, if I may. My contention is, and perhaps I did not sufficiently press the point, that this might consistently have been let alone, because it is absolutely a luxury. It is used as a part of the package which contains a luxury exclusively.

Senator JAMES. Olive oil is not considered a luxury by a certain class of our people.

Mr. DALBERG. That is a small part of our industry, because olive oil is made on the other side and imported in the package; but as to wines—

Senator JAMES. Of course your argument as to wines would be correct if you state that it is a luxury, but olive oil by a great number of people is considered a necessity.

Mr. DALBERG. I do not suppose that 5 per cent of our product is used on olive oil.

Senator THOMAS. It is mostly for beer, is it not?

Mr. DALBERG. No, sir; it is mostly for wine. Now, the chief bottling of wine in the United States takes place on the Pacific coast, and every single bottle cap used on the Pacific coast comes directly from Hamburg. We do not sell anything west of Chicago.

Senator STONE. These caps are not the ordinary tin caps that are put on beer bottles, but they are the finer foil caps wound around the top of champagne bottles, for example. I had a very good explanation made to me the other day as to how they were made and how they were shipped.

Mr. DALBERG. It is a very difficult process. It has to go through a great many hands, and the profit is very small. Prior to the Payne-Aldrich bill the tariff on bottle caps was 45 per cent.

Senator SIMMONS. What are you reading from there? Are you reading from some document?

Mr. DALBERG. From part of my remarks before the Ways and Means Committee.

Senator STONE. Do you care to repeat that statement before this committee? We have that statement here.

Mr. DALBERG. Of course, if this statement will appear in the deliberations of the committee, it will not be necessary for me to repeat it.

Senator STONE. It is before the committee as a public document.

Senator JAMES. Just refer to the page there that you wish considered.

Senator STONE. I have a statement prepared by one of your manufacturers showing how the caps are made and how they are packed.

Mr. DALBERG. Mr. Gidderman; that is my partner in the firm.

Senator THOMAS. He went into it fully, but my recollection is that what he said was that they were made for beer bottles.

Mr. DALBERG. I think you will find that that is a mistake. I had reference to pamphlet No. 6, Hearings Before the Committee on

Ways and Means of the House of Representatives, on Schedule C, dated January 11, 1913. I was referring to page 1128. I will rest on that with what I have to say.

Senator STONE. What is the present duty?

Mr. DALBERG. Forty-five per cent on plain caps and 55 per cent on embossed fancy caps.

Senator STONE. How much is the reduction?

Mr. DALBERG. Fifteen per cent.

Senator STONE. And you say that under the present conditions there are more imported than are made here?

Mr. DALBERG. Yes, sir; by \$50,000. Two hundred thousand dollars worth, approximately, are turned out in this country. There are 4 factories in the United States and 100 in Europe.

Senator STONE. I think your case is fairly well understood. I hardly think it worth while for you to repeat the statement which was made before the Ways and Means Committee, which we have here before us.

STATEMENT OF MR. ROBERT HOMANS, OF 53 STATE STREET, BOSTON, MASS.

PARAGRAPHS 167-169.—*Textile machinery.*

Mr. HOMANS. My name is Robert Homans. I am a lawyer of Boston, and I represent Richards, Atkinson & Huserick, importers of textile machinery.

Senator JAMES. What paragraph are you speaking to?

Mr. HOMANS. Paragraph 167 in the House bill. It is the clause under which all machinery comes in, except such as is specifically mentioned, and all textile machinery has always been included in that blanket clause. Under the Payne law it is dutiable at 45 per cent. Under the House bill it is dutiable at 25 per cent, and the point we wish to make to this committee is this: That 25 per cent duty is not low enough to produce competitive conditions, and we seek a lower duty. Our interest is selfish, but everybody's interest is, perhaps. This is the real question: When the House caucus acted on shoe machinery it put it on the free list. Wool has gone on the free list for the benefit of the woolen manufacturers. The persons most hit are the manufacturers of cotton, and particularly high-class cotton goods. You can do something for those cotton manufacturers if you still further reduce the duty on textile machinery. They can then get something which gives them a raw product, so to speak, which makes them better off.

I have put in my brief facts which will show you that the present duty under the Payne bill is not the 45 per cent which the law provides, but amounts really to 65 per cent, which is made up of the cost of packing from abroad of 10 per cent, the duty on the packing of 4½ per cent, freights from the manufacturer in England to the sea, the ocean freight, breakage, and insurance, etc. Under the present bill, although the duty is reduced to 25 per cent, the actual duty on this textile machinery is nearer 42 per cent, because you have, in addition to the 25 per cent, a cost for packing, which is 10 per cent of the value in England. Then you have under administrative features of

this bill a duty on the packing of 25 per cent, and your ocean freights, etc., so that the actual protection to the manufacturer of American textile machinery is about 42 per cent.

Senator THOMAS. Adding those to the Payne-Aldrich rate, what is the duty?

Mr. HOMANS. About 65 per cent. Bear in mind that this is the whole point of this question: That the duty in Canada to English and American machinery manufacturers is 10 per cent, and they compete in Canada on an equality. In one of the briefs filed by a competitor of ours with the Ways and Means Committee an original certificate was filed showing that the imports of American textile machinery into Canada for the last six years was slightly greater than the imports for English machinery, showing that they compete. I addressed the Ways and Means Committee of the House of Representatives, and one thing, as far as I can make out, which they think was an argument against putting the duty at less than 25 per cent was the question of whether that would mean a substantial mark down in the values of the plants of the American mills; whether, if you made textile machinery free and put a duty of 10 per cent on, you would not cause a reduction in the valuation of the American plants to such an extent as to amount to a hardship.

Senator JAMES. You have a tariff on these laces, do you not?

Mr. HOMANS. Lace and embroidery machinery come in free.

Senator JAMES. No, it does not; embroidery machinery is at 25 per cent.

Mr. HOMANS. Under the new bill?

Senator JAMES. Yes.

Mr. BUNN (Government appraiser). They are allowed free entry for two years under the old bill.

Mr. HOMANS. Our particular machinery; that is, machinery for cotton and worsted, has always been included in this basket clause. I have in my brief the sworn statistics of 55 cotton mills in Massachusetts, made to the State of Massachusetts, showing the actual investment in real estate and machinery of those 55 mills.

Senator JAMES. What is the tariff in this bill now under consideration on laces made by these machines?

Mr. HOMANS. I do not know, because I do not know anything about lace or lace machinery.

Mr. BUNN. It is about 60 per cent.

Senator THOMAS. You do not represent the dealers or importers of lace machinery?

Mr. HOMANS. No, sir.

Senator THOMAS. You just made a statement with reference to the amount of capital actually invested in lands and plants, etc. Can you state in round numbers approximately what it is?

Mr. HOMANS. Yes. These are not the totals, however. We took 55 of the largest cotton mills in Massachusetts. Their capital was—

Senator THOMAS. I do not ask for their capital, but what amount they have actually invested.

Mr. HOMANS. Real estate, buildings, machinery, power plants, etc., amount to about \$55,000,000.

Senator THOMAS. What is their capitalization?

Mr. HOMANS. Fifty-eight million dollars. Of course, that does not include working capital.

Senator THOMAS. It includes the common stock, does it not?

Mr. HOMANS. The capital must include their common stock; yes, sir. The capital works out on a basis of \$11.48 per spindle. In a brief filed by American manufacturers of textile machinery it was said—and it is undoubtedly a fact—that the cost of replacement of a cotton mill new is \$30 per spindle at least, and yet these 55 cotton mills in Massachusetts in their returns for capitalization of \$11.48 per spindle show to what extent they have already depreciated their plant.

Now, we take these figures to get at just what this plant, machinery, and so forth, amounted to per spindle. It was said in this brief filed by the manufacturers that the textile machinery is about 50 per cent. From the best figures that we can get we find that for these 55 mills the real estate and buildings would be 34 per cent, the textile machinery 49 per cent, and the power plant and accessories 17 per cent, making 100 per cent. That works out per spindle for real estate and buildings, \$4.40; textile machinery, \$6.34; and for power plant and other accessories, \$2.20. If it costs \$20 to put up a new mill—that is, if the replacement value is \$20 per spindle—and these 55 cotton mills in Massachusetts now have their textile machinery on their books at \$6.34 a spindle, and the cost of replacing the textile machinery, on a basis of \$20 per spindle, is \$10 per spindle, these mills have now got their machinery on their books at \$6.34 a spindle against a replacement value of \$10 a spindle, so that if you put this textile machinery on the free list you would have, if you chose to—but there would be no need of it—marked down your textile from \$6.34 per spindle to \$4.40 per spindle.

Senator JAMES. What is the percentage of reduction in the Underwood bill as compared with the existing law?

Mr. HOMANS. On paper it is from 45 to 25 per cent.

Senator JAMES. But in reality it is from 65 to 42 per cent?

Mr. HOMANS. Approximately.

Senator JAMES. So it is about a 50 per cent reduction?

Mr. HOMANS. It would be about a 33½ per cent reduction on that. In other words, this was the point brought up by some of the Senators who considered the cotton schedule. They said this depreciation, if you do this, will be too much. The figures which I present seem to me to show that this depreciation, taking into consideration these 55 mills in Massachusetts, which is a representative State, have got their machinery now down to a point where it is less than it would cost them to fit up their mills with English machinery on a free-trade basis. If you are not satisfied with that, and if after reading my brief you are not convinced that I prove that, my point goes for nothing.

Senator THOMAS. Mr. Homans, we are obliged to limit each gentleman appearing before the committee to 10 minutes for discussion, and I believe your 10 minutes have expired.

Senator JAMES. We will read your brief.

Mr. HOMANS. I want simply to add in addition that worsted machinery is not made in this country to a great extent—that is, worsted spinning machinery—and if you give the worsted manufacturer pro-

tection machinery, you put him in a position where he can compete with manufacturers of worsted all over the world.

(The brief presented by Mr. Homans reads as follows:)

(Inclosure.)

BRIEF STATEMENT IN FAVOR OF LOWERING THE DUTY ON TEXTILE MACHINERY BELOW THAT CONTAINED IN SECTION 169 OF SCHEDULE C OF HOUSE TARIFF BILL.

THE FINANCE COMMITTEE OF THE SENATE,

Washington, D. C.

GENTLEMEN: This is an application for lower duties than those contained in the bill that has passed the House of Representatives. As far as we are importers of foreign textile machinery, our interest is selfish. What we want to do, however, is to convince your committee that still lower duties on machinery are absolutely necessary for the textile industries, particularly the cotton mills.

I. Cotton mills obtain nothing from the proposed tariff; other manufacturers do.

The shoe manufacturers now have free hides. They are also given free shoe machinery under the House bill.

Wooden manufacturers are about to obtain free wool.

Cotton manufacturers, particularly of high-grade goods, are seriously threatened by the proposed duties on manufactures of cotton. They get nothing as an offset in the bill, except a reduction on machinery duties, which still leaves those duties protective. They can be given free machinery, or, at least, a duty not higher than 10 per cent. It would be of incalculable advantage to the textile interests to be able to buy the best foreign machinery available and so in the future be on a par with their foreign competitors.

II. The present duties on machinery are highly protective. They will largely remain so under the House bill. Canadian duties on both American and English textile machinery are only 10 per cent.

(a) The present actual duty on foreign machinery amounts to this:

	Per cent.
Duty on foreign value.....	45.0
Cost of packing.....	10.0
Duty on packing, 45 per cent of 10 per cent.....	4.5
Freights, insurance, breakage, etc.....	5.0
Total	64.5

There are some expenses incidental to American machinery, but the actual protection it receives is well over 60 per cent. The actual duty of 45 per cent does not represent more than 30 per cent of the cost of foreign machinery set up in an American mill.

(b) Under the House bill, with a 25 per cent duty under section 169 of Schedule C, the actual protection will be:

	Per cent.
Duty on foreign value.....	25.0
Cost of packing.....	10.0
Duty on packing, 25 per cent of 10 per cent.....	2.5
Freights, insurance, breakage, etc.....	5.0
Total	42.5

The actual protection under the House bill will be over 40 per cent.

(c) Duty on textile machinery entering Canada, whether foreign or made in the United States, is 10 per cent ad valorem. Prices of American machinery sold in Canada are invariably as low and usually lower than the prices of the foreign machinery sold in Canada. If there were no duty at all on machinery entering into Canada, American machinery interests would not be injured in

that market. Fully half the Canadian textile machinery is American. This shows that American machinery can sell, and is probably now selling, in the United States on a free-trade basis.

(d) Some cotton, and considerable worsted, machinery, is now imported under the present duties. See reports of Tariff Board on cottons, volume 2, page 473, and on Schedule K, page 1042. The greater part of this is machinery, particularly worsted, not made in the United States. Of that which competes with domestic machinery there is no competition in price. The foreign machinery is bought, if at all, because it is better. With lower duties domestic manufacturers would improve their quality. The high protection stifles this improvement.

(c) A lower duty on this class of machinery must help the consumer. It certainly will in industries where the machinery is not made in this country, as in the case of certain worsted, and of all flax, hemp, jute, lace, and embroidery machinery. In those industries where machinery is made here, a lower duty will keep prices to a proper level and stimulate machinery improvement.

III. A further reduction in the duties on textile machinery means no substantial, if any, marking down of textile plants.

The fear of causing a substantial marking down of plants appears to be the only argument against lower duties. We can prove, we believe, that this fear is groundless. There are two questions: What effect would free textile machinery have in depreciating, first, domestic machinery now in the mills; second, foreign machinery now in the mills?

As to domestic machinery, we can not see how this would be depreciated by free competition. If United States machinery now competes with English in Canada, when both are subject to the same duty, then American machinery must be selling in the United States on practically a free-trade basis.

Take this example: American ring spinning frames, forming eight-tenths of the spinning machinery, sell as low as \$2.35 a spindle. The best price the English make in Canada on a 10 per cent duty is \$2.65 per spindle, and if there was no duty in this country they could not sell at less than \$2.50 per spindle. Therefore the American cotton mill would not have to mark down its spinning machinery at all.

As to foreign machinery in cotton mills we submit the following statement:

Compilation of sworn returns required by law of 55 of the largest cotton spinning and weaving mills in Massachusetts for the year ending November 30, 1911. (Figures for each mill taken from Mass. Pub. Doc. No. 10 for 1911. Figures for 1912 not yet available.)

The total number of spindles in these 55 large mills was 5,000,002; capital, \$58,000,000, or \$11.48 per spindle; real estate and buildings, \$22,150,489, or \$4.37 per spindle; machinery, including power plant and other accessories, \$43,325,005, or \$8.59 per spindle.

From an investigation, made entirely independent of us, by Mr. Charles T. Main, one of the best of New England mill engineers, the total value of a cotton spinning and weaving mill would be divided on an average into:

	Per cent.
Real estate and buildings.....	34
Textile machinery.....	49
Power plants and accessories.....	17
	100

Applying the above percentages to our figures of the 55 mills would give a book value of—

	Per spindle.
Real estate and buildings.....	\$4.40
Textile machinery.....	6.34
Power plants, etc.....	2.20

The above figures can not be disputed. Spinning and weaving mills, capitalized at \$11.48 per spindle, have in their assets textile machinery valued at \$6.34 per spindle. Assuming that all this textile machinery is foreign (instead of being, as is the fact, very little foreign) and also assuming that free textile machinery would cut the price of foreign machinery 30 per cent, then these 55 spinning and weaving mills would have to mark down their textile machinery 30 per cent, which, on a valuation of \$6.34 per spindle, would mean a mark down of \$1.90 per spindle. This \$1.90 per spindle is very little compared with what

those mills must have marked their machinery down already. This is absolutely apparent when the following figures are understood:

It is agreed by American manufacturers of textile machinery that the replacement cost of a spinning and weaving cotton mill is not less than \$20 per spindle. From the sworn returns of these 55 mills we show that their valuation of all their mill property is \$437, plus \$850, or \$1293 in all. Therefore they have already marked down their plant voluntarily \$7.07 per spindle. From the replacement value of \$20 per spindle where there has already been a marking down of \$7.07 per spindle, a further marking down of \$1.90 per spindle on machinery could certainly do these 55 mills no harm. Their financial credit could not suffer by any such depreciation. Bankers pay comparatively little attention to the fixed plant, relying mainly on a comparison of quick assets and quick liabilities, and upon the character of the mill owner.

Bear in mind that there is, as shown by the Tariff Board's report, referred to above, comparatively little cotton machinery imported. Therefore the figures which we have given are those which bear most strongly against our own argument. We see no reason whatever to doubt that the actual valuation per spindle of the textile machinery now in the 55 mills to which we have referred is considerably less than the replacement value of that machinery should textile machinery be admitted to the United States free of duty.

Take up an actual case of a new mill in Massachusetts, which has installed foreign machinery to the fullest extent that it could be imported, viz: A mill of 55,000 spindles, costing per spindle complete, \$20. The foreign machinery used consisted of bale breakers, openers, scutchers, cards, combs, slubbers, intermediates, roving frames, and mule spindles. The domestic machinery consisted of all the ring spinning frames, slashers, winders, spoolers, warpers, and 1,200 looms. The actual cost of the above foreign machinery would be to-day \$321,454, or per spindle, \$5.08. A 30 per cent mark down would amount to \$1.52 per spindle, or $\frac{1}{4}$ per cent of the total cost of the mill.

No well-regulated mill ever depreciates its plant less than 3 per cent per annum, and usually as much as 4 or 5 per cent. It would be a physical impossibility to get a new mill in operation inside of one year after the enactment of free machinery; and in the ordinary course of business by that time the above plant would be marked down by 3 or 4 per cent or by one-half of the total mark down assumed to be necessary.

WORSTED MILLS.

What is true of cotton mills applies also to worsted mills. According to the published returns of worsted mills incorporated in Massachusetts (see Massachusetts Public Document No. 10, Nov. 30, 1911), the figures of all those making complete returns are as given below. Two of the largest corporations had both large cotton mills and large worsted mills and some other large concerns, having mills in the State, are incorporated outside of the State. These two classes, therefore, are not included.

The total number of spindles in these worsted mills was 115,008. The total valuation of real estate, buildings, machinery, power, etc., was \$3,167,035.

According to Mr. Charles T. Main's figures, made independently of us, the total valuation of a well-constructed worsted mill would be divided up as follows:

	Per cent.
Real estate and buildings.....	27
Textile machinery.....	47½
Power plants and accessories.....	25½

100

On this basis the figures would be as follows:

Real estate and buildings.....	\$1,450,154
Textile machinery.....	1,610,841
Power plants and accessories.....	306,040

Which works out per spindle:

Real estate and buildings.....	per spindle.. \$12.63
Textile machinery.....	do..... 14.32
Power plants and accessories.....	do..... 3.17

Assuming that all the machinery is foreign make—which is very far from being the case—and that the value of this machinery was marked down 30 per

cent by the enactment of a bill making textile machinery free from duty, the total mark down on machinery per spindle would be \$4.20, or approximately 14 per cent of the total value of the mill per spindle of \$30.15.

As the replacement value of the textile machinery alone, if imported free of duty from abroad, would vary from not less than \$17.50 to \$21 per spindle; and as it now stands on the books of these worsted mills to which we have referred, at \$14.32, it is evident that this machinery has been already marked down very considerably, and that its present value is a good deal less than it would cost to replace it entirely with foreign machinery imported free of duty.

Under these circumstances a further marking down of this machinery, on account of a tariff which admitted textile machinery free, is purely theoretical.

IV. Loss of revenue to the Government.

As textile machinery has always been included with all other kinds of machinery in the omnibus clause as to machinery in the metal schedule, there are no statistics available to show what revenue the Government would lose if machinery is admitted free or under a small duty, say 10 per cent. There would be considerable revenue at 10 per cent, we believe, and any loss of revenue would be more than made up by the advantage accruing to the manufacturer and consequently to the consumer.

V. Amendment to the House bill.

There is no reason why textile machinery should remain in the omnibus clause of the metal schedule, section 163. It deserves separate treatment. We suggest that either on the free list or dutiable at not over 10 per cent should be:

Textile machines through any portion of which passes, in the course of textile manufacturing, animal or vegetable fiber.

Respectfully submitted.

RICHARDS, ATKINSON & HOSERICK,
Congress Street, Boston, Mass.,
ROBERT HOMANS, Attorney.

Cotton spinning and rearing mills.

[Figures taken from abstract of the certificates of corporations organized under Massachusetts laws Public Doc. No. 10, Nov. 30, 1911.]

Mills.	Capital.	Looms.	Number of spindles.	Real estate.	Machinery.
Acushnet Mill Corporation.....	\$1,000,000	3,500	165,000	\$210,000	\$650,000
Bristol Manufacturing Co.....	1,000,000	1,950	68,000	324,000	823,000
Dartmouth Manufacturing Corporation.....	1,800,000	5,700	200,000	1,100,000	2,084,000
Page Manufacturing Co.....	1,000,000	1,740	33,000	227,000	790,000
Pierce Manufacturing Corporation.....	900,000	3,600	117,000	232,000	367,000
Potomaska Mills Corporation.....	1,200,000	2,600	108,000	419,000	76,000
Wamsutta Mills.....	3,000,000	4,300	228,000	1,150,000	1,330,000
Corr Manufacturing Co.....	500,000	1,700	51,000	270,000	676,000
Berkshire Cotton Manufacturing Co.....	2,500,000	6,400	200,000	600,000	1,400,000
West Boylston Manufacturing Co.....	1,000,000	800	60,000	450,000	545,000
American Linen Co.....	800,000	2,350	94,528	278,000	\$71,500
Arkwright Mills.....	450,000	1,450	68,432	248,200	645,000
Davol Mills.....	500,000	1,240	44,500	122,700	377,300
King Philip Mills.....	1,500,000	3,000	133,000	550,000	945,000
Mechanics Mills.....	750,000	1,350	60,500	179,000	421,000
Merchants Manufacturing Co.....	1,200,000	3,350	134,000	332,000	\$68,000
Osborne Mills.....	750,000	1,004	71,000	226,000	530,000
Pocasset Manufacturing Co.....	1,200,000	2,925	120,000	450,000	750,000
Sagamore Manufacturing Co.....	1,200,000	3,560	148,800	530,000	1,246,000
Stafford Mills.....	1,000,000	2,800	114,600	445,500	1,011,000
Everett Mills.....	1,400,000	4,680	137,152	500,000	1,039,300
Lawrence Duck Co.....	400,000	242	26,000	281,000	130,000
Appleton & Co.....	450,000	2,364	67,500	226,000	200,000
Hamilton Manufacturing Co.....	1,800,000	2,354	115,000	956,000	587,000
Massachusetts Cotton Mills.....	2,114,200	5,015	176,000	854,000	2,023,000
Merrimac Manufacturing Co.....	4,400,000	7,100	166,000	1,824,000	2,005,000
Tremont & Suffolk Mills.....	2,000,000	6,000	239,000	1,225,000	1,155,000
Ancona Mills.....	300,000	1,072	40,000	37,337	500,000
Booth Manufacturing Co.....	1,250,000	1,300	53,000	169,852	2,800
Bourne Mills.....	1,000,000	2,700	91,000	190,000	927,000
Butler Mill.....	1,500,000	2,400	100,000	578,500	1,283,000
Conanicut Mills.....	300,000	776	29,300	88,600	213,650
Durfee Mills.....	500,000	2,900	144,000	233,750	475,000

Cotton spinning and weaving mills—Continued.

Mills.	Capital.	Looms.	Number of spindles.	Real estate.	Machinery.
Gosnold Mills Co.....	\$1,650,000	3,200	82,000	\$270,000	\$1,641,500
Greylock Mills.....	700,000	1,218	57,000	417,000	664,000
Griswoldville Manufacturing Co.....	127,000	451	18,200	50,000	168,800
Hatchway Manufacturing Co.....	800,000	3,500	102,000	215,800	500,000
Laurel Lise Mills.....	000,000	1,620	00,500	210,000	300,000
Lincoln Manufacturing Co.....	1,250,000	1,270	100,000	313,850	775,000
Monument Mills.....	50,000	225	20,000	323,380	389,080
Neill Manufacturing Corporation.....	800,000	1,420	55,000	456,000	250,720
New Bedford Cotton Mills.....	1,100,000	1,400	76,000	645,400	853,325
Nokege Mills.....	300,000	000	30,500	140,000	285,000
Renfrew Manufacturing Corporation.....	1,200,000	1,800	27,000	294,800	789,470
Saunders Cotton Mills.....	175,000	400	14,000	88,500	50,000
Seacombe Mills.....	000,000	1,700	08,400	10,000	844,000
Shove Mills.....	550,000	2,100	78,000	199,800	622,000
Soule Mill.....	1,200,000	2,300	95,000	500,000	1,042,000
Stevens Manufacturing Co.....	700,000	400	26,000	433,700	734,000
Tiber Mill.....	1,300,000	1,000	70,000	621,400	1,080,000
Townshend Mills.....	750,000	1,700	70,000	235,500	525,000
Union Cotton Manufacturing Co.....	1,200,000	2,874	100,000	300,000	800,000
Uxbridge Cotton Mills.....	127,000	428	17,000	96,000	80,000
Warrenton Mills.....	770,000	2,000	87,000	324,000	874,000
Whitman Mills.....	2,000,000	3,652	100,000	504,750	1,495
Total.....	78,000,200	109,070	5,000,602	22,150,489	43,325,005

Worsted mills.

* Figures taken from Abstract of the Certificates of Corporations Organized under Massachusetts Laws Public Document No. 10, Nov. 30, 1911.]

Mills.	Capital.	Real estate.	Machinery.	Number of spindles.
Star Worsted Co.....	250,000	830,000	805,000	12,272
Abbot Worsted Co.....	600,000	170,000	184,000	25,000
The Farr Alpaca Co.....	2,000,000	650,000	350,000	31,000
Germania Mills.....	170,000	143,000	102,000	5,000
Crescent Worsted Co.....	81,000	54,000	77,000	5,000
Massachusetts Mohair Plush Co.....	750,000	274,350	172,575	15,000
Talbot Wool Combing Co.....	287,000	80,000	170,100	18 cards, 15 combs.
W. E. Tillson Manufacturing Co.....	570,000	54,000	88,000	4,500
Saxonville Mills.....	85,000	23,000	20,350	9,650
Brookfield Worsted Mills.....	100,000	100,000	00,000	4,500
Total.....	4,811,000	1,800,950	1,228,085	115,008

STATEMENT OF MR. JAMES E. BENNETT, ATTORNEY AT LAW,
150 NASSAU STREET, NEW YORK.

PARAGRAPH 167.—Printing presses.

Mr. BENNETT. I represent 22 printing-press manufacturers; or, rather, I represent the industry rather than any one firm or any one manufacturer. I prepared some memoranda here. I will call your attention to two things which have arisen since we appeared before the Ways and Means Committee. I have endeavored, on page 3 of my memoranda, to set forth facts that I have obtained from the entire printing press industry to show, as far as we can, the efficiency of our business. I gathered these facts by sending blanks to 25 manufacturers of printing presses, the 25 being practically all of the manufacturers, and all of them answered excepting three; so I have the absolute facts collated here from 22 of the manufacturers,

and facts pertaining to the other 3 I estimated. They were not large manufacturers, and I think I came pretty close to a correct estimate. The total amount received from the sale of presses in 1912 was \$10,950,183. That is the entire sum of money paid for printing presses to the manufacturers. Of that sum we paid \$6,415,236 to the men in our shop, our skilled and unskilled labor, labor that we speak of as our shop labor. That is a little over 60 per cent of all the money that we received from the sale of our presses. In those presses the material amounted to 10 per cent. That startles people when I say that, but our presses are highly complicated pieces of machinery. They are made out of pig iron, and pig iron runs about \$18 a ton, so that a press that weighs 10 tons would have \$180 worth of pig iron in it. We buy pig iron and run our foundry.

Senator STONE. The duty, then, is a big item in your business, is it not?

Mr. BENNETT. I do not think so, because pig iron at the time I first took this matter up, in December, was selling in Germany at practically the same price that it sold for here.

Senator STONE. So that the duty now on pig iron makes no difference?

Mr. BENNETT. So far as our competition with Germany is concerned. Germany pays practically the same for pig iron that we do.

Senator STONE. Is that the case generally in Germany?

Mr. BENNETT. I do not know. I took my figures from the Iron Age. The material is only a small item of our total expense. It costs us 7 per cent to erect our presses. We send men to the different plants to erect the presses. We pay the cartage from our factory to the boat or to the train and the railroad freight and then the cartage again to the plant and set the press up, it taking a man two, three, four, or five weeks. That costs us 7 per cent. Then our salesmen, expenses of salesmen, advertising, cost of branch sales offices, clerical force, postage, etc., amounts to 12 per cent. Other charges on business, insurance, depreciation of plant, taxes (personal, real and Federal), personal-injury claims, bad accounts, and sundries amount to 5 per cent. Now, we are kind of proud of that item. That is what we call overhead charges. The salaries of officers and the net profits amount to 6 per cent.

Senator THOMAS. What per cent of that is salary?

Mr. BENNETT. It is hard to tell.

Senator THOMAS. Can you approximate it?

Mr. BENNETT. Half of our companies do not pay any dividends, but the officers get salaries, because there will be two or three officers who are the main stockholders. It is practically impossible to tell what that item would be alone, but the salaries and the dividends together amount to 6 per cent. I can swear to those figures as far as concerns the manufacturers that give them to me. The compilation I know within a very few dollars to be correct. It is conceded by everybody that the Germans pay less than half for their wages that we do. Our men work on machine tools. There is very little handwork. The machine tool runs as fast in Germany as it does here; in fact, the German laborers perform a little more work than our men. That is on account of our labor union. In the factories of New York, Chicago, and Boston each lathe must be run by

one man. The labor union will not let one man run two or three lathes which are side by side. So we have to employ a separate man, at 40 cents an hour, to run those lathes. In Germany they have no such provision, and they can have a row of lathes or milling machine or boring machine—they are automatic—and one man, at 14 cents an hour, in Germany can do two or three times as much as one of our men working on a similar machine. The reduction from 45 per cent to 30 per cent, made by Mr. Payne's bill, had the effect of starting German and English competition here. Two German and two English factories have opened offices. Two of them are doing a fair business. Two of them have just been feeling out the ground. Now, this cut, from 30 per cent to 15 per cent, is too radical for us. There is nothing on our list here that we can cut down except our labor, and we know that we are going to be hanged if we cut our labor down. We have no desire to do so. There is no profit to us in cutting our labor. What we think should be done is that since that has been cut from 45 per cent to 30 per cent there ought to be a less radical change now, a change, say, to 25 per cent, and under no circumstances below 20 per cent. As our efficiency increases from year to year it will then be able to take care of itself. During these years when we have had tariff protection, and we have had no active European competition, the theory of the country is that we have kept our prices up because of this 45 per cent. As a matter of fact, there are 25 concerns which have been fighting each other tooth and nail. Here is an illustration: Mr. Hearst, in New York City, who publishes so many newspapers, buys his big newspaper presses for not over \$25,000.

Senator STONE. Do you mean \$25,000 each?

Mr. BENNETT. Yes. These enormous presses publish newspapers at the rate of 72,000 an hour. The paper runs through at 20 miles an hour. Mr. Hearst's father paid from \$40,000 to \$60,000 for the same kind of presses. The competition among the Americans has been such that they have kept everything right down as close as they could, because each fellow wanted to sell all he could, and the only way he could do that was to keep his price down. Twenty years ago a certain style of "flat-bed" press weighed 6 tons and sold for \$3,500. To-day that same style weighs 12 tons, turns out more than twice as much work of much better quality, and sells for \$3,000. That is the kind of press upon which these books that are upon the table here are printed.

Senator JAMES. Under what schedule does that come?

Mr. BENNETT. Schedule C, paragraph 167. We have one which we called a No. 2 Huber-Hodgman press, weighing 6 tons, and which sold for \$35,000, and did good straightforward work.

Senator THOMAS. Sold for how much?

Mr. BENNETT. For \$35,000; on the same principle as No. 2. There is one adapted for the same class of work which weighs 12 tons, and you can buy it for \$31,000. It has a great many more appliances. It has a double delivery, so that the paper comes out of the press the printed side up, or, by making a change, it comes out with the printed side down. You can have it either way. The press is much better and runs faster. It is quite adequate in every way; weighs quite as much and costs \$500 less. It is our intention to reduce our price to that as our efficiency and our learning of the business is

increased. No publisher, so far as I have ever heard, has asked for this reduction. It will not benefit the ultimate consumer, because you will not be able to buy a paper for less than 1 cent or a monthly magazine for less than 10 or 15 cents, or the Saturday Evening Post for less than 5 cents.

Senator JAMES. Mr. Bennett, under the schedule of printing presses I notice that the importations were only valued at \$50,000.

Mr. BENNETT. That is estimated.

Senator JAMES. And your total business in this country is \$11,000,000. Is not that an absolutely prohibitive tariff?

Mr. BENNETT. The 45 per cent was prohibitive. There were not any importations before that at all.

Senator JAMES. You would not take the position before the committee that where an industry does \$11,000,000 of business, with the imports at \$31,000, it was competitive at all, would you?

Mr. BENNETT. No; it is the trickle over the dam.

Senator JAMES. There is a very slight trickle—\$31,000 out of \$11,000,000.

Mr. BENNETT. Yes; there is no question about that. And as I told Mr. Underwood in the hearing before the Ways and Means Committee, we would not object to a reduction of, say, 25 per cent. We are willing to do that to see if that trickle increases. If it does not increase, we will stand a further reduction.

Senator THOMAS. The estimate was that the importations of printing presses under the 15 per cent rate would be \$20,000.

Mr. BENNETT. I would like to know the man who made that estimate.

Senator THOMAS. We have experts here.

Mr. BENNETT. You can not estimate anything like that. If we believed that, we would not waste our time coming down here, because \$20,000 would not make any difference one way or the other in the entire industry.

Senator JAMES. I would say this: That where there are \$11,000,000 of production in this country and only \$31,000 worth of imports, if that is not a prohibitive tariff then I do not know what is.

Mr. BENNETT. As I showed the Ways and Means Committee, those figures are not correct. Our figures show that it $\frac{1}{11}$ was \$1,700,000. That includes all printing machinery.

Senator JAMES. Even at that it is over the imports?

Mr. BENNETT. Oh, yes.

Senator STONE. Where do you export?

Mr. BENNETT. South America and Australia are our principal points.

Senator STONE. What fear have you of German competition or English competition?

Mr. BENNETT. I will tell you about that. Last year we exported \$1,700,000 worth of these goods to South America, Australia, Mexico, and some to Canada. The Germans exported to the same countries over \$5,000,000 worth of the same kind of presses.

Senator STONE. I asked as to what your fear was as to competition here at home with German manufacturers. Is it a case of cheap labor?

Mr. BENNETT. Cheaper labor; yes, sir.

Senator STONE. Cheaper materials?

Mr. BENNETT. No; the material is practically the same as ours.

Senator STONE. It is just a question of labor?

Mr. BENNETT. A question of labor.

Senator STONE. What is the difference in the labor?

Mr. BENNETT. We pay an average through our industry of 37 cents. Germany pays an average of 18 cents.

Senator STONE. Are their machines substantially as good as those you make?

Mr. BENNETT. They bought most of them here from the American machine toolmen. They did. Now, they are making their own machine tools, copied after the American.

Senator STONE. Are their printing presses substantially as good?

Mr. BENNETT. Substantially as good; we can not deny it.

Senator STONE. How does it happen that you can export to South America substantially half of the sales made in that region?

Mr. BENNETT. That is a very fair question. Fifteen years ago we did all of the exporting. Germany did not amount to anything. We had the entire market. Then the Germans commenced to copy our presses. They copied our presses with every kink and turn and everything except the name plates, and sold them at 60 per cent of our price in those countries, and they have been gradually gaining on us until now they ship about five presses to our one to those countries. Where we ship a press that is worth \$15,000 their press will not be over \$2,000.

Senator JAMES. Do you not have to pay adverse tariff rates to sell your presses?

Mr. BENNETT. We pay the same tariff rates as England does, excepting Canada.

Senator JAMES. If you can go into a country and pay an adverse tariff rate, what have you to fear when they have to pay a rate of 15 per cent?

Mr. BENNETT. It only figures out 9 per cent on their presses, estimated on the price in their country.

Senator JAMES. You ship abroad and you pay an adverse tariff rate to a neutral market with them and you sell in competition with them and sell fifteen times as much as they import into this country. If you can do that, I can not see for my life what you have to fear if they have to pay 15 per cent on it to get it in here.

Mr. BENNETT. If you will refer to the tables, there is no other country that has anything like a 15 or an 18 per cent tariff.

Senator JAMES. But whatever the tariff is, they have to pay it just like you do.

Mr. BENNETT. Oh, yes; but they ship to those markets instead of shipping here, because the tariff does not make their shipping here so profitable. If our tariff is cut down, the Germans will ship here instead of to South America and those other countries.

Senator JAMES. But still I do not see what you have to fear when you can sell in competition with them in Australia and South America. You have a freight rate in your favor and 15 per cent tariff in your favor. I would like to see what hazard your business would undergo.

Mr. BENNETT. But the thing is that we are not holding our own with them. Fifteen years ago we had the entire foreign market for

printing presses. To-day they ship five times as many presses as we do, and as they get those countries stocked up they will ship them here. These presses last about 30 years. It is only in some of our newspaper presses and in some of our job presses and with the bed press that we are a little bit ahead of the others. It is the other presses that we are shipping.

Senator STONE. I am afraid we will have to conclude this hearing. That is about all you wish to say, is it not?

Mr. BENNETT. Yes, sir.

Senator STONE. And you wish to file this brief?

Mr. BENNETT. Yes, sir. I do not want to forget to thank you gentlemen for this opportunity. My people thought I had better come here and set forth these facts.

(The brief submitted by Mr. Bennett is as follows:)

BRIEF SUBMITTED BY THE 22 PRINTING PRESS MANUFACTURERS PROTESTING AT THE PROPOSED REDUCTION OF THE DUTY ON PRINTING PRESSES FROM 30 TO 15 PER CENT.

Under the Dingley law the duty was 45 per cent; under the Payne law the duty was 30 per cent; under the proposed law the duty is 15 per cent.

There are now 25 concerns engaged in manufacturing printing presses in the United States.

There is no combination of any description in this industry.

The raw material entering into the construction of presses is mostly pig iron, with a very small proportion of bar steel, brass, copper, and wood—about 90 per cent is pig iron, which averages about \$18 per ton.

The production of printing presses in this country according to gross value for the last six years, is:

1907	-----	\$8,204,396
1908	-----	7,130,802
1909	-----	7,207,135
1910	-----	8,462,042
1911	-----	10,861,636
1912	-----	10,950,183

The gross value of printing presses sold in this country in 1912 was \$9,100,000.

It is impossible to give the ruling market prices of printing presses in this country, for the reason that there are several hundred styles and varieties of presses, ranging from a tiny machine to print visiting cards and sold for \$75, to a mammoth and extremely complicated machine to print newspapers at the rate of 20 miles of paper printed on both sides, cut, pasted, and folded every hour, which may sell for as high as \$10,000. Between these are almost countless varieties of lithograph, offset, book, magazine, metal printing, job, drum, cylinder, two-revolution flat-bed, rotaries of many kinds, devised to meet special needs.

The European manufacturers produce about the same varieties and their selling prices are an average of 30 per cent less than ours.

The percentage of the labor cost to the total cost of a unit of product in this country is 80 per cent—i. e., of any given unit of production in our shops of \$1,000, the material averages \$200 and the shop labor \$800.

In a German factory in the same given unit of production the material averages \$200 and the shop labor less than \$100—so that for less than \$300 our German competition produces the same unit of production that costs us \$1,000.

Our average for skilled labor is 37 cents per hour.

The highest average of all European countries is 17 cents per hour for the same classes of skilled laborers.

In both domestic and foreign shops the skilled laborers work with highly developed and specialized machine tools, which work as rapidly in Europe as in this country.

The following letter explains this point clearly:

NEW YORK, May 29, 1913.

JAMES E. BENNET, Esq.,
150 Nassau Street, New York City.

DEAR SIR: Acknowledging your letter of May 14 asking for information of the relative cost to manufacture in England and the United States, it may be of interest to you to know that we are now remodeling our London factory, discarding all old tools and appliances, and are equipping it throughout with the most modern machinery obtainable. As the wages paid to the workmen are less than one-half the wages paid over here, and each workman is able to produce with the new machinery as much work per day as is produced by an American workman running a similar tool, you can easily see that there will be considerable difference in the cost of the finished article.

In this connection you may be interested to know that after giving the subject very serious thought and study, almost all the shop tools and equipment we are purchasing is of English manufacture, as we consider them to be quite as efficient as those made over here. Although it is undoubtedly cheaper to manufacture in England than in the United States, English manufacturers are finding increased difficulty in meeting German competition in their home market, in spite of the fact that there is a strong anti-German feeling throughout Great Britain.

Yours, very truly,

R. HOE & Co.,
ROBERT HOE, President.

The percentage of our shop-labor cost to our selling price to the consumer is 60 per cent, and the following table gives a concise statement of the printing-press industry for the year 1912:

Total amount received for sale of presses.....	\$10,950,183
Paid to shop labor, \$8,415,230.....	per cent..... 60
Material.....	do..... 10
Erecting presses for customers, trucking, freight.....	do..... 7
Salesmen, expenses of salesmen, advertising, cost of branch sales offices, clerical force, postage, etc. (selling expenses).....	per cent..... 12
Other charges on business: Insurance, depreciation of plant, taxes (personal, real, and Federal), personal-injury claims, bad accounts, sundries.....	per cent..... 5
Salaries of officers and net profits.....	do..... 6
Total.....	do..... 100

A study of the above table gives a fair idea of the fact that the factories in our industry are operated under a high state of efficiency, and shows that our great cost is that of labor, which we can not reduce. Some of our factories are on the eight-hour-per-day plan, and a demand has recently been made by the labor organization to make all the shops adopt the same rule. This will tend to increase our labor cost.

We employ about 8,000 men—skilled and unskilled.

The German factories in the same industry employ about 9,000 men.

There are at least four factories in Germany which are about as large and as productive as any four in this country. There are also well-organized printing-press factories in France, England, Belgium, Italy, and Austria.

The competition in this country has been intense, and has resulted in a steady reduction in prices, a constant improvement in methods of manufacture, and a marvelous development in the science of printing. Nevertheless the cost of labor has constantly increased.

Twenty years ago a certain style of "flat-bed" press weighed 6 tons and sold for \$3,500. To-day that same style weighs 12 tons, turns out more than twice as much work of much better quality, and sells for \$3,000. This is an example of the manner in which the profits of the manufacturers have been cut by the strenuous competition among themselves.

Now, if the European manufacturers are to come in here with presses produced with labor at one-half the cost we pay, it is seen at once that our position is difficult, if not impossible, unless we can reduce our labor cost, which we can not do without a great industrial upheaval.

¹ About.

The tariff rate of 15 per cent will, in actual practice, be only about 9 per cent.

The rate is paid upon the wholesale price in the foreign country, and as this is only about 60 per cent of our price, the actual rate of duty is then (as far as protection to our labor cost is concerned) only about 60 per cent of 15 per cent, or 9 per cent. This is hardly any duty whatever, and it is easily seen that the present rate of 30 per cent, which in actual practice is only 18 per cent, is not enough to cover the difference in labor cost, which is about 50 per cent.

We do not wish to be unreasonable.

No one has asked for such a drastic reduction in the rate of duty on printing presses.

No American can possibly be benefited by it.

The only result will be a loss to our business, which means a loss to our labor, which is our largest item of cost.

We respectfully urge that the rate of duty upon printing presses be maintained at 30 per cent.

For further facts concerning our industry we respectfully refer you to our hearing before the Ways and Means Committee, as printed on pages 2001, et seq.

List of printing-press manufacturers of the United States.

Babcock Printing Press Manufacturing Co., 50 Pequot Avenue, New London, Conn.

Boston Printing Press & Manufacturing Co., East Bridgewater, Mass.

C. B. Cottrell & Sons Co., Westerly, R. I.

Chandler & Price Co., 600 Carnegie Avenue, E. S., Cleveland, Ohio.

Challenge Machinery Co., Grand Haven, Mich.

Duplex Printing Press Co., McCauley and Houston Streets, Battle Creek, Mich.

Fuchs & Lang Manufacturing Co., 29 Warren Street, New York City.

Golding Manufacturing Co., Franklin, Mass.

Goss Printing Press Co., Sixteenth Street and Ashland Avenue, Chicago, Ill.

Huber-Hodgman Printing Press Co., 180 Weir Street, Taunton, Mass.

R. Hoe & Co., 504 Grand Street, New York City.

Harris Automatic Press Co., Niles, Ohio.

Hall Printing Press Co., Dunellen, N. J.

John Thomson Press Co., 253 Broadway, New York City.

Melsel Press & Manufacturing Co., Boston, Mass.

Michte Printing Press Co., Fourteenth and Robey Streets, Chicago, Ill.

National Machine Co., 135 Sheldon Street, Hartford, Conn.

Peerless Printing Press Co., Palmyra, N. Y.

Potter Printing Press Co., Plainfield, N. Y.

Swink Printing Press Co., Delphos, Ohio.

Whitlock Printing Press Co., Derby, Conn.

Walter Scott & Co., Plainfield, N. J.

SCHEDULE K.—WOOL AND MANUFACTURES OF.

STATEMENT OF DR. G. A. ERNST, REPRESENTING THE AMERICAN VISCOSE CO., MARCUS HOOK, PA.

PARAGRAPHS 295-318.—Woolens.

(Dr. Ernst read from a longhand manuscript which he was directed by the chairman to have reduced to typewriting for insertion in the record at this point. At the hour of going to press this statement had not been received.)

Senator THOMAS. Are you opposed to the rates in this bill? You do not want them decreased, do you?

Dr. ERNST. No, sir.

Senator THOMAS. Your position is that they are luxuries, and ought to be taxed?

Dr. ERNST. Yes, sir. They have been reduced from the Payne bill, and we are satisfied with the reduction and we are going to live under it; but we do not want any more.

STATEMENT OF MR. JULIUS FORSTMANN, PRESIDENT, FORSTMANN & HOFFMAN CO., PASSAIC, N. J.

PARAGRAPHS 295-318.—Wool.

MR. FORSTMANN. I had been a woolen manufacturer in Germany up to 10 years ago. The mill in which I was a partner was founded by my great-grandfather in 1803. Ten years ago I came to Passaic and built a mill which produces about the same goods as we produced in Germany. Since that time I have become an American citizen, although I am still interested in the German mill; so that I am fully posted about the cost of production in this country and abroad. The principal point which I want to bring to your attention is the fact that the cost of production is very much larger here for the finer goods than it is for the cheaper goods. I brought here with me some samples of goods which we make exactly alike in Europe and in this country and figures showing the difference in the cost of production here and abroad. These figures are absolutely reliable, because I am interested in both mills. There is hardly anybody else in this country who is in as good a position as myself to give you such accurate comparative figures. I find that a flat rate of 35 per cent on goods is too low for all goods, and it ought to be graduated in such a way that a higher duty would be adopted for the finer goods; that is, a graduated scale. The same statement applies to yarns. The duty on yarns of 20 per cent is too low entirely, and it would make it absolutely impossible to spin the finer yarns in this country. Under the proposed rates I could beat our American mill with our German mill in every instance. I mean that I could import cheaper than the goods can be produced in this country with the proposed rates.

SENATOR SIMMONS. Do you make those finer goods in this country now?

MR. FORSTMANN. Yes.

SENATOR SIMMONS. Why do you not make them all in Germany, if you can import them cheaper than you can produce them here?

MR. FORSTMANN. I mean I could import them cheaper under the proposed rates. I think it is very desirable for the American woolen industry, especially with respect to the finer goods, to have them made here, because the finer goods require more skill, and if the industry for finer goods is developed here it will also have a good effect on the manufacture of the cheaper goods. Therefore, it is of the greatest importance for this country that the finer goods also be produced here.

The second point to which I wish to draw your attention is the fact that the whole trade now is disturbed. There is no time set as to when the new tariff shall go into effect; nobody knows what kind of a tariff we will get; nobody knows the rates; and nobody knows the time; and I wish to suggest that the new tariff shall go into effect for wool three months and for goods six months after its final passage. We use very fine Australian wool in our goods. We have to import it all the time. We have to pay duty for these wools, and we can not stock our wools for a week or two only. We must have quite a lot of wool in our mill. We must have time to adjust ourselves to the changes in the tariff, and three months for wool and six months for goods will be the shortest time possible that would give us a

chance to adjust our business. It would be of the greatest importance for the trade in general if it could be published soon that a new tariff will contain such a clause.

Senator SIMMONS. Do you mean that it would take you six months to sell off the product made from this dutiable wool?

Mr. FORSTMANN. It will take us three months for the wool and six months for the goods. I was an expert for the woolen industry on the German tariff commission. In Germany, as well as in France, they gave about a year for the new tariff rates to take effect. Every business man knows it takes time to adjust business to such changed conditions.

Senator JAMES. You want immediate action here in the Senate on this tariff bill, and not delay for hearings, speeches, and matters of that kind?

Mr. FORSTMANN. Certainly I should like the thing to be very carefully considered, but when it is passed we want time to adjust our business.

Senator JAMES. The point you wish to make is that it is now held in the air and you do not know whether you are going to have one tariff or another, and that disconcerts business?

Mr. FORSTMANN. Certainly; but when it is passed we must have time to adjust our business. I have seen in the daily papers the statements of the President and the Secretary of Commerce. They say, "We want you to keep your mills busy; you must keep your people busy." I am perfectly willing to do that, but we must also be protected in our importations of wool.

Senator STONE. Assuming that this bill should be passed and go into effect on the 1st of August providing for free wool, that it should go into effect on its approval by the President, tell me just how that would affect from this time on the business in which you are concerned.

Mr. FORSTMANN. As I understand you, you want to know what shall be done with regard to the tariff?

Senator STONE. I am not asking you what should be done about the tariff. I am assuming, for the moment, that free wool will be provided for in the law that this Congress will pass, and I am assuming that law will go into effect on the 1st day of August, and that free wool will begin on the 1st day of August. What effect would that have on your business?

Mr. FORSTMANN. It would at once depreciate all our stock. We must have time to work up all this stock which we have bought under the old tariff.

Senator STONE. But that is a general statement. I would like to have a more definite statement as to just what the effect would be.

Mr. FORSTMANN. The effect would be that prices would go down, and just at a time when we are asked to keep our mills busy.

Senator STONE. What is your particular line of manufacture?

Mr. FORSTMANN. I am a woolen and worsted manufacturer. We produce very fine goods.

Senator STONE. How much wool do you buy? I mean for a given period, say, for your spring and summer work.

Mr. FORSTMANN. Between \$2,000,000 and \$3,000,000 worth a year.

Senator STONE. You are buying it at present prices?

Mr. FORSTMANN. Yes; and the present prices are very high abroad.

Senator STONE. You say the present prices of wool are very high?

Mr. FORSTMANN. Yes.

Senator STONE. Are you not buying them a good deal cheaper now than you did recently?

Mr. FORSTMANN. No. Using imported wool, we can not buy them cheaper.

Senator STONE. Are you buying wool now cheaper than you did a year ago?

Mr. FORSTMANN. No; wool in the foreign market is higher than it was a year ago.

Senator STONE. You are accumulating the wool that is needed in your business and storing it for use?

Mr. FORSTMANN. Yes.

Senator STONE. Are you buying wool now?

Mr. FORSTMANN. Yes; we are buying wool now, and we must import wool all the time for all kinds of goods.

Senator STONE. Do you buy domestic wool now?

Mr. FORSTMANN. No; we have quite a lot of goods for which we can not use domestic wool.

Senator STONE. But you do buy domestic wool?

Mr. FORSTMANN. We buy some domestic wool; yes.

Senator STONE. Are you paying more for the wool you buy now than you did a year ago?

Mr. FORSTMANN. For the imported wool; yes. The prices of wool in the world's market are higher than they were a year ago.

Senator STONE. Let us take domestic wool; you buy domestic wool. Take this \$2,000,000 or \$3,000,000 worth of wool that you buy. How much of it is domestic?

Mr. FORSTMANN. One year it is a certain amount and another year it is a different amount. I can not give you any fixed rule for that.

Senator STONE. Do I understand that you buy from \$2,000,000 to \$3,000,000 worth of wool a year?

Mr. FORSTMANN. Of wool; yes.

Senator STONE. Do you know about what proportion of that is imported and what proportion is domestic?

Mr. FORSTMANN. It changes all the time. Sometimes we use more domestic wool and sometimes more imported wool. It is absolutely impossible to say. We use so much year in and year out.

Senator STONE. Can you say that of the domestic wool a certain percentage is purchased of the total?

Mr. FORSTMANN. I can not give you a certain percentage. Sometimes we use more and sometimes less.

Senator STONE. If you bought \$3,000,000 worth of wool last year, how much of it was domestic wool?

Mr. FORSTMANN. I could not give an exact answer to that question, but I think it was about half of our wool.

Senator STONE. Then this year, the current year, about what proportion of it will be domestic?

Mr. FORSTMANN. This year there will be more fine wool.

Senator STONE. But I want a specific answer, if you can make one.

Mr. FORSTMANN. I can not make it absolutely specific.

Senator STONE. I do not ask for absolute pounds or value, but percentage. You are buying wool right along now, as you did last

year, and last year about half was domestic and half was imported. Does the proportion run about the same?

Mr. FORSTMANN. No; there will be somewhat more imported wool this year.

Senator STONE. About how much more?

Mr. FORSTMANN. Perhaps between one-half and two-thirds will be imported this year, but I can not tell you exactly.

Senator STONE. What has changed that situation?

Mr. FORSTMANN. The fashions and the finer and softer goods used, which we produce from Australian goods.

Senator STONE. You mean to say that the trade demands this year a little different class of production from what it did last year?

Mr. FORSTMANN. It does, particularly in our mill, which produces specialties.

Senator STONE. I am talking about your mill.

Mr. FORSTMANN. I can only reply about our mill. I do not reply about the mills in general in this country, because I want to give you as accurate an answer as possible.

Senator STONE. I am not cross-examining you with any hostile spirit; I want merely to get the fact. I want to know this: Whether you are paying more now or less now for American wool than you paid a year ago.

Mr. FORSTMANN. We pay less for American wool.

Senator STONE. About how much less?

Mr. FORSTMANN. I have not made any big purchases this year so far. We buy from hand to mouth our domestic wool. Nobody can tell you what the domestic wool this year will be, because it entirely depends upon this tariff.

Senator STONE. What was the Boston price for wool about this time last year?

Mr. FORSTMANN. There are so many different grades of wool that I could not tell you the price. I can only tell you that the wool market was higher then than it is to-day. Nobody knows where it is going to be this time next year. It depends upon the kind of a tariff we get. The sheep are just being shorn now.

Senator STONE. But it is on the market.

Mr. FORSTMANN. No; it is not on the market. They are just starting to shear now out West.

Senator STONE. Can you give the committee some idea as to the different value or price of the wool this time last year and now?

Mr. FORSTMANN. Well, it is certainly very much lower, and nobody knows how low it will go. I mean nobody knows yet. From my experience as a German manufacturer I know that in Germany, where they have no tariff on wool, that there is a very strong agitation now among manufacturers for the German Government to take care of wool growing on German territory. I think a moderate tariff on wool in this country would have such effect that in the long run wool would be cheaper than if you take the tariff off entirely. The wool production is a limited one. There are only two other countries which produce wool to a very great extent. I have been in Australia and South America studying wool growing in these two countries. I know that South America is now going back in its production of wool. They are now growing grain, and the sheep are on the decrease in Argentina.

Senator JAMES. It is on the decrease here, is it not?

Mr. FORSTMANN. It is on the decrease, I think, principally because the farmers can not compete under free wool with Argentina and Australia.

Senator JAMES. But we have not got free wool, and the production of wool is on the decrease in this country, and has been for the last two years, has it not?

Mr. FORSTMANN. They have not had for years an assured stable protection.

Senator STONE. You say that raw material, all the wool that you buy for your manufacture, is cheaper now than it was a year ago?

Mr. FORSTMANN. Domestic wool; yes.

Senator STONE. How about foreign wool?

Mr. FORSTMANN. Foreign wools are more expensive.

Senator STONE. Than they were a year ago?

Mr. FORSTMANN. Than they were a year ago.

Senator STONE. What has decreased the price of domestic wool?

Mr. FORSTMANN. The price has been decreased on account of the slack demand, in the first place. The demand is very much smaller this year. Many mills are running half time. Nobody is buying woolen goods that is not forced to buy now. Everybody expects a change in the tariff, so there is nothing being done.

Senator STONE. Does the fact that this bill as it passed the House provides for free wool affect the value of domestic wool?

Mr. FORSTMANN. Certainly; it has already affected it.

Senator STONE. Has the domestic woolgrower and the buyer adjusted their ideas to the notion that domestic wool will go on the free list?

Mr. FORSTMANN. I do not know that.

Senator STONE. Where do you buy your domestic wool?

Mr. FORSTMANN. I buy it mostly from dealers in Boston.

Senator STONE. Do they fix the prices?

Mr. FORSTMANN. No; they do not fix the prices. They can not fix the prices, because we can also go out and buy our wool ourselves.

Senator STONE. What does control the price of domestic wool in Boston at this time?

Mr. FORSTMANN. Supply and demand; and there is no demand at the present time. The woolen market is dead.

Senator STONE. Why is there no demand?

Mr. FORSTMANN. Because the manufacturers are not busy at present; the mills are not running.

Senator STONE. Why are they not running?

Mr. FORSTMANN. Because nobody wants to order goods to-day; therefore I am asking for this time extension. If you would say that after this bill is passed we could have six months' time to adjust our business, the people would buy goods again. Nobody will buy without knowing when that time will be.

Senator JAMES. From your statements it seemed to me that they are adjusting their business now. You tell us that they are not half of them running, and that they are afraid to buy and manufacture. If that is true, the adjustment is going on now, so why give you any time?

Mr. FORSTMANN. Our mill is busy, and you want us to remain busy. I really hope it is not necessary to lay off labor. I am in the posi-

tion of a mill that has to import wool from abroad, and it takes time to adjust our business to changes in the tariff.

Senator SIMMONS. Let me ask you if you do not mean about this that you have on hand now a certain supply of wool that you have bought upon the basis of dutiable wool and that it will take you about three months to work that up?

Mr. FORSTMANN. Yes; until it has passed through the different processes of manufacture.

Senator SIMMONS. It will take you manufacturers about three months to work that wool up?

Mr. FORSTMANN. And after three months we can start and then it will take three months more before the goods are finished.

Senator SIMMONS. You mean you have three months' supply of raw material on hand now?

Mr. FORSTMANN. Yes.

Senator SIMMONS. And you mean that during those three months you want the price of wool to remain as it is; you are not going to import any more, you are not going to buy any more in the domestic market; you are going to take these three months to work up your present stock and at the end of that time your cloth is put on the market and you want three months' time before the duty on cloth is reduced in order to sell off the cloth that you have manufactured during those three months? That is what you mean, is it not?

Mr. FORSTMANN. Yes.

Senator STONE. It does not seem that three months would answer that purpose.

Senator JAMES. You want this time given you to work up this imported wool, and not to work up the wool that you bought in America, because you told us wool had gone down and the reason of it was that they were looking for free wool.

Mr. FORSTMANN. I have not made the statement that it was on a free-wool basis.

Senator JAMES. But you stated that the reason for it was that everybody believes that we are going to have free wool. You are not asking for this extra time for working up American wool, but foreign wool that you imported and paid duty on?

Mr. FORSTMANN. Yes.

Senator STONE. Would three months be enough for you to do that?

Mr. FORSTMANN. Yes; three months for the wool and six months for the cloth.

Senator STONE. If I were a merchant wanting to buy cloth that you are making out of the wool that you now have, and if I were going to buy that cloth for my trade, would I reasonably go into the market and stock myself with what you think would be the highest-priced goods and take my chances in distributing it to my customers in three months, or would I narrow and limit my purchasing until the next period came in so that I could get it cheaper?

Mr. FORSTMANN. I can not exactly answer that. I understand what you mean, but the fact that there will be a reduction will make the price for the cloth cheaper here before the tariff goes into effect. It would have this effect, however, that the American manufacturer can dispose of his old stuff before the imported stuff comes in. I mean that the cloth and the goods will be cheaper before that is done,

but the foreign competition which is feared under the proposed bill will be kept out for a certain time. Everyone here will try to get rid of his stock, and that will decrease the price for cloth.

Senator JAMES. The point that Senator Stone is directing your attention to is that the fellows in the cities and the country who buy cloth and clothing from you will not be very anxious to overstock themselves. They will buy as scantily as possible until they can get this reduced clothing by reason of this reduced tariff, will they not?

Mr. FORSTMANN. Yes; but the shock will not be so fearful for the manufacturer.

Senator STONE. Can you tell me what the price of wool on the Boston market was about the 23d of May, 1912?

Mr. FORSTMANN. I could not tell you that exactly; there are so many different kinds of wool that it would be an absolutely inaccurate statement.

Senator STONE. Can you tell me what the comparative difference on all kinds of American wool in Boston is now and was then? I mean the per cent of decline; you say it has declined.

Mr. FORSTMANN. It is very difficult to answer that. Last year's clip was practically disposed of about this time. The new clip is not in the market yet. The price can not be settled. I do not know the price, but I should like to know it.

Senator STONE. Where do you buy your foreign wools?

Mr. FORSTMANN. In Australia and London and South America.

Mr. MARVIN. I will endeavor to submit to the committee within a few days the best possible statement of a comparison of prices on certain standard wools in the Boston market between last May and this present May.

Senator STONE. I would be very much obliged if you would do that.

Senator JAMES. When you do that, could you also submit the price of standard wools in London along about the same date?

Mr. MARVIN. I will do that also.

Senator STONE. Mr. Forstmann, when you buy your foreign wools, upon what market price do you buy them? Do you buy them on the London market or Liverpool market, or what market?

Mr. FORSTMANN. There is an established market in London and in South America and Australia. Mostly the rates are on a parity; sometimes they are different.

Senator STONE. If you bought wool in Australia, where would the market price be fixed?

Mr. FORSTMANN. It depends upon the season; sometimes the London price is a little higher when the old clip is being used up.

Senator STONE. Do you go to Australia to buy wool?

Mr. FORSTMANN. We have agents who buy there.

Senator STONE. That is the same thing. Upon what market do they buy? What is the price fixed in Australia?

Mr. FORSTMANN. They make us quotations. They tell us we can buy this and that grade of wool to-day at such a price, and we tell them whether we want them to buy or not. We must know ourselves if that price is right, if it is the market price or not.

Senator STONE. If you buy wool in Argentina, where is the price fixed?

Mr. FORSTMANN. The wool buyer cables that he can buy that wool at such and such a price to-day. Then we have to cable him if we can accept the price.

Senator STONE. Is there any difference on the same grades of wool that you buy in Argentina and Australia and England?

Mr. FORSTMANN. Sometimes. The South American wools are quite different from the Australian wools, but both are sold in England, and the Australian wools are mostly sold at the London wool auction.

Senator STONE. What I want to get at is this: You say that these foreign wools have increased; do you mean to say that they have increased in London?

Mr. FORSTMANN. I say they have decreased.

Senator STONE. I am talking about the price.

Mr. FORSTMANN. The price has increased.

Senator STONE. Within a year?

Mr. FORSTMANN. Yes.

Senator STONE. In England?

Mr. FORSTMANN. In England, yes; for the reason that there was a considerable shortage in Australia last year.

Senator STONE. What has occasioned the increase in the price?

Mr. FORSTMANN. The shortage in the supply.

Senator STONE. What has occasioned the decrease in the price during the same period of last year in the United States?

Mr. FORSTMANN. The business has fallen off so very much.

Senator STONE. Do you mean the manufacturing business?

Mr. FORSTMANN. Yes.

Senator STONE. And that has fallen off for what reason?

Mr. FORSTMANN. On account of the fear of the result of the tariff.

Senator STONE. In other words, you are not purchasing wool, you are waiting?

Mr. FORSTMANN. Domestic wools I buy; I buy what I use from day to day, but imported wools I have to buy every day and there will not be any decrease in the prices now.

Senator JAMES. Are you familiar with prices of wool in London last year?

Mr. FORSTMANN. Yes.

Senator JAMES. What was the relative price of wool of the same grade in London as compared with the United States last year?

Mr. FORSTMANN. Do you mean if I compare the Australian wools which are sold in London with the domestic wools?

Senator JAMES. Yes.

Mr. FORSTMANN. They are mostly of a different character. I use Australian wools where I can not use domestic wools.

Senator JAMES. What was the difference in price, if any, between wool of the same grade in London and wool of the same grade in the United States?

Mr. FORSTMANN. They are not the same grade. All these wools have a different character. For instance, in this country the Ohio wools have a different character from the Texas wools and from the Rocky Mountain wools.

Senator JAMES. So, then, it is impossible to compare the American wool with a foreign wool; that is, as to price?

Mr. FORSTMANN. It is possible to compare them to a certain extent, but they are different.

Senator JAMES. Is it true that wool in London at one time last year was selling for as much as it was in the United States?

Mr. FORSTMANN. Yes.

Senator JAMES. I know that some one testified to that.

Senator THOMAS. I do not wish to complain, but if we are going to give other gentlemen hearings as long as we have given Mr. Forstmann we are not going to get through here by the time set as a limit, Tuesday.

Mr. FORSTMANN. I thank you, gentlemen, for your attention.

(The following brief was filed by the witness on behalf of the Forstmann & Huffmann Co.):

FORSTMANN & HUFFMANN CO.,
Passaic, N. J., May 23, 1913.

Hon. F. McL. SIMMONS,

Chairman Finance Committee, United States Senate,
Washington, D. C.

SIR: As a manufacturer of woolen and worsted yarns and fabrics, which industry in the United States at the time of the last census (1900) represented a capital investment of \$430,570,000 and an annual product of \$435,970,000 and employed 175,176 persons with an annual pay roll of \$82,524,000, I wish to enter a most vigorous protest against the rates on woolen manufactures contained in paragraphs 205, 206, 207, and 209 of the Underwood tariff bill.

The figures mentioned above for woolen and worsted mills and their employees give only a partial idea of the vast interests affected by any change in the tariff. The mill workers represent from three to four times as many people dependent upon their earnings for support, and each mill is the center of a community composed of minor interests—real-estate owners, shopkeepers, building trades, etc.—all of whom look to the mills and their employees for a livelihood and feel keenly any diminution in the earning power of the latter.

The various duties of the woolen schedule of the Underwood bill are extremely ill balanced and absolutely inadequate and constitute a menace not merely to the prosperity but also to the very existence of woolen manufacturing in the United States.

The question of duty on wool is one which I feel must be left to Congress to decide properly, in full realization of its responsibility to the American wool-growing industry.

The provision of a single ad valorem rate each for yarns, cloths, and dress goods will destroy important parts of the industry and deprive the Government of proper revenue. The Wilson-Gorman law, enacted 20 years ago, provided for two classes of yarns and two classes of fabrics. Since that time there has been a steady and wonderful growth in fine woolen and worsted manufactures, until to-day yarns and fabrics can be and are manufactured in the United States as fine as any made in any country. Instead of abandoning, therefore, the policy hitherto pursued in all tariffs and making a single flat rate on woolen manufactures, the principle of putting higher rates on finer manufactures should be developed still further, in order to meet the existing conditions and requirements of American production. A sliding scale, with higher ad valorem rates on the finer products, is justifiable, for the double reason that it costs more to manufacture fine yarns and goods in America (as compared with cheaper goods) than it does in Europe, and also because fine yarns and fabrics are used only in the apparel of the well-to-do, and therefore fall into the category of luxuries, and are properly taxable as such. Although the Ways and Means Committee of the House recognized the truth of this contention with regard to many other schedules, it absolutely ignored it in the wool schedule.

The duty proposed on finished goods—35 per cent ad valorem—is far below the 40 and 50 per cent of the Wilson-Gorman law of 1894, which proved disastrous to this as to other American industries. Since 1894 wages in Ameri-

can woolen mills have advanced from 40 to 50 per cent. There has been no corresponding increase in the competing mills of Europe.

Not only are weekly earnings at least twice as great in this industry in America as abroad, but the actual cost of spinning a pound of yarn or weaving a yard of cloth is twice as great here as it is in Europe. This is not only the explicit statement made after careful investigation by the recent Tariff Board, but it is also confirmed by a number of prominent and competent American manufacturers who formerly managed similar European enterprises. Not only this, but because of the higher general wages the cost of the buildings and machinery of a woolen mill is about 50 per cent greater here than in Great Britain.

A difference so great as this in the cost of conducting business can not be spanned by a nominal duty of 35 per cent, which because of undervaluation would in practice prove to be less than 30 per cent. The Democratic Party is pledged to a downward revision of the tariff, but it was never pledged to such extreme changes as are embodied in the pending bill. The serious crippling of a great national industry and the destruction of parts of it, with the accompanying lack of employment for tens of thousands of workers, and the ensuing harm done to the great number of allied interests dependent for their welfare upon the prosperity of the mills and their employees, are not desired or expected by the American people.

I also register a most emphatic protest, as regards the woolen schedule, against paragraph E of Section IV of the Underwood bill, providing for the immediate operation of the law. Ours is a seasonal trade, and raw material must be bought and manufactured a long time ahead in order to meet the requirements of our customers. Requirements in raw material can not be covered overnight, nor can the goods needed to fill the orders received be manufactured in a day. During all the tariff agitation of the past three years, when no one could tell when or in what form the new tariff bill would be passed, manufacturers have been confronted with the necessity of curtailing or wholly ceasing production or of continuing to buy material and to manufacture the same on the old basis, relying upon the time-honored custom hitherto followed by all political parties of allowing ample time to elapse between the enactment of the law and its operation. This is a simple and just demand based upon commercial necessity and has nothing whatever to do with tariff policy. There is no conceivable reason why this request should not be granted. The refusal to do so would be a direct violation of the Democratic Party's promise to avoid all sudden and radical legislation affecting business interests. If the provision which makes the law immediately operative should be adopted it will mean a sudden depreciation in values of all stocks—whether in the hands of manufacturers, jobbers, or retailers—and will bring about a disastrous period of readjustment, with sudden and violent alteration in the amount of production and hours of employment, working great hardship to the operatives by lessening their earnings or entirely throwing them out of work.

In view of the above facts, I respectfully ask that your committee so modify the woolen schedule of this bill that it may not belie the platform promises of the Democratic Party and the repeated assurances of President Wilson that in the process of readjustment of the tariff law no legitimate American industry shall be injured. I append a statement of amendments embodying the changes in the Underwood bill proposed by me. The rates suggested contain no element of protection and represent only such duties as would tend to equalize conditions here and abroad and barely compensate the American manufacturer for the excess in manufacturing cost in the United States over that of Europe. Even under these rates the keenest competition would prevail in all classes of woolen and worsted manufacturing, and none but the most efficient and up-to-date mills could survive.

Respectfully, yours,

JULIUS FORSTMANN.

[Inclosure.]

Proposed amendments to new Underwood bill.

Amend paragraph 205, lines 2 to 7, page 74, as follows:

"Combed wool or tops made wholly or in part of wool or hair, 15 per cent ad valorem.

"Roving or roping, made wholly or in part of wool or camel's hair, and other wool and hair which has been advanced in any manner or by any process of

manufacture beyond the washed, scoured, and combed condition and not specially provided for in this section, 20 per cent ad valorem."

Amend paragraph 200, lines 8 and 9, page 74, as follows:

"Carded woolen yarns, made wholly or in chief value of wool, if not exceeding 33 cut, 20 per cent ad valorem, and if exceeding 33 cut, 25 per cent ad valorem.

"Worsted yarn, made wholly or in chief value of wool, shall be subject to the following rates of duty: Nos. 1 to 14, inclusive, 25 per cent ad valorem; Nos. 15 to 20, inclusive, 30 per cent ad valorem; Nos. 30 to 44, inclusive, 35 per cent ad valorem; Nos. 45 to 50, inclusive, 40 per cent ad valorem; Nos. 60 to 74, inclusive, 45 per cent ad valorem; No. 75 and over, 50 per cent ad valorem.

"Hard-twisted worsted yarns, not slinged or gassed, shall be subject to the duty provided in the foregoing paragraph for the respective number of yarn, and in addition thereto a duty of 10 per cent ad valorem; if slinged or gassed, they shall be subject to the duty provided in the foregoing paragraph for the respective number of yarn, and in addition thereto a duty of 20 per cent ad valorem."

Amend and combine paragraphs 207 and 209, lines 15 to 18, page 74, to read as follows:

"On cloths, knit fabrics, felts not woven, women's and children's dress goods, coat linings, Italian cloths, hunting, and all manufactures of every description made, by any process, wholly or in chief value of wool, not specially provided for in this section, valued at not more than 50 cents per pound, 45 per cent ad valorem; valued at above 50 cents per pound and not above 70 cents per pound, 50 per cent ad valorem; valued at above 70 cents per pound and not above 90 cents per pound, 55 per cent ad valorem; valued at above 90 cents per pound, 60 per cent ad valorem."

The above proposed rates are based on free wool, as provided for in the Underwood bill. Should Congress finally decide to place a duty on wool, additional compensatory rates would have to be added to the above rates, as follows: On tops, 80 per cent; yarns, 70 per cent; cloths and dress goods, 60 per cent of the duty on wool.

For simplicity's sake I give below a tabular résumé of these proposed amendments, with the rates of the present Underwood bill on the same articles and those of the Wilson bill of 1894, which, although considerably higher than those of the present Underwood bill, especially on finer goods, proved so disastrous to the woolen industry.

	Proposed rates.	New Underwood bill.	Wilson bill, 1894.
Greasy wool, washed wool, scoured wool.....	Free.....	Free.....	Free.....
Noils, waste, rags, shoddy.....	.....	.....	Do.....
Top waste, etc.....	.....	.....	15 per cent.....
Tops.....	15 per cent.....	15 per cent.....	20 per cent.....
Kovings.....	20 per cent.....	do.....	Do.....
Yarns, woolen, single or twist—gray, bleached, or colored:			
Not over 33 cut.....	do.....	20 per cent.....	Not over 40 cents per pound, 30 per cent; over 40 cents per pound, 40 per cent.
Over 33 cut.....	25 per cent.....		
Yarns, worsted, single or twist—gray, bleached, or colored:			
Not over 15's.....	do.....	do.....	Do.....
15's to 20's.....	30 per cent.....		
20's to 45's.....	35 per cent.....		
45's to 60's.....	40 per cent.....		
60's to 75's.....	45 per cent.....		
Over 75's.....	50 per cent.....		
Worsted yarns, hard twisted, same duty as above, according to number, plus extra duty of.....	10 per cent.....	.....	New industry; used only in very fine goods and silks; not provided for in Wilson bill.
Worsted yarns, hard twisted and slinged, same duty as above, according to number, plus extra duty of.....	20 per cent.....	.....
Cloths and dress goods:			
Foreign value not over 50 cents per pound.....	45 per cent.....	45 per cent.....	Not over 50 cents per pound, 40 per cent; over 50 cents per pound, 50 per cent.
Foreign value 50 to 70 cents per pound.....	50 per cent.....		
Foreign value 70 to 90 cents per pound.....	55 per cent.....		
Foreign value over 90 cents per pound.....	60 per cent.....		

Proposed amendments in Underwood bill regarding time of operation of law.

Insert after paragraph 318, after line 17, page 77, the following:

"The rates provided in this schedule shall take effect on the first day of the seventh month following the passage of the act."

Amend paragraphs 653 and 654, lines 19-20, page 129, by adding to each paragraph, on lines 21 and 26, respectively, the following words:

"* * * but the exemption from duty of these articles shall not take effect until the first day of the fourth month after the passage of the act."

STATEMENT OF MR. S. W. McCLURE, SECRETARY OF THE NATIONAL WOOL GROWERS' ASSOCIATION, SALT LAKE CITY, UTAH.

PARAGRAPHS 295-318—Wool (free list).

Mr. McCURE, Mr. Chairman, our association, on behalf of the woolgrowers of the United States, presented a brief to the Ways and Means Committee which covers the whole question of the wool tariff very clearly as we see it. The brief is presented in the hearings of January 27. I now merely submit a supplemental brief covering such questions as I thought from talking with Senators since that date some Senators did not understand.

One of the impressions that seems to be abroad here is that the wool industry does not amount to a great deal. The census of 1910 shows that we have 52,000,000 sheep in the United States, worth \$231,000,000.

Senator THOMAS. What does the census of 1900 show?

Mr. McCURE. I do not know; it is a lesser amount than that. The census of 1900 showed 62,000,000, but the census of that year is not comparable for the reason that the census of 1900 was taken on July 15, at which time all of ewes had had lambs. The census for 1910 is for April 15, before many of our ewes had lambs. So the two sets of figures are not comparable at all, except so far as shearing sheep is concerned.

Senator STONE. I have heard that stated here over and over again about the lambing time.

Mr. McCURE. Well, that is true, Senator.

Senator STONE. Mind you, I am not affirming or denying; I am just stating that it is rather an old story.

Mr. McCURE. I know it, and I do not see why they do not take the census at the same time each year. Our lambs in the West, as the Senator knows, are born in May.

The census of 1910 shows about \$231,000,000 invested in sheep. The report of the Tariff Board shows that we have about \$1 a head invested in buildings and equipment, which would make about \$52,000,000. In addition to that we have our land investment, so that the sheep industry in the United States represents a total investment of \$381,000,000. The census of 1910 shows 610,000 woolgrowers; that is, sheep were found on 610,000 farms. In the Senator's State, Missouri, there were sheep on 52,000 farms; in Ohio, on 71,000; in Colorado, on 1,800 farms, and so on. The wool crop of 1912 was worth \$76,000,000. I do not know what our mutton crop was worth, but it was worth at least that much.

Now, as to the merits of asking for protection, I believe that the woolgrower has passed a full share of the present tariff on to his

laborers. We are paying the highest wages that are paid to sheep labor anywhere in the world, and there is no similar industry in the United States paying as high wages as some of our woolgrowers are. We are paying our sheep herders from \$50 to \$60 a month, our better labor receiving \$60 to \$70, in addition to board, and it costs \$18 a month to board this labor, so it costs at least \$68 a month for labor.

Senator THOMAS. That is, for your herders?

Mr. McCLEURE. That is the cost of herders in our Northwestern States. In the Southern States the wages are not so high, but more men are employed.

Senator THOMAS. In the regular business of sheep raising, how many sheep can one man take care of?

Mr. McCLEURE. The Tariff Board shows that we have one year man for about every 1,000 sheep. We employ a great number of laborers in the United States every year.

Senator THOMAS. Does this wage include board?

Mr. McCLEURE. I say that is the wage. Yes, that includes board, because we have to pay their board in addition, which is about \$18 a month. We pay a man \$50 a month and board, so \$68 a month includes his board. So I think we have given labor a fair share of the tariff. It is charged that other industries have not done that; I do not know whether that is true or not. Now it is said, and I hear it here around the Senate, that we do not raise much wool; that we have been a failure as a wool-producing nation. It is 96 years since woolgrowing was first given a tariff, and in that 96 years the tariff has been changed 18 times. Every one of those changes has been attended by more or less bitter attacks, and at other times, when the tariff was not changed, bitter attacks have been made on the sheep industry such as are now being made. The result of this has been to drive men out of the sheep business. It is such things that have retarded our production, but we are doing very well. In 1867, when wool was first given a fair tariff, we produced only 160,000,000 pounds, but by 1893 our production had increased to 348,500,000 pounds. Then under the Wilson bill production fell off until in 1897 we produced only 259,000,000 pounds, and then under a protective tariff it increased to 318,500,000 pounds in 1911. The production in 1912 would be somewhat less than that.

I am not going into the question of the causes for those changes, but the world's total production of clothing wool is approximately 2,100,000,000 pounds, and in 1911 the United States produced more than one-seventh of that. We think that is a very good showing for the industry; it seems to me that is a very fair share of the world's product.

A Senator said to me, "We import 70 per cent of the wool we use." That impression has gone abroad; many people believe that, but it is not founded on fact. The total consumption of clothing wool in the United States for the past three years has been 1,238,765,070 pounds, and of that we produced in the United States 968,021,399 pounds, or 72 per cent.

Senator THOMAS. Possibly that statement includes the wool in imported clothes.

Mr. McCLEURE. No; I think not. There is not a great deal of cloth imported, Senator. I am referring to the clothing wool that is used

in the country. We are producing from 70 to 72 per cent of the wool we consume, which is quite a good showing.

Several Senators have said to me that, in their judgment, the tariff on wool did not affect the price of wool, and that impression prevails here in the Senate. I think many Senators are of the honest opinion that the tariff on wool has not been of benefit to the woolgrower. The tariff on wool is 11 cents a pound, and it is so arranged that our wool-grower can get but 60 per cent of the tariff that is in the law—that is, out of the 11 cents we could get only 6 cents; it is fixed so we can not get more; that is, on the grease pound of wool. The law permits the skirting of imported wool, and it takes 3 pounds of your wool in Colorado to produce a pound of clean wool. Wool imported into the United States shrinks about half of what yours does.

Senator THOMAS. But if you ship your wool in the grease, don't you get 11 cents a pound on it as it is weighed in Boston?

Mr. McCLURE. No; we get half of that. Our tariff has amounted to from 4 to 7 cents a pound, because foreign wools shrink only half of what our wools do.

Senator THOMAS. My understanding has been that this is levied on wool in the grease.

Mr. McCLURE. It is; and that is what is wrong.

Senator THOMAS. Then it must cover the grease as well as the wool.

Mr. McCLURE. Then you get the tariff on the grease, but you do not get it on the wool, and it is wool that makes the value. The situation is this: You have a tariff of 11 cents a pound on grease wool; it was intended to raise the price of our wool 11 cents a pound by the tariff. They get more than one and one-half times as much clean wool in under the duty as a pound of our wool contains, and consequently, while the duty on a pound of grease wool is 11 cents, we are getting a little more than half that as our protection.

I have for a number of months been sending our wools to London; I mean samples. We have a warehouse in Boston. I would first send a sample to our own warehouse in Boston, obtain its value there, and then have the same sample sent on to London and get its foreign value. A fleece of Ohio fine wool which was worth 26½ cents a pound in Boston was worth 19½ cents a pound in London. That is for the same fleece. An Oregon half-blood fleece was worth 20 cents a pound in Boston and 14½ cents in London. A Wyoming fine fleece was worth 21 cents in Boston and 15½ cents in London. An Idaho quarter-blood fleece was worth 22½ cents in Boston and 15 cents in London.

Senator STONE. To whom did you send it in Boston?

Mr. McCLURE. To our own wool warehouse.

Senator STONE. What is that?

Mr. McCLURE. The National Wool Warehouse & Storage Co. The woolgrowers of the United States have three warehouses.

Senator STONE. And to whom in London?

Mr. McCLURE. S. B. Hawlings, recognized as the world's wool expert. He is editor of the Wool Record, and he is an all-around wool expert, and a lecturer in the technical college at Bradford, England.

Senator STONE. Are you a woolgrower?

Mr. McCLURE. No, sir; I am not.

Senator STONE. You do not own any sheep?

Mr. McCLURE. No, sir; I own no sheep.

Senator STONE. How did you happen to be connected with this association?

Mr. McCLURE. I worked for the Department of Agriculture for many years, and was employed later by the Wool Growers' Association as their secretary. I have made a special study of the sheep industry in the West for 14 years, in various Western States, having lived in Montana, Oregon, Idaho, and Utah during that time, and I think I understand the industry.

Senator THOMAS. I wish you would put into the record the freight rate upon wool from the several stations of Colorado, Wyoming, Montana, and Utah to the Pacific coast.

Mr. McCLURE. That is a matter of importance, Senator. I can bring a pound of scoured wool from Buenos Aires to Boston for 1 cent. The State of Nevada pays an average of 2 cents on the same pound of wool. I can bring a pound of scoured wool from London to Boston for a quarter of a cent. Our average western freight rate to Boston is about $5\frac{1}{2}$ cents on scoured wool.

Senator THOMAS. The rate is different in different parts of the West?

Mr. McCLURE. Yes, sir; your rate from Colorado common points is 1.32; it was 1.725. Our association had a suit before the Interstate Commerce Commission, and they gave us a reduction in the rates.

Senator THOMAS. What is it from Utah?

Mr. McCLURE. It is 1.76, against 2.13, the old rate.

Senator THOMAS. What is the rate from the Pacific coast?

Mr. McCLURE. A dollar. In other words, we are paying 76 cents a hundred more on our wool to haul it a less distance. Of course, from your Colorado woolgrowing points the rate is higher. We took that up with the commission and tried for a year, but we could not get the reduction to equal the coast rate.

Senator STONE. We shall have to hurry.

Mr. McCLURE. Here is a statement from the Boston Transcript and a comparative table showing the effect of tariff developments. This statement shows that our wool has declined 26 per cent since November 1. I want to submit here a table showing the Boston value of wool, on November 1, March 15, and May 1. It shows a decline in prices ranging from 5 to 9 $\frac{1}{2}$ cents a pound, and that decline, I believe, is entirely due to this tariff agitation. The average price November 1, 1912, was 25.12 cents. On a free-wool basis the average would be 18.45 cents at Boston. That is for our finest grades of wool.

Wool has gone up abroad, you know, and it has gone down here. Wool has fallen in the United States, since November 1, 26 per cent and has advanced abroad from 7 to 10 per cent. There has been a very serious drought in Australia, and we have a shortage of 300,000 bales in the Australian clothing wool of this year. Australia lost about 8,000,000 sheep in the last 10 months as the result of that drought.

Senator STONE. That decreases the amount of wool in the world for use?

Mr. McCLURE. Yes, sir; the world's supply of wool has decreased this year by that amount at least.

Senator STONE. Why would that have any influence in decreasing the value of wool in the United States?

Mr. McCLEURE. For the simple reason that our wool in the United States has had the benefit of a tariff previous to this time.

Senator STONE. I understand that. I am asking you why there has been an increase abroad and a decrease here, and you referred to the loss of sheep in Australia. Suppose all of them died in Australia and Argentina; then, I suppose, our wool would not be worth anything.

Mr. McCLEURE. As I am showing here, if it had not been for the advance abroad our decline would have been 33 per cent, but on account of the advance abroad our decline is only 26 per cent.

Senator STONE. In other words, do I understand you to maintain that as the world's supply of wool becomes less and less the effect is to increase the price of that in Europe and to decrease the price in the United States?

Mr. McCLEURE. No, sir; I do not mean that. In the absence of a tariff the advance here would be the same as in England. But, Senator, we have had a tariff on wool of 11 cents a pound. Our wool has now gone to the free-trade basis. Consequently our present prices, as compared with prices which have existed, show a very serious decline.

Senator STONE. I was asking you why wool advanced in Europe and decreased in the United States. That is your statement?

Mr. McCLEURE. Yes, sir.

Senator STONE. That it has fallen off here because of tariff agitation?

Mr. McCLEURE. I think so.

Senator STONE. And at the same time it has increased in Europe?

Mr. McCLEURE. I wish to stand by that. As I said, there is a shortage in the world's crop of clothing wool, or in the Australian crop, of 300,000 bales, and that has caused an advance in price in London of from $7\frac{1}{2}$ to 10 per cent in the last five months. Now, as I showed, American prices have declined 26 per cent, but that is taking us from the protective level down to the free-trade basis. Had we been on a free-trade basis and our prices been free-trade prices, then they would have shown the advance that has been shown over there. We are losing our protection here, and the decline here is due to the loss of the tariff. In other words, this 11 cents is gone now, and our wool must come down to meet the foreign prices.

A VOICE. What was the difference last year throughout the world between the English wool and the American wool?

Mr. McCLEURE. Any time in 1912 I could lay down in Boston a pound of scoured Lincoln wool from England—

Senator THOMAS. What do you mean by that?

Mr. McCLEURE. Coarse wools. At 30 cents. Now, that is the clean price. That wool was worth over there about 22 cents in the grease. Of course, that is higher than our wool in the grease, but remember it is for a washed wool; it shrinks from 22 to 30 per cent. The difference in a clean pound was about 15 cents.

A VOICE. Not a clean pound; take a grease wool.

Mr. McCLEURE. You can not talk about grease wool.

A VOICE. It is sold as grease wool, and your wool is sold as grease wool.

Mr. McClure. Their wool is a skirted wool; all the inferior parts are removed. We sell our whole fleece; we must do so.

A Voice. What is the fixed price in England?

Mr. McClure. There is no fixed price. I have known it to be up to 26 cents for Port Philip wool.

A Voice. But does not that Port Philip wool compare well generally.

Mr. McClure. No; it is a better wool because it is skirted.

A Voice. Does skirting it make it better?

Mr. McClure. Surely.

A Voice. What do they remove those inferior parts for?

Mr. McClure. To reduce the shrinkage.

A Voice. No; to reduce the freight rate.

Mr. McClure. They pull off the edges and the inferior parts, and all they have left is the back. Our fleeces must be sold whole. Those inferior parts do not come here because the tariff on heavy wool is 11 cents a pound.

But let us go back to Port Philip. The price may be 26 cents a pound. On a shrinkage of 42 per cent it would then be only 15 cents a clean pound. This clean fleece from Ohio sold in Boston at 70 cents—practically the same wool as Port Philip. So you see we can not talk about grease wools intelligently.

A Voice. You would not put your fleeces in the West with that Ohio wool?

Mr. McClure. How do you mean, as to the quality?

A Voice. As to the quality.

Mr. McClure. We raise some there as good as anything you can get. We have some in Montana and in Oregon which are said to produce the nearest approach to Australian wool that is produced in America. In West Virginia, Pennsylvania, and Ohio they produce a fine quality of merino wool, and we can produce the same wool in the West. The only difference is our shrinkage is a little heavier.

Senator SIMMONS. You said the price of our wool sold in Boston was 70 cents?

Mr. McClure. Yes; this Ohio fleece was worth 70 cents clean.

Senator SIMMONS. And the same kind sold in England for what?

Mr. McClure. The same fleece was worth in England—the same identical fleece—50½ cents clean.

Senator SIMMONS. Does the tariff account for that difference?

Mr. McClure. Yes; on a clean pound; that is, on the scoured wool.

Senator SIMMONS. How do you work that out?

Mr. McClure. Well, that amounts to a difference of—I gave it in my statement there exactly. The Ohio fleece was worth 26½ cents in Boston and worth 19½ cents in London. We were 7½ cents a grease pound above London.

Senator SIMMONS. As I understand you, by reason of the tariff a certain kind of American wool sells in Boston for 70 cents. The same kind sells in London for 50½ cents. Therefore we are paying about 20 cents a pound for that wool more here on account of that tariff.

Mr. McClure. I think so; but, of course, I want you to reduce that to grease wool. You were paying on account of the tariff 7½ cents on the grease pound. The tariff is 11 cents; you ought to have been

paying 11 cents. I have the prices here worked out on all these wools, and there is a decline of 26 per cent in all wool to the free-wool basis.

Senator SIMMONS. You mean that we really do have to pay here the full amount of the tariff?

Mr. McCLEURE. No, sir; I think you are paying just about half the tariff.

Senator STONE. What was the value of our wool at this time last year?

Mr. McCLEURE. \$76,000,000, in Boston. That is the Boston value of last year's wool clip.

Senator STONE. The general average pound value?

Mr. McCLEURE. I do not know; I could not say, except for a certain kind.

Senator STONE. How did you figure out that decline of 26 per cent?

Mr. McCLEURE. I am giving you the values here from the Boston market price on certain dates. We would have got that November price if it had not been for this bill, because the advance abroad sent it up to that. Wool to-day is quite a little lower than it was a year ago.

Senator STONE. Take the grower anywhere, the farmer; how much less is he selling his wool for now than he did this time last year?

Mr. McCLEURE. Charlie Cleveland wrote me the other day from Oregon. He sold last year's wool at 26 cents and he sold this year's at 20 cents. The general decline is about 4 cents a pound. We should have had a decline of 2 or 3 cents a pound more if wool had not gone up abroad.

Senator STONE. You attribute this loss that you refer to to the prospect of free wool?

Mr. McCLEURE. Absolutely. We must go to a free-wool basis, because every pound of wool raised in the United States during the year 1913 will be manufactured after this bill has gone into effect. In other words, we have been working for 365 days to produce a clip of wool which we place on the market about May 1.

Senator STONE. This wool will be clipped this summer?

Mr. McCLEURE. It is clipped now—that is, our wool is on the market, and we can not sell a pound. Buyers are just taking up such wool as belong to fellows that the banks will not carry any longer. They are telling us we can consign our wool to Boston.

Senator THOMAS. Why can not you sell it?

Mr. McCLEURE. They won't buy it.

Senator THOMAS. Is that the Wool Trust?

Mr. McCLEURE. I do not know whether there is a Wool Trust or not, Senator. This is true—we have 610,000 woolgrowers, and their wool is sold to about 30 people.

Senator THOMAS. And has been for some time?

Mr. McCLEURE. Oh, yes; that is, 30 firms handle the great bulk of the wool. Of course, we can not talk about that, Senator. They are not buying wool to-day.

Senator THOMAS. That is not my question. They can refuse whenever they please to buy wool and put an embargo upon it?

Mr. McCLEURE. Absolutely.

Senator THOMAS. Is not that the trouble, instead of the threatened reduction of the tariff. Are they not taking advantage of it for the purpose of quoting a lower price?

Mr. McCURE. Of course, Senator, free wool must take off whatever advance we have had by reason of the tariff.

Senator THOMAS. But is not that due to the fact that this combination of 30 people won't buy it and are using the threatened reduction of the tariff as a reason for it?

Mr. McCURE. They would buy it if we would sell it for about 10 cents, but we would not do that. They come out West and say, "Here, we won't buy your wool. You send it to us on consignment; we will advance you 8, 9, 10, or 11 cents a pound on it; you send it to Boston, and we will sell it whenever we can."

Senator THOMAS. Are they not doing this for the purpose of creating pressure for you to unite with them?

Mr. McCURE. There is no connection, Senator, between the wool-grower and the manufacturer, and there never can be. I have not said a word relative to the duty on manufactures of wool, and I am not going to.

Senator THOMAS. You have a perfect right to. I believe this failure of the market is for purposes of coercion, and also for purposes of profit to them.

Mr. McCURE. In any event, Senator, this is going to cost us about 5 to 5½ cents a pound on our wool. It is not the woolgrower alone that is going to be hurt. You are going to ruin the fellows on the irrigated lands.

Senator THOMAS. Do you think the removal of the duty is going to destroy the mutton market also?

Mr. McCURE. Senator, we are producing more mutton than this country can consume. We are producing 17,000,000 muttons a year. The United States has no business consuming that much mutton. The result of that immense production is that during the year 1911 the average price of lambs, ewes, and wethers in Chicago was only \$5.39 a hundred pounds.

Senator THOMAS. Is it not a fact that the market demanded that number of carcasses, or it would not have got them?

Mr. McCURE. No; in order to raise wool we have had to raise sheep.

Senator STONE. It has not increased the price of mutton.

Senator THOMAS. You are up against another combination there.

Mr. McCURE. I know; but we get caught in the middle, Senator, and they squeeze all there is out of this thing.

Senator THOMAS. They will do that, tariff or no tariff.

Mr. McCURE. At least we won't have the foreigner trying to squeeze us, also. Take our 1911 prices for mutton on the Chicago market. Out of that \$5.39 take 70 cents for freight, 8 cents for feed charges, 5 cents for commission charges, and 5 cents yarding charges, and those sheep do not net the grower 4½ cents a pound. The price for 1912 will be half a cent above that of 1911.

Senator THOMAS. When a fellow pays for one of these chops down at the Willard Hotel he thinks they ought to make more than that.

Mr. McCURE. Senator, two years ago, when I was down here, I bought three mutton chops at the Willard. When I went out to

Omaha I saw them selling scrub lambs for less than I paid for those chops.

We are not opposing a reduction of the tariff, but we feel that we ought to be treated fairly.

Senator THOMAS. Before you take your seat, I want to ask one question. Suppose we amend this bill by requiring manufacturers of fabrics into which wool enters as a component in whole or in part to label those goods so that the public will know just what they are getting when they buy that material. In what way will that benefit the woolgrower, or will it benefit him at all?

Mr. McCLURE. If you give us a little tariff on wool it will benefit us. I do not know that it is going to benefit him at all under free wool, but, anyhow, Senator, that is a just and decent thing, and it ought to be done. The woolgrowers have worked for a pure-cloth law since 1892. At that time Congressman Grosvenor, of Ohio, introduced a bill in the House.

Senator THOMAS. Let us go a step further. You have to ship your wool in bags, do you not?

Mr. McCLURE. Yes, sir; jute bags.

Senator THOMAS. Suppose they go on the free list?

Mr. McCLURE. That would help some. The American wool clip requires 1,250,000 jute bags.

Senator THOMAS. How do you fasten those bags?

Mr. McCLURE. We fasten them with jute twine, the duty on which, according to this bill, is 25 per cent ad valorem. Every fleece of American wool must be tied up with a piece of twine 8 feet long. We are now trying to induce the growers to use paper twine. We require 39,000,000 pieces of twine. The growers are taking that up, and we believe that paper twine should be placed on the free list.

Senator THOMAS. That would be a benefit to the industry?

Mr. McCLURE. Yes. I think you are perfectly right, Senator, especially with regard to paper twine. That should be on the free list.

Senator THOMAS. Are you using paper twine?

Mr. McCLURE. We are now mostly using jute twine, but the jute goes into the wool and injures the wool, and the manufacturers are trying to get us to use paper twine, and we want to use it.

We are just asking for a small duty on wool, Senator. We feel we ought to have at least a revenue duty—

Senator SIMMONS. What are you asking for?

Mr. McCLURE. The present duty is 50 per cent. If you cut that in two you would fulfill the promises of your platform, and probably more than fulfill them. We think we are entitled to that much.

(The brief submitted by Mr. McClure is as follows:)

WASHINGTON, D. C., May 19, 1913.

The FINANCE COMMITTEE, United States Senate,

GENTLEMEN: The purpose of this statement is not to present a comprehensive review of the sheep industry of the United States and the many reasons that may be advanced for placing a duty on wool. This subject was pretty generally covered in a brief presented by the National Woolgrowers' Association before the Ways and Means Committee on January 27, 1913, to which I particularly invite the attention of the members of this committee. Our excuse for presenting this brief statement at this time is to correct erroneous impressions that exist among members of the Senate on certain points relative to the sheep and wool industry and the influence that a tariff upon wool has

thereon. At the suggestion of your chairman we have made this statement as brief as possible.

According to the census of 1910 there are 52,000,000 sheep in the United States, worth \$231,000,000, and owned on 610,000 different farms. In addition to the sheep we have the equipment, buildings, and lands needed for the maintenance of these sheep, which represents an additional investment of \$350,000,000, making the total investment in our sheep industry \$581,000,000. Much of this land and all of this equipment is useful for no purpose except sheep husbandry, and becomes a dead loss if this business is made unprofitable. The total value of the wool clip of the United States for the year 1912 was \$70,000,000.

There is not a dollar of water in the sheep business; there is not a trust of any kind among our sheep men; the keenest competition exists among our woolgrowers in the sale of their wool. Our sheep men pay the highest wage to their laborers that is paid to any class of agricultural labor anywhere in the world. In all our Western and Northwestern States the average wage paid to sheep labor is \$50 per month with board, which costs \$18 per month, making the average wage \$68 per month. We are satisfied that this committee will agree with us that the sheep man has passed on to labor its share of the tariff on wool.

A frequent excuse offered for free wool is found in the statement that wool has had protection since 1816 and we do not yet produce any considerable volume of wool. It is 96 years since wool was first placed upon the dutiable list, but in that 96 years the tariff upon wool has been changed 18 times, giving an average life to each tariff of but 5½ years. Each time that this tariff has been changed, and at times when it was not changed, bitter attacks have been made upon the sheep industry, such as is now being made in the present Congress. The nature of these attacks could have no other influence than to make the future of the industry uncertain; to drive capital out of the business and make the interest rate decidedly high on that which remained. No commodity in this Nation has suffered the unjust and unfair attacks that have been directed toward our sheep industry. Wool was first given a fair tariff in 1807, at which time we produced but 160,000,000 pounds; by 1893 our production had increased to 348,500,000 pounds. Free wool then drove us back a quarter of a century and reduced our production to 259,000,000 pounds in 1897. Protection then increased it to 318,500,000 pounds in 1911, and had tariff agitation not been rife during the past three years, our production would now be 350,000,000 pounds. Even in spite of these attacks upon our woolgrowers we have done well in wool production. The world's total annual production of clothing wool is approximately 2,100,000,000 pounds, and we in the United States produce more than one-seventh of the world's total supply.

But it is charged that under protection we have failed to produce anywhere near enough wool for domestic consumption. I have even seen it stated that we import 70 per cent of our wool. Here are the facts: During the last three years the total consumption of clothing wool in the United States, as given by the National Association of Wool Manufacturers, was 1,238,765,070 pounds. Of this amount, 968,021,320 pounds were produced in the United States. Our production, therefore, equals 72 per cent of the clothing wool consumed during these three years. I feel that the members of your committee will recognize that we are now producing a sufficient percentage of the wool consumed in this country, for the tariff bill that you now have under consideration provides that should we produce 65 per cent of the wool consumed in this country the President is directed to send a special message to Congress suggesting ways and means to bring about greater imports of wool. The woolgrower is therefore close to the danger line. No wool-manufacturing nation in the world produces one-half as much clothing wool as is produced in the United States. The figures I have here given do not include imports of wool used for carpets, as we are not asking protection on wool used for that purpose.

Several Senators have repeatedly stated to me that free wool would not hurt our sheepmen, for wool was as high abroad as at home. Even the President is reported in the press to have made such a statement. That such a statement as this should be given credence is unfortunate, as at no time within recent years has wool been as high in London as in the United States. During the past year we have frequently sent representative samples of domestic wools to London, and the price of these wools ranged from 4 to 7 cents per pound higher in this country than in London. In order that there may be no misunderstanding on this point, so that Congress may deal with the wool tariff with a full understanding of the influence it will have on the wool industry

of this Nation, I submit below a statement appearing in the Boston Transcript under date of May 8, 1913, showing the change in the Boston prices of wool as a result of prospective wool tariff legislation:

"EXTENT OF WOOL DECLINE—FIGURES GIVING VALUES BEFORE THE PRESIDENTIAL ELECTION AND COMPARATIVE PRICES SINCE SHOW THE PROGRESS TOWARD ESTIMATED FREE-TRADE LEVEL BY MAY 1.

"Comparative tables of wool values showing the effect of tariff developments from the time of election last November have been compiled by a member of the Boston wool trade. A list of 20 different grades of wool has been used. The statistics give the prices prevailing on these grades November 1, 1912, or shortly before Woodrow Wilson was elected to the Presidency. These values are compared with those current on March 15, 1913, or at the time when dealers were anticipating a reduction of duties to about 20 per cent in the wool schedule. The next comparison is with values as of May 1, or after the trade became assured of free wool.

"Besides, the prices at which it is figured wool will have to sell to be on a parity with foreign staple are given. These are estimated on the basis of prices prevailing throughout the world on May 1. The average of prices for the 20 grades, as figured on the free-wool basis, is estimated at 18.45 cents, the average of ruling prices on November 1, 1912, as 25.12 cents, while it had declined to 20.00 by May 1. This shows how far toward a free-wool basis prices have declined since the present administration was elected. The decline of values from November 1 to March 15 was 8.1 per cent, and from the former date to May 1, 16.8 per cent.

"One factor which has precluded an even lower price level as a free-trade basis is the strong trend of prices abroad during the period of decline here. An advance of 7½ to 10 per cent has been made in foreign values. The estimated free-wool basis here given shows a decline of 20.6 per cent from the prices of November 1. It is figured, however, that the decline would be approximately 35 per cent had foreign values remained stationary since last year.

"Following is the table of comparative values:

Prices.

Grade.	Shrink-	Nov. 1,	Mar. 15,	May 1,	Compar-	Esti-
	age.	1912.	1913.	1913.	ative price with free wool May 1, 1913.	mated decrease in price with free wool.
	Per cent.	Cents.	Cents.	Cents.	Cents.	Cents.
Ohio fine washed delaine.....	50	34	32	29.30	27	7
Ohio fine unwashed delaine.....	60	29	26	21	21	8
Ohio ½ blood combing.....	51	30	28	25	24	6
Ohio ¼ blood combing.....	48	30	28	24.25	23	7
Ohio ⅓ blood combing.....	42	30	28	24.25	21	9
Missouri ½ blood combing.....	42	29	27	24	19	10
Montana fine staple.....	65	24	22	20	18	6
Montana ½ blood.....	60	25	23	21	19	6
Montana ¼ blood.....	55	26	24	22	18	8
Montana ⅓ blood.....	52	26	24	22	17	9
Utah fine.....	65	24	19	17	15	9
Utah ½ blood.....	60	24	22	20	17	7
Utah ¼ blood.....	54	26	24	22	18	8
Utah ⅓ blood.....	48	26	24	22	17	9
Colorado fine.....	68	19	17	16	14	5
Arizona fine.....	68	21	18	16	14	7
Arizona fine staple.....	63	22	20	18	17	5
Oregon fine staple.....	68	21	19	16	16	5
Wyoming fine.....	70	18	16	15	13	5
Wyoming medium.....	65	21	19	17	16	5

¹ Deduct 3 cents per pound for freight and commission

Average price, Nov. 1, 1912, 25.12 cents; Mar. 15, 1913, 23.08 cents; May 1, 1913, 20.90 cents; comparative free wool value, 18.45 cents.

The above prices are Boston prices, and to find the price that these wools will net the woolgrower we must subtract from 2½ to 3½ cents per pound to cover freight and commission charges. Also, remember that these prices are

for the best grades only, and the average will be below these figures. A feature not to be overlooked is the high foreign prices, due entirely to a drought in Australia within the past 10 months, which has caused a temporary shortage in wool, estimated at 300,000 bales. This will be made up in the near future and wool prices abroad will drop back to a normal level.

If the free-wool basis given in this table becomes effective, it means the destruction of woolgrowing in the United States, and will bring about a shrinkage of 50 per cent in our sheep stock, with inevitable bankruptcy to thousands of sheep men, which, in the West, will carry down many allied businesses that depend upon the sheep industry for their existence.

It is suggested that with free wool our sheep men can change to mutton production. This statement is absurd to any man who understands our sheep business. We are already on a mutton basis, and have been for many years, in every section of this country adapted to mutton production. Here is the evidence: In 1912 we slaughtered in the United States 17,000,000 sheep and lambs. The present supply of sheep and lambs is so enormous that the prices received by the grower are already below a profitable level. The average price paid for all lambs, ewes, and wethers in 1911 on the Chicago market, which is our highest market, was but \$5.30 per 100 pounds. Deducting freight, feed, yardage, and commission charges from this, we have about 44 cents per pound live weight left to the grower. We have not the 1912 price available, but it will average about one-half cent per pound above 1911. The American people are consuming annually more mutton and lamb than is consumed in the entire civilized world outside of Great Britain and her colonies. Any increase in the supply of mutton sheep in this country means a price basis to the producer below the level of existence.

It is said here that reductions in the tariff are made necessary by reason of advancing prices of commodities. If this may be applied to other commodities, it is not applicable to wool. The average Boston price of clean scoured fine medium territory wool was 60½ cents per pound for the six years 1902-1907; for the five years 1906-1912 the average price for the same wool was but 58½ cents per pound. Wool prices have been practically stationary for many years.

A reasonable tariff upon wool does not and can not affect the retail price of clothing, for out of an average weight all-wool suit of clothes which the stores sell at from \$25 to \$30 and the tailor sells at \$30 to \$40 the wool grower receives an average of \$1.75 for furnishing all the wool required to make such suit. This includes all of the existing tariff as well as the entire cost of producing the wool. Efforts directed toward the tariff upon wool must inevitably fail to have any influence upon the retail price of clothing.

Aside from the revenue which it derives from the tariff upon wool, our Government has a vital interest in this particular tariff. The Government has invested in reclamation projects about \$75,000,000. Those most intimate with this subject understand that in reclaiming arid lands the sheep is second only in importance to water. In the process of reclamation these lands for the first few years must be entirely devoted to alfalfa production. After the subduing period has passed fully one-half the area of all irrigated farms must be kept in alfalfa. This alfalfa can not and will not be produced unless there be a market for it. The only market that is available to-day or which will be available during the next 10 years for alfalfa grown on 75 per cent of the Government and State reclamation projects is the sheep that summer in the surrounding mountains and winter about the farmers' alfalfa stacks. As an illustration, in the State of Idaho, from December 1 to May 1, the sheep consume 4,000,000 pounds of alfalfa hay per day, to say nothing of the grain and beet tops consumed. In the State of Colorado the consumption is decidedly greater than this, and all over the West the principal demand for alfalfa comes from the sheep man. Under the present tariff wool production is holding its own, but, as shown by the Tariff Board, scant profits are being made, and the removal of the wool tariff means a removal of all profit, so that these western farmers are destined under such conditions to lose the only market they have for farm products. When these farmers on irrigated lands are crippled the Government will experience decidedly more difficulty than it is now experiencing in disposing of these irrigated lands and in obtaining payments on those already disposed of.

The average revenue raised by the tariff on wool during the last three years has been \$16,000,000 per annum. Free wool will lose this immense sum to the Nation, and no individual except the jobber will benefit by this loss.

The existing duty on Class I wool for the last fiscal year was 49.78 per cent ad valorem. A reduction in that duty of 50 per cent at this time would more than meet the pledges of the Democratic platform, and would be a reduction decidedly greater than the promises made upon which the control of the United States Senate passed to the party now in power. The woolgrowers do not oppose a fair reduction in the tariff upon wool, but they are American citizens engaged in a decent and legitimate calling, and encouraged to enter that business by the Government itself through the protective tariff which it has placed upon wool. Therefore they feel that they have a right to expect fair treatment at the hands of the party now in power, which twice within 20 months passed a bill carrying a duty of 20 per cent on wool, and whose platform specifically endorsed the bill carrying a duty of 20 per cent on wool. The tariff bill now before you for consideration discriminates against the sheepman as against no other individual. It demands his immediate annihilation, not giving him the remotest opportunity to adjust his business to the changed conditions which your party promises to bring about. Probably the situation is of greater seriousness to the sheep industry than to nearly any other industry, for every pound of wool that has been produced during the past year, under the influence of a high protective tariff, is now offered on the American market and not a pound can be sold at prices which will pay the cost of production. The Democratic bill, as it passed the House, places every product of the sheep industry upon the free list, but the same bill imposes high duties on nearly everything used in this industry. Under the operation of the bill as now drawn the sheep industry of our country will be largely destroyed in the immediate future. Therefore, on behalf of a great national industry, built and fostered by protection, we appeal to your committee for a "square deal" to wool.

Respectfully submitted.

NATIONAL WOOL GROWERS' ASSOCIATION.

STATEMENT OF CHARLES C. TOMPKINS, SECRETARY, J. T. PERKINS & CO., OF BROOKLYN, N. Y.

PARAGRAPHS 295-318.—Wool (free list).

Mr. TOMPKINS. I would like to remind you gentlemen that when I appeared before you at a previous hearing I had accompanying me Mr. Abbott, Mr. Cameron, and Mr. Radford, and I regret that they and other gentlemen who are in the press-cloth business in New York, Pennsylvania, Georgia, and South Carolina are not with me now to back me up. But I hope you will bear in mind that they are with us in this proposition. I am speaking about camel's-hair press cloth, that is under the Underwood bill placed in paragraph 431 as free goods, whereas it has always heretofore been in Schedule K. I might state that combing tops of wool and camel's hair will pay a duty of 15 per cent ad valorem under the bill.

Yarns of wool and camel's hair will pay duty at 20 per cent ad valorem. Therefore, if we buy our yarn abroad we will pay the Government 20 per cent duty, though our product is free.

Wool cloths and camel's-hair cloths of all kinds will pay duty at 35 per cent ad valorem, with the exception of camel's-hair press-cloth, which is placed on the free list, against all precedents.

Bolting cloth, which is made of silk, was placed on the free list in 1857, when there was practically no silk manufactured in this country. The people who are arguing for this privilege have no doubt stated to the Ways and Means Committee that they represent 800 or 900 oil mills who should be considered as against a few, as they call it, camel's-hair press cloth makers; but I would like to call the committee's attention to the fact that those 800 or 900 cottonseed-oil mills are owned by six concerns, corporations whose aggregate capital amounts to \$234,490,700, and these are the people who are to be

avored to the extent of less than one-fifteenth of a cent per gallon of yield of oil as against the possible change in price which would be met, of course, under free wool. Placing camel's-hair press cloth on the free list now will destroy the industry, as we can not compete with labor conditions in Germany, England, France, Austria, and Russia, where the cloth is made. Silk manufacturers can not make bolting cloth in this country, neither can worsted manufacturers make press cloth in this country under this legislation. The singling out of our finished product, the only one separated from its classification, was done at the request of the cottonseed-oil mills, to the exclusion of these other industries which can not under this regulation be allowed to import the goods because different widths and specifications are required for them.

Senator THOMAS. We are in receipt of a good many letters and communications from farmers' associations asking that it be kept at that.

Mr. TOMPKINS. Asking that they get free press cloth?

Senator THOMAS. Yes.

Mr. TOMPKINS. I am surprised that the farmers would be interested in it, because I understand that they are also sufferers under the conditions imposed upon them by cottonseed men. They forced the price of cotton seed down, and now they want to force the press cloth under their control. We feel that our appeal is entirely just, and all we ask is that the second sentence of paragraph 431 be stricken out and let the item go automatically into Schedule K, so that we may be treated the same as others in our class.

Senator JAMES. What duty would that impose?

Mr. TOMPKINS. Thirty-five per cent under the proposed bill.

Senator JAMES. What revenue would that bring you?

Mr. TOMPKINS. The same as wool cloth.

Senator JAMES. But what revenue, how much would be the revenue?

Mr. TOMPKINS. I have no idea of that, sir. It has never been imported.

Senator JAMES. Camel's-hair press cloth has never been imported?

Mr. TOMPKINS. No, sir.

Senator JAMES. It has been prohibited?

Mr. TOMPKINS. Yes; the duty has made it prohibitive.

Senator JAMES. And during all these years you people have had no competition from abroad?

Mr. TOMPKINS. Not from abroad; no, sir.

Senator JAMES. Have you any estimate to give the committee as to what would be the effect of a 35 per cent duty on it?

Mr. TOMPKINS. We would have, then, a competitive chance against the other people, but under free camel's-hair press cloth we are sure that we would have no chance. We are willing to take our chances on the 35 per cent duty.

Senator JAMES. Would not that be prohibitive?

Mr. TOMPKINS. No, sir.

Senator JAMES. What is the total product in this country of camel's-hair press cloth?

Mr. TOMPKINS. I should think that it would be something like 4,000,000 or 5,000,000 pounds.

Senator JAMES. How much would it be worth in money?

Mr. TOMPKINS. That would be worth probably two and a half or three million dollars.

Senator JAMES. And 50 per cent importation, then, would mean about \$1,500,000?

Mr. TOMPKINS. Yes, sir.

Senator JAMES. It would bring in a revenue, then, of about 35 per cent.

Mr. TOMPKINS. Yes, sir; we are perfectly willing, gentlemen, to take our chances under those conditions, and that is all we ask of you.

Senator JAMES. I do not understand how the importation of this camel's-hair press cloth has been prohibited all along.

Mr. TOMPKINS. It was in the general class of wool not otherwise specified.

Mr. BUNN. It paid 44 cents a pound heavy stuff and 65 per cent ad valorem under the old tariff. That is why it was prohibited. Under this it is cut, as all woolen goods are cut, to the 35 per cent basis, eliminating the weight duty absolutely.

Senator JAMES. What would be the reduction if we put a duty on it as suggested by you? What would be the reduction as compared with the old bill?

Mr. TOMPKINS. The rate under the present law would be \$1.18 per pound.

Senator JAMES. What ad valorem is that?

Mr. TOMPKINS. It is equal to about 90 per cent.

Senator THOMAS. This is cut, then, from 90 per cent to 35 per cent?

Mr. TOMPKINS. Yes, sir.

Senator JAMES. It is placed on the free list in this bill, but you advocate that it be cut to 35 per cent?

Mr. TOMPKINS. Yes, sir.

Senator JAMES. Now, the hair out of which that cloth is made comes in free, does it not?

Mr. TOMPKINS. Yes, sir; under the general free-wool clause.

Senator THOMAS. I understood you to say that your raw material paid a duty.

Senator JAMES. It does not under this bill. He gets his raw material free. Under the old bill he had to pay a tariff on it.

Mr. TOMPKINS. We are paying at the present time about 35 per cent duty ad valorem on this.

Senator THOMAS. How many manufacturers of that cloth are there in the United States?

Mr. TOMPKINS. Seven.

Senator THOMAS. You have a trade agreement?

Mr. TOMPKINS. Not a dollar owned between anyone.

Senator THOMAS. I did not say that; I said a trade agreement.

Mr. TOMPKINS. There is no trade agreement. One man sells at one price and another at another price.

Senator THOMAS. Among yourselves you have active competitors?

Mr. TOMPKINS. Among ourselves we have active competitors; yes.

Senator JAMES. You have to pay 35 per cent ad valorem duty now?

Mr. TOMPKINS. Yes, sir.

Senator JAMES. Yet you get that free under this bill. You want 35 per cent on your finished product, which would be equivalent to 70 per cent duty, would it not?

Mr. TOMPKINS. No, sir; this 35 per cent would be wiped out under the free-wool clause.

Senator JAMES. You would not have to pay duty; therefore there is a 35 per cent ad valorem cut in your favor. Suppose we take your advice and put a 35 per cent duty on finished products; that would be equivalent to giving you 70 per cent duty, would it not?

Mr. TOMPKINS. I do not see it that way.

Senator JAMES. You have to pay 35 per cent on the raw material now. You would get that free under this bill.

Mr. TOMPKINS. But when we make up our goods we are met by a free entry into another country—

Senator JAMES. Suppose you are given a duty of 35 per cent on the finished product; then you have free camel's hair as compared with 35 per cent duty now. Why would not that be equivalent to a 70 per cent duty?

Mr. TOMPKINS. It would not. It stands on its face as a 35 per cent duty on the finished product.

Senator JAMES. I understand that; but you get the camel's hair free now under this bill where you used to pay a 35 per cent duty on it.

Mr. TOMPKINS. But the goods were not imported under those conditions.

Senator JAMES. I understand that, too; but I understand your position is now that you are getting raw material free under this bill, and your asking us to give a 35 per cent duty on the finished product is equivalent to putting in this bill a 70 per cent tariff rate.

Mr. TOMPKINS. If you take the 35 per cent off which we pay now and let the thing stand that way, it looks to me as though we are just losing everything we have got and we get nothing in return.

Senator THOMAS. You want to be put on the same basis as the other manufacturers who get their material free?

Mr. TOMPKINS. Yes, sir.

Senator JAMES. You had 90 per cent ad valorem originally, but you had to pay out of that 90 per cent 35 per cent for the raw material. Now, you do not have to pay anything for the raw material under this bill.

Mr. TOMPKINS. But that means we would have only 35 per cent. I do not see 70 per cent in that.

STATEMENT OF HON. THOMAS J. WALSH, UNITED STATES SENATOR FROM MONTANA.

PARAGRAPHS 295-318.—*Wool (free list).*

Senator WALSH. I wish to invite your attention, Mr. Chairman and Senators, to the fact that under the present law wool is divided into three classes. The specific names of the different kinds of wool falling to each class are merino for the first class, Leicester for the second class, and donskoi for the third class. That will serve generally to characterize them. I have here a document from the Department of Commerce and Labor, showing that for the year ended June 30, 1912, there were imported of the first class, 69,315,-834.99 pounds; of the second class, 10,944,282 pounds; and of the third class, 113,480,554.62 pounds; from which you will see that

there was more by considerable of the third class than of the first and second classes combined, the aggregate of the first two classes being a little over \$0,000,000 as against 113,000,000 of the third class. I simply throw out the suggestion that the third class of wools practically come into competition with no wools in this country, and no interest would be in any way affected by putting these wools in the free list. They constitute, as you will observe, more than one-half of the wools imported into the country.

I have invited your attention to this condition of affairs, Senators, for the purpose of suggesting to you the propriety of considering whether a solution of the troubles before us might not be reached by admitting class 3 wools free and putting some revenue duty upon the other two classes, to be thrown into one class and a rate fixed therefor.

Senator STONE. What do you suggest?

Senator WALSH. I should say the rate proposed by the House bill, 20 per cent; that is the bill that passed Congress at the last session.

Senator STONE. Your proposition is to put 20 per cent on classes 1 and 2, and let class 3 in free?

Senator WALSH. Both will be thrown into one class.

Senator STONE. Well, classes 1 and 2 will go into one class.

Senator WALSH. Yes; and three into another class.

Senator STONE. And you would put carpet wools, so called, on the free list?

Senator WALSH. Yes; and they constitute more than the others imported into the country. It would really amount to the equivalent of 5 to 6 per cent on all wools; that is, it would be the equivalent of 5 to 7 per cent on everything.

Senator STONE. If it were 20 per cent on over half, it ought to be more than 5 to 7 per cent on the other.

Senator WALSH. I mean 8 to 10 per cent. A greater amount of one-half would be less than 10 per cent on the whole. Perhaps that is not quite right, when I come to think about it, because that is the higher-priced wool.

Senator STONE. Let me get that idea clear in my mind. If you levied 20 per cent on all wools, and then you cut out over half of it and put it on the free list and left 20 per cent on the lesser part, say four-tenths as against six-tenths, what would be the duty on the four-tenths?

Senator WALSH. This is the way it would figure out: The value of class 1 wools imported last year was \$15,310,555.25; of class 2, \$2,977,489; making a total of \$18,288,035.25. Twenty per cent duty on that would amount to \$3,657,607.05. The value of all three classes of wools introduced would be \$33,141,408.25, the total revenue being, as stated, on the taxed class \$3,657,607.05, or 11 per cent on all, with third class free.

Senator STONE. If you put class 3 on the free list and put classes 1 and 2 on the dutiable list of 20 per cent, what would be the average duty on the whole product?

Senator WALSH. The average duty would be about 11 per cent.

Senator THOMAS. Is there anything else you want to offer, Senator Walsh?

Senator WALSH. No, sir.

STATEMENT OF MR. WILLIAM WHITMAN, OF BOSTON, MASS.

PARAGRAPHS 295-318.—*Wool.*

Mr. WHITMAN. I was not aware, gentlemen, of the fact that I should be limited to 10 minutes until the remarks of the chairman a few moments ago. It would be almost impossible for me to complete my statement in that time.

Senator SIMMONS. We would like to hear you longer, but it is impossible to hear all these people.

Senator JAMES. You had extensive hearings before the Ways and Means Committee on this same question, had you not?

Mr. WHITMAN. No; I had not.

Senator THOMAS. It is a limit that we are compelled to make.

Senator JAMES. Your people—that is, the representatives of your industry—appeared before that committee, did they not?

Mr. WHITMAN. Yes; the industry was represented there.

Senator JAMES. And they had many hours of time?

Mr. WHITMAN. I do not know. I did not appear there.

Senator JAMES. I did; I was a member of the committee.

Mr. WHITMAN. I can do no more than read a few of the heads of this short paper and then leave the brief with you.

Senator STONE. What is it you want to do?

Mr. WHITMAN. Of course, if I had the time and it would not tax your patience, I would like to read that brief, because I have spent several weeks in the preparation of it.

Senator THOMAS. We can read it and we will read it if you will leave it with us.

Senator JAMES. Yes; we are going to read it.

Mr. WHITMAN. I did not know but that if I read it you might like to ask some questions in regard to it.

Senator STONE. You may proceed. I did not wish to be discourteous at all, but you can see the pressure that is being brought to bear here.

Mr. WHITMAN. If the experience I have had is of any value I would like the time to give you my views.

I desire to preface the considerations and recommendations which I have to propose with a brief statement of the point of view from which I approach the subject. It is that of a merchant and manufacturer whose entire adult life has been occupied in organizing and carrying on the textile industry. My economic views are the result of an experience in the active management of manufacturing companies extending over the period of all tariff changes since 1867. Yet, the suggestions I have to offer are not made with political bias, and they are intended to be uncolored by any economic theories. The tariff is to be revised, and the revision is to be made on a different principle from that which underlies the act which it is to supersede. It is none the less desirable, and it is no doubt desired by those who are to make the revision, that it shall be done with a view to the common good, and without injury to established industries.

Assuming that Congress will enact a wise tariff, the sooner it is done the better.

Senator THOMAS. Do you not think that is true, whether it is wise or unwise?

Mr. WHITMAN. Possibly, but I should be very sorry to have an unwise tariff.

Mr. THOMAS. I understand. So would I.

Mr. WHITMAN. The textile industry has long and successfully been encouraged by wise public policy in order to make our country independent. I shall not enlarge on that, because, as you have already informed me, you can read the text for itself.

The growth of the industry has kept down prices in the world's market. That is one of the points I wish to make. If I had time I would emphasize it.

Senator STONE. You say the growth of the American industry has kept down prices in the world's market. Have you been exporting?

Mr. WHITMAN. The textile industry in America has kept down the prices in the world. The effect has been to keep prices at a lower level than they otherwise would have been.

Senator STONE. Do you mean in this country or in the world.

Mr. WHITMAN. I mean all over the world.

No trust or combination in the industry to prevent keenest competition. Profits not excessive. Dangerous to home competition to kill off smaller manufacturers. That is the title of that paragraph. Now, here is something which, perhaps, you will be surprised to see coming from me in view of what has been published in the newspapers: Duties should not be excessive. Unnecessarily high duties should be reduced. If I had time I would emphasize on that.

Senator JAMES. Should the reduction be to a basis that you would give a fair competition so as to cheapen the product to the consumer?

Mr. WHITMAN. There is no earthly way in which legislation can be made to cheapen the products of manufactures in the United States except by the removal of the duties on the materials and the other costs incident to the manufacture or by a reduction in the wages of labor.

The title of the next paragraph is "Fundamental principles upon which a tariff law should be based," with subheadings of "Equality of opportunity," which I do not think needs any discussion, and "Stability and equity." Now, I deem this latter to be of great importance.

The paragraph under the subtitle of "Stability and equity" reads as follows:

It should be the aim of the framers of a tariff act to fix the rates with such broad, conservative, and reasonable regard for the interests of all concerned—manufacturers as well as consumers of goods—as will insure the continuance of the tariff for a considerable number of years—indeinitely, in fact—until the conditions have changed which originally made the act a wise one. Permanence and stability are essential to the success of any tariff measure and to the general welfare. If the law be wisely made, it will stand. If it is inequitable, oppressive, destructive, it will be repealed. It will operate injuriously while it is in force; it will lead to the derangement of business while the agitation for a new law continues; it will give place to a reactionary measure as bad, perhaps, in its effects as that which it replaces.

Senator JAMES. Do you not believe that the rates in this Schedule K are too high?

Mr. WHITMAN. In the present schedule?

Senator JAMES. Yes; the Payne law.

Mr. WHITMAN. I think they could be modified materially. I have a paragraph on that subject, unless you wish to question me on that now.

Senator JAMES. No; I was wondering whether you suggested to the Payne-Aldrich committee that these schedules were too high, or whether you made any statement to them at that time.

Mr. WHITMAN. I went before that committee; I was a representative there, and I stated to that committee that we did not ask for any change, either in Schedule K or any other schedule.

Senator JAMES. But they did increase the rates?

Mr. WHITMAN. Not that I recall. It was not material.

Senator SIMMONS. They retained the rates in all material particulars.

Senator JAMES. But do you not believe that the changed conditions that had come about during the 10 years of the operation of this tariff would have justified them in lowering these rates?

Mr. WHITMAN. I presume you want me to answer that question frankly, do you not?

Senator JAMES. Yes; certainly. I am asking from the standpoint of the American citizen who wants to do justice not only to himself but to those with whom he has to deal.

Mr. WHITMAN. I had always felt that the tariff on the raw material was excessive, and because of the excessive tariff on the raw material the rates of duty upon the manufactured goods were high.

Senator JAMES. They were likewise excessive because they were compensatory.

Mr. WHITMAN. They were compensatory, and from the point of view of the manufacturer, leaving out all duty considerations, I have always felt that the duty on wool was a handicap; but I ran up against a stone wall so often that I stopped doing it.

Senator STONE. Do I understand by that that your judgment favored free wool?

Mr. WHITMAN. No; not necessarily free wool; but what little influence I have ever had has always been toward reducing the wool duties, but I could not help myself.

Senator STONE. What do you mean by the statement that you could not help yourself?

Mr. WHITMAN. Well, I can not make men vote my way. A great power has been attributed to me in public documents that you have seen, but I know my own limitations.

The next title "Reasonable profit and equality of opportunity should also be assured to home manufacturers as against foreign manufacturers."

Senator JAMES. That is not in keeping with the general argument that has been used in favor of the protective tariff. We have always been told that a protective tariff's purpose was to equalize the cost of labor, and that the tariff was solely for the laboring man. You make a suggestion there that the tariff should be for the laboring man and also for the purpose of profit for the benefit of the manufacturer.

Mr. WHITMAN. If it is not for the interest of the country for manufacturers to exist, they ought to be wiped out.

Senator JAMES. I am not saying that, but I was suggesting that I did not think the law ought to step in and tax the people for purposes of profit.

Mr. WHITMAN. I am afraid I could not enter into that discussion in 10 minutes.

Senator JAMES. We are not taking this out of your time. You have already gone beyond that limit.

Mr. WHITMAN. As I go along I think I will meet your question. If it is possible for me to answer you I will do so.

Senator STONE. You think the duty ought to cover the difference between the cost of labor and to insure reasonable profit?

Mr. WHITMAN. I think this clause which I will read in full will explain that:

It is an elementary proposition that no business can continue to exist which is not sufficiently remunerative to attract the investment of capital. No industry should be granted excessive rates of duty. Our political history, however, shows the danger of reducing duties affecting the products of home industries which are of national utility and which have been long established to a point which would deprive them of a degree of prosperity comparable to that of other industries of our country.

People will not embrace any business and take the risks of business, much less a manufacturing business, unless it can be carried on at a profit. I do not believe there is any gentleman on this committee who would continue in any business or industry in which he was engaged unless it paid him a profit.

The title of the next paragraph is "Legislation affecting one industry inevitably affects all others."

The foregoing observations apply to all the industries popularly designated as the "protected" industries.

I would like to emphasize this. I tried to embody here in a short space the best thought I have on that subject.

As a matter of fact, owing to the interdependence of industries, labor in all occupations is equally protected by the tariff laws, whether that labor is engaged in the production of articles mentioned in the tariff schedules or not. Division of labor necessarily makes the raw material, the plant, machinery, imp.;ments, and supplies of one industry the finished product of other industries. But this point can not be argued at length here. The manufacturer finds that the high scale of wages in all occupations reflects itself in the cost of construction and repairs, in the cost of power, in all the supplies which he buys; in fact, in all the expenses and costs incident to his manufacture. Such costs amount to a sum nearly if not quite equivalent to the sum of the labor of the weekly pay rolls of his operatives.

Senator THOMAS. Assuming that to be true, Mr. Whitman, would not that benefit be equally apparent, and is it not a fact that wages are higher in nonprotected industries in the country than they are in protected industries?

Mr. WHITMAN. I doubt that. In fact, I think it is a misnomer to call them protected industries. All the wages of those employed in the industries in which I am engaged are affected wholly by the general scale of wages throughout the country. There is no getting away from it. They are governed and ruled by the general scale of wages throughout the country, and the schedule of wages in our country is relatively higher, on those so-called nonprotected industries, than it is in Europe.

Senator THOMAS. Is not the high wage due more to organization of labor, or as much to organization of labor, as it is to the existence of a tariff?

Mr. WHITMAN. I do not think I know what you mean.

Senator THOMAS. We have organized labor. Now, is not the high wage due more to organization of labor than it is to the existence of a tariff?

Mr. WHITMAN. I do not think that is so. Coming now to the single industry of the wool manufacture, I wish to point out one or two provisions of the bill now before you that I deem seriously injurious to it. The present depression in industrial conditions is greater in that manufacture than in any other.

I am in it, and I know. It is caused by apprehension as to the effect of the radical reduction of rates that is proposed. Business in woolen goods is practically at a standstill.

No one could have foreseen, three months ago, that it was proposed to put wool on the free list. I did not suppose it would be put on the free list.

Senator JAMES. That does not hurt you.

Mr. WHITMAN. It changes the value of all the material which I have on hand, several million dollars. It threatens the people who buy the merchandise, and they hold out from buying, and the very fact that they do hold out from buying—

Senator SIMMONS. You do not mean that would be a permanent injury to the manufacturers—putting wool on the free list? It would be a benefit, would it not?

Mr. WHITMAN. It depends upon how you fix the other end.

Senator STONE. What do you mean by that?

Mr. WHITMAN. The duty on the finished article. We have been threatened all the time—well, I do not know that we have been threatened, but it is common property—we believe if you don't put a duty on wool you won't put any on goods.

Senator JAMES. That has not been carried out in this bill, though, has it?

Mr. WHITMAN. It does not appear to thus far.

Senator JAMES. So you are merely speaking against apprehension?

Mr. WHITMAN. I would rather not commit myself too far on that point. Now, this bill cuts the rate on goods that have been imported two-thirds.

Senator SIMMONS. From the standpoint of the manufacturer you do not mean it cuts it two-thirds. You mean that if we include the duty on raw material it is cut two-thirds, but you do not mean cut two-thirds of the duty allowed the manufacturer in excess.

Mr. WHITMAN. No; but it cuts the full rate. A part of the existing rate is cut two-thirds. A part of the proposed reduction is nominal, owing to the provision placing wool on the free list. So you see I was fair after all in the statement. But the existing rates on wool manufactures are in effect cut more than two-thirds. It would therefore be necessary that more than three times the current importations of woolen and worsted goods should be entered at the customhouses in order to produce the revenue now realized, with a resulting displacement of an equivalent amount of goods of home

manufacture. The proposed rates on woolen manufactures are 30 per cent lower than those imposed by the Wilson tariff of 1891, which was so disastrous to the industry.

Senator THOMAS. That bill was a free-trade measure, so called.

Mr. WHITMAN. These rates are lower than those. It may interest you gentlemen to know that I took a great deal of interest in the passage of that law. Mr. Wilson was chairman of the Committee on Ways and Means and Mr. Breckenridge was one of his principal supporters.

Senator STONE. Clifton Breckenridge?

Mr. WHITMAN. Yes, sir; he is living.

Senator STONE. William C. P. Breckenridge was on that committee also.

Mr. WHITMAN. It is the gentleman from Arkansas that I had in mind. I read over one of the addresses that I made before that committee, and although it was somewhere about 20 years ago, I think I knew more then than I know now. The address is really worth reading, if anyone has time, I think.

Senator THOMAS. Have you a copy of it?

Mr. WHITMAN. No; I thought I had imposed on the committee long enough with this document. I will see that you get a copy, however.

Senator JAMES. You spoke of this bill reducing the duty on the finished product 30 per cent more than the Wilson bill. Of course, the development of your industry in the production has greatly cheapened as compared with 20 years ago, when the Wilson bill was passed, has it not?

Mr. WHITMAN. Yes; I think we were stronger, but the other fellow has been growing at the same time.

Senator JAMES. Not in proportion to the American manufacturer, has he?

Mr. WHITMAN. I am afraid he has.

Senator JAMES. I understood that the American had developed in this more than in any other manufacture.

Mr. WHITMAN. I do not believe the efficiency in America to-day, by and large, in manufacturing industries, is any greater than it is in foreign countries.

Senator SIMMONS. Is not that because you employ so much raw material for labor in your industry?

Mr. WHITMAN. I have a passage here on efficiency which I thought would interest you, but I thought I was talking to men who had not had their lunch, and it worried me a little bit.

In the bill before you ad valorem rates have been substituted for specific and compound rates imposed by the existing law. I understand this substitution to be irrevocable. Permit me, however, to direct your attention to the danger of such substitution and to suggest that it necessitates the most careful consideration of full ad valorem rates to safeguard the industry.

As you are jumping from a known condition to an unknown condition, it requires all the more care in the way of safeguards. It would be wrong to judge of the ad valorem rates by the goods actually imported, for the reason that under the existing law only the higher-priced goods have been imported, and the higher the foreign

value of goods the less the ad valorem rate under a specific rate of duty.

Now, here is the point that I would like to make:

A change of great significance and danger is proposed in the designation of yarns and fabrics which are to pay duty as woolen goods. The phrase "wholly or in chief value of wool" is to be substituted for the words "wholly or in part of wool" in the existing law.

Senator THOMAS. What section is that?

Mr. WHITMAN. It is in the first paragraph of section K. Ever since 1861, when the Morrill bill was passed, the language has been "wholly or in part of wool." It is surely something in favor of the rule now in force that it has been that of every tariff law for more than 50 years, beginning with the Morrill tariff of 1861. It is of great importance that a tariff law, or any law, should be as clear and simple in its language as possible. I need not emphasize on that. No unnecessary change should be made unless it is of prime importance. It is an elementary principle that in framing laws no form of language which has received a definite and settled interpretation by the courts and administrative officers in the customs service should be changed except from imperative necessity. The existing clause has been subjected to all the tests which the most astute lawyers have been able to devise and any new clause must necessarily run the same gantlet with the consequent uncertainty and delay and interference with administrative efficiency.

Senator THOMAS. Those words "in chief value" appear in a number of these sections, from 296 to 301, inclusive.

Mr. WHITMAN. It does, but I contend that it is more impracticable of operation in the woolen schedule than any other, from the very nature of the materials.

Senator THOMAS. This is all the woolen schedule to which I refer. There are six sections, from 296 to 301, inclusive, in which the words "in chief" are used in place of the words "in part."

Mr. WHITMAN. Yes; but all the others are "chief value." I hope that the customs authorities, the men who do the actual work of valuing the goods, will be called to pass upon that to see whether I am right or not in the assertion which I have made. It will be practically compelling the analyzing and valuing of nearly all the importations of woolen goods, a very large part of them, and I think it is taxing human knowledge beyond its capacity to put such a burden on it.

Now, I come to the duty: The bill that is before you, if enacted into law in its present shape, would reduce the duty on manufactured goods simultaneously with the abrogation of the duty on wool. I need not point out to you that that would aggravate greatly and needlessly the hardship of manufacturers. It will perhaps be sufficient if I remind you that when the tariff act of 1894 was first drawn there was a similar provision in it, but when finally passed in August it provided for free wool at once, but postponed the reduction of rates on manufactures of wool until January 1 following. The reasons for such postponement of reduction of the duties on goods until domestic manufacturers should have opportunity to obtain their free raw material and make their goods from it in time to meet the inevitable

competition of foreign goods under the new rates were admirably stated by the Hon. William L. Wilson, the author of the bill, and I leave the argument with him. A copy of his remarks is annexed, taken from the Congressional Record, Fifty-third Congress, second session, page 890, January 16, 1894.

Senator THOMAS. That is the same thing you have given us already, Mr. Marvin.

Mr. MARVIN. Yes; the same thing. It has been already read.

Mr. WHITMAN. I have reason to believe that goods are now being made in foreign countries to be ready for shipment to the United States as soon as the new law goes into effect, thus subjecting the American manufacturers to immediate competition on unequal terms. The foreigner can go on over there manufacturing his goods now with his wool, but we can not go on manufacturing them unless we pay the duty on the wool; or, if we buy domestic wool, we have to pay perhaps not the whole of it, but a portion of it.

Senator JAMES. Your theory is that he will bring those goods over here and sell them in competition with the goods you made when you had to pay a tariff of 12 cents a pound on wool?

Mr. WHITMAN. Yes; or its equivalent.

Senator JAMES. Or its equivalent?

Mr. WHITMAN. In domestic wool.

Senator SIMMONS. There is practically no competition now, or but very little; is there not?

Mr. WHITMAN. From foreign goods?

Senator SIMMONS. Yes.

Mr. WHITMAN. In the year 1912 there were the smallest importations that I can call to mind for a great many years. Those importations were abnormally small. I have almost gotten to that point in this statement now. I will come to it in the next sentence.

I have already called your attention to the dangers attending the substitution of ad valorem for specific and compound rates of duty. Then I go on and show—as has been so ably argued by Mr. Forstmann—that as the ratio of the conversion cost to the value of raw material increases, the ad valorem ought to be increased to make the equivalent. Let me go into that briefly. I have explained it as well as I could to you in this passage in the brief, but—

Senator STONE. I wish you would state that again. I did not catch it.

Mr. WHITMAN. I do not wonder, it is so complicated.

Senator STONE. I mean, it is a complicated statement.

Mr. WHITMAN. I will try to make it as plain as I can. I have been trying to think of a few words that would explain it. As the ratio of the conversion cost of an article increases in proportion to the value of the raw material the greater the ad valorem duty necessary to offset that conversion cost.

Senator STONE. Please make an illustration.

Senator JAMES. That is always reflected in the cost of the article; is it not?

Mr. WHITMAN. Oh, no, no. For instance—

Senator STONE. That is it; "for instance."

Mr. WHITMAN. An ad valorem rate of 20 per cent collected on an added \$1 of English cost of conversion would merely add 20 cents to the amount paid by the foreigner, let us say. I have got it down

here "Englishman," but let us say "foreigner." That is clear, is it not? If you add 20 cents to the dollar, it means that you would only collect 20 cents, whereas the American manufacturer would have expended \$2 on the same process of manufacture, or 80 cents more than the Englishman's added cost plus the duty. That is an extreme case, gentlemen, but it explains the theory. The whole conversion cost in the United States, as nearly as it can be calculated on a problem having so many variations, is about double that of the Englishman's product. Therefore, as the conversion cost increases, assuming that you start right with the base, it requires that the rate should be increased to offset that conversion cost.

Senator THOMAS. Would not that be equally true under a specific system?

Mr. WHITMAN. No. What is that question?

Senator THOMAS. If the duties were specific, instead of ad valorem, would you not encounter the same difficulty?

Mr. WHITMAN. It would depend upon how you fixed the specific duty.

Senator THOMAS. If you fixed it high enough so that it would arbitrarily cover it, you would.

Mr. WHITMAN. I did not feel it would be possible to go into that subject, because, even if the committee should change its mind and want to establish specific rates, it would not be possible to do it between now and the time the bill went into effect. It would take three or four years of study to do it. I am assuming, in all I am saying, that the ad valorem rates are to be the rates of this bill; and I am trying to show, because they are ad valorem, the necessity of having the rate sufficiently high.

Senator SIMMONS. In other words, you mean that as the conversion cost increases, the ad valorem ratio ought to increase?

Mr. WHITMAN. Yes. It is a pretty difficult problem to determine with any degree of accuracy, but there is no question about the principle.

Wool manufacture is so different from any other industry that it ought to have more careful consideration. I am coming in a few moments to the subject of "industrial efficiency." The reason that it is differentiated from the cotton industry is because you can make things in bulk if you are a cotton manufacturer. I am a very much larger producer of cottons, by far, than I am of woollens. I am more interested in cottons than I am in woollens, so I understand the difference. Fashion has a good deal to do with it. Men do not want to wear the same suit of clothes as their fellow men, and woollens for women's clothing, more particularly, have to be made in small quantities. You can not put 1,000 or 2,000 looms at work on woollens like you can on prints, and run day in and day out, and the constant change adds very much to the cost of manufacture.

Senator JAMES. Mr. Whitman, I should like to ask you one question: Wool of the sheep, hair of the camel, and other like animals, and all wools and hair on the skin of such animals are made free by this bill.

Mr. WHITMAN. Yes.

Senator JAMES. Then, in the next section, "Wool wastes: All noils, top waste, card waste, slubbing waste," and all characters of wastes, "carbonized wool, carbonized noils," etc., are all made free.

Mr. WHITMAN. Yes.

Senator JAMES. Do you think they ought to be made free if the wool is made free?

Senator SIMMONS. Waste, you mean?

Senator JAMES. Should the waste also be made free if the wool of the sheep and hair of the camel are free?

Mr. WHITMAN. I do not feel myself that that is a very important matter. Of course I would rather see them made as they were under the Wilson law—I call it the Wilson law—with a slight duty on those things; but I do not regard those matters of prime importance.

Senator JAMES. Not of prime importance? Of course if wool wastes had a duty on them, it would militate against cheap clothing, would it not, for the poorer class of people? It would be a burden they would have to bear, would it not?

Mr. WHITMAN. It might. My impression is that if we can only run our mills we will furnish waste enough for the fellow that wants to make cheap clothing. But I never have regarded this as very important. That is a minor matter.

Senator JAMES. The reason I directed your attention to it was that we had a discussion about it in the committee, and I wanted to get your opinion, on account of your experience.

Mr. WHITMAN. Top waste probably ought to be put under "tops"; but I do not feel that those other wastes are very important.

Senator JAMES. Excuse me for interrupting you. Go ahead with your other statement.

Mr. WHITMAN. I have now reached the point that you asked me about, I think, Mr. Chairman. I will read the whole of this if you will let me.

Senator JAMES. All right; go ahead.

Mr. WHITMAN. In all previous tariff discussions those contending for the lowest rates of duty have claimed that the efficiency of American labor was so much greater than that of foreign labor as not only to offset the difference in wages, but to render unnecessary any tariff rates to equalize conversion costs between foreign countries and our own. This view has always been supported by all writers of the Summer school of so-called political economy.

Senator SIMMONS. Before you go on to the next paragraph I want to broaden the question I asked you a little while ago by asking if the efficiency of production in the American industry was not very much greater when you employed skilled native labor than it is now, when you employ such a large percentage of raw foreign labor?

Mr. WHITMAN. I do not think there is any practical difference. At first the raw labor has to be trained; but they soon learn, and the virility of the foreigner is greater than that of the American operator.

Senator THOMAS. Do you not think, then, the American should be protected by a duty against the foreigner?

Mr. WHITMAN. What do you say?

Senator THOMAS. Should not that inequality, that superiority, of the foreign laborer over the American laborer be offset by a duty upon the foreign laborer for the protection of the American laborer?

Mr. WHITMAN. I thought the chairman's question did not apply to labor abroad.

Senator SIMMONS. I meant the foreigner who comes here and is employed in the American factories. It has been said, Mr. Whitman, that they come here and are employed very largely in the woolen industry as well as in the steel industry; that they are pretty raw when they come; that they do not all come from the countries where wool manufacturing is a great industry; that you take them in that raw state, and they stay here awhile, and then they go back, and that you are constantly training these raw men; that you really employ them because you get them so much cheaper than you can get the American laborers. Those are the things to which I wanted to direct your attention.

Senator JAMES. Let him finish reading his brief; then we can get his idea about matters of that kind.

Mr. WHITMAN. I think I have answered the question right here:

It is one of life's ironies that by a sudden change in fashion in so-called political economy we are now found to be inefficient, and are told by new apostles of efficiency that our inability to compete on even terms with foreign countries in the cotton and wool textile manufacture is because of our inefficiency. One of them has said: "Some of these fellows have got to become efficient or go out." Another has said, "Of course, they will have to get efficient, and equally, of course, they have not been efficient, because they have not had to be so." Hence, suggestion of opening our ports to foreign-competing fabrics to compel increased American manufacturing efficiency.

The old argument was that an American could do so much more work over here in a given period than they could do abroad that no protection was required for the American workman.

Senator STONE. Who makes this argument of inefficiency?

Mr. WHITMAN. Who makes it? Oh, I have seen it stated in the newspapers.

Senator STONE. What do you think about it?

Mr. WHITMAN. I should prefer not to mention any names. We are not dealing with men.

Senator STONE. No. What I meant to say was, is that an argument that is made here in Congress by public officials—that the Americans are less efficient than foreigners?

Mr. WHITMAN. It has been made as regards these industries; yes.

Senator STONE. What is your opinion about it?

Mr. WHITMAN. Will you let me answer your question as I go along in order?

Senator STONE. Answer it in your own way.

Mr. WHITMAN. One of them has said: "Some of these fellows have got to become efficient or go out." Another has said: "Of course, they will have to get efficient; and equally, of course, they have not been efficient because they have not had to be so." Hence, suggestion of opening our ports to foreign-competing fabrics to compel increased American manufacturing efficiency. That argument is public property.

On the other hand, the representatives of labor contend that the wages of labor should not be based upon maximum production, but upon an average production, i. e., earnings of labor should not be gauged upon standards of greatest possible efficiency.

The whole trend is in that direction.

Now, the facts are—this is in answer to your question, Mr. Chairman, and I am almost through—that efficiency in the textile

is equal to that of other industries; that there is little or no difference between the efficiency of American textile labor and foreign textile labor.

Senator STONE. That is your statement?

Mr. WHITMAN. That is my statement. There is no machinery or appliance of any kind in use in one country that is not known in another. In these modern days everything that is known to the producing world is common property.

I now come down to the conclusion, which I am sure you will be glad to have.

Thus far, in this communication, I have confined myself to considerations on which reasonable men, whatever their opinions on the great economic question that has divided public men and political parties ever since the Government was founded, might stand on common ground. In concluding these general observations, I wish to make the statement that, assuming wool is to be admitted free of duty, I believe such reductions in duty on wool manufactures can be made as would reasonably satisfy a public demand without serious peril to the industry either as to investments already made or as to its continuous comparative prosperity.

I have already pointed out the dangers of the application of ad valorem rates. It needs no argument to prove that fundamental changes can not be made in a tariff law without great risk. It is, however, self-evident that no unnecessary risk should be taken. I think very few men realize the smallness of the margin between the successful prosecution of a business and failure.

Here is a suggestion:

The importations of manufactures of wool for the fiscal year ended 1912 amounted to \$15,182,000. These importations were so exceptionally small that they should not be taken as a basis of any calculation. For my purpose, I will take the largest importations of any year for the last five years, those in 1910, which show that the importations of manufactures of wool of every name and nature amounted to \$23,019,615. The revenue received from these importations was \$20,771,964. Under an average duty of 35 per cent to secure the same amount of revenue, the importations would have to be increased from \$23,019,615 to practically \$60,000,000 of foreign value, or more than two and one-half times. Such an immense increase would not be possible within a reasonable time, both from inability of foreign manufacturers to supply and the American purchasing power to buy. But the beginning of increased importations, owing to the change, would have a most depressing effect on the market for home manufactures. If the rates were increased over those of House bill 3321 by 15 per cent, the additional duty based on the importations of 1910 would amount to only about \$3,457,448. When we consider this sum or any other sum in connection with the tariff on woolen goods, and compare it with the magnitude of the business, the vast number of people employed, directly or indirectly, in its conduct and its interrelations with all other industries contributing to the national prosperity, how small the sum appears as a reasonable safeguard to one of the greatest industries of our country.

Even with an increase of 15 per cent in the rates over those of the bill under discussion, the reduction of duties on wool manu-

factures for those of the existing law would probably exceed 50 per cent.

I have got this printed, so I will have to read it.

It seems to me that reason and the ordinary rules of life put the burden on those who propose changes in long-established policies of furnishing evidence to justify them. I do not think the evidence thus far produced warrants the contemplated changes.

I would suggest to the committee that in view of this paper, in view of the condition of the industry and its prospective condition under a changed tariff, and in view of the experiences that followed the tariff of 1894, I think it would be a most dangerous thing to enact a law embodying lower rates of duty than the law of 1894. You know the experience of that law. Life is full of risks. There is a great risk in making this change. While I think the rates of that bill are not sufficient to enable us to prosecute our industry on that basis, I would be willing to take my risk with your risk in framing the law—I mean my risk as to the results. Of course I have nothing to do with framing the law.

Now, gentlemen, I know I have trespassed a long time on your attention.

Senator STONE. If you were a member of this committee, starting in to arrange Schedule K, beginning with wool, would you favor putting wool on the free list?

Mr. WHITMAN. Shall I answer that from the standpoint of the manufacturer?

Senator STONE. If you were a member of this committee and a Member of Congress legislating for the American people, would you favor putting wool on the free list?

Mr. WHITMAN. If I could feel—that is a pretty difficult question for me to answer. If I had the absolute power, I think, instead of putting wool on the free list and making so violent a change, I would modify the duties on wool, provided the handicap of the wool duties were amply compensated for the manufacturer.

Senator STONE. Will you please repeat that statement?

Mr. WHITMAN. I say, provide! the manufacturer were amply compensated for the duty placed on his raw material. A duty on raw material is a great handicap, Senator. The woolen industry of this country has grown remarkably, but it has not been exceedingly prosperous. You know the fires we have been through. The wool industry has been made the object of attack ever since I have been connected with it.

Senator THOMAS. That is because Mr. Abirich says it is the citadel of protection.

Senator JAMES. Mr. Whitman, you stated that the efficiency in manufacture in this country and in foreign countries had increased alike, and then you called our attention to the failure of your mills during the period when the Wilson bill was in force.

Mr. WHITMAN. The failure, you say?

Senator JAMES. I mean the shutting down of your mills.

Senator THOMAS. The depression.

Senator JAMES. The depression of your mills, rather.

Mr. WHITMAN. Yes.

Senator JAMES. During the period the Wilson bill was in effect?

Mr. WHITMAN. Yes.

Senator JAMES. And yet you state to us that you would be willing to take those same rates now.

Mr. WHITMAN. Yes.

Senator JAMES. And go forward and, you believe, face the issue successfully?

Mr. WHITMAN. Yes; I am willing to take the risk.

Senator JAMES. Now, then, if efficiency abroad and at home here have increased alike, and you could not do it back yonder, why is it that you feel sure you could now?

Mr. WHITMAN. I do not feel sure, but I think it will be so much better than the law as proposed. We have gained somewhat in efficiency, but it is not so much a gain in efficiency as in knowledge of the business and command of the market.

Senator JAMES. Was not the period of depression during the Wilson bill world-wide? Was not the panic already on the country, and did not that have more to do with the depression of your industry and every other industry in this country than the tariff bill did?

Mr. WHITMAN. No; in my industry it was the tariff bill.

Senator SIMMONS. Mr. Whitman, when the Wilson bill was enacted, if conditions in the world—and especially in Europe—had been the same that they are to-day, do you think that there would have been any harmful effects upon the woolen business?

Mr. WHITMAN. If the conditions then were the same as they are now?

Senator SIMMONS. I say, if the conditions in Europe when the Wilson bill went into operation were the same that they are to-day in Europe, do you think that the effect of that reduction would have been harmful to the wool business?

Mr. WHITMAN. It would have been temporarily harmful, slightly so; but it would not have been anything like what it was. The conditions are better to-day.

Senator JAMES. So, then, it was the condition abroad and at home in a way, that affected that more than the tariff? Is not that true, Mr. Whitman?

Mr. WHITMAN. Oh, well, it was the tariff that brought it about.

Senator THOMAS. The panic was inaugurated in June, 1893.

Mr. WHITMAN. I know; but the Wilson law did not go into effect until 1894.

Senator THOMAS. Of course it did not; and the bill was not even reported out of the committee until six or eight months after the panic of 1893 started.

Mr. WHITMAN. Yes.

Senator THOMAS. It seems to me that had a great deal to do with it.

Mr. WHITMAN. Well, it did. It is pretty difficult to divide and say how much—

Senator THOMAS. I do not think it is difficult at all.

Senator JAMES. Is not this also true—of course you have already been speaking about an hour, but even at the risk of extending the time I want to ask you this question: Is it not also true that this depression in the United States in the various protected industries was made worse by reason of their hope that they would elect an administration that would restore those duties, and that they did not undertake to try to adjust themselves to the changed conditions upon

the theory that they were to exist permanently or for a considerable time, but that they merely went to fighting in order to try to get another party in power that would change them?

Mr. WHITMAN. Of course I am looking at it from the mercantile point of view and not from the political point of view.

Senator JAMES. I know; but I ask you the question, if those were not the conditions that confronted the country at that time?

Mr. WHITMAN. The conditions of the world at the time that bill went into effect were unfavorable for the law, and it never ought to have been made, and it killed the Democratic Party. The conditions are more favorable to-day, and I am anxious to have a law that will stand. I do not care a continental—I am not willing to make any sacrifice of my industry for the benefit of any party.

STATEMENT OF MR. WINTHROP L. MARVIN, 683 ATLANTIC AVENUE, BOSTON, MASS.

PARAGRAPHS 297 AND 299.—*Woolen cloths and dress goods.*

Mr. MARVIN. Mr. Chairman and Senators, I have sent to the committee a formal statement in regard to rates of duties on cloths and dress goods. In that I make particularly the point that the manufacturers fear that the reduction made in the proposed bill is excessive. The rate on cloths and dress goods is 35 per cent ad valorem.

The increase in the cost of labor has probably not been as marked as the item of raw material entering into the cost of the goods. There has been a material increase in the cost of raw materials since 1897, when wool was on the free list. That is the main factor in the circumstances that woolen goods cost 35 per cent more now than in 1897; but the increased cost brought about by any reason makes it more difficult competing with the English mills than would otherwise be the case.

I wish to ask the subcommittee to consider the allowing of a period of six months between the taking effect of free raw wool and the taking effect of the reduced duties on the manufactures of wool; and I am asking substantially what was allowed by Chairman Wilson and his associates of the Committee on Ways and Means and the other authors of the Gorman-Wilson law in 1894. This question was gone into at that time very thoroughly, the question of allowing an interval of some months between the taking effect of the free raw wool and the taking effect of the reduced duties on the manufactures of wool, and Chairman Wilson at that time decided that an interval ought to be allowed, and I am addressing myself to each member of this committee in this brief statement here, giving to you the argument for allowing that interval which Chairman Wilson used at that time in the House of Representatives. I think, Senator James, it was possibly before your time in the House?

Senator JAMES. Yes.

Mr. MARVIN. But the determination was that it was a just thing to allow the interval, which in the case of the Gorman-Wilson law was about four months. The new law became effective on August 27, 1894, and the McKinley duties on manufactures of wool were maintained until January 1, 1895. That allowed the American manufacturers to work off their high-priced stock of wool on hand. It en-

abled them to meet the shock of the change to the reduced duties on manufactures of wool very much more easily. The present bill, as passed the House of Representatives, as you know, put raw wool and the reduced duties in effect at once, and one result of that in one mill with which I am familiar would be a loss of from \$1,000,000 to \$2,000,000. It is necessary for a woolen mill to carry a large stock of material in the process of manufacture—wool in the storehouses, wool in the process of scouring, combing or carding, spinning and weaving. The result is that any mill of any consequence has thousands of dollars of raw material or partly manufactured material on hand all of the time. If the reduced duties on manufactures of wools go into effect simultaneously with free wool, the result will be the losing of thousands of dollars in value of that wool in the process of manufacture, crippling the mills at the very outset of the enforcement of reduced duties on manufactured goods. I am not going into that matter in any detail. I have set the case out clearly in this brief, which I will present to every member of this committee in writing, and I am citing the statements of Chairman Wilson in 1894.

SENATOR STONE. Do you wish that to go in as a part of your statement?

MR. MARVIN. As a part of my statement. It is addressed to Senator Stone.

(The document here submitted reads as follows:)

NATIONAL ASSOCIATION OF WOOL MANUFACTURERS,

Boston, Mass., May 21, 1913.

HON. WILLIAM J. STONE,

Chairman Subcommittee on the Woolen Schedule,

Committee on Finance, United States Senate, Washington, D. C.

PLEASE SIR: In the memorial of the National Association of Wool Manufacturers submitted by President John P. Wood, of Philadelphia, to the Committee on Ways and Means January 27, 1913, we said:

"In any reduction of the tariff a sufficient period should be allowed between the taking effect of the new duties on raw materials and the taking effect of the new duties on the finished products. Otherwise the manufacturers of the United States will be seriously discriminated against by American lawmakers in favor of the manufacturers of Europe. The woolen business is a business of two distinct seasons, and any new tariff on woolen manufactures ought not to be put into effect in the midst of either, but rather should become operative at the end of one season and the beginning of the next. The soundness of this principle of legislation was acknowledged by Chairman Wilson and the other authors of the Gorman-Wilson tariff law, which as to free raw wool went into effect on August 27, 1894, and as to manufactured products on January 1, 1895. This plan gave an interval of transition of more than four months in which American manufacturers could gradually dispose of goods produced on a relatively high level of wool values, and could also begin the fabrication of goods produced on the lower level of wool values which free wool had introduced.

"That plan was fair to American mills and fair to the public. It softened the shock of changing economic policies and enabled American manufacturers to meet on more nearly equitable terms the intensified competition of their rivals abroad. Chairman Wilson said of the expedient that it was a matter of very great importance and one to which the majority members of the committee have given as much anxious investigation as to any question connected with the whole tariff bill." Mr. Wilson added that the committee seemed to be "relentlessly driven to the conclusion outlined above."

The woolen manufacture now, as in 1894, is in a peculiar position, in that the impending tariff revision puts its raw material on the free list, effacing a duty that has averaged from 44 to 50 per cent. Such a sweeping change involves a sharp reduction in the value of stocks of wool on hand or in process of manufacture. There is, therefore, an urgent reason for a postponement of the taking effect of the new duties on woolen goods that does not apply to any other important industry immediately affected by the proposed tariff bill. The princi-

ples involved are the same now as they were when the same question was considered by Chairman Wilson in 1894, and we respectfully ask that the same wise and equitable action be taken by the Committee on Finance. A copy of Chairman Wilson's remarks upon the subject is appended.

Sincerely, yours,

WINTHROP L. MARVIN, *Secretary.*

Statement of Chairman William L. Wilson, of Committee on Ways and Means, 53d Cong., 2d sess., Jan. 16, 1894, Congressional Record 137, p. 850.

INTERVAL BETWEEN WOOL DUTIES AND DUTIES ON MANUFACTURED GOODS.

Mr. WILSON of West Virginia, Mr. Chairman, this is a matter of very great importance and one to which the majority members of the committee have given as much anxious investigation as to any question connected with the whole tariff bill, and I shall endeavor to state frankly to the committee why we seem to be relentlessly driven to the conclusion we have been driven to by the offering of these amendments, namely, to adopt the 1st day of August as the date for putting wool upon the free list and the 1st day of December for making the corresponding reduction in the schedule of woollen manufactures.

I confess I sympathize with the feeling of my friend from Ohio (Mr. Johnson). He is not more eager than I am myself—he can be no more eager—to relieve the American people from what I consider to be a blot on our civilization in the high duties maintained in this woollen schedule; and when I was probably in the same stage of investigation that the gentleman from Ohio now is my opinions in regard to the matter were exactly those that the gentleman has uttered here upon the floor.

When this bill was first prepared we had fixed the date of the passage of the bill as the 1st day of March, hoping it would become a law by as early a date as that time. Free wool, then, would have taken effect upon the 1st day of March according to the provisions of the original proposal, and the reductions in the woollen schedule would have gone into effect on the 1st day of December. Nobody can now say that the bill can become a law by March 1, or at least nobody can definitely state or accurately prophesy on what particular date it will be enacted into law. We have got to take into consideration existing business conditions in the country and the regular courses of trade; we have got to take into consideration the present condition of the woollen manufacturing industries and, as stated by the gentleman from New York, there are two great seasons for manufacturing woollen goods in the United States.

Ordinarily, were there no uncertainty as to the law, the manufacturers of woollen goods would be to-day receiving their large orders from the jobbing houses for the woollen goods to be consumed by the American people next fall. As long as doubt remains as to the date when these changes will go into effect the jobbers are withholding their orders. They will not give them to the American manufacturers for goods for next fall if there is a prospect that they can in a few months order the same goods from foreign manufacturers, made upon a free-wool basis, and with the taxes on the finished product graduated according to a free-wool basis. We must therefore take into consideration that condition of affairs. We must take into consideration the course of trade and manufacturing in the woollen industry.

It is simply a question as to whether our own manufacturers shall remain idle during these winter months and whether the employees in the woollen mills shall be out of employment in these winter months because of the uncertainty, or whether this House shall definitely say, and say now, "You can go on with your winter manufacturing and we will fix these dates far enough ahead to prevent the destruction of your spring business." Now, Mr. Chairman, as I have learned the course of the trade in woollen manufactures, orders are taken from this time until late in the spring by the American manufacturers for goods to be used next fall.

(The time of Mr. Wilson of West Virginia having expired, by unanimous consent it was extended five minutes.)

Mr. WILSON of West Virginia, The jobbers and the woollen trade generally, the wholesale clothing makers and the retail storekeepers are all to-day uncertain as to what they should do. If they will not give their orders to the manufacturers the mills can not start. If the mills can not start there is no market for the American farmer. He must be allowed to work off his spring crop.

which he can do before the 1st of August, and then, with the bars thrown down, with the invitation to the wool of all the world to come here to help clothe the American people at reasonable prices, the woolen mills can start up again; and, with the duties taken off of woolen goods, by the 1st of December the American consumer can get his choice between imported goods at the new rates of duty and home-made goods made of untaxed wool at the new rates of duty. It was for this reason that reluctantly and slowly—as reluctantly as I ever consented to anything in my life, by yielding to what seemed to me to be the resistless logic of the situation—I moved from the view occupied by the gentleman from Ohio and the gentleman from Illinois [Mr. Springer] and with my colleagues of the majority of the committee determined to report these as the proper dates for the going into effect of the woolen schedule.

Senator JAMES. How much time was allowed by the Wilson bill?

Mr. MARVIN. Four months were allowed then. We are asking now for a six-months period, assuming that the law be made effective as to free wool in July.

Senator STONE. Then you would want it about the 1st of January?

Senator JAMES. Have not the woolen manufacturers anticipated the change of the tariff in the last 18 months so as to somewhat adjust their wool purchases?

Mr. MARVIN. They have bought wool as sparingly as possible, but it is necessary for any woolen mill in active operation to have a considerable quantity of wool on hand at any time. It is exceedingly a matter of great loss to stop the intricate machinery of a wool mill because of the lack of raw material in the storehouses, so that while the store of wool on hand in the mills is less than normal, it is a very considerable quantity, and the loss through the immediate taking effect of the duties on manufactures would be very large.

Another detail of the tariff bill I would like to speak a word to the committee about: In paragraph 295, combed wool or tops—I have not seen the Senate print, but this is the House print—are made dutiable at 15 per cent ad valorem, and in paragraph 653 of the free list top waste is made free of duty—that is, waste that is supposed to result from the process of combing tops.

Responsible manufacturers in this country and in England state that with top waste nondutiable, tops can be broken up into lengths of several feet in England and brought into this country duty free, depriving the Government of considerable revenue and at the same time injuring one of the branches of the American wool manufacture and intensifying whatever injury may come to the wool-growers from free wool.

Tops, as you doubtless know, are long combed, clean ropes of wool, approximately ready for spinning. Tops are a merchantable commodity. These ropes are wound in the form of balls and are salable and are easily transportable. That is the first stage to which wool is brought at which it is readily and customarily merchantable: it is an important commodity and an important step in the woolen manufacture.

Senator JAMES. In breaking these tops up, as you suggest, would not they come within the provision here “which have been advanced in any manner”?

Mr. MARVIN. I think it is doubtful. I would not like to give my opinion on that point, as a layman, Senator. I think it is possible that the courts may so rule. But I think the safest thing for the Government is to close the door completely. In previous tariffs,

when there has been doubt on that point, great quantities of broken tops have been brought in and the Government—

Mr. BUNN. They come under 653?

Mr. MARVIN. Top waste is specifically named in 653. It would not be necessary to recomb these broken tops. At an expense of 1 cent to 1½ cents per pound, according to quality, the broken tops could be regilled and thus made ready for the next process of manufacture. The proposed duty of 15 per cent on tops would mean 9 cents a pound on merino tops, so that if broken tops were imported free and 1½ cents a pound were paid for regilling them, 7½ cents of the duty would be evaded.

It is earnestly recommended that after the word "tops," in paragraph 295, there should be inserted the words "tops broken for the purpose of evading the duty," so that broken tops and genuine top waste can be clearly differentiated in the proposed tariff law.

Senator STONE. What does "tops broken" mean?

Mr. MARVIN. "Tops broken" for the purpose of evading the duty in paragraph 295.

Mr. BUNN. How are you going to determine whether broken for that purpose or really waste tops?

Mr. MARVIN. The practical question is one that has been passed upon by the Treasury Department in several cases at issue in decisions, and I am following here the language that the Treasury Department has often employed: taking the verbiage of the experts, in other words. I think there would be a foundation for that in previous Treasury action.

Mr. BUNN. You think it would be possible for the Government to determine whether these tops were really broken for the purpose of evading the duty in paragraph 295 or whether it was ordinary waste?

Mr. MARVIN. There would undoubtedly be some practical difficulties in it, but I think you will find the department has decided those cases in a number of instances, and has based its decision upon very much the same language as I use here. I am harking back to the Treasury Department's own rulings.

This would deal justly with the American wool manufacture, of which top making is a regular and important part, and it would also protect the interests of the Government. There will assuredly be large importations of broken tops free of duty under the guise of top waste unless the tariff bill is amended in this particular. I trust that the suggested change will commend itself to the subcommittee on the woolen schedule and the Committee on Finance.

Senator JAMES. You mean ordinary combed tops or broken tops—that is, the preparation of the wool for manufacture?

Mr. MARVIN. Yes. It is an important step in the process of manufacture. The wool has been scoured, impurities have been eliminated, and it has been passed through combs that are just about what the name implies—tangles have been straightened out and removed and the fibers of the wool made as nearly parallel as they can be.

Senator JAMES. And you think that these two sections here are antagonistic to each other?

Mr. MARVIN. I think these two sections are antagonistic to each other. I think that they threaten seriously to deprive the Government of important revenue. I know, as a matter of fact, of manufacturers

who actually have taken it into their business calculations, to go abroad and contract in England for millions of pounds of broken tops under this House bill.

Senator JAMES. There is no way to determine what is a broken top as compared with the waste wool?

Mr. MARVIN. The distinction is a very fine one, so fine that unless some specific provision is made in the law the chances are that decisions in a given case would be against the Government as often as they would be for it. It is a matter of some interest to the wool manufacturer, because a great many of the American mills are organized in a way different from the way in England. They take the raw wool and pursue every process of manufacture right up to the finished fabric. They make a little profit in every step in the manufacture. If this chain of the manufacture is broken, the mills are seriously injured and no good is done to anyone, because it would naturally reduce their capacity to produce goods at low cost.

Senator JAMES. Do broken tops of wool sell for more than waste wool?

Mr. MARVIN. Broken tops of wool sell for more than real waste. They would be worth more because they can be made into tops dutiable at 15 per cent by the simple process of regilling.

Senator JAMES. Would the manufacturer of woolen goods be able to determine whether he was getting top waste or broken tops?

Mr. MARVIN. In some cases he would. If he had contracted for broken tops in England, he would know when they were imported.

Senator JAMES. Suppose they have imported them here—one bundle as broken tops and another as top waste—and they are offered to you for purchase, could you look at them and tell which was one and which was the other?

Mr. MARVIN. Well, a shrewd manufacturer could guess at it with a reasonable degree of probability.

Senator JAMES. Anybody could guess at it. Is there any other way to tell?

Mr. MARVIN. With a reasonable degree of probability, the practical manufacturer could tell.

Senator JAMES. If they could not tell and had to guess at it, it looks like our friend's criticism is pretty well taken, that they could not tell.

Mr. MARVIN. Well—

Senator JAMES. It looks like our friend's criticism is pretty well taken. If you people who manufacture can not tell, how can our appraisers tell who do not manufacture?

Mr. MARVIN. I do not say that the manufacturer could not tell. I think that in probably three or four cases out of five he could tell, and I think that in a good many cases the appraiser could tell, but I do think that there ought to be no doubt on the subject whatever, and therefore I am recommending this amendment to the bill.

Mr. BUNN. In your amendment you do not give any proposed differential rate. What do you think would be the right rate of duty, according to your argument, to make the difference between raw wool and wool waste?

Mr. MARVIN. Raw wool and waste?

Mr. BUNN. And waste broken tops, as provided for in 653. You suggested a moment ago an amendment, but you do not suggest a

rate of duty that would cover a differential you are talking about as between the tops manufactured here and broken tops imported as waste in connection with raw wool.

Mr. MARVIN. My amendment, inserted in that paragraph, would make broken tops dutiable at the same rate as the unbroken tops—15 per cent ad valorem.

Mr. BUXX. Do you mean to make the statement before this committee that that is fair?

Mr. MARVIN. I think it is not only fair but exceedingly desirable. A practice that involves fraud on the revenue of the Government should be stopped.

Mr. BUXX. In estimating the proper duties to be levied as a differential on broken tops, which are waste, would you arrive at the same result?

Mr. MARVIN. The broken top is less in value than the good, contiguous top by the amount it would cost to regill it, which is from 1 to 1½ cents a pound.

Mr. BUXX. I am only talking about the top purposely broken; that if you are going to apply this rate of duty you have got to apply it, in my opinion, to all top waste. Now, are you willing to say that the ordinary top waste should pay 15 per cent as compared with 15 per cent on tops?

Mr. MARVIN. I am not suggesting that the top waste be dutiable—real top waste.

Mr. BUXX. That is what your suggestion works out—practically.

Mr. MARVIN. I do not quite agree with that. I am suggesting that tops that have been finished and then broken up at a small cost in England and that can be made into tops at an expense of from 1 to 1½ cents a pound in this country—in other words, a commodity that is practically as valuable as tops should bear the same duty as tops. As to top waste, I have no suggestion to make whatever.

Senator JAMES. Is top waste admitted free here?

Mr. MARVIN. Top waste is admitted free of duty.

Mr. BUXX. Top waste is just exactly what he is talking about. He is simply indicating that they are going to purposely destroy a perfectly good top and bring it in as waste free, and then at a very slight expense make a top out of it, and thereby evade the duty on top. I asked him to indicate what he considered to be a fair rate of duty for top waste, irrespective of the question as to whether it is broken up purposely or not, as compared with 15 per cent on a perfectly good top imported in good faith as a top.

Mr. MARVIN. If I were going to suggest a duty on top waste in comparison with tops I would have to give it some consideration. I was speaking of broken tops, where I see a loophole which will cause a loss to the American Government. I do not care to make any suggestion as to top waste, because I could not make it except after a great deal of consideration.

Mr. BUXX. You would not suggest that it would be the same as top, would you?

Mr. MARVIN. No; I would not. The real top waste is an inferior article. Could you put it where it would naturally fall in the tariff constructed on this principle?

Mr. BUXX. It would be well within the power of the appraiser to determine absolutely whether he considered it broken up purposely

or not, would it not? He could put 15 per cent on any top waste and say it was broken up purposely?

Mr. MARVIN. He would require experts.

Mr. BUNN. He could do it and then be able to fight the case—

Mr. MARVIN. There might be a division of opinion as in other cases.

Senator JAMES. If it is as hard to distinguish top waste from this broken waste as he suggests, would not the amendment which he desires put in this bill have a tendency to have the appraisers put a tariff on top waste?

Mr. MARVIN. The question, Senator, is not a new one. It is an old one. There is quite a voluminous literature of decisions on this point. The Treasury Department has a great many precedents to guide it. The technical facts in the case would probably be familiar to some members of the present appraisers' force. I think the thing is practicable. There are difficulties in the way, as there always are, in customs administration, but I think it would be practicable for the Government to determine the facts in the case, and that it would protect the interests of the Government to the extent of many hundreds of thousands of dollars that would be well worth while.

Mr. BUNN. My questions were directed to the gentleman for the purpose of combating his theory that some duty ought not to be collected on all those so-called wool wastes, which are waste in an advanced condition of manufacture, to simply get an indication from him of whether he considers that the place he wants to put it is a fair adjustment of the matter; that is all.

Mr. MARVIN. It is, as it seems to me, the best possible adjustment of the matter.

Senator THOMAS. Suppose tops are broken for the purpose of taking advantage of this loophole and are afterwards restored at an expenditure of a cent or a cent and a half a pound, would it be as good an article?

Mr. MARVIN. As good to all intents and purposes as the original tops. I have a statement on that point by one of the most successful spinners of fine count worsted and yarns in the country. I asked him, "If you should buy 1,000,000 pounds and break them up, would they give you as good results in the spinning of your fine yarns?" He said, "They would."

Mr. BUNN. Are not the so-called enumerated wool wastes—which are not all waste, by the way, as that is a misnomer. At the beginning of that paragraph it says "wool wastes," and then occurs the colon, as if everything that came after was waste. Carbonized wool is not wool waste, is it, necessarily?

Mr. MARVIN. It is of that general character.

Mr. BUNN. Not necessarily. Carbonizing is the absolutely finishing washing process in getting wool absolutely clean, is it not?

Mr. MARVIN. Yes.

Mr. BUNN. Any wool that would be absolutely clean would be carbonized wool. It would not necessarily be washed at all, would it?

Mr. MARVIN. The carbonizing process, of course, adds to the value of the product it is applied to.

Mr. BUNN. If you want to make a wool absolutely clean, you carbonize it, do you not?

Mr. MARVIN. Yes.

Mr. BUNN. And you would do that with any wool, whether with waste or not, if you wanted it absolutely clean, so that the words "carbonized wool" cover all wool carbonized, whether waste or not?

Mr. MARVIN. I should think it would.

Mr. BUNN. "Wool extract" does not mean waste, either, does it, as "flocks" and "shoddies" and all of those words?

Senator JAMES. Can there not be carbonized wool waste?

Mr. BUNN. There could be; yes, sir.

Senator JAMES. "And all other wastes."

Mr. MARVIN. Flocks and those other articles there—"mungo, flocks, wool extract, and so on—in the usage of the industry belong in that generic classification as wastes.

Mr. BUNN. But in the usage of the industry they are not necessarily wastes, are they—carbonized wool, for instance?

Mr. MARVIN. Carbonized wool fits more nearly into that paragraph than into any other.

Mr. BUNN. From that general statement, is there any practical difference between the top waste, so far as the value as waste is concerned, and any of the other wastes there? They have all been advanced 6 or 7 cents a pound over raw wool.

Mr. MARVIN. They have all been advanced in one way or another.

Mr. BUNN. By process of manufacture one way or another 6 or 7 cents a pound?

Mr. MARVIN. Yes.

Mr. BUNN. Is that a minimum figure?

Mr. MARVIN. It would be difficult to get for a good many grades an average figure. I should have to give you quite an elaborate statement. I should not want to answer offhand.

Senator STONE. Are you through?

Mr. MARVIN. I am through, except for this, Mr. Chairman: I would like to ask for the privilege of an interview with the committee by Julius Forstmann, of Passaic, N. J.

Senator THOMAS. Is he here?

Mr. MARVIN. He will appear on some subsequent day, if it is convenient to you. Mr. Forstmann is a German by birth and the descendant of a family that has carried on wool manufacturing in Germany for a long time. He was a member of the German Tariff Commission. He is a very successful manufacturer and an American citizen, and he can give you a very valuable statement as to the difference between American and foreign costs, particularly in fine wool goods, in which Mr. Forstmann is a leader in the United States. The manufacture of fine wool goods has made an enormous progress in the United States in the last few years.

Senator STONE. What particular manufacturers are you interested in?

Mr. MARVIN. I am secretary and treasurer of the National Association of Woolen Manufacturers, which comprises, I suppose, more than one-half of all the active woolen machinery of the United States, manufacturing woollens, carded woollens and worsteds together, woollens for personal wear or use. I do not represent in any way the carpet manufacturers or the manufacturers of shoddy and other articles of that kind. If I can secure that interview for Mr.

Forstmann, Senator, at this time, I will be obliged, or I can see you later if it is impossible to determine it now.

Senator STONE. We are going to close, probably, the hearings of all kinds within the next four or five days and settle down to fixing the rates on these schedules, and if your friend desires to say anything, possibly he had better come at once.

Mr. MARVIN. I will ask him to do so. Mr. Chairman, and I am very much obliged to you.

The CHAIRMAN. But, after all, has not your statement about covered the case?

Mr. MARVIN. It has; but there are one or two minor points on which I would like to speak, but it has covered in the main what we have to say to your committee. We made a longer statement to the Committee on Ways and Means, of which this is a copy, and I have sent copies of that to you.

Senator JAMES. You appeared before the Committee on Ways and Means?

Mr. MARVIN. I was present before the committee. President John P. Wood, of Philadelphia—

Senator JAMES. I thought I saw you there.

Mr. MARVIN. I was there, but I made no statement. Mr. Wood made the statement. He is a manufacturer of Philadelphia—not the William M. Wood, the head of the American Woolen Co.

Senator JAMES. You were there?

Mr. MARVIN. Yes; I was there during the hearings.

Senator STONE. There is no reason, in your opinion, is there, for merely multiplying these statements?

Mr. MARVIN. Not at all. I do not think it is necessary for you to hear many people at the present time.

Senator JAMES. Would not the things that your friend who comes from Germany and who has had a great deal of experience in this country would suggest to us be the same things that have been presented to the Ways and Means Committee in a way, or practically so?

Mr. MARVIN. I think that if you gave him sufficient time you might be able to secure more information from him, because, unlike the great majority of our manufacturers, he has had recent experience on both sides of the Atlantic Ocean.

Senator THOMAS. What time would you suggest he wants?

Mr. MARVIN. I would suggest an hour or an hour and a half.

Senator STONE. There are a great many manufacturers in the country on all these paragraphs who want to be heard.

Senator JAMES. Would he want to make an argument in favor of the Republican policy of tariff for protection or on the Democratic theory of tariff for revenue only?

Mr. MARVIN. He is, like most other manufacturers—not all of them—a protectionist.

Senator JAMES. We are going before the people to give them tariff for revenue only.

Mr. MARVIN. He would speak on theory and politics more than I have.

Senator JAMES. I say, you have not. I have listened very carefully to you.

Senator STONE. It seems to me it would be a waste of time to make an argument on the theories.

Mr. MARVIN. It is a waste of time at this stage of the proceedings.

Senator STONE. If you have some statements of facts, it is all right, but the other is thrashing out—

Mr. MARVIN. I think Mr. Forstmann's main point with you would be to show that there is a need of higher rate and justification for a higher rate, from the revenue standpoint, on fine woolens than on the medium and low cost goods.

Senator STONE. If he will come down, I will see him and talk with him.

STATEMENT OF MR. H. M. SPECHT, OF SKANEATELES FALLS, N. Y.

PARAGRAPHS 297 AND 298.—*Woolens.*

Senator STONE. Where do you reside?

Mr. SPECHT. Presently in New York.

Senator STONE. What is your business?

Mr. SPECHT. Woolen manufacturer.

Senator STONE. What branch or line of manufacture?

Mr. SPECHT. We manufacture union clothes mostly.

Senator STONE. Underclothes?

Mr. SPECHT. No, sir; that is, union broadcloth, I meant to say.

Senator STONE. To what paragraph or part of the bill do you wish to address yourself?

Mr. SPECHT. Yesterday my attention was called to the cotton schedule, Schedule I, paragraphs 257 and 258. It seems that these paragraphs are likely to be misinterpreted; that is, that the foreign manufacturer is likely to take advantage of these paragraphs. It states in there that if the largest value of a component is cotton it would bring the goods in under the cotton schedule. We manufacture a class of goods where in certain cloths, the lowest-priced goods, the chief value runs pretty nearly up to 50 per cent.

Senator STONE. Of what—cotton?

Mr. SPECHT. Cotton; yes, sir. The goods are made out of cotton warp, and they have a wool and shoddy and cotton filling. The foreign manufacturer can very adroitly manipulate the components of his filling, which is the face of the goods, and put in considerable cotton, and in all probability bring the goods in under the cotton schedule, which, of course, is a pretty much lower rate of duty than the woolens.

Senator STONE. What is it that you suggest?

Mr. SPECHT. I would like to see our particular class of union cloth, which consists of a cotton warp and wool and shoddy filling, put in under the Schedule K, under the regular woolen schedule, under paragraphs 297 and 298. That is to avoid any chance for misinterpretation.

Senator STONE. You mean even though the chief value is cotton?

Mr. SPECHT. Yes, sir.

Senator STONE. You still want it put in under the woolen schedule?

Mr. SPECHT. Most assuredly. Our goods require about 40 per cent of labor cost in manipulating them and putting the finish on them. They have a very high grade luster finish on them, and

they are manipulated considerably more and at a greater expense than any cotton goods can possibly be manipulated. They have always been known as woolen goods. They require the same finish as the high grade imported German broadcloth, made wholly of wool.

Senator STONE. About what per cent of the materials in this cloth is wool, and what per cent cotton?

Mr. SPECHT. The cloth is composed of four or five different elements. There is a cotton yarn and a wool shoddy, a cotton filling, mixed, and it is very difficult to ascertain the exact percentage of cotton.

Senator THOMAS. Why?

Mr. SPECHT. Well, it is difficult to figure out just exactly how much cotton you have in the cloth.

Mr. JOHN W. WRIGHT. I am one of Mr. Specht's competitors. We fought one another pretty well these last few years, but now we have got together in order to protect ourselves; and I should say there is about 70 per cent of woolen material, rags. It is a difficult matter to tell how much cotton has been put into the rags before we get them.

Senator STONE. In the rags, do you say?

Mr. WRIGHT. Yes, sir.

Senator STONE. Can you not tell about what per cent of the material in the cloth that comes from your loom is cotton?

Mr. WRIGHT. I can tell how much I put in, sir.

Senator STONE. How much do you put in?

Mr. WRIGHT. About 10 per cent.

Senator STONE. Of cotton?

Mr. WRIGHT. Yes, sir.

Senator STONE. What is this other 90 per cent composed of?

Mr. WRIGHT. The other would be shoddy.

Senator STONE. The whole of it?

Mr. WRIGHT. No; there would be cotton in that which I could not tell unless I tried each separate piece, which would be quite a task.

Senator STONE. Then you could not tell how much cotton there was in your cloth; at least, you do not?

Mr. WRIGHT. I should think, on the average, about 30 per cent of cotton.

Senator THOMAS. Can you tell how much wool there is?

Mr. WRIGHT. If I take 30 per cent off, you know, it would be 70.

Senator THOMAS. But you can always tell the amount of wool?

Mr. WRIGHT. Yes, sir.

Senator STONE. If 70 per cent is wool, then wool would be the component of chief value?

Mr. SPECHT. Not necessarily.

Senator STONE. Would 30 per cent of cotton, 10 per cent of it being straight cotton and the other taken from cotton rags, be worth more than the 70 per cent of wool, even though that was shoddy or otherwise?

Mr. WRIGHT. I am afraid it would, in some instances; yes, sir.

Mr. SPECHT. For example, cotton goods might cost 35 cents a pound, and the raw cotton, which is used to some extent, might cost 12 or 15 cents a pound, and your shoddy mixture of woolen rags may cost only 10 cents a pound.

Senator STONE. Yes; but in every yard you have 70 per cent of woolen rags, costing 10 cents a pound, and 30 per cent of some form of cotton, that has cost you from 15 to 30 cents a pound.

Mr. SPECHT. But the English manufacturers are very adroit, and they can manipulate so as to add cotton waste and other articles as fillers, and can come in under the schedule of cotton values, the chief value being of cotton.

Senator STONE. Let me ask you if you found a piece of this cloth coming in, where it might be well admitted that the cotton value in it was 40 per cent and the wool value in it 60 per cent, would you want it under the wool schedule?

Mr. SPECHT. Yes, sir.

Senator STONE. Suppose you reversed it and found that the cotton only was 60 per cent and the wool 40. Then, which schedule would you want it under? Would you still insist on putting it under the wool schedule?

Mr. SPECHT. Under the wool schedule; yes, sir.

Senator STONE. Suppose you made it 80 per cent of cotton and 20 per cent of wool, then would you put it under Schedule K?

Mr. SPECHT. I do not think they could make a cloth with as much cotton as that.

Mr. WRIGHT. The point is that this cloth has got to be made by woolen machinery, which is different from cotton machinery, and also you can not do the same thing with it.

Mr. SPECHT. And, then, the process of finishing it takes from four to six weeks.

Senator STONE. The thing you want is to transfer this cloth wholly from the cotton schedule to the wool schedule?

Mr. SPECHT. Yes, sir.

Mr. WRIGHT. Yes, sir.

Mr. SPECHT. Even under the woolen schedule we would have great difficulty in competing; as a matter of fact, I question very much whether we would be able to compete.

Senator STONE. I think I understand your proposition, gentlemen. We will take it up when we come to the schedules and dispose of it.

Mr. SPECHT. Thank you very much.

(At a later date Mr. Specht filed the following additional statement:)

NEW YORK, N. Y., June 2, 1913.

HON. F. M. SIMMONS,

Chairman Senate Finance Committee, United States Senate,

Washington, D. C.

MY DEAR SIR: Since appearing before your committee on Monday, May 20, and reflecting over the brief testimony given by myself in protest regarding the particular hardship which the present wording of Schedule L, paragraphs 257-258, would cause in the event that it became law, I respectfully submit the following information and facts, which I hope will present a keener insight:

In the making of cotton-warp broadcloths, which are technically known as face-finish union cloths, the entire process is one exclusively and only adaptable to the woolen machinery and skilled operatives who have had a training in a woolen mill. The cotton warp, or the base of the cloth, is used as a binding proposition to give the fabric its inherent strength. This cotton warp, which is usually a 40/2 plies, carded peeler yarn is, in certain qualities or styles of fabrics made by us, the component of the chief value. The filling, or welt yarn used in the face of the goods, and which necessarily gives the cloth its woolen characteristics and appearance in certain styles, is composed largely of woolen shoddy, at a price considerably less per pound than the cotton warp, and this shoddy is blended with staple American quality (of greater value per

pound), in order to bind together the short staple of the woolen shoddy. In the finishing process of these fabrics skilled woolen-mill operatives in the various branches of finishing, such as filling, gilling, shearing, pressing, dyeing, etc., are required, and these various processes are extremely slow, costly, and tedious; and it is a paradoxical fact that in order to imitate the high lustered, foreign, imported broadcloths, the low-grade stock used in the making of the filling or welt yarn requires the same elaborate treatment, processing, and care as do the foreign or domestic ladies' broadcloths.

The bulk of these union broadcloths are used for the covering of burial caskets and coffins and are necessarily a fabric for appearance; but owing to their construction and particular design to produce the desired effect they have inherent strength and stability, so that they can stand rough usage or handling.

We respectfully ask that you give the facts in our case your attention and study, believing thereby you will appreciate the injustice done us by permitting foreign manufacturers to avail themselves of the technicality in the law as proposed by the wording of Schedule I, paragraphs 257-258, thereby flooding the American market with similar goods made under cheap foreign labor.

Our mill has manufactured this class of material for 25 years, bringing the process and machinery from England, where these fabrics originated and are made by numerous manufacturers very cheaply and skillfully.

We have been forced by the peculiar American labor conditions, and especially relating to our line of manufacturing, to steadily increase wages from year to year in all departments of manufacturing, so that since 1891 the increase has been over 51 per cent on the average per man per day's wage.

Owing to the constricted consumption of this class of material—which is governed by the mortality of adults in the United States—the change in styles of covering materials for caskets, the demand is therefore very limited and the price kept down to a minimum of profit, owing to the overproduction by the several mills making the same.

We sincerely hope that you will appreciate the dire consequences which the present reading of the proposed bill would cause, and the unfairness of the situation in placing us in the category of the cotton manufacturers and only giving us their meager protection, which would result in completely annihilating our mill; and we furthermore appeal to your sense of justice to see that the woolen schedule is amended so as to include such woolen fabrics where the component of chief value is cotton.

Very respectfully, yours,

THE GLENSIDE WOOLEN MILLS,
By H. MORTIMER SPECHT, *Treasurer.*

STATEMENT OF MR. LOUIS NEUMAN, SECRETARY OF THE CLEVELAND KNITTING MILLS CO., CLEVELAND, OHIO.

PARAGRAPH 300.—*Knitted wearing apparel.*

Mr. NEUMAN. I would like to read this brief to the committee.

Senator STONE. That would take considerable time. Can not you state your case and leave the brief with us?

Mr. NEUMAN. I fear that if I just state the case offhand I will probably overlook the important things.

Senator STONE. We are going to have the brief printed. Do you want to have it printed twice?

Mr. NEUMAN. Not necessarily.

Senator STONE. If you read it now it will go in the hearings and also in the printed brief. If you wish to make a statement you had better take advantage of that and then file the brief.

Mr. NEUMAN. All right; I will do that, then. We represent the manufacturers of fancy knit goods. Fancy knit goods are known as sweater coats, bathing suits, scarfs, shawls, caps, gloves, and mittens, and goods of that character. In the entire country there are about 800 manufacturers in this line. Roughly speaking, there

are about 470 of them manufacturing sweater coats, 260 making shawls and caps, and about 160 making gloves and mittens. We feel that the rate of duty of 35 per cent is not going to anywhere near cover our product. We feel that because in the previous bill, the law of 1894, when the rate of duty was 40 per cent on shawls and 50 per cent on knitted wearing apparel, the imports in shawls at that time were over five times as much as the entire local production amounted to.

Senator STONE. You mean under the Wilson bill?

Mr. NEUMAN. Under the Wilson bill; yes, sir. Now, under the succeeding tariff bill, the Dingley law, the imports decreased, while the local manufactures increased. The imports of all the knit goods, including shawls and sweater coats, under the Wilson law was about two and a half million dollars. The whole production in this country at that time was worth \$8,000,000. With the value of the duty added the value of the imports were about \$3,700,000. That is almost half of the local consumption.

Senator STONE. Do you mean under the Wilson law of 1894?

Mr. NEUMAN. Under the Wilson law of 1894.

Senator STONE. They imported about two and a half million?

Mr. NEUMAN. \$2,499,494.

Senator STONE. And you produced \$8,000,000 worth?

Mr. NEUMAN. The whole country over produced \$8,000,000 worth at that time. That business has grown quite rapidly since that time. The production in 1909 was over \$35,000,000.

Senator STONE. I do not quite understand what you mean, if I have gotten your statement correctly. As I understood it, you said that under the Wilson law the imports were very much larger than the domestic production.

Mr. NEUMAN. You are confusing the shawls with the entire knit goods. I am speaking now of all knit goods, including gloves, sweater coats, and bathing suits, etc. The entire importations were 46.3 per cent. Speaking of shawls alone, which is the important item with us, the importations were five times as much as we produced here.

Senator STONE. On shawls alone?

Mr. NEUMAN. Yes, sir; that is one important item of the business.

Mr. SHINN. How about the knit goods?

Mr. NEUMAN. The importations on them were 46.3 per cent of the local production.

Mr. SHINN. That is valued above 80 cents per pound?

Mr. NEUMAN. No; I think it is less than that.

Mr. SHINN. This record of 1885 does not give much importation under 80 cents.

Mr. NEUMAN. They are valued above 40 cents per pound. I have the details here in this document, if you wish to see them. We are giving you a substitute here that we would like to have incorporated in place of section 300 of the Underwood bill, graded on values. We would like to have a little higher rate of duty.

Senator STONE. Do you want the ad valorem or the specific rate?

Mr. NEUMAN. We would prefer to have a specific duty; but, knowing that it is your policy not to have that, we are giving you a straight ad valorem rate, providing, of course, that you decide to

have free wool and a duty of 20 per cent on woolen yarn. Woolen yarn is our raw material. The proposed substitute is as follows:

If valued at no more than 40 cents per pound, 30 per cent ad valorem; if valued at more than 40 cents per pound and not more than 70 cents per pound, 40 per cent ad valorem; if valued at more than 70 cents per pound and not more than \$1 per pound, 50 per cent ad valorem; and if valued at more than \$1 per pound, 60 per cent ad valorem.

The rate that is proposed in the bill as it comes here from the Ways and Means Committee gives only 35 per cent on everything all the way through on the knitted wearing apparel. That will not be anywhere near enough to cover our difference in the cost of production—that is, the difference between what it costs us and what it costs the German manufacturer, who is our main competitor. They give different rates of duty on the different processes of the manufacture of the wool after it leaves its raw state until it comes to the made-up goods. The rate of duty on tops is set at 15 per cent, on yarn at 20 per cent, on fabric at 35 per cent, and on wearing apparel the same rate of 35 per cent, each process carrying a higher rate of duty than the preceding one, excepting on wearing apparel. So that all the protection that we really have is the difference between the duty on the cost of the raw material and the duty on the import price of the finished goods.

Senator STONE. Your raw material is wool?

Mr. NEUMAN. Woolen yarn.

Senator STONE. Well, wool in that form.

Mr. NEUMAN. Yes, sir.

Senator STONE. And if that is free——

Mr. NEUMAN (interrupting). That is not free. It is 20 per cent. There is also quite a little knit goods manufactured from fabric. The duty on that is 35 per cent. The same houses would import the fabric goods already made up. The duty on the wearing apparel is 35 per cent. It does not give us any differential. Our general schedule of wages is very much higher than the scale of wages they have over there. I speak of Germany as "over there," because that is our main source of competition. In Germany an experienced knitter earns from \$6 to \$10 per week at the most. We pay from \$18 to \$24. Of course, our foremen and superintendents get considerably more than that. I was speaking of the mechanics running the machines.

Senator STONE. Are they women or men?

Mr. NEUMAN. Those that I referred to are men. The male helper in Germany would get from \$3 to \$5 per week; we pay from \$10 to \$15.

Senator STONE. How many people have you employed?

Mr. NEUMAN. We have a small plant. We have only about 75 people employed.

Senator STONE. Are all of them men?

Mr. NEUMAN. No; some of them are girls.

Senator STONE. How many are girls?

Mr. NEUMAN. There are about 40 girls.

Senator STONE. Out of the 75 employed?

Mr. NEUMAN. Yes, sir.

Senator STONE. What do they get per week?

Mr. NEUMAN. The cheapest girl that we would have in the place, an apprentice, would start at \$6 per week. When they become more proficient they are advanced. We pay our help by the week, not by the piece.

Senator STONE. As they advance in efficiency do you advance the wage?

Mr. NEUMAN. Yes, sir.

Senator STONE. When they cease to be apprentices and become efficient workwomen, how much do you pay them a week?

Mr. NEUMAN. They earn all the way from \$9 to \$15 per week, depending on their efficiency. On this subject Mr. Phoenix, who is with me, and who is from Delaware, Wis., has brought with him an abstract of his pay roll showing what he is paying his girls there; and, by the way, I want to say that I had never met Mr. Phoenix until this morning. As we were in the same line of business, we came together. He will show you from his pay roll that the average rate of wages is between \$9.50 and \$10 a week to the girls.

I show here in my brief that the finishers and winders, female, in Germany, earn from \$2 to \$4.50 per week and in the United States they earn from \$6 to \$15.

Senator STONE. You say that that appears in your brief?

Mr. NEUMAN. Yes, sir; and the apprentices in Germany earn all the way from nothing to \$2 per week. They have a system of apprenticeship over there with which you are probably familiar. They work about three weeks and get nothing at all to speak of for their services. They have trade schools over there, and the workmen become very efficient through that means. The industry over there is one of long standing. The people have been working at it for a number of generations; fathers and grandfathers before them probably worked at the same business. The industries are located in certain districts. For instance, there is the town of Apolda; that is, practically, exclusively a fancy-knit-goods town. There are certain towns like that in Italy, too. The whole district there is covered by this line of business, and the boys and girls grow up in it and become very efficient. Of course, they earn a great deal less than our employees do here, and they become through that a very serious competition.

I am showing here in this brief our cost and the cost to the importer, based on this 20 per cent yarn, and what duty would have to be paid at 35 per cent. It shows the cost to the United States importer \$20.80, where it would cost the United States manufacturer to produce the same thing \$22.39.

Senator STONE. All those items appear in your brief; you are reading now from your brief?

Mr. NEUMAN. I am using the brief as a reminder, so as not to miss the points. What I want to bring out to you especially is this: That the difference in our costs here and what they are over in Germany will not let us continue in the business if the rate is left at 20 per cent on yarn and only 35 per cent on wearing apparel; that the goods to be imported in this country will be such a large proportion of the entire consumption here that it is going to put a great many of us out of business; and the fact that there were such great amounts imported under the Wilson law proves this contention.

There is not any of our goods being exported at the present time. Nothing in the fancy goods is being exported from this country, because of the fact that we have to pay so much more for our labor, and the German and the English and the Italian workmen are, if anything, more efficient than ours, and it costs them so much less to produce goods that we can not compete with them in the foreign markets.

Senator STONE. You are using less efficient labor and paying a much higher price for it?

Mr. NEUMAN. Exactly. It is not all less efficient; a good many of our men are capable, but a great proportion of our machinery is imported from Europe, and naturally—

Senator STONE. Have they better machinery than we have here?

Mr. NEUMAN. It is better adapted for certain purposes of our business.

Senator STONE. Then they are considerably advanced in this industry beyond what our people are?

Mr. NEUMAN. In the machinery-making end of it. There are certain machines that we have here that are better than theirs. For example, the machines on which we make sweater coats are American machines, and they are better than the foreign machines.

Senator STONE. Do you have to pay more for machinery than they do?

Mr. NEUMAN. We pay more, because there is a duty on the machinery that we have to import.

Senator STONE. And they get their machinery, then, cheaper than you get yours?

Mr. NEUMAN. Very much. Their labor is much cheaper; their plant is much cheaper; their operation is much cheaper; and a good many of them save on the item of plant, because they farm out the work and give it to the people who are in the country. For instance, a farmer in the wintertime will have his family employed on that work.

Senator STONE. I think I understand your contention.

Mr. NEUMAN. I have another table here, based on a report from the Department of Commerce and Labor, showing the greater efficiency of American labor as compared with European labor.

Senator STONE. The greater efficiency of the American labor?

Mr. NEUMAN. The greater efficiency of the American labor as shown by them.

Senator STONE. But you do not agree with them, do you?

Mr. NEUMAN. Not at all. I have reason not to, because they show in there that it takes \$198 of American wages for each \$1,000 of added value. They also show that it takes five hundred and some odd dollars of British in comparison between the American and the British for each \$1,000 added value, but they do not show in there the different standard of value between the two countries. It takes so many more dozens of goods to produce that thousand dollars of value in Great Britain than it does here.

Senator STONE. You say that their material cost is much less than yours?

Mr. NEUMAN. Their material cost is less now and will be less if you carry through the 20 per cent duty.

Senator STONE. Their labor cost is less and their machinery cost is less?

Mr. NEUMAN. Their labor cost is less and their machinery cost is less.

Senator STONE. That is, the general expenses of running the business are less?

Mr. NEUMAN. Naturally.

Senator STONE. Do you not think that you are up against a pretty hard proposition?

Mr. NEUMAN. We are unless you can give us a sufficient rate of duty to let us continue in the business. We are employing many thousands of people, and there are a good many supporters of Mr. Wilson in view of the promise that no legitimate business was going to be hurt. There are no trusts in the business. We feel that you ought to give us some consideration.

Senator STONE. I think I understand your position, and we will take it up just as soon as we can get to it.

Mr. NEUMAN. Further than that, I have brought along from our own firm an audit report by public accountants showing the history of our entire business, our profits, and what our costs of doing business are. We are not making any large profits.

Senator STONE. Who furnishes this audit report?

Mr. NEUMAN. Ernst & Ernst, certified accountants.

Senator STONE. It is an audit report on your own plant?

Mr. NEUMAN. Yes, sir. Of course we would not want to make any record of this, although it is for your own private information if you want to look at it.

Senator STONE. But you do not want that incorporated in the record?

Mr. NEUMAN. No; I would not like to have that in the record.

(The brief submitted by Mr. Neuman is as follows:)

BRIEF ON BEHALF OF THE KNITTED WEARING APPAREL INDUSTRY.

Senator STONE,

Chairman Senate Finance Subcommittee,

GENTLEMEN: We desire to enter our earnest protest against the enactment of the tariff rates proposed in the Underwood bill—H. R. 3321—because of the serious effect they would have on our branch of the woolen industry.

Our products are known as fancy knit goods, and include such knitted wearing apparel as sweater coats, bathing suits, scarfs, shawls, caps, gloves, and mittens, the tariff rates on which are embraced in paragraph 590, Schedule K.

During the decade between 1890 and 1900 our industry made rapid strides in this country, increasing in volume from \$10,000,000 to \$35,000,000 in annual business and in equipping most of the knitting mills with modern power-driven machinery.

The entire knitting industry, according to the last United States census reports, gave employment to 150,000 persons in 1,374 establishments which had \$163,611,000 capital invested. The wearing-apparel branch represents a majority of the volume of business transacted relating to Schedule K, and will therefore be the one most affected by this schedule. In a directory of the knit-goods trade for the year 1912 there are listed, exclusive of hosiery and underwear, about 500 separate firms manufacturing knitted wearing apparel. Of these 470 firms make sweater coats, 203 make shawls and novelties, and 160 firms make gloves and mittens.

In order that this industry may be enabled to continue to exist, it must have sufficient rate of duty to at least place it on a competitive basis with the foreign manufacturers. It is probably unnecessary to bring to your attention the fact

that our costs for direct labor range from 150 to 300 per cent higher than the foreign manufacturers in similar lines, and that our overhead charges, such as rent, insurance, light, and power, are also proportionately higher.

Imports in 1896, under act of 1884, with free raw wool and duty of 50 per cent on manufactured goods, were \$2,500,000 against total production in this country at that time of \$8,000,000. Under the Wilson tariff law imports of shawls, which are now an important item of manufacture with us, were over five times as much as the domestic production, and of all knitted wearing apparel the imports equaled 46.3 per cent of the domestic output.

The following tables taken from official statistics will demonstrate to what extent the imports decreased under the present tariff while the domestic manufacture increased, thereby affording opportunity for about 700 firms to engage in the manufacture of this branch of the woolen industry and at the same time helping the country through giving employment to American labor.

Table of imports and production.

SHAWLS.

Fiscal year.	Amount of imports.	Ad valorem rate of duty.	Duty paid.	Value of imports.	Per cent of imports to production.	Production in United States.	Per cent of increase in production.	Total consumption.
1896.....	\$146,762	30.0	\$43,911	\$425,173	54.4	\$115,467	.....	\$746,630
1899.....	51,398	18.6	9,560	107,588	32.7	328,730	185.0	436,398
1909.....	31,783	24.7	7,850	61,867	7.0	879,000	167.0	930,867

KNITTED WEARING APPAREL.

1896.....	\$2,499,491	50.0	\$1,249,745	\$3,701,271	46.3	\$8,000,000	.....	\$11,704,271
1899.....	78,301	33.8	26,466	1,390,185	12.8	10,025,047	25.0	11,405,232
1909.....	112,887	35.8	40,411	807,902	2.1	35,029,000	250.0	35,836,902

If the rates now proposed should go into effect, the imports will surely be over one-half of the entire domestic consumption, because only such goods in which the labor cost is a small portion of the entire manufacturing cost will be able to compete with the foreign goods.

We advocate a specific compensatory duty plus the ad valorem rates, because this is the most equitable method to pursue. In case of straight ad valorem rates the likelihood of undervaluation is very great and would be hard to detect on account of the frequent fluctuations in the market values of knit goods. Their effect will also be to further increase prices at times of scarcity and a rising market, but to depress them when supplies are over abundant and business becomes poor.

Should you finally decide to admit wool free of duty and levy only an ad valorem rate of 20 per cent on woolen yarn, our recommendation is that you substitute the following in place of paragraph 300:

"300. Clothing, ready-made, and articles of wearing apparel of every description, including shawls, whether knitted or woven, and knitted articles of every description made up or manufactured wholly or in part and not especially provided for in this section, composed wholly or in chief value of wool.

"If valued at no more than 40 cents per pound, 30 per cent ad valorem.

"If valued at more than 40 cents per pound and not more than 70 cents per pound, 40 per cent ad valorem.

"If valued at more than 70 cents per pound and not more than \$1 per pound, 50 per cent ad valorem.

"If valued at more than \$1 per pound, 60 per cent ad valorem."

The rate of 35 per cent, as proposed in the Underwood bill, will not afford sufficient protection to offset the difference between the cost of production in this country and Europe, excepting on such low grades of goods on which the proportion of labor cost may be a small part of the entire mill cost. We fear that this will result in injury to us and our employees, and that in consequence we may be forced to cease manufacturing these goods entirely.

In framing this tariff bill the Ways and Means Committee seems to have taken into consideration a certain amount of protection in fixing the rates of duty on the material for each process after the wool has been advanced from

its raw state until it came to the making of the fabrics, but did not concede anything to the wearing apparel made from these fabrics.

The various stages of manufacture required in the process of converting wool into wearing apparel are, roughly speaking, (a) converting raw wool into tops, (b) converting tops into yarn, (c) converting yarn into fabric, (d) converting fabric into wearing apparel.

The rate of duty on tops is set at 15 per cent, on yarn at 20 per cent, on fabric at 35 per cent, and on wearing apparel the same rate of 35 per cent, each process carrying a higher rate of duty than the preceding one, excepting on wearing apparel. This is surely unjust to the manufacturers in this industry as well as to the thousands of employees who are dependent for their livelihood on this business.

All the protection which the manufacturer of wearing apparel actually has is the difference between the duty on the cost of his material and the duty on the import price of the finished goods.

We quote below the general scale of wages paid in Germany, which is our principal competitor, as compared with the wages which we pay, to show that we do not figure too great a difference in our cost of conversion as against the foreign-made goods.

	Wages per roll.	
	Germany.	United States.
Knitter, experienced (male).....	\$3.00- \$10.00	\$18.00- \$24.00
Knitter helper (male).....	3.00- 5.00	10.00- 15.00
Finishers and winders (female).....	2.00- 4.50	6.00- 15.00
Apprentices.....	2.00	6.00

The German manufacturers have a further advantage in that a great number of their operatives own their own machines and make up the merchandise at their homes, thereby decreasing the cost for plant and factory expense to the manufacturers. Also in that during the first three years of employment their employees serve as apprentices and receive but a very slight remuneration.

The following example will illustrate the cost of certain sweater coats made in Germany, the duty to be paid, the cost to the importer and to the manufacturer, if the same were made in this country, based on free wool and 20 per cent duty on woolen yarns:

	Cost to German manufacturer.	Duty 35 per cent.	Cost to United States importer.	Cost to United States manufacturer.
Cost of material—Yarn.....	\$12.41			\$14.80
Cost of conversion.....	3.00			7.50
Total cost.....	15.41	\$5.39	\$20.80	22.30

This does not take into consideration any protection on profit nor on cost of selling and distribution. The added duty over that to be paid on the material—woolen yarn—is only \$1.05, whereas the difference in cost of conversion amounts to \$4.50. On this basis the importer can easily undersell the American manufacturer, who must not only pay more for his material, but must also pay around 150 per cent more for wages and labor in converting this material into wearing apparel. This difference in cost is borne out by the investigation of the Tariff Board, from whose report the above illustration is taken as a typical average. (See report, p. 021.) To place such an article on a competitive basis a duty of over 45 per cent will be required.

You can find detailed cost accounts of our products in part 4, section 2, in the report of the Tariff Board on Schedule K. Their expert accountants investigated the costs of manufacturing fancy knit goods in various mills throughout the United States, and their findings will substantiate our statements.

There are many articles made in which the proportion of labor cost is much greater than that quoted above. Such goods should have greater rates of duty.

There are also many items in which the proportion of labor cost is less, and such goods can stand lower rates of duty. The principle of having different rates apply on various grades of quality was recognized by the Ways and Means Committee in fixing rates of other schedules, and to be consistent they should have applied this principle to Schedule K as well.

In grading the rates of duty according to quality or different values per pound the poor man will be enabled to buy his wearing apparel at lowest prices, while the goods of higher value, in which the labor cost is a larger element, by carrying higher rates, will place the burden of revenue on those who are better able to carry it. Besides this, a large portion of the finer grades of our products are used for athletic and sporting purposes, such as football sweaters, hunting coats, golf gloves, bathing suits, and hockey caps. These articles are not necessities and should be classed among the luxuries, on which the policy has been to levy higher rates of duty.

In a report on efficiency of American labor as compared with that in Great Britain the Department of Commerce has compiled a report indicating that it takes 144 wage earners to produce \$100,000 added value to knit goods as against 312 wage earners in Great Britain. The report further states that the 144 American knitters earn in wages \$49,800, while the 312 British workmen earn \$59,300. On this basis each American workman has earned \$345 against the British workman's \$186, or almost twice as much. While the difference in wages is real, the difference in efficiency is only apparent, because the lower standard of values prevailing in Great Britain naturally requires that a greater quantity of goods be produced for any given sum, and it takes proportionately more men to manufacture it. This, however, does not prove that the American knitters can produce more goods in a given length of time. On the contrary, our experience shows that the American knitters are not more proficient. It is hardly to be expected that they should be, not only account of the recent development of the knitting industry in this country, but also because of the fact that knitters in Europe are settled in certain districts and are brought up from childhood on to learn the technicalities of the trade, through the trade schools and the apprenticeship systems, thus becoming in time as expert as their fathers and grandfathers before them, who, most likely, were in the same trade.

Many of the machines used here are imported from Europe, and the number of revolutions per minute is not greater in one place than the other.

We do not export any of this product whatever from this country, the principal exporting countries being Great Britain, Germany, France, and Italy.

Quoting from the same report of the Department of Commerce, we find that "the wages per hour of labor were 140 per cent higher in this country" than in Great Britain and that "the wages per hour in Germany average three-fourths and in France less than two-thirds of the corresponding amount received by British workmen." Wages in Italy are even lower than in France.

Based on the scales of wages above shown and the fact that American wages account for \$498 out of each \$1,000 of added value, the following table will demonstrate in percentages the difference in costs which may be expected under the Underwood bill, also rates actually required to place our products on a competitive basis, without affording any protection on profits or on cost of selling and distribution.

	Cost to manufacturer.				
	United States.	England.	Germany.	France.	Italy
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Material cost—Yarn.....	68.75	55.62	55.62	55.62	55.62
Conversion cost.....	31.25	13.85	10.39	9.23	8.31
Total manufacturing cost.....	100.00	69.47	66.01	64.85	63.93
Duty to be paid at 35 per cent.....		24.21	23.10	22.70	22.38
Total cost to importer.....		93.68	89.11	87.55	86.31
Rate of duty actually required to equal 100 per cent, or cost to United States manufacturer.....		43.95	51.43	54.11	56.26

In setting the time when the new tariff rates on Schedule K shall take effect consideration should be given that the changes be made at such times as will minimize the harmful effects on the dealers and storekeepers throughout the country, as well as on the manufacturers of the different processes. Current contracts are based on present rates of duty, and a change in midseason will mean a tremendous loss to be borne by everyone concerned in the business.

There are certain seasons of the year when woolen textile goods are in process in much larger quantities than at other times, and the least disturbance in values will be created by having the new rates take effect between seasons, which means about the end of the year on wearing apparel and two months earlier on raw material.

Our branch of the woolen industry should not be offered as the "sacrificial lamb" to the clamor against Schedule K. On the contrary, it should be encouraged, because the business is conducted on legitimate lines, energetic competition holds down prices, and there are no trusts nor any large corporations who can control the output. Furthermore, in the process of manufacturing we first knit our own fabrics, and then convert them into the knitted wearing apparel, thus getting closer to the consumer by eliminating the middle-men dealing in fabrics.

Our industry has afforded opportunity, which was not controlled by any trust, for 800 individual firms to embark in the business, all of them of moderate capitalization, not one of them having as much as \$1,000,000 stock.

The volume of business is spread among so many manufacturers that they themselves keep prices down by keen competition, and this should be a further reason for your consideration in encouraging the industry through adequate tariff rates.

Respectfully submitted,

LOUIS NEUMAN,

For the Manufacturers of Knitted Wearing Apparel.

STATEMENT OF MR. J. J. PHOENIX, OF DELAWARE, WIS., REPRESENTING THE BRADLEY KNITTING CO.

PARAGRAPH 300.—*Knitted wearing apparel.*

Senator STONE. Is your business the same as that of Mr. Neuman?

Mr. PHOENIX. Yes, sir.

Senator STONE. Do you want to be heard on that subject, too?

Mr. PHOENIX. I will take about five minutes of your time, if you will permit me. We have an organization of \$400,000 capital. We employ about 300 people, 225 of them women. We are located in an agricultural district, and we recruit our help from the Americans who live in the adjacent country. When we started all of our men knitters were Americans. They have gradually dropped out, and their places have been filled by foreigners—Germans and Austrians—who have come into this country and supplanted our Americans because of their greater efficiency in knitting.

Senator STONE. Are they employed at a lower wage or a higher wage?

Mr. PHOENIX. All of our work outside of the supervisory work and the packing and shipping is on a piecework basis, and the piecework prices are approximately the same as they have been during the 10 years of our experience. Our hand knitters earn from \$15 to \$25 per week.

Senator STONE. On piecework?

Mr. PHOENIX. On piecework. Our women earn from 10 cents an hour, which is the starting wage for apprentices, up to 30 cents an hour on piecework.

Senator STONE. About what is the average?

Mr. PHOENIX. The average will be for a five and a half day week around \$10. I submit the showing here of about 100 of our women who have been with us from four to six or eight weeks. It shows the actual earnings taken from our records, and the range is from 11 to 30 cents an hour.

Senator STONE. How long have they been working?

Mr. PHOENIX. They have been working from three weeks and up. Some of them have been there for years. This is used by our employment agency in inducing additional help to come to us.

Senator STONE. Which do you find the more efficient in running this knitting machinery, men or women?

Mr. PHOENIX. The knitting machinery is more efficiently operated by men, the finishing machinery more efficiently operated by women, and women work in the finishing end of our business entirely. I would also like to submit here a statement taken from our books covering the year 1912, and showing the total cost of raw materials, of labor, the total sundry expenses and the total net profit. Roughly speaking, the raw materials cover 50 per cent, the labor 25 per cent, the sundry expenses 18 per cent, and the profits 4 and a fraction per cent.

Senator STONE. Do you wish to file these as a part of your statement?

Mr. PHOENIX. I am perfectly willing to do so if the committee desires.

Senator STONE. If you wish to file it, you may do so. I did not know but what there might be some things that you did not want printed.

Mr. PHOENIX. I would prefer not to have them printed, but they are here for the use of your committee.

Senator STONE. If they are not printed, of course, nobody would see them except the members of this committee, and it would not be of very much value to the Congress generally.

Mr. PHOENIX. Then you may use your own discretion.

Senator STONE. I would like to know your wishes about it.

Mr. PHOENIX. You may print that statement, then.

Senator STONE. Both of these statements?

Mr. PHOENIX. Yes, sir; or a summary of them.

(The statements referred to by Mr. Phoenix are as follows:)

Total profit, selling, and production cost for the year of 1912.

BRADLEY KNITTING Co., DeLavan, Wis., May 24, 1913.		Per cent.
Raw materials.....		50.6
Labor—		
Producing	18.5	
Selling	6.8	
	25.3	
Executive salaries.....	1.0	
	26.0	
Total labor and salaries.....		26.0

	Per cent.
Freight and express.....	2.1
Warehouse and upkeep.....	.9
Insurance, interest, and taxes.....	2.8
Office.....	1.4
Legal and patent.....	1.2
Heat, light, and power.....	1.2
Miscellaneous, travel, credit, and depreciation.....	1.6
Collection and credit.....	.3
Losses.....	.4
Discount and allowances.....	2.6
Advertising.....	3.2
Total sundry expenses.....	17.7
Total profit.....	4.8

100.0

Above percentages of cost obtained from the annual inventory balance of our books December 31, 1912, and cover the expenses for the entire year. Percentages and figures given are correct.

BRADLEY KNITTING CO.,
President.

No.	Hours.	Earnings.	Department.	Average per hour.	Weeks.
55.....	110	\$17.66	M. F.....	<i>Cents.</i> 15.0	6
	110	16.24			
	105	15.85			
24.....	100	12.84	do.....	12.5	6
	110	13.88			
	110	14.90			
42.....	110	17.49	do.....	16.5	3
	55	9.02			
45.....	110	13.56	do.....	13.0	6
	105	14.88			
	105	14.81			
20.....	105	16.82	do.....	17.5	4
	110	21.04			
27.....	110	14.61	do.....	11.6	6
	110	12.23			
	110	11.55			
177.....	110	13.20	do.....	12.0	2
35.....	110	15.35	do.....	15.3	4
	110	16.50			
100.....	55	7.43	do.....	12.5	5
	95	11.81			
	91	12.14			
68.....	100	12.50	do.....	12.5	6
	110	13.75			
	100	12.50			
99.....	40	5.00	do.....	12.5	2
	48	6.00			
107.....	110	16.97	do.....	15.5	6
	101	14.90			
	95	15.37			
96.....	105	13.59	do.....	13.3	6
	110	14.48			
	110	15.45			
40.....	100	11.88	do.....	12.5	6
	100	9.03			
	100	15.22			
98.....	110	22.00	F. caps.....	20.0	6
	95	19.00			
	110	22.00			
79.....	20	5.49	do.....	20.0	6
	110	24.35			
	95	16.21			
309.....	107	15.18	do.....	13.5	6
	95	13.51			
	75	9.68			
65.....	110	33.26	do.....	30.3	5
	110	32.41			
	51	16.40			
131.....	105	13.12	do.....	16.3	6
	110	17.85			
	95	19.61			

TARIFF SCHEDULES.

No.	Hours.	Earnings.	Department.	Average per hour.	Weeks.
10.....	40	\$8.00	F. caps.....	<i>Cents.</i> 20.0	3
23.....	110	22.00	.....do.....	20.0	6
	110	22.00			
	110	22.00			
18.....	110	16.50	.....do.....	17.5	6
	92	16.10			
	110	19.25			
10.....	90	14.00	Finishing.....	16.5	1
	105	14.28			
6.....	110	19.09	.....do.....	16.5	4
	85	16.57			
39.....	105	26.42	.....do.....	26.3	6
	110	28.92			
	104	24.76			
41.....	110	30.20	.....do.....	28.0	6
	110	31.68			
	105	30.37			
160.....	105	20.99	.....do.....	19.8	6
	110	20.84			
	110	22.64			
31.....	90	13.36	.....do.....	14.4	6
	100	11.76			
	110	14.24			
21.....	110	22.15	.....do.....	19.5	6
	110	22.42			
	105	18.53			
90.....	110	21.52	.....do.....	21.6	6
	105	22.56			
	110	23.16			
57.....	105	30.45	.....do.....	30.5	6
	110	31.75			
	110	33.99			
50.....	110	25.80	.....do.....	21.0	6
	57	12.91			
	110	26.26			
36.....	100	13.04	.....do.....	11.9	6
	100	14.54			
	100	13.68			
155.....	110	30.61	.....do.....	27.5	6
	110	29.23			
	65	18.43			
44.....	100	14.12	.....do.....	14.1	4
	110	13.46			
78.....	110	22.05	.....do.....	19.7	6
	110	21.61			
	110	21.60			
13.....	110	22.47	.....do.....	20.1	5
	110	28.85			
	55	14.15			
15.....	110	28.73	.....do.....	28.2	6
	104	29.42			
	110	34.26			
137.....	100	31.08	.....do.....	32.0	6
	110	35.02			
	110	36.44			
33.....	110	24.56	.....do.....	21.5	5
	105	21.14			
	55	12.46			
25.....	110	19.36	.....do.....	17.1	6
	110	17.40			
	110	19.89			
84.....	110	20.33	.....do.....	19.5	6
	105	19.27			
	100	22.02			
173.....	110	22.40	.....do.....	22.4	6
	105	23.76			
	105	25.52			
34.....	110	20.70	.....do.....	20	5
	110	24.30			
	95	18.26			
81.....	110	13.75	.....do.....	13.4	2
89.....	105	15.75	.....do.....	15	2
4.....	67	14.70	.....do.....	13.50	6
	75	18.16			
		27.00			
35.....	95	26.09	.....do.....	25.9	6
	101	24.94			
	110	24.18			
52.....	90	13.99	.....do.....	16.8	6
	110	16.94			
	88	17.55			

TARIFF SCHEDULES.

227

No.	Hours.	Earnings.	Department.	Average per hour.	Weeks.
179.....	110	\$26.00	Finishing.....	<i>Cents.</i> 23.1	6
	110	26.16			
	110	24.02			
64.....	33	4.37	do.....	12.5	5
	110	13.75			
	110	14.08			
72.....	45	5.62	do.....	13.5	3
	110	15.44			
151.....	95	13.71	do.....	14.9	5
	110	16.91			
	55	8.17			
49.....	110	21.37	do.....	21.2	6
	85	20.34			
	110	22.16			
105.....	110	24.27	do.....	21.6	6
	95	21.14			
	110	22.90			
117.....	110	20.31	do.....	19.5	6
	80	15.87			
	109	22.24			
37.....	110	25.03	do.....	22.1	6
	110	23.90			
	105	22.94			
3.....	110	17.62	do.....	15.1	6
	110	15.31			
	110	16.91			
133.....	105	13.12	do.....	12.5	6
	105	13.12			
	95	11.88			
48.....	110	10.27	do.....	11.5	6
	110	14.80			
	110	12.93			
2.....	110	18.44	do.....	18.5	6
	110	20.52			
	105	21.25			
13.....	110	17.26	do.....	18.1	6
	110	21.53			
	110	21.04			
61.....	97	13.59	do.....	14.7	6
	110	16.41			
	96	14.76			
12.....	95	16.96	do.....	20.1	6
	110	24.29			
	103	21.34			
54.....	105	13.12	do.....	12.5	6
	110	13.75			
	110	13.75			
17.....	55	6.87	do.....	13.4	5
	110	13.75			
	105	13.72			
60.....	55	6.87	do.....	12.4	4
	110	13.75			
	55	6.87			
167.....	110	19.03	do.....	17.2	6
	101	18.97			
	100	15.54			
46.....	90	12.75	do.....	16.1	3
	55	10.72			
111.....	110	17.75	do.....	15.7	6
	54	7.03			
	110	19.50			
58.....	105	13.39	do.....	13.7	6
	90	11.86			
	110	16.70			
61.....	110	13.23	do.....	12.3	6
	110	14.00			
	95	11.78			
102.....	106	18.81	do.....	19.3	6
	104	20.21			
	110	22.80			
62.....	50	5.00	do.....	10.7	5
	95	9.50			
	110	12.96			
29.....	110	13.29	do.....	12.5	6
	101	12.82			
	110	14.35			
152.....	110	17.01	do.....	14.8	4
	110	15.13			
128.....	110	19.25	do.....	17.1	6
	108	18.96			
	105	18.37			
25.....	110	13.75	do.....	12.3	3
	70	6.25			

No.	Hours.	Earnings.	Department.	Average per hour.	Weeks.
59.....	101	\$12.62	Finishing.....	Cents. 12.5	6
	110	13.75			
	110	13.75			
126.....	100	15.09	do.....	15.0	6
	110	16.50			
	98	14.40			
87.....	110	16.50	do.....	15.0	6
	110	16.50			
	85	12.75			
16.....	110	13.75	do.....	12.5	6
	112	14.00			
	105	13.12			
73.....	110	19.25	do.....	17.5	6
	110	19.25			
	110	19.25			
7.....	105	15.75	do.....	15.0	6
	110	16.50			
	105	15.75			
176.....	110	16.76	do.....	15.0	5
	110	16.50			
	55	8.25			
76.....	110	16.50	do.....	15.0	6
	112	16.50			
	110	16.50			
56.....	110	16.50	do.....	15.0	6
	105	15.75			
	110	16.50			
55.....	100	12.50	do.....	12.5	6
	110	13.75			
	110	13.75			
146.....	125	18.75	Inspecting.....	15.0	6
	105	15.75			
	72	10.80			
66.....	103	12.87	Finishing.....	12.5	6
	110	13.75			
	110	13.75			
132.....	110	13.75	Inspecting.....	14.1	6
	110	16.50			
	110	16.50			
75.....	35	4.37	Finishing.....	12.5	3
	110	13.75			
	119	11.00			
88.....	110	11.00	do.....	10.0	6
	110	11.00			
	110	11.00			
95.....	109	13.62	do.....	12.5	6
	110	13.75			
	105	13.12			
47.....	110	16.50	do.....	14.2	6
	110	16.50			
	107	16.10			
8.....	100	12.50	do.....	12.5	6
	85	10.62			
	95	11.87			

Mr. PHOENIX. We can not operate that plant in Delaware, Wis., on the basis of free wool with 20 per cent on yarn and 35 per cent on the finished product.

Senator STONE. At 20 per cent on yarn, what would be the lowest ad valorem upon which you could operate your mills?

Mr. PHOENIX. The rate suggested by Mr. Neuman would be the lowest that we could operate on. He makes a difference here as to the rates. We had in mind a general average rate.

Senator STONE. Do you approve of his view?

Mr. PHOENIX. Yes, sir.

Senator STONE. What is your general average rate?

Mr. PHOENIX. Fifty per cent, as a general average.

Senator STONE. Putting it all in one branch?

Mr. PHOENIX. If that is the purpose of this committee.

Senator STONE. Suppose that should be done, then you would want 50 per cent as the general average?

Mr. PHOENIX. Yes, sir. I might state that our position is that of manufacturing and selling directly to the dealer. We have some \$400,000 of capital invested in this business. We have investigated conditions abroad. I was there 18 months ago, and Mr. Terrill, our superintendent, was there less than a year ago and is now on his way to Europe again to investigate the cost of yarns and the labor cost, and also the prices at which the manufacturer sells the finished product. If Congress imposes upon us such conditions that we can not buy our yarn in this country, we will be forced to import our yarn.

Senator STONE. What do you mean by imposing conditions that you can not buy your yarn in this country?

Mr. PHOENIX. As cheaply as we can abroad. If we can not manufacture in this country as cheaply as we can import, we shall have to reluctantly resort to importing, because we have to protect our capital and supply the merchants with merchandise as in the past. Our desire is to meet this committee in a spirit of unity and cooperation for the good of all parties concerned, and we believe that you want to do the same.

Senator STONE. Do you favor free raw wool?

Mr. PHOENIX. I am not prepared to answer that question; but if your committee should decide to impose a duty on raw wool, all of these relative rates must be advanced. Should the committee determine on 15 per cent on raw wool and 35 per cent on yarn, then the very lowest rate that would suffice to protect us would be 60 per cent, and I am not prepared to say yet whether that would be sufficient.

I thank you, gentlemen, very much for your attention.

STATEMENT OF MR. FREDERICK E. KIP, PRESIDENT SALTS TEXTILE MANUFACTURING CO., BRIDGEPORT, CONN.; ALSO PRESIDENT OF GRISWOLD WORSTED CO., DARBY, PA.

PARAGRAPHS 314-318.—*Mohair.*

Mr. KIP. I represent the spinner of mohair and worsted yarn, and also the weavers of plushes and pile fabrics of mohair, silk, and wool. My own firm spins as well as weaves worsted yarn and mohair yarns.

Senator STONE. What is your firm?

Mr. KIP. The Salts Textile Manufacturing Co., of Bridgeport, Conn., which is our weaving firm. We are probably the largest manufacturers of mohair, wool, and silk pile fabrics in the United States.

Senator THOMAS. That is your exhibit over in the committee room in the Senate Office Building?

Mr. KIP. That is our mohair exhibit; and we also spin both worsted and mohair yarns.

Senator STONE. Where is that exhibit?

Mr. KIP. In the room of the Finance Committee, in the Senate Office Building.

The Underwood bill places a duty of 20 per cent on raw mohair. That we do not criticise; in fact, we approve of that. The mohair raised in this country has grown very materially in the last 10 years; in fact it has increased about 55 per cent, and wool has decreased

about 17 or 18 per cent in the same period. The only countries raising mohair are Turkey, South Africa, and the United States, and there are prohibitory decrees in both Turkey and South Africa against the exportation of the Angora goat, so that if the American industry is wiped out it would probably be impossible to reestablish it again. We think, therefore, that the committee did very wisely in placing the duty of 20 per cent on raw mohair; in fact, we advocated for the mohair raiser even a higher duty, but in doing that, viz, placing a duty of 20 per cent on raw mohair, they have evidently made an error and have placed the differential or competitive rate on the resultant products of mohair, namely, mohair tops, yarns, cloths, and plushes of just about one-half of what is accorded to the resultant products of wool. In other words, wool is cut to the quick, but mohair is cut twice as much, and without any argument I do not think that is fair, and I do not think the committee if they investigate it, or their experts, or whoever they have, can substantiate that. It is simply an error of the House committee, which is plainly apparent and should be corrected.

Senator JAMES. You speak of mohair goods?

Mr. KIP. Mohair tops, yarns, and cloths; yes, Senator. The 20 per cent on the raw mohair there is no criticism on at all, either from the manufacturer's standpoint or from the growers, as I understand it. They are satisfied with that rate. I will state this, that it is due—

Senator THOMAS. Satisfied, but not contented?

Mr. KIP. But I will say this, that the pile-fabric manufacturers in the United States have been instrumental in increasing the mohair raising. Our business has grown in the last six or eight years very largely, and through that growth the mohair raisers have been able to market their product at a satisfactory price. The market price of mohair is to-day 70 per cent higher than it was six or eight years ago, due to the outlet that they have among the plush and cloth men, and particularly the plush men. I am shipping now, within the last week, from Oregon, 250,000 pounds of mohair to our mill.

Senator THOMAS. What is the freight rate?

Mr. KIP. Why, it costs us about a cent and three-quarters, and in large lots a cent and a half. We ship it in carload lots. We wait until we get large quantities, and then ship in carload lots at about 1½ cents.

I think, Senator, we have elsewhere stated these facts, that the hair of the Angora goat is made dutiable at 20 per cent in the Underwood bill. Resultant products of mohair—tops, yarns, cloths, and plushes—are accorded about one-half the differential or competitive rate that is accorded to wool. That is not right, equitable, or just. If it is, then black is white. Mohair is a luxury; besides, mohair costs more than wool to make into yarns, cloths, and plushes, and should be accorded the same differential rates as wool, plus 5 per cent for this extra cost of manufacturing—starting with the basis of 20 per cent on our raw material, and with free on the other, plus 5 per cent extra for the cost of manufacture. In other words, mohair is a very slippery fiber, very difficult to control. The waste in spinning is tremendous. The quantity of waste is so great you can shovel it up under the spinning frames, whereas you get very little waste in worsted.

Senator THOMAS. What do you get for the waste?

Mr. KIP. We sell it at a few cents a pound. It is of no use in manufacturing at all, and I think any of the experts of the committee will tell you so.

Senator JAMES. How many pounds of mohair does it take to make a pound of cloth?

Mr. KIP. That waste in the cloth is on account, Senator, of the cloth being a piled fabric.

Senator STONE. Pardon me. Senator Overman has a couple of friends here, and they have to leave on the 4 o'clock train. It is only 30 minutes now till their train time, and this man said he wanted to talk 5 minutes to the committee.

Senator THOMAS. You had better let him talk now, Mr. Kip, and you can go on afterwards.

Senator STONE. Let them come in.

Senator STONE. Mr. Kip, you may now proceed and conclude your argument.

Mr. KIP. Under the condition of raw mohair at 20 per cent, the rates of duty which will enable us to continue to buy American mohair in the same quantities, or nearly so, as we have been doing, are as follows: Tops, 35 per cent; yarns, 45 per cent; cloths, 55 per cent; plushes and pile fabrics, 65 per cent. (Rates A.)

Senator THOMAS. Is that your proposition?

Mr. KIP. That is our proposition, Senator; but if, in the wisdom of the committee, they do not wish to grant that, the least, it seems to me, they can do is to put the differential rates on our resultant products the same as wool, plus 5 per cent extra cost of manufacturing, which your experts can easily tell you actually exists between wool and mohair, and which would be mohair tops, 30 per cent; yarns, 40 per cent; cloths, 50 per cent; plushes, 60 per cent. (Rates C.) I have here with this statement also a statement of wages paid by a large English concern in this country and abroad, making the same goods on the same kind of machinery, showing wages on some of their goods about three times as much in the United States. We shall be glad to file it with these other papers, if you wish them.

Senator THOMAS. I think we have those already.

Mr. KIP. Yes, sir.

Senator JAMES. Do they pay these wages by the piece or by the day?

Mr. KIP. By the piece; so many yards in the weaving as against 48 cents for that number of picks per inch. Our plush wages on mohair fabrics show that our weavers are earning here \$18 to \$25 a week steadily, or three times higher than they get on the same class of weaving in Germany and other countries, where they average only \$6 to \$7.50, which facts can easily be established by other than my testimony.

Here is an amendment we would like to propose to the schedule of mohair (pars. 315, 316, 317, and 318), embodying the rates which I have just mentioned.

If I may be permitted, I would just like to call attention to a discrepancy, or at least inadvertence in the wool schedule. Under the present law, Schedule K, cloths were given the same duty as wool. Well, under the Payne-Aldrich rates most everybody who came under Schedule K were well pleased, because the duties were so high, and

it did not make any difference whether cloths or plushes, but now that we have gotten the schedule cut down to the quick, it makes a great deal of difference.

Senator JAMES. Not "cut to the quick," but where they are making a difference between the duty a man ought to pay on cloths absolutely a necessity and on plushes that are a luxury.

Mr. KIP. That is true, too. The duties on cloths are absolutely a necessity, whereas our class of plushes are not at all a necessity, and I wish to say here just in a very few words that plush weaving in the plain goods is the most expensive weaving there is. We deal in plain weaves now, with a top-back warp, a bottom-back warp, and a pile warp, which floats between the two. There is a great deal of tension between the pile warp and the two bottom warps, and with that tension dealing with three warps, there is a great many more break-ages, so that the operator can not begin to get in a given time the same product out that they can on cloths; in other words, if we get 55 per cent against a possible 100 per cent, we consider it very good, but the woolen manufacturer complains if he does not get 80 to 90 per cent production. All of that we have to pay for, and that is the reason our wages are so much higher than the ordinary plain cloth weaving.

We therefore request that there be a special paragraph in the wool schedule after the present paragraph 297, the cloth paragraph in Schedule K—that there be included a plush paragraph which would read:

297a. Plushes, velvets, and all other pile fabrics, cut or uncut, woven or knit, whether or not the pile covers the entire surface, made wholly or in chief value of wool, and articles made wholly or in chief value of such plushes, velvets, and other pile fabrics. — per centum ad valorem.

In asking for that higher duties for plushes, I would like just to call your attention to this fact—for the last 40 years, all plush goods were higher than cloths. We find in the cotton schedule of the present Underwood bill, the finest grade of cotton cloths 27½ per cent. There is also plushes, 40 per cent. Plushes are higher than cloths by 12½ per cent; flax cloths, 35 per cent; plushes, 45 per cent—plushes are higher by 10 per cent than flax. In mohair, cloth are 40 per cent, plushes 50 per cent; plushes are higher by 10 per cent, so that in every schedule they are higher, and our request of the committee is that wool plushes carry a duty of at least 10 per cent higher than wool cloths.

Mr. BUNN. Higher in every schedule than wool?

Mr. KIP. Yes, sir.

Mr. BUNN. That is true.

Mr. KIP. In all previous bills, not only in the present Underwood, but in all bills for 20 or 30 or 40 years.

Mr. BUNN. Yes, but in the other bills they did provide for wool plushes the same way; they gave them a differential.

Mr. KIP. No; they did not, because they were so high they did not care for it.

I just wish to say in closing that we have created a great many articles made of mohair and of wool plushes, in imitation of the real furs, where we can get up a garment that can be manufactured at anywhere from \$8.50 up to \$20 a garment—this is, wholesale—which

is retailed at anywhere from \$17 up to \$35 or \$40, that can not be told from the genuine skins, hardly, themselves; and by creating that we are using the mohair raised in this country. We buy about 3,000,000 pounds of mohair; 2,000,000 we now import, and 1,000,000 we buy here; and we create from that raw hair those cloths which are luxuries (as they do not have to have them, because they can buy wool cloth for necessity), but we are creating articles that are wonderful at one-tenth the price of real furs, and which are very beneficial to the consuming public of moderate means of the United States.

I just wish to show you one here that we have gotten out very recently, and others may be seen in the room of the Committee on Finance. We have quite an exhibit there. Here is an imitation of chinchilla [exhibiting sample of plush to the committee]; you can hardly tell it from the genuine fur. A whole garment can be made up of that at wholesale at about \$18, trimmed with genuine fur collar and cuff—not of chinchilla, but of some other fur for that price. So that we are a very practical manufacturing element for the benefit of the medium-price trade of the United States. No purposes will be served by not giving us differential rates so that we can continue to supply here and to buy American-grown hair.

Senator STONE. Leave that sample here a moment.

Mr. KIP. I will be glad to leave that with you, Senator.

Senator STONE. What is the name of your company?

Mr. KIP. My weaving company is the Salts Textile Manufacturing Co. of Bridgeport. We succeeded the English company 20 years ago. We started in 1893 when the Wilson bill took effect.

Senator STONE. What do you mean by "succeeding"?

Mr. KIP. They, the Sir Titus Salts Co. of England, started a mill in this country, and myself and my partners bought it from the English concern. When the Wilson bill came about they thought everything was going to pieces. I did not. So, I bought it at a price, and we have not gone to pieces; we have grown very largely since, and we would like to continue.

Mr. BUNN. Mr. Kip, you have studied this proposed wool paragraph carefully? In your opinion, the differentials on the wool paragraphs, with free wool, are about right, are they not?

Mr. KIP. Well, I would not say that, Mr. Bunn.

Mr. BUNN. They are not what you want, but they are not low enough to kill the industry at all, are they?

Mr. KIP. You see, I do not manufacture the wool cloths. I come to you and say this: "We will try and get along on the same differentials that you give to wool, and we think we are almost entitled to it; that in all fairness you ought to give us that plus the 5 per cent. Whatever you make wool, we will take it and try and adjust our business to it." If you ask me personally, I will say that I do not think the present wool schedule on fine woolen goods is sufficient.

Senator THOMAS. You mean in the Underwood bill?

Mr. KIP. Yes, sir; I think on fine woolen goods it is not sufficient. It might be all right for the middle and low priced goods.

Mr. BUNN. But you have stated that if they gave you on your plushes, which are just about the finest proposition there is in the manufacture of cloths, made of wool or mohair—that you could

get along if they gave you the same differential that they have made on the wool. That would rather indicate that the wool schedule was about right, as far as the differentials were concerned.

Mr. KIR. I did not state that—excuse me for saying that, Mr. Bunn; no, sir. I give you the rates (rates A) whereby we can continue in business and continue to buy our hairs here in the same quantity, and I state that if they can not see their way clear to give that—it is a luxury, and it ought to be—then we ought to be entitled or we ought not to be discriminated against, and we ought to be entitled to the same differential as wool, plus 5 per cent, viz. rates C. We do not by any means say it is right, and I do not know what we will do; but I did not go out of business when the Wilson bill came around, and I hope not now.

Senator STONE. You went into business when the Wilson bill came into existence.

Mr. KIR. I bought this business with my partners in 1894. I incorporated my company in 1894.

Senator STONE. I want to ask a few questions to clear up something in my own mind. Your company is engaged in the manufacture of what?

Mr. KIR. Of all kinds of pile fabrics—plushes, velvets, or pile fabrics—anything with the pile—where the pile sticks up like that [indicating on sample of plush before the committee]. We call that a "pile fabric." We manufacture all kinds, but our big production is mohair and silk-pile fabrics, with about a million and a half per annum of wool-pile fabrics.

Senator STONE. Then you make those fabrics out of mohair and wool?

Mr. KIR. And silk; yes, sir. We are the largest pile fabric concern in the United States to-day. We have worked it up, and we are the largest in that line. We also are spinners of mohair, worsted, and some silk yarns. Our spinning mill in Pennsylvania is the same concern under a different name.

Senator THOMAS. At Darby, Pa.?

Mr. KIR. At Darby, Pa.

Senator STONE. What proportion of your production is mohair?

Mr. KIR. Why, I should say at the present time, Senator, it is over half.

Senator STONE. About how much of wool?

Mr. KIR. Of wool it is about a million and a half.

Senator STONE. You said over half was mohair.

Mr. KIR. Oh, I should say about 15 per cent, roughly, is wool, and 35 per cent of silk.

Senator STONE. What is mohair?

Mr. KIR. Mohair is the hair of the Angora goat. It is grown principally—it started in the Angora district of Turkey, where everything, even cats and mice, on account of the climate and soil, have longer and silkier hair than anywhere else in God's earth.

Senator THOMAS. Classed about commercially the same as alpaca?

Mr. KIR. No; that is another thing; that is very small.

Senator STONE. Mohair is the hair of the Angora goat?

Mr. KIR. Yes, sir; and, Senator, just there I would like to say this: Years ago a small flock came out of Turkey. The Sultan sent them as a present to a gentleman of South Carolina who had helped

him in his state affairs. From that flock has sprung all of the mohair now grown in this country. Turkey, when they found this country was growing mohair successfully, 10 or 15 years later put a prohibitory decree upon the bucks going out of Turkey, and South Africa followed a few years later with similar prohibitory decrees.

Senator STONE. You mean export duty?

Mr. KIP. Prohibitory—they can not export them at all at any price.

Senator STONE. Prohibiting the export?

Mr. KIP. Absolutely.

Senator STONE. They may export the hair?

Mr. KIP. Oh, yes; they may export the hair.

Senator THOMAS. But prohibit the export of the animal?

Mr. KIP. They prohibit the exportation of any buck or any animal, and that makes it impossible for these American growers. They can not get the stock, because the stock deteriorates in this country; is not quite as good as there, but there are parts of Oregon and Texas and Arizona—

Senator STONE. I am not asking these questions because I absolutely do not know anything about it, but I am asking them to get it here in concrete form for use.

Mr. KIP. Yes, sir.

Senator STONE. Now, I know what the Angora goat is as well as you do. I may not be so familiar with the history of it, perhaps, as you are. How much in pounds of Angora goat hair is used in manufactures in the United States?

Mr. KIP. About 13,000,000 pounds to-day.

Senator STONE. About how much of that is produced in the United States?

Mr. KIP. Six million pounds; 7,000,000 pounds imported.

Senator STONE. Where does that come from?

Mr. KIP. Exclusively from Turkey and South Africa, all imported here. They are the only two other countries raising it.

Senator THOMAS. You are not getting much from Turkey this year?

Mr. KIP. I received in the month of January, 1913, in three weeks, 781,000 pounds.

Senator THOMAS. I did not know but what the war and troubles over there interfered with it.

Mr. KIP. It held it up for about three weeks, and that is why I got larger shipments at one time. I am importing this year 2,000,000 pounds of Turkey mohair.

Senator THOMAS. What is the average price of mohair, or Angora-goat hair at this time?

Mr. KIP. You mean domestic?

Senator THOMAS. Yes; domestic; during the time you have just spoken of in making this purchase?

Mr. KIP. The price of the Turkey hair, such as we are using, is from 13 to 13½ pence.

Senator THOMAS. Twenty-six cents?

Mr. KIP. Twenty-six cents a pound, the price that we have just paid.

Senator STONE. You mean domestic price?

Mr. KIP. No; the foreign price.

Senator STONE. Well, what is the domestic?

Mr. KIP. I will tell you——

Senator STONE. You stated awhile ago that you had recently bought and had delivered to you a large quantity of this hair from Oregon?

Mr. KIP. Yes, sir.

Senator STONE. How much is that?

Mr. KIP. We have had 250,000 pounds shipped last week, and it averages 36½ cents f. o. b. Portland, Oreg.

Senator STONE. Per pound?

Mr. KIP. Per pound.

Senator STONE. What do you pay for like hair in Turkey or South Africa?

Mr. KIP. Thirteen pence.

Senator STONE. That is 26 cents?

Mr. KIP. Yes, sir.

Senator STONE. Per pound?

Mr. KIP. Per pound.

Senator STONE. Just give it in cents.

Mr. KIP. Twenty-six cents a pound.

Senator STONE. That is 10 cents less than you had it delivered to you f. o. b. in Oregon?

Mr. KIP. Yes, sir.

Senator STONE. And you paid the freight from Oregon to your point of delivery?

Mr. KIP. Yes, sir.

Senator STONE. In Connecticut?

Mr. KIP. That mill is in Pennsylvania; that is the spinning mill.

Senator STONE. In Pennsylvania?

Mr. KIP. Yes, sir.

Mr. STONE. You bought, as you say, a large consignment recently from some points in Turkey?

Mr. KIP. At 26 to 27½ cents. The freight laid down here is about the same as from the West, 1½ cents.

Senator STONE. The freight from the point of purchase in Turkey to your mill in Pennsylvania is about the same as the freight from Oregon?

Mr. KIP. Yes, sir.

Senator STONE. To the same point?

Mr. KIP. Yes, sir.

Senator STONE. Now, what duty did you pay on that?

Mr. KIP. Twelve cents a pound.

Senator STONE. So that the foreign production on your purchase cost you how much more than the domestic production?

Mr. KIP. It cost us about 39 cents, freight paid—the foreign.

Mr. BUNN. Put all of your expenses into that.

Mr. KIP. That costs us about 39 or 40 cents delivered at the mill—the foreign purchase.

Senator STONE. As against——

Mr. KIP. As against 38 cents on the Oregon purchase.

Senator STONE. Delivered at the mill?

Mr. KIP. At the mill. I wish to say there, too, Senator, that the Turkey hair is a little better quality; that is to say, out of a pound of Turkish hair you can spin more yarn than out of the Oregon hair;

so that there is a difference of about 3 cents in favor of the Turkey hair.

Senator STONE. You mean per pound?

Mr. KIP. Per pound.

Senator STONE. If that be true, then the Turkey hair would be the cheaper?

Mr. KIP. It was cheaper; just now it is the cheaper.

Senator THOMAS. You said you paid how much in Oregon, f. o. b.?

Mr. KIP. Paid 36½ cents f. o. b. Portland.

Senator STONE. Counting freights from Oregon to your mill and counting freights and duty from Turkey to your mill, the actual difference in cost was about the difference between 38 cents and 39 cents?

Mr. KIP. Forty—38½ cents to 40 cents.

Senator STONE. Thirty-eight cents American; 40 cents Turkish?

Mr. KIP. Yes, sir.

Senator STONE. But you say there is a difference of 3 cents a pound in the value when woven into cloth?

Mr. KIP. Yes, sir.

Senator STONE. Or yarn?

Mr. KIP. Yes, sir.

Senator STONE. So that in this latter view you consider that the Turkish wool or hair is the cheaper?

Mr. KIP. Yes, sir; that is right, on account of the large demand in the United States on plushes. On account of the large demand in the United States on plushes we have raised the price of Oregon hair from 21 cents about three years ago to the present figure of 36½ cents.

Senator STONE. When you get this hair at your mill in Pennsylvania, what do you do with it?

Mr. KIP. We take it and sort it and then we make it into top.

Senator STONE. What is "top"?

Mr. KIP. "Top" is the continuous rope thread; it is the next stage.

Senator STONE. When you sort the hair, what do you mean by "sort"?

Mr. KIP. We take out a certain kind of fine hair, which may be kid hair a year old, and it will make a finer yarn than a coarser part of the animal. The back of the animal is very coarse; the shoulders are finer. We sort it out and put in one pile all the fine hair. It may be the fine part of an older goat, or it may be a kid hair; then the next finer we put in another pile, and the coarse we put in another pile.

Senator STONE. And so on?

Mr. KIP. Yes. Now, we spin from those sortings certain yarns. That chinchilla is made from the kid hair, and that is why it is so soft and silky.

Mr. BARNER. Do you have to clean it any?

Mr. KIP. Oh, yes; we scour it.

Senator STONE. You sort the hair?

Mr. KIP. Yes, sir.

Senator STONE. Then what do you do with it?

Mr. KIP. We scour it, and then we card it.

Senator STONE. Scour it to clean it?

Mr. KIP. Yes, sir; washing. Then we card or comb it and make it into tops.

Senator STONE. What is the "top"?

Mr. KIP. The top is the continuous rope thread, the first process of spinning into yarn.

Senator STONE. After you have scoured the hair or cleaned, then you make it into tops?

Mr. KIP. That is right.

Senator STONE. How do you make a top?

Mr. KIP. We take and comb out the ends, and then we put it on a carding machine.

Senator STONE. How do you comb it?

Mr. KIP. We have what we call "combs" for that purpose.

Senator STONE. Is that machinery?

Mr. KIP. Yes, sir.

Senator STONE. What is the process?

Mr. KIP. Well, it passes through a lot of combs, and automatically they catch a hold of it and pull it out and get the fibers all lying straight; that is, string it out. The waste goes to one side, and these fibers go out; and then it is taken and put on another machine and finally it goes into the carding machine and from that comes off the rope top.

Senator STONE. From that comes off what you call the "top"?

Mr. KIP. Yes, sir.

Senator STONE. When it comes off, in what form is it?

Mr. KIP. It is a continuous thread, about as thick as five fingers. Then, that is the first stage of the yarn; and then that top is taken and put through other processes and spun on spinners.

Senator STONE. What other processes?

Mr. KIP. From the top it goes through the different machines. I could not tell you all of those, Senator, as I am not as practical as our mill superintendent.

Senator STONE. Tell us as far as you are able.

Mr. KIP. It simply goes into roving frames, and different things, and it is finally spun on spindles to either single yarn or twofold yarn. If twofold, it is twisted.

Senator STONE. You take these tops and put them into machinery?

Mr. KIP. Yes, sir.

Senator STONE. And it is run through and threads are made out of them?

Mr. KIP. Yes, sir; that is right.

Senator STONE. Are they put on spools?

Mr. KIP. Well, no—

Senator STONE. Or balls?

Mr. KIP. They can be put either way, but in our business we put it on spools first, and then make it into warp for the looms, or put on jack spools. There are a multitude of ways of handling the yarn or thread after it is made. Each manufacturer or weaver takes it in accordance with his needs.

Mr. BUNN. It depends upon what you are going to make with it?

Mr. KIP. Yes, sir.

Senator STONE. When you get the thread, what do you do with it?

Mr. KIP. We make a warp of it, put it into the loom and put a cotton warp—all our goods, the top is mohair or wool or silk, but

on the back all of it is cotton. We have two cotton warps or mohair or silk warps.

Senator STONE. You have laid here before me a sample.

Mr. KIP. In that the back warp is cotton, and the filling is cotton, and the pile mohair.

Senator STONE. What is the front?

Mr. KIP. Mohair—kid mohair.

Senator STONE. And you have woven this mohair into this surface?

Mr. KIP. We weave it like this. That [illustrating] is the top back warp and this is the bottom back warp, and the pile warp works between the two, and therefore we have to have three warps—the cotton top warp, the cotton back warp, and the pile warp that floats between them. Now, a knife goes through the center of them and cuts it in the middle. This top piece goes around a pin roller, and we make two pieces out of it. That is why plush weaving is so much greater as to both stoppage of the looms and the expertness required for three warps in plushes as against one in cloths.

Senator STONE. And when that process is completed your cloth is made?

Mr. KIP. No; I wish it were. After that is done that is the gray goods.

Senator STONE. That is what?

Mr. KIP. The gray goods; that is, piece dyed like that [illustrating]. Then we have a means of producing a pattern in imitation of different skins, you see. That is the very inventive end of the business. We may have to expend 25 cents a yard to make that effect alone.

Senator STONE. After this weaving and this cotton warp the foundation of the cloth is made?

Mr. KIP. Yes, sir.

Senator STONE. In fact, the cloth is made—

Mr. BUNN. In the gray?

Mr. KIP. In the gray.

Mr. BUNN. Undyed?

Mr. KIP. Undyed.

Senator STONE. I will get it, if you will just give me a chance. The cloth is made—

Mr. BUNN. Pardon me.

Senator STONE. The cloth is made. Now you come to the question of coloring it?

Mr. KIP. Yes, sir.

Senator STONE. And that you do by dyeing?

Mr. KIP. Yes, sir.

Senator STONE. What was the color of this sample of cloth you have exhibited here when it was first completed—before dyeing?

Mr. KIP. It was a cream—about the shade of this manila paper.

Senator STONE. Of this paper cover?

Mr. KIP. Yes, sir; cream white.

Senator STONE. What did you do with it to get this color on it—as it is now?

Mr. KIP. Well, first we bleached it absolutely white; then we dyed it a peculiar shade; and after that we extracted the face, taking out all the dye.

Senator STONE. You say, "dyed it a peculiar shade." Can you tell me what you mean by that?

Mr. KIR. I will have to explain that. That is a peculiar thing. We dyed it a brown first, if you ask me about this particular chin-chilla?

Senator STONE. Yes.

Mr. KIR. We dyed it a brown; then we developed it by a certain method into a gray, and back of which you will see—

Senator STONE. What are those certain methods?

Mr. KIR. I will have to ask my dyeing chemist.

Mr. BUNN. That is a secret process; they do not like to talk about it.

Mr. KIR. I do not know it, Senator. I would be glad to have it furnished you, but I would have to have my dye chemist tell you.

Mr. BUNN. That is a business secret.

Mr. KIR. No. I would be glad to give it to you, but I do not know it. It was then developed into this shade of dark—sort of gray navy shade of blue; then the face of it is extracted, taking out all the color of both brown and blue shade dyes, leaving the white or bleached color on the face.

Mr. BUNN. You say you take out the color?

Mr. KIR. Yes, sir.

Mr. BUNN. How do you take it out?

Mr. KIR. By chemical application.

Mr. BUNN. That is just in the ends of the hair.

Senator STONE. And, finally, how do you get it this color?

Mr. KIR. That gives that color; and then to get that outline we have different inventions of machinery which we put it through which produces this imitation there. That only shows you, Senator, how much expense we go to in producing this kind of plush.

Senator STONE. I am only asking you to get at the process of manufacture. If you use wool, what would be the process?

Mr. KIR. If we used wool in a plain cloth—not plushes—taking the thread now and putting it in a loom, there would only be one warp and filling. If it was gray goods, it would be the natural gray color. After being woven, it would be dyed one shade, and then finished. If it was not gray goods, it would be yarn dyed in the thread, and then woven with one warp and one filling.

Senator STONE. If it was silk, what would you do?

Mr. KIR. The silk is exactly the same as wool in plain weaving; in Jacquard weaving there would be fancy effects, but in plain weaving it is the same as wool weaving. That is the reason why in all the tariff bills plushes have been accorded at least 10 per cent more duty than the duty on cloths.

Senator STONE. You mean mohair plush?

Mr. KIR. All plushes, whether cotton, flax, mohair, or anything else.

Senator THOMAS. You said "all plushes"?

Mr. KIR. There was no paragraph for plushes in the Payne-Aldrich bill; it was cloths only; but plushes came under wool cloths, because of the duty being so high.

Senator STONE. Do you know what the domestic production of mohair plush is in the United States?

Mr. KIR. I could not tell you that, Senator, no; I know what we produce.

Senator STONE. How much do you produce?

Mr. KIP. Well, a number of million of dollars' worth.

Senator THOMAS. How many yards?

Mr. KIP. I could not tell you that without going into it.

Senator THOMAS. "A number of millions of dollars" is a very indefinite statement.

Mr. KIP. I could get that for you very easily. I could have it in a day or two.

Senator THOMAS. What number of millions of dollars? Comparatively, what proportion of mohair cloth is produced in the United States and imported from abroad?

Mr. KIP. All mohair cloths, now, Senator, do you mean?

Senator THOMAS. Mohair plushes.

Mr. KIP. Mohair plushes have been largely created in the last six or eight years. The present tariff on mohair plushes is high, and comparatively few have come in. I should say, roughly, that less than \$1,000,000 have come in, but it is difficult to say exactly, because they are all classified with wool; and there, again, if you will permit me—

Senator STONE. Do you mean—these gentlemen at the other end of the table could answer this, but I ask you—mohair plushes, and wool plushes, etc., silk plushes, and all come in under the same classification?

Mr. KIP. No; mohair and wool plushes and cloths come in all together, not separated, in the wool schedule—Schedule K; and for the sake of classification alone, Senator, there ought to be a wool paragraph for wool plushes, as there is now in the present bill a separate paragraph for mohair plushes and other mohair products.

Senator STONE. You say about \$1,000,000 of mohair plushes came in last year?

Mr. KIP. That is a guess.

Senator STONE. But that is approximately right.

Mr. KIP. I think it is, because I know—

Senator STONE. Approximately how many dollars' worth are produced in our country?

Mr. KIP. This last year?

Senator STONE. The same year that you say \$1,000,000 came in?

Mr. KIP. I should say a matter of \$6,000,000 or \$8,000,000.

Senator STONE. Then it would be somewhere from one-sixth to one-eighth of the total consumption?

Mr. KIP. Yes, sir.

Senator STONE. How would that relative proportion run with reference to other kinds of plushes, wool and silk?

Mr. KIP. Silk plushes? Why, the importations of silk plushes and velvets, I think, are about two and one-half million. You have that in the handbook. You can tell that, because there is a separate classification in silk plushes.

Senator STONE. What is the production here?

Mr. KIP. I should say, perhaps, it was \$5,000,000 or \$6,000,000.

Senator STONE. Then, the proportion of imports would be larger?

Mr. KIP. Yes, sir; I think they are.

Senator STONE. In addition to plushes you make mohair cloths?

Mr. KIP. No, sir. We only make mohair yarns and plushes.

Senator STONE. There are products of mohair outside of plushes?

Mr. KIP. Yes, sir.

Senator STONE. What are they?

Mr. KIP. They are very largely mohair cloths for automobile tops, and mohair linings for men's use; mohair dress goods for women's use, and mohair suitings for men's use. There are some very large mills in this country.

Senator STONE. Have you any familiarity with those trades?

Mr. KIP. I have a sheet with the brief, showing the figures as to wages paid in a large mill in England and a large mill in the United States.

Senator STONE. Of cloths?

Mr. KIP. Of cloths, running the same machinery here as abroad. It is a new mill, built within four years.

Senator STONE. How did you happen to file that brief?

Mr. KIP. I filed that because I represent the manufacturers of cloth and the spinners and also the weavers as well as my own firm, and they furnished me with those figures.

Senator STONE. I see.

Mr. KIP. And this gives the cost of both processes, from the sorting of the wool to the weaving of the cloth, the wages paid in England, and the wages paid in this country.

Senator STONE. What proportion of mohair is produced in the United States and used in the manufacture of plushes, and what proportion in the manufacture of cloths?

Mr. KIP. Well, I could not say, Senator.

Senator STONE. It is not used for anything else except the manufacture of cloths and plushes?

Mr. KIP. No, sir; nothing else. I should say the plush is used a great deal.

Senator STONE. What is that?

Mr. KIP. The plush manufacturers use a great deal more of the 13,000,000 pounds consumed than the cloth men do, because the cloth is only one continuous thread, whereas this pile sticks an inch, and one piece of plush goods will take as much as 40 pounds of mohair.

Senator STONE. Let me ask you—you have described how mohair plush is made. How is mohair cloth made?

Mr. KIP. Mohair cloth is made exactly the same as a wool cloth. It is a single warp and a cotton filling or mohair filling.

Senator STONE. In other words, you use the hair of the goat instead of the wool of the sheep?

Mr. KIP. That is it exactly.

Mr. BARNER. The hair of the Angora goat?

Mr. KIP. The hair of the Angora goat; but, Senator, I will say this, also, that it is more expensive to make mohair cloths than it is to make wool cloths, because the hair is so slippery and wiry that it is more difficult to handle and more labor is expended.

Mr. BURN. The difference in cost is in labor?

Mr. KIP. Oh, yes.

Mr. BURN. What is the difference in the value of the cloths after they are made?

Mr. KIP. Mohair sells for more money than the wool cloth.

Mr. BUNN. Then the difference in labor is compensated for in the price paid for the production by the consumer?

Mr. KIP. Yes, sir.

Senator STONE. Is there anything else you wish to state?

Mr. KIP. No, sir; nothing at all, Senator.

MEMORANDUM PRESENTED BY FREDERIC E. KIP, PRESIDENT SALT'S TEXTILE MANUFACTURING CO., BRIDGEPORT, CONN.

WOOL PLUSHES.

It is either right to have plushes higher than cloths or it is wrong. But there can be absolutely no justification in having duties higher than cloths by 10 to 12½ per cent on cotton plushes, flax plushes, and mohair plushes and then have wool plushes just the same duty as cloths.

Such an inconsistency can not be justified from any standpoint whatsoever. Therefore, if you would be fair and do justice, a separate paragraph (after par. 297) should be given to wool plushes, the same as in all other textiles. There is not a single textile schedule excepting wool that does not have its plush paragraph.

With the excessively high rates on Schedule K of the Payne-Adrich bill a separate paragraph for plushes was not required, as manufacturers were paid to take the high cloth duties and have them apply to plushes. As the labor expense in plushes is tremendously higher than on cloths, under the Underwood low wool rates unless a separate paragraph for plushes is created it will work great injustice to the weavers and knitters of wool plushes.

The reason plushes cost so much higher than cloths is: Plushes in plain weaves have three warps, viz. top back warp, bottom back warp, and pile warp, whereas cloths deal with one warp only.

On account of extra stoppage of the loom due to congestion of the three warps, the extra expertness required in weaving and other handicaps in plushes the labor cost of plushes as against cloths in every textile industry is 40 to 50 per cent higher on plushes.

It is for this reason that every textile schedule excepting wool has a separate paragraph for plushes, and the duties on plushes are 10 to 12½ per cent higher than on cloths.

Underwood bill (H. R. 3321).

	Cloths.	Plushes.	Plushes higher by—
	Per cent.	Per cent.	Per cent.
Schedule I, cottons:			
Page 66, paragraph 257.....	27½	40	12½
Page 68, paragraph 262.....			
Schedule J, flax:			
Page 75, paragraph 292.....	35	45	10
Page 74, paragraph 289.....			
Schedule K, mohair:			
Page 78, paragraph 317.....	40	0	10
Page 79, paragraph 318.....			

¹ Finest.

Wool plushes should carry a rate of at least 10 per cent higher duty than wool cloths.

Page 76, after line 4 (bill H. R. 3321), insert:

"297a. Plushes, velvets, and all other pile fabrics, cut or uncut, woven or knit, whether or not the pile covers the entire surface, made wholly or in chief value of wool, and articles made wholly or in chief value of such plushes, velvets, and other pile fabrics. — per centum ad valorem."

STATEMENT OF MR. J. E. McCARTY, OF STEPHENVILLE, TEX.

PARAGRAPHS 314-318.—*Mohair.*

Senator STONE. What do you appear for, Mr. McCarty?

Mr. McCARTY. I appear for raw mohair, Senator—the grower of mohair. We were given 20 per cent ad valorem, Senator, in the Underwood bill. We are not asking for any raise of that. We are not here asking that that be changed, but we are merely asking that it shall remain.

Some of the reasons we give why that should remain are as follows: Mohair and its resultant products are luxuries—largely so, at least; in fact, they are almost entirely so—and it is a Democratic principle to levy these taxes so as to make those who use the luxuries of the country pay the taxes. They are more able to pay them than those who use necessities.

Along that line I will state to you that there are imported at the present time—I am giving you the manufacturers' figures—approximately 7,000,000 pounds of mohair annually. Under the 12-cent duty of the Payne-Aldrich bill it would bring a revenue of \$840,000. The imported mohair is worth approximately 30 cents a pound. At 20 per cent ad valorem, which is the rate carried by the Underwood bill, it would bring something like 6 cents a pound, or half what it is now bringing, if you reduce the duty to a specific one. Therefore, under the present bill, if it does not increase the importation—which I think it will—

Senator THOMAS. The domestic production will increase, too, will it not?

Mr. McCARTY. The domestic production is increasing most wonderfully, Senator. It would bring a revenue at the 20 per cent rate of \$420,000 per annum if no more than the present amount were imported. We have in the United States at the present time somewhere around 3,000,000 Angora goats. I can not give you exact figures, because to the people who took the statistics a goat was a goat, and they took all the Angora and the common goats together. We produce in the United States something over 6,000,000 pounds of mohair per year at the present time.

Senator STONE. What is the consumption?

Mr. McCARTY. The consumption is something like 13,000,000 pounds in the United States. Among other things, one of the reasons we insist that we ought to have a revenue duty on mohair, aside from the fact that these are luxuries, is that there are only three countries in the world that produce mohair. Those countries are Turkey, the place where the goat originated, South Africa, and the United States. They have a much better goat in South Africa and in Turkey than we have in the United States.

Senator THOMAS. We ought to get it, then.

Mr. McCARTY. We can not get them.

Senator THOMAS. You can not get the goat?

Mr. McCARTY. They will not allow us to do so.

Senator THOMAS. I know what you mean.

Mr. McCARTY. I do not understand you, Senator.

Senator THOMAS. It was just pleasantry; that is all.

Mr. McCARTY. They have passed laws, both in Turkey and in South Africa, prohibiting the exportation of the better stock to this country. They absolutely will not allow us to import those. They saw the immense possibilities of this country with reference to the Angora goat, with our immense waste mountain country. Senator, you have some very fine country in Colorado, and I think it ought to make a very fine country for Angora goats; and you have quite a good deal of that industry there. Take your own State, Senator Stone—the State of Missouri. I am taking this from the statistics. In 1900 you had 24,487 goats. Now, I do not say all of those were Angoras, but I should think the others would be negligible. They were worth \$64,786. When you took the statistics in 1910, these 24,487 had increased, mind you, to 72,418. The value of them had increased from \$64,786 to \$189,409.

I took those figures from the census report, showing the increase in Missouri. There is scarcely a State in the United States that does not show in these statistics an increase in the production of mohair. That shows that the country is especially adapted to the production of mohair; and that is one of the very main reasons why South Africa and Turkey have placed a ban upon bringing that stock to this country. We had but very few to start with, and we crossed them on the old common goat until we pretty nearly bred them out, and they sought to keep us from getting the pure-breed stock in here to cross back on our stock. They sought to destroy the industry and keep it in their country in that way. Fortunately, however, a few men in the United States had kept the stock pure enough so that by distributing billies they are building it up very rapidly. While our goats in the United States to-day only shear less than 3 pounds on an average, those in South Africa shear approximately 6 pounds. In Turkey I should think they would shear something over 4 pounds.

Senator THOMAS. Is that due to difference in the size of the animal?

Mr. McCARTY. Partly so; because they bred them out. They have got a better goat. They cross the animals on what is called the old Boer goat in that country, and kept breeding in the good qualities of the animal and breeding out the bad qualities of the other until to-day they have got the largest animal in the world. Some of their goats there, they claim, will shear as much as 20 pounds. One herd, they claim, there, will shear an average of 11 pounds. That is a herd owned by a man by the name of Holmes. Instead of being a small goat like it originally was, some of those goats weigh now 180 pounds, which is much larger than the original goat. They have built up a very fine goat there, as I say.

Here is another point that I wish to bring out, Senator: There are no cheaper labor conditions anywhere in the world than in South Africa. The statistics go to show that the herders in South Africa receive less pay than at any other place in the world—as low as \$1.21 per month.

Senator THOMAS. Do you state that as the minimum or as the average?

Mr. McCARTY. I state that as the minimum. They go as high as \$4 and \$5 a month, in some instances; but that is the lowest. Four or five dollars a month would be good wages down there. The work is done by these Kaffir negroes, you know, who wear a breechelout,

and live upon the carcasses of dead animals that die from accident and disease. They live in a way that our people can not live. With their superior shearing goat, and with the people that live as those Kaffirs do—and they make the most excellent herders, too—it is impossible for us to compete with them, with our high-priced men and our high-priced labor here, paying \$30 and \$35 and \$40 a month and boarding our hands, making them cost us probably in the neighborhood of \$50 a month. It would be impossible, taking into consideration the fact that they have a superior shearing goat, absolutely impossible, for us to compete with those people. If we have to compete with them it would absolutely destroy the industry.

Senator STONE. What do you want us to do?

Senator THOMAS. He simply wants to retain the duty as it is now.

Mr. McCARTY. We would like to retain the duty of 20 per cent ad valorem.

Senator STONE. In the present law?

Mr. McCARTY. In the Underwood bill, Senator; not the Payne-Aldrich law, you understand. We want to retain the 20 per cent given us in the Underwood bill—the one that is before you now. We merely want that to stay as it is.

Senator THOMAS. You want to keep what you have?

Mr. McCARTY. That is all. There is no water in our stock, except what little is in the goat.

Senator THOMAS. Do you mean your live stock or your capital stock?

Mr. McCARTY. Our capital stock. We pay good wages in proportion to the profits that we can get out of the industry. I could say quite a good deal more, but I do not want to take up your time.

Senator THOMAS. I think your 10 minutes are about up.

Mr. McCARTY. Yes; I think so, too. Before my time is up I will say that if there are any questions that you gentlemen would like to ask me I shall be glad to answer them. Perhaps something has presented itself or suggested itself to you that you would like to know about. If so, I shall be glad to answer it, if I can.

Senator THOMAS. A good deal that you have said about this industry has been stated here already by Mr. Kipp; so you are very largely duplicating what he said.

Mr. McCARTY. He was a manufacturer?

Senator THOMAS. Yes.

Mr. McCARTY. I did not know what he had said.

Senator THOMAS. That is the reason I have no questions to ask you.

Mr. McCARTY. I see. I thank you all very much.

STATEMENT OF MR. OSCAR WAGNER, OF 452 FORT WASHINGTON AVENUE, NEW YORK, N. Y.

Woolen tapestries.

[Suggested paragraph.]

Mr. WAGNER. I am an attorney and appear on behalf of the manufacturers of jacquard-figured woolen upholstery fabrics. I am asking,

in behalf of those manufacturers that a clause be inserted in the woolen schedule similar to the clause now in the cotton schedule, providing, substantially, as follows:

Tapestries and other Jacquard-figured upholstery goods, composed wholly or in chief value of cotton or other vegetable fiber; any of the foregoing, in the piece or otherwise, — per cent ad valorem; all other Jacquard-figured upholstery goods, composed wholly or in part of wool, in the piece or otherwise, — per cent ad valorem.

Senator STONE. That is what you propose?

Mr. WAGNER. Yes, sir.

Senator STONE. As an amendment to what?

Mr. WAGNER. Not as an amendment, but as an insertion.

Senator THOMAS. As an additional section in the wool schedule?

Mr. WAGNER. As an additional section in the wool schedule. Jacquard-figured upholstery goods are mentioned three times in the cotton schedule. They are not mentioned at all in the woolen schedule. Our reason for asking for that insertion is to segregate these goods. They come in now under the basket clause in the wool schedule as woolen cloth. If you will look at the samples that I have here, you will see that they are entirely different from ordinary woolen goods. The initial cost of producing them is high, as well as the labor cost of their production. Before these goods are woven a sketch is made, which we get, almost without exception, from the other side, and the sketch pays a duty to the Government of 15 per cent. The design pays a duty of 35 per cent, and the Jacquard cards pays a duty of 35 per cent. In the sample of goods similar to these before your committee the cost of those three items before a yard of the goods was woven was \$468.71, from which the Government got a duty of \$115.09. Furthermore, there is a duty imposed on the yarn.

Senator STONE. I do not understand that. How much did you say the cost of the three items was?

Mr. WAGNER. \$468.71, the initial cost before we wove a yard of the goods, for the sketch, the design, and the Jacquard cards.

Senator STONE. You had to pay that sum for the sketch, the design, and the cards, and the Government got how much as duty?

Mr. WAGNER. \$115.09. Fifteen per cent on the design and sketch and 35 per cent on the Jacquard cards. Under the proposed bill that has been reduced to 25 per cent. The other remains the same. That cost was \$468.71. The Government got a duty of \$115.09 on that. The average yardage of these patterns is 1,000. One man devoting his whole attention to one loom, and it requires the attention of a man, can weave but 6 yards a day. We use some imported yarns in these goods, and they pay a duty, so that the cost of production is high on these fabrics, and it is illogical and unscientific to class them with ordinary woolen cloths. It is impossible to tell to-day how much of these goods are imported. You can not get the figure, because they are not segregated. They come in under the clause of the wool schedule for woolen cloths, not specially provided for, and pay a duty of 44 cents per pound and 55 per cent ad valorem. The average duty on this is 84 per cent to-day under the bill that is in operation. Under your proposed bill it will pay a duty of 35 per cent. We think these goods should be segregated as they are

segregated under the cotton bill. It is mentioned three times in the cotton bill, and there is no logical reason why it should be ignored in the other schedule. They should also carry a higher rate.

Senator STONE. A higher rate than the cotton goods?

Mr. WAGNER. A higher rate than you have it under the woolen schedule. You can see that they are not necessary for anyone's subsistence or happiness. They are luxuries. They are bought by people who can indulge a taste for such things. They are used for furniture coverings and wall decorations. So we respectfully submit for your consideration that that clause should be put in.

Senator STONE. What is the domestic production?

Mr. WAGNER. The domestic production in the year 1912 was \$125,000 worth. During the same period there was imported manufactures wholly or partly of wool, not specially provided for, valued at over 70 cents per pound. \$296,291.91. It is impossible to tell, however, just what proportion there was for these woolen tapestries, because, as I said, they are not separated from ordinary woolen cloth except in the respect that they are valued at over 70 cents per pound.

Senator STONE. Is the entire consumption between \$300,000 and \$400,000?

Mr. WAGNER. It is so apparently from the figures as near as we can get them.

Senator STONE. It is a small business?

Mr. WAGNER. It is a small business; yes, sir. It has struggled along, and under present conditions they have been able to compete.

Senator STONE. How many people are engaged in the business?

Mr. WAGNER. I should say about 2 dozen factories.

Senator STONE. And altogether they would make \$125,000 worth?

Mr. WAGNER. Yes, sir; of these wools. Of course we manufacture cotton tapestries.

Senator STONE. I am speaking of the wools.

Mr. WAGNER. \$125,000 worth, just of the wools; yes, sir.

Senator STONE. How many people have you employed in these factories?

Mr. WAGNER. I should say 1,000. I do not want to commit myself to that, however. There may be possibly a couple of thousand.

Senator STONE. There are that many engaged in making these woolen tapestries?

Mr. WAGNER. Yes, sir; and the upholstery goods. You see, these mills do not confine themselves to the woolen tapestry alone. They make the cotton goods as well. Now, here is a sample of the cotton fabric. It would hardly pay if they confined themselves to the production of the wool alone. These samples are of pure wool, except the binding there, which is cotton.

Senator STONE. But you are not speaking of the cotton fabrics.

Mr. WAGNER. You asked me, however, if that number of men were engaged in the manufacture of these tapestries. They are not, because they make both.

Senator STONE. What is the production of both—cotton and wool?

Mr. WAGNER. They were produced in the United States. The production of tapestries and jacquard figured upholstery goods in 1910.

as given by the census reports, was \$4,723,907. You see, this is about the last word in weaving.

Senator STONE. The thing you want is to segregate these and put them into separate sections.

Mr. WAGNER. I would like to have them segregated. I believe we are not asking anything unreasonable in doing that.

Senator THOMAS. You have drawn a form here of a section, leaving the duty blank. What suggestion have you to make as to the percentage of duty that should be filled in there?

Mr. WAGNER. I do not think it ought to carry a lower duty than 50 per cent. We figure that 50 per cent in the cost is labor on these goods.

Senator THOMAS. And your contention, of course, is that these are luxuries?

Mr. WAGNER. I think that must appeal to you just by looking at them. They are not necessities at all.

Senator THOMAS. I know that independent of your statement.

Mr. WAGNER. They are absolutely luxuries. It is the only way they can be considered. I would like to leave this supplemental brief with the committee.

(The brief referred to is as follows:)

NEW YORK, N. Y., May 24, 1913.

The Senate Finance Committee.

GENTLEMEN: Supplementing the brief presented to your subcommittee considering that part of the tariff which refers to manufactures of cotton, we respectfully call to your attention the following remarks of the Tariff Board on Schedule I, printed on page 460 of said report, and referring to the table of costs and selling prices of tapestries printed on the preceding page:

"It will be seen from the table that in a number of instances the total cost per yard, including selling expenses, exceeds the mill selling price, which shows that some of the tapestries are sold at so close a margin that the mills have to disregard a part of the selling expense to figure a profit on those cloths. Tapestries are usually turned out in small quantities, frequently on special orders. This necessitates the frequent resetting of the cards on the looms (this being Jacquard work), which greatly enhances the weaving cost of the cloths.

"Attention must also be called to the fact that the tapestry mills from which data were obtained buy their yarns, so that the cost given in the table includes the profit of the spinning mill. All this accounts for the smaller margin between the mill selling price and the cost as compared with ordinary cotton fabrics."

We would likewise call your attention to page 507 of the same report, wherein you will find the following:

"Unlike the other cloths, a large part of the trade in tapestries is in foreign cloths. This is due to the fact that tapestries are usually made for a discriminating trade which shows a manifest preference for exclusive designs. Foreign mills are willing to make these cloths in very small quantities, confining a pattern to a half dozen pieces of it in a city. Moreover, foreigners, especially the French, show great originality in designing new patterns. American mills do not, as a rule, make original designs, confining themselves to the copying of foreign patterns, and prefer to receive large orders in these. The orders, however, are very small in yardage as compared with other cloths, which increases the cost of production and tends to reduce the profit."

We claim that the above-quoted findings of the Tariff Board prove our contention that the tariff on tapestries or other Jacquard figured upholstery goods should not be reduced—certainly not to the extent of 30 per cent in the ad valorem rate proposed in the House bill.

Respectfully submitted for the upholstery industry.

THE ORINOKA MILLS.

SCHEDULE L.—SILKS AND SILK GOODS.

STATEMENT OF MR. M. C. MIGEL, TREASURER AMERICAN SILK SPINNING CO., NEW YORK.

PARAGRAPHS 319 AND 320.—*Spun silk.*

Senator STONE. I thought you were anxious to speak first, so you could get away.

Mr. MIGEL. That is right. I will be very short, Senator. I think the subject admits of that.

We are manufacturers of spun silk, paragraphs 319 and 320. Paragraph 319 refers to combed silk. Combed silk is spun silk partially advanced in manufacture. I will show you some of it, so you will know what it is. [Exhibiting two samples of silk.] This is the original waste; the combed silk is made from that. That is Japanese; they are both Japanese. This is a raw product that is partially advanced in manufacture, covered by paragraph 319.

Senator STONE. This is the lowest grade?

Mr. MIGEL. Yes, sir; that is the waste.

That paragraph 319 was changed by the Ways and Means Committee of the House from 35 cents a pound to 15 per cent ad valorem. That, I feel certain—and we make the contention—is an error, as it was not intended. It would be of no benefit to anyone at all. It is something that, if it came in and were admitted at 15 per cent ad valorem, no one could tell its value. I make the contention that on that article, combed, there is no appraiser, no Treasury official, and no manufacturer that can place a value on it. They could not tell you if that is worth \$1 a pound, \$1.20, \$1.50, or \$1.70.

Senator STONE. Mr. McGuire, will you please tell us what you think of this?

Mr. MCGUIRE. Before appraising this, Senator, I want to state that under the present tariff and under previous tariffs these goods have always paid a specific rate of duty, and we never have had occasion to go into the value of them on that account. The question of value would have to be determined the same as every other question. We would have to get a line on what the cost of manufacture would be, and then we should have to investigate and make other inquiries in order to arrive at the value. Up to date, of course, we have had no importations of this stuff.

Senator JAMES. Up to date, has that stuff, in a valuable form and in a cheap form, been assessed at the same specific duty?

Mr. MCGUIRE. It has been under the old tariff, under the previous tariff, at 30 cents a pound. Under this tariff it is 35 cents.

Senator JAMES. Under the old tariff it bore a specific rate?

Mr. MCGUIRE. Yes, sir.

Senator JAMES. And the high-priced stuff, worth, say, \$2 a pound, and the cheap stuff, worth \$1 a pound, bore the same specific duty? So much per pound?

Mr. MCGUIRE. Yes, sir. This is one thing which I think our office would be glad to see put on a specific basis. The more this class of matter is imported the less will be of the spun silk, for the reason that this all goes into the making of spun silk. The value of this might be \$1 or \$1.50 a pound. The more of this is imported, the less there will be of spun silk, which pays a duty of a valuation of \$3 a pound.

You see, in Europe there are two or three big spinners of spun silk, and they, I understand, if this comes in at 15 per cent, will come over here and manufacture spun silk. That is, they would spin it.

Senator STONE. Taking this particular sample here, Mr. Migel, what is that worth a pound?

Mr. MIGEL. That is worth about \$1.65 to \$1.50; that is, as far as we can determine it, Senator, because there is no manufacturer who can tell what that is worth. The manufacturer makes six drafts out of the combed material, and each draft has a different value, depending on what he is going to use it for. So the sixth draft, which is the last, might be the most advantageous for him. I claim no one can tell that particular thing. It is impossible for those gentlemen to tell it; it is impossible for any appraiser or anyone else. It is Japanese; it is made over there. You can not get at the Japanese costs at all; it is impossible. For that reason we would ask you to consider our contention that it should be put on a specific basis.

Senator JAMES. I just want to ask you this: If it is so hard to detect the different grades of this silk, to tell the high-priced silk from the cheap silk, that an expert can not do it, then why is it that you can not, when you get the invoice price and the export price and the price paid here for it—why is it you can not as readily arrive at an ad valorem duty as a specific duty?

Mr. MIGEL. I will answer that, Senator, by saying that in Japan it is impossible to get at the Japanese costs. This is brought in through Japanese importers here. It is impossible to determine from them what it costs. If you can not collect it justifiably, I doubt if you would insist upon it. It is impossible to arrive at its value. Japan can bring that in; a Japanese importer can import that at whatever value he wishes to. We could not make any contention, because we ourselves could not tell it.

But, aside from the question of its value, if that was imported, half our machinery would stop, because that is about one-half of the manufacture. It starts with the waste and goes to that combed silk, so there would be no object in bringing it in. There also would be no benefit to the Government if it was brought in, because if that were brought here they would bring in so much less spun silk, which is a very large revenue producer. The importations at 15 per cent might increase and those at 35 per cent decrease, looking at it from a revenue standpoint. So, taking that into consideration, when you look into the subject I think that you will find that the wisest thing with this combed silk is to give us a specific duty.

Senator STONE. You are speaking now from the Government's point of view?

Mr. MIGEL. I simply make that as a suggestion.

Senator STONE. But it is the Government's point of view—the revenue point of view?

Mr. MIGEL. Yes.

Senator STONE. How does that affect the manufacturer; take his point of view?

Mr. MIGEL. He would have to stop half his plant at once. The minute you begin to import that half his machinery stops.

Senator STONE. Do you not import this?

Mr. MIGEL. No, sir.

Senator STONE. Where do you get your silk?

Mr. MIGEL. We bring in the waste and make that combed silk ourselves.

Senator STONE. I see; and then they bring this in competition with what you make?

Mr. MIGEL. No; it would not be in competition particularly; we ourselves would have to buy it. The consumer could not use that; it would be of no value to him.

Senator STONE. This is brought in now, is it not?

Mr. MIGEL. No, sir; just a few hundred pounds. Those [indicating samples before the committee] have been brought in as samples.

Senator STONE. And you want the specific such as to keep it out?

Mr. MIGEL. It should be kept out, because you get a much larger revenue from the spun silk in the next paragraph.

Senator STONE. I was not asking you the reason; I was asking the facts. You think it should be on a specific duty and at such a rate as would keep the Japanese from sending this in?

Mr. MIGEL. Yes. I say there is no advantage to the Government in bringing it in, because you would lose a revenue if it were brought in, for the reason that the spun silk pays a higher duty.

Senator STONE. You stated the reasons; I just wanted to get the facts.

Mr. MIGEL. That is it, Senator.

Now, paragraph 320—spun silk—has been changed slightly, but in form it has been changed largely. Spun silk is a large revenue producer. I believe there are \$5,750,000 in spun silk.

Senator THOMAS. Value or duty?

Mr. MIGEL. In value; \$5,750,000, which has paid an average of 37 per cent. The duty was specific, with an ad valorem catch clause. Now, that duty has apparently, from all we hear from the importers and others, worked to the satisfaction of the manufacturer and without any trouble. Before they had the specific duty with the catch clause there were large undervaluations. I make the contention that dyed spun silk can not be very well detected as to the amount of weighting in it, and before this present schedule was put into effect there were undervaluations. There was one case involving \$100,000, which was compromised by the Government because they could not arrive at the value.

Senator JAMES. You do admit, though, that if the value could be ascertained by our experts in the customhouse that would be the fairer way to levy a tariff?

Mr. MIGEL. No, sir; and I will tell you why. This particular schedule—by chance or by design or whatever you wish to call it—happens to have been drawn as closely and as scientifically as it was possible to get it. The entire duty for the past four years averaged 37 per cent; nothing came higher than 39 per cent. Now, the House has granted us 35 per cent, which is very near the average. I believe they took the position that, being a large revenue producer, they did not want to disturb it; that they wanted to give us 35 per cent, and that is in the present bill.

But we ask you, for the sake of the Government, for the sake of the honest importer, for the sake of the manufacturer here, to change that—to give us that specific duty with this catch clause. It will make no difference at all in the rate—possibly 1 per cent; that is all.

That is the way it has worked out. I believe everyone will be benefited and satisfied.

Senator JAMES. Is there not this merit in an ad valorem tariff over a specific tariff; that as the goods decrease in value—

Mr. MIGEL. I know that is the argument, Senator.

Senator JAMES (continuing). The ad valorem comes down. As the goods go up in value the ad valorem goes up, but on the specific rate when the goods go down in value, there stands your specific rate just as stubbornly as ever.

Mr. MIGEL. I know; they do say that to me, Senator, and I simply answer that by saying that, by statistics, the very cheapest grade that has been imported has averaged about 39 per cent; the others, 35 per cent. You can not get it much closer than that, and the Government has its revenue.

Senator JAMES. That does not answer the proposition—

Mr. MIGEL. As a general proposition, you mean?

Senator JAMES. Suppose this specific duty were allowed on that now, and that silk goes down—

Mr. MIGEL. It is on it now.

Senator JAMES (continuing). And our people are entitled to the benefit of that reduction, just like you are entitled as a manufacturer of raw material to the benefit of it; you would not want to be paying a specific duty on raw material which remained the same when raw material was worth \$1 a pound as you would pay when it is worth \$2?

Mr. MIGEL. But there is not that variation.

Senator JAMES. And the ad valorem tariff would be equitable to you in that it would come down as the value came down.

Mr. MIGEL. It would be equitable if you could get it.

Senator JAMES. That is the point.

Mr. MIGEL. Yes; that is the contention.

Senator JAMES. You take the negative of that proposition. I say that no man, in my judgment, can successfully dispute the equity of an ad valorem tariff as compared with a specific tariff who does not say that he takes that position for the reason that because of the dishonesty of men it is impossible to get at the value.

Mr. MIGEL. Yes; that is the point. We say that since that has been changed the Government revenues have increased. This specific schedule to-day is so much per pound. It is clearly drawn. There has been no trouble anywhere in administering it. It is the clearest schedule, I believe, in the entire book, and I think you will admit that if you will simply look into it. We therefore ask you, if you will, to look into the matter and return to the schedule that protects the Government, that protects the importer—

Senator JAMES. I know, but we are not making a tariff either for the manufacturer or for the exporter; we are making this tariff for the American people and for the purpose of getting revenue. We do not consider what is satisfactory for the manufacturer and the importer as if they were all the people to be considered.

Mr. MIGEL. That is just the ground that I take, that it is better for the consumer; that is, if you want to get revenue, which, I understand, is the purpose of this bill. It is a tariff for revenue, I have been told. You are getting it there.

Senator STONE. The duty now on the particular commodities in which you are concerned, under the Payne bill is about 35 per cent?

Mr. MIGEL. About 35 per cent specific, with the catch clause, under the present bill. The Ways and Means Committee of the House have granted us 35 per cent. Now, we say it is the same thing.

Senator STONE. I am speaking about the Underwood bill.

Mr. MIGEL. The proposed bill?

Senator STONE. Yes.

Mr. MIGEL. Thirty-five per cent; yes, sir.

Senator STONE. And under the Payne bill the present duty averages about 37 per cent.

Mr. MIGEL. About 37 per cent; yes, sir; that is it.

Senator STONE. And now what would be the specific equivalent of 35 per cent?

Mr. MIGEL. I have it here to propose to you as near as I can get it. I think that would average 35 or 35½, something like that, making a very slight change.

Senator STONE. Thirty-five what?

Mr. MIGEL. Thirty-five per cent would be the equivalent of a specific duty.

Senator STONE. But you want a specific duty?

Mr. MIGEL. We want a specific duty; yes, sir.

Senator STONE. What specific duty would be equivalent to 35 per cent ad valorem?

Mr. MIGEL. You see it would require a very small change to make 1½ per cent difference, and we have proposed it here for you.

Senator JAMES. They have briefs of those suggestions.

Senator STONE. File those with the stenographers, please.

Mr. MIGEL. We do not ask any more, Senator, please. We ought to have more, but we simply ask you to change it if you think we are right.¹

STATEMENT OF MR. FREDERIC E. KIP, PRESIDENT SALT'S TEXTILE MANUFACTURING CO., BRIDGEPORT, CONN., ALSO PRESIDENT GRISWOLD WORSTED CO., DARBY, PA.

PARAGRAPHS 319, 320, and 322.—*Silk, velvets, and plushes.*

Senator STONE. Please give your name to the stenographer.

Mr. KIP. Frederic E. Kip, of New York City. I represent a committee of silk, velvet, and plush manufacturers, and also the Salt's Textile Manufacturing Co., of Bridgeport, Conn., and the Griswold Worsted Co., of Darby, Pa. I am a manufacturer of plushes, mohair, wool, and silk. I represent a committee of four or five parties, but I am the only one that is going to speak.

Senator THOMAS. You are the most fortunate man we have had before us. You represent a good many industries.

Mr. KIP. We are rather large in the pile-fabric industry.

Mr. Migel has spoken to-day about spun silk. I wish to say that spun silk yarn is the raw material for the silk, velvet, and plush manufacturers. The industry—that is to say, the silk, velvet, and plush industry—are users of the imported materials, and from 55 to 60 per cent of all the duty paid is paid by the silk, velvet, and plush manufacturers. My own firm pays 20 per cent of the duties paid to

¹ Briefs of Mr. Migel not found.

the United States Government, so I am well within the limit when I say that 55 per cent is paid, because we pay alone 20 per cent, and there is a certificate from the Treasury Department that we paid, for the fiscal year ending June 30, 1912, \$382,227 in duties out of a total duties paid of \$2,134,000.

Senator STONE. That is, your firm?

Mr. KIP. My firm, the Salt's Textile Manufacturing Co., of Bridgeport, Conn.

Now, Mr. Migel has stated that you can not tell the value of spun-silk yarns when they are dyed. Now, as we are ourselves the largest importer of this material, we wish to say that that is absolutely true. I have here now three samples of materials: No. 1 is a gray spun silk, or schappe-silk yarn, the foreign value of which is about 23 francs per kilo. No. 2 is the same quality exactly, which has been dyed and weighted 25 per cent. Under any ad valorem that would be invoiced at 18 francs 50 centimes per kilo, plus the dyeing charge. No. 3 is identically the same quality, only weighted 55 per cent and that, under any ad valorem rate, would be invoiced at 15 francs 50 centimes per kilo, plus the dyeing charge.

Senator THOMAS. You mean the weight has been increased?

Mr. KIP. The weight has been increased 50 per cent. One pound of silk now becomes 1½ pounds of silk, and therefore the price per pound is that much less.

Now, I have tried all the Government experts and all the chemists I have known of, and I have sent samples to them, and I have never yet seen the sample weighted 55 per cent that the chemists have returned me over 20 to 25 per cent; and I make the statement that I do not think any appraisal of any Government experts can show the amount of weighting in a spun-silk yarn when it is weighted. There are a great many elements entering into it. In other words, this 50 per cent weighted quality can be claimed to be weighted only 20 per cent—when it is weighted 50 per cent—and there will be a difference in value of 2 or 3 francs which the Government could not detect.

Now, as we import so much of this material, we are willing to pay for the weighting. As importers we do not spin a pound of this material in this country: that is all imported, and as we are importers and buyers of these materials I think our statement should carry considerable weight. Our reason for asking the specific duty is that we know that some smaller men can take the marks of the qualities off and can invoice those goods at another price, and nobody can tell the difference. That is all I have to say on spun silks.

With regard to silk velvets and plushes, that is very much the same way. I have here one article known as "seal" plush, of which my concern in England was the originator years ago. We started in this country, and I imported those goods in those days. In 1893 or 1894 we bought out the English concern and started our business under the Wilson bill tariff. Here is what the examiner of all those goods at that time in the New York customhouse says:

UNITED STATES PUBLIC STORES (THIRD DIVISION).

New York, May 25, 1890.

DEAR SIR: In reply to yours of the 23d instant, as to the quantity of seal plush that is invoiced as "seconds," I would say, without going into the exact detail, that about one-half of all that we receive are so invoiced.

It is a difficult matter to determine when this claim is just, as a slight imperfection, a difference in color, and, in fact, many things are claimed which it is impossible to refute.

The usual allowance is about 18d. per yard.

Yours, respectfully,

M. J. CORBETT,

Assistant Appraiser.

Here is a letter also from the Treasury Department to the chairman of the Senate Finance Committee, stating that the proposition to make these rates specific met with his approval, as under the present rates so many reappraisements were taken, and usually the Government lost those reappraisements. Previous to the specific rates on this particular article there were 350 reappraisements during one year; under the Wilson bill rates there were not over 12.

Senator JAMES. Of course, we have severe penalties for underappraisal, do we not?

Mr. KIR. Here is a case [indicating a sample of plush]. These goods can not be distinguished. When that is all black like that, with erect pile, it is a first. This is a first.

Senator THOMAS. When you say "first" and "second" you use terms that refer to quality?

Mr. KIR. If they are seconds, you buy them at 25 to 30 per cent off. If that is all black and even like that, it is a first. If that pile is slanting a little—that is, if it is like this on this side and here—it is a second. These goods are all sent out against orders to the customers, and they return us 6 pieces out of 10. We refinish and sell them as seconds. The importer of those goods can not himself tell if they are "firsts" or "seconds."

They are all put up on racks, too. If the customhouse is going to examine every piece they receive, they have to take them off these racks. It is a very laborious thing, and they would not do it.

Here are some invoices, Senator, from our English company, dated May 2, 1890. Some are 25 per cent off; some are 10 per cent off; others are 35 per cent off—claimed to be "seconds" and reduced in price by 10, 25, and 35 per cent. There are some entire invoices that are all seconds. Here are the details of about eight invoices. Those are the numbers of cases that are seconds. This is not theory. This is what actually occurred, and this is what the then appraiser says: "That over 50 per cent of these goods came in as seconds." I imported these goods myself at that time. The customhouse was asked whether these goods were seconds or not and they say yes, that they are seconds and that they can not tell until they have examined every yard. Now, here is one article that you can not tell the value of under an ad valorem rate. I defy anybody to do it without looking at every yard.

Now, I wish to read here a letter in the hearings on the Wilson bill of 1894, page 1036. The gentlemen who wrote this letter are Germans direct from Germany, and in the interest of German manufacturers they testified as follows:

It means an honest and easy way of collecting duties such as can never be obtained through an ad valorem duty, as no man, not excluding experts, can give the true value of pile fabrics within 15 to 20 per cent. We maintain that on the administration bill, a specific duty is the only practical mode of collecting the duties on pile fabrics.

Most respectfully, yours,

FRED L. REMER,

MAX DOERMER,

Committee appointed by the New York Plush and Velvet Importers.

In the hearings before the Ways and Means Committee January, 1913, these gentlemen here also have petitioned for a specific rate of duty on velvets and plushes. True, they say if you do not give them that rate they would be satisfied with a 40 per cent ad valorem rate, but they prefer a specific rate. Why? Because they know you can not tell the values properly. I defy any one of those importers right here now to say that he can tell firsts and seconds in that class of goods.

Senator THOMAS. We can not take up time for that.

A VOICE. May I ask one question? If the appraiser believes that seconds should be marked "seconds" on the back, and if the examination of the first makes a second out of it, would there be any object in a shipper shipping firsts as seconds when the very examination of the goods, as Mr. Kip says, will make them seconds?

Mr. KIP. If the goods were stamped "seconds," it would not amount to anything as to the question as to whether they were firsts or not. The people buying these goods are cloak manufacturers. They come and they look those goods over, and those they could not use they would reject, as they do now, and accept the others.

Senator STONE. Can you tell which is a first and which is a second?

Mr. KIP. I can not. We claim this is a first. It is a first when the pile is all slanting one way.

Senator STONE. There is more than one sample.

Mr. KIP. No; only one. This is all cut off the same piece. Here is what makes the first and second. That must look all black. If the pile slants this way where that is laid down a little, it is a second. I send these goods out 10 pieces to a customer. He may reject 8 of them.

Senator STONE. Don't you know when you send them whether they are firsts or seconds?

Mr. KIP. We can not tell. We have people in the mill who claim they are firsts.

Senator STONE. Don't you make them?

Mr. KIP. We do.

Senator STONE. Don't you know?

Mr. KIP. We know what we think are firsts; yes, sir.

Senator STONE. What constitutes a first?

Mr. KIP. A first is when the pile is all erect all over the whole piece.

Senator STONE. You try to make all firsts, do you?

Mr. KIP. Absolutely; yes.

Senator STONE. And if the manufacture is imperfect in some way you call it a second?

Mr. KIP. Those we know are seconds; but this is an imperfection in the pile. This is a very difficult manufacture; all that pile is raised by hand. If one part of the piece is dryer or wetter the pile will slant partly that way, and that will depend on atmospheric conditions.

Senator THOMAS. If the slant is uniform it is a first. If it is not, it is a second?

Mr. KIP. Absolutely. No one can tell it until they examine every yard of goods in a piece.

Senator STONE. Suppose the inspector unrolled 10 yards of a piece stamped as seconds and found that the 10 yards were firsts?

Mr. KIP. He would not know it; he could not tell it.

Senator STONE. How many yards would be in that roll?

Mr. KIP. There are 35 yards usually on a piece.

Senator STONE. You mean he would have to unroll the whole 35 yards?

Mr. KIP. Absolutely; yes, sir.

Senator JAMES. He would not have to do that if he could determine from the first few yards that the man had lied about it.

Senator THOMAS. You mean that the very act of inspection would make it a second?

Mr. KIP. If he creased the whole piece, it would. He would make the pile slant a different way. I claim that the customhouse would not go over every piece of goods; they would have to have special people to do that.

Senator STONE. Now, Mr. Kip, what is the difference in value of firsts and seconds?

Mr. KIP. Oh, they said in this letter from the customhouse at that time—they said about 18 pence. They run, according to the destination, Senator, anywhere from 15 to 50 per cent. If they are very bad they go to an entirely different trade.

Senator STONE. But where the difference is so slight that, you say, that it is very difficult to determine it—take these samples that you have here; do you challenge the importers to say whether they are firsts or seconds?

Mr. KIP. Yes, sir.

Senator STONE. And none of them responded?

Mr. KIP. Yes, sir.

Senator STONE. Take those things; what would be the difference in value?

Mr. KIP. The difference at the time these goods came in as seconds through the customhouse was 18 pence a yard, or 36 cents, sir. There would be a difference of 15 to 25 per cent. These invoices are importations made by Sir Titus Salt's company, of Saltaire, England, and these show 25 per cent in nearly every case.

Senator STONE. Why would it not be a very good plan to abolish this distinction of firsts and seconds and just put a flat rate on the whole thing?

Mr. KIP. That is what we ask, Senator.

Senator THOMAS. Suppose you take the seconds as a standard of value?

Mr. KIP. Then you do more injustice than ever.

Senator THOMAS. To whom?

Mr. KIP. To those that are trying to manufacture here and paying the wages they do now. The question was raised. "Can a specific rate of duty be properly assessed on pile fabrics?" I wish to say that pile fabrics are ideal for that purpose. The lower grades have always coarser or heavier cotton warps. I wish to explain that these goods are made with cotton warps to begin with. If you have a number of ends in the pile, you have coarser cotton, and consequently the lower grades weigh heavier. As you progress in value you have more ends of silk, and that means that you must have finer cotton to go in the back. So as you progress in value the qualities become lighter almost in proportion. So we are able to make a specific duty

that does not work a hardship on anybody. We have prepared such a rate, which I wish to file with the committee—

Senator SROXK. Give it to the stenographer.

Mr. KIP. And a table which shows the reduction in the present rates of one-third on low-grade velvets and a reduction on all other qualities along the line.

A VOICE. Does that include velvet ribbons?

Mr. KIP. I wish to state, in closing, that the testimony of all importers in 1894 was for a specific duty on velvets and plushes. The testimony of all importers to-day is the same.

Senator JAMES. Right there, if these importers are honest enough to advocate a specific duty for the purpose of allowing the Treasury Department to get what it is properly entitled to, would you say they were dishonest enough to have goods undervalued to them and be a party to it?

Mr. KIP. No, sir; not these importers. But you want to remember, Senator, that these are not all the importers in the United States.

Senator JAMES. I thought you said the unanimous request.

Mr. KIP. I said unanimous testimony before Congress. I do not know about the others.

Senator JAMES. I am just trying to get at how a whole class of men could be so honest as to unanimously request a specific rate of duty and then so dishonest as to take advantage of an ad valorem rate to undervalue their imports.

Mr. KIP. We are importers of 50 per cent of the spun silk, but we are not all the importers. Of course others may not be quite so honest.

Senator JAMES. I agree to your statement, but the others are equally honest, because all of them concur with your view of it.

Mr. KIP. There are lots of importers of silk velvets and plushes that will not be represented before this committee.

Senator JAMES. Of course you do admit, though—and I do not want to prolong the testimony you have given—that a specific duty might become unjust in a year that was just to-day, whereas an ad valorem duty that is just to-day is just to-morrow and the year hence.

Mr. KIP. Not on silk velvets and plushes, Senator. In the first place, you can not tell the values at all. You have two values in different places of export, and consequently those duties are to compensate for a certain difference here and abroad. You do not want to reduce your wages all the time. You want those to stand.

Senator JAMES. Take that statement. Suppose the ad valorem is not affected, and suppose the wages are increased and it costs you more to make the goods than it costs now, and consequently they charge more for them. The ad valorem duty comes up, and it does justice to the American manufacturer and to the American wage earner, because it lays an ad valorem duty of say 35 per cent on those goods which last year might have cost us \$100 but which this year cost us \$150.

Mr. KIP. I will tell you how that actually works. You want to bear this in mind, Senator, that all of our raw material is controlled by a trust in Europe. That is No. 1.

Senator JAMES. You are taking up abstract propositions; I put a concrete question.

Mr. KIP. All these silk velvet and plush manufacturers are a trust in Europe. Whether they have a combination for American prices, I can not say. Here is a copy of their agreement, with the signatures of 46 manufacturers, and it does not say anything about prices for America. It says that these are the fixed prices, and that a rebate of 10 per cent is given when they do not buy outside the trust.

Senator JAMES. That is confined to France and Germany?

Mr. KIP. It is all over Europe. I will leave a copy of that with the stenographer.

Senator JAMES. I did not mean to make the assertion that it was.

Mr. KIP. There is nothing in the agreement that shows it, sir. There is a copy of it with all the signatures.

Suppose, Senator, we place a contract for \$300,000 or \$400,000 worth of spun-silk yarn. They are controlled by a trust. The price goes up a franc or two francs. It does not go up to us. We have taken our orders. We pay our wages, and take our orders for a year. This material is sold only in the fall. The price has gone up, but not a single velvet manufacturer in the whole United States has paid any additional price. Some smaller men in Europe may have done so. We have taken our orders at the price we have paid, and we could buy certainly a million dollars' worth of spun-silk yarn to start with. Now, are we to be subject to those constant changes?

Senator JAMES. That is just the point I was making, exactly. You want a specific duty, because it enables you to sell your goods at a fixed price, and it does not make your goods subject to what they should be subject to—whatever the character of the goods—a fair limit of price in the open market under the law of supply and demand.

Mr. KIP. We have not bought a dollar's worth of material in a year.

Senator JAMES. I am not talking about what you have actually done. I sought to show—and I say now that no man can attack an ad valorem duty and sustain that attack who does not say that the specific duty is preferable because you can not ascertain the value of the article.

Mr. KIP. From that standpoint, if you mean that whenever there is a change in the market price abroad and we have not made any market price here we must be controlled by the market price abroad and must go ahead and take orders—

Senator JAMES. Take that cloth, right there. Say there is a duty of 35 per cent a yard, and the price is \$1 a yard now. Suppose that price goes down to 50 cents. Instead of having a duty of 35 per cent you have a double duty. Is that fair to the consumer?

Mr. KIP. It does not go down like that.

Senator JAMES. But it might. That is why I am in favor of an ad valorem duty.

Mr. KIP. There are a few things that an ad valorem duty will not apply to very well, and one thing is spun silk yarn, and another is silk velvets and plushes.

Senator THOMAS. You spoke just now of a trust in other countries.

Mr. KIP. Yes, sir.

Senator THOMAS. Is that a trust which controls the supply—

Mr. KIP. Absolutely.

Senator THOMAS. You can not get it anywhere else?

Mr. KIP. You can not buy outside the three members of the trust. We have to buy at whatever price they put on it.

Senator THOMAS. Then, I wish the American people would quit using silks at all.

Mr. KIP. I will give the names if you like. One of the concerns is the Société Anonyme de Filature de Schappe, of Lyon, France, and another is the Société Industrielle de Filature de Schappe, of Basel, Switzerland. The third member is the Société Cascami de Seta, of Milan, Italy. These people are in an absolute combination. They fix the price; they all sell at the same price. If they advance prices, they advance them the same day, and they sell to the velvet men all of their raw material.

Senator THOMAS. And the American people have to submit?

Mr. KIP. The American people have to submit.

Senator THOMAS. If that is true that there is a trust that you people are at the absolute mercy of, do they not fix the price of seconds as well as the price of firsts?

Mr. KIP. These people sell the raw materials.

Mr. MAILHOUSE. They purchase from the same trust. Their purchases are made under exactly the same conditions. I would like Mr. Kip to state how much of this class of stuff has been imported recently.

Mr. KIP. In the first place, you do not make any of it—

Mr. H. F. TIEDERMAN. I would like to inquire whether Leicester & Co., of Bradford, England, have exported these seal plushes within the past year.

Mr. KIP. I can tell you of one New York house that has bought 100 pieces of them in a very few weeks. They do not do the business they used to do, but if these gentlemen in their wisdom put an ad valorem on their goods they will put in half of them as seconds as they did previous to the present specific duties.

Mr. TIEDERMAN. I would like to ask Mr. Kip how many dollars worth he sells of that particular article?

Mr. KIP. I do not think that is necessary. I would be giving that information away to competitors, and I do not think it is germane to the subject. I sell a good many.

Senator JAMES. So this particular thing is a sort of a riddle?

Mr. KIP. Absolutely, Senator. On silk velvets and plushes there is only one rate, and that is specific, and we have figured out specific rates which does not bear burdensomely upon any consumer in the United States. Kindly note that all the importers ask for specific rates also.

Senator THOMAS. Is that trust so complete that it can fix the price of raw material at any figure it pleases?

Mr. KIP. Absolutely, Senator.

Senator THOMAS. If they were so disposed they could put you out of business?

Mr. KIP. Absolutely.

Senator JAMES. And they could fix the price of the raw material of the seconds?

Mr. KIP. This is yarn, Senator; they do not make any finished products.

I wish to say one thing in closing. Our raw material, as I have said already, is spun silk yarn, on which under the specific rates of duty there has been collected the equivalent of an ad valorem rate of 37 per cent. The House bill fixes ad valorem rates of 35 per cent. Our finished product, silk velvet and plushes, on the present specific rate of duty pays the equivalent of an ad valorem rate of 54 per cent. We only have a difference now of raw material and the finished products of less than 20 per cent. All other kinds of silk goods certainly have more, and if we are to have a reduction by making the finished product 50 per cent and then reduce that by undervaluation, it goes without saying that on such a high-cost article as seal plushes and velvets, where the labor cost is very high on account of the three warps that are put into the goods, it is impossible for us to get along. The labor in silk velvets and plushes is more per yard of product than in any other weaving that there is.

Senator THOMAS. You went all over that yesterday.

Mr. KIP. That was silks. I only want to call your attention to the fact that we paid for our raw materials, even with the House bill, 35 per cent, while our finished product is 50 per cent with the House bill. In the previous tariff it was 37 and 54 per cent.

Senator STONE. I think we will close this hearing. We have had a pretty fair statement of the different views, gentlemen, and there are a number of others waiting. We have had several hours of this. If you will excuse me now, I will take up somebody else.

(The documents submitted by Mr. Kip are as follows:)

REPORT OF THE COMMISSION CHARGED TO PROCEED TO INQUIRE UPON THE STUDY OF TEXTILE INDUSTRY AND THE CONDITION OF THE WEAVERS.

[Doc. No. 1922, vol. 3, Chamber of Deputies, session 1904.]

Following are extracts from various reports contained in the above publication:

[Report of the council of experts of Lyon.]

The rate of salaries in mechanical weaving is on an average 1.50 francs per hand. In hand weaving the average is only 1.25 francs. Variation in pay for last 20 years—from 1884 to 1895—a shrinkage of 30 per cent, and 1895 to present day, a shrinkage of 40 per cent—that is to say, a total of 70 per cent.

[Report of the Syndicated Chamber of Weavers of Lyon.]

The pay may be counted at 3 francs per day; but with time lost the salary shrinks to from 50 to 60 francs a month, or 600 to 700 francs a year. Salaries have shrunk one-half during the last 20 years and the cost of living has increased.

[Report of the Syndicated Workmen Weavers of Furniture Goods.]

Salary, 2 francs per day—that is to say, 600 francs a year; variation in the last 20 years, 40 per cent decrease. We estimate the cost of maintaining a family at 1.25 francs per head and of the unmarried workmen at not less than 2.50 francs. We are paid by the piece, on a system of advances, and are generally satisfied with the custom established.

[Report of the Syndicate Chamber of the Dyeing, Printing, and Finishing Industries of Silks.]

Skeln dyeing.—Twenty years ago the workers were paid 3 francs for 11 hours of work. These hours of work have decreased progressively and are now reduced to 10 hours, for which up to 1904 they were paid 3 to 3.25 and 3.50 francs. At the present time the minimum of this pay is 3.75 francs for 10 hours. The minimum pay for dyers' helpers was 4.50 francs. It is now 5 francs, the workers being paid according to their professional capacity. The

salaries vary from 5 to 6 francs and even 6.50 francs. The pay of women has increased from 2.50 francs for 11 hours of work to 2.75 francs for 10 hours.

The minimum tariff for a day is: For dyers' helpers, 5 francs; all other workmen, 4.50 francs; for workmen during first year of work, 3.75 francs; after the first year, 4 francs; women, packing by hand, 2.75 francs; apprentice packers by hand, during apprenticeship, which lasts for three years, 1.50 francs; male apprentices, first year, 1.50 francs; male apprentices, second year, 2 francs; male apprentices, third year, 2.75 francs.

Piece dyeing.—For workmen having received a certificate of apprenticeship, 5 francs; for workmen during the first year, 3.75 francs; after the first year, 4 francs; for women during the first year, 2.25 francs; after the first year 2.50 francs.

[Report by M. Bouchard, president of the group of Lyons manufacturers of the syndicate of power-loom weavers.]

It is very difficult to fix the rate of a day's pay, for it varies greatly according to the particular conditions. The average appears to be from 2 to 2.50 francs a day for weavers. In the preparatory process it appears to be from 1.50 to 2 francs for winders, 3 to 3.50 francs for warpers, 2.25 to 2.50 francs for quillers, 5 to 6 francs a day for "Gareurs" workmen, weavers, and mechanics. During the last 20 years the pay in the preparatory stages appears to have increased; that of the weavers has certainly diminished.

[Testimony of Mr. Amagnon, mayor of Lyons.]

I have caused to be made by the council of expert weavers statistics based upon given names to enable me to ascertain the average salaries of hand weavers. They do not receive more than 2 francs a day on the average throughout the year. I beg the council of experts to take at hazard a number of weavers and to examine their pay records for a period of a year. The great majority of hand weavers have not received quite 2 francs a day.

[Report of Chamber of Commerce, Saint-Etienne.]

The gross pay for a loom varies at the present time from 3.50 to 8 francs a day. The salary of the assistant is one-half the gross product of the loom. The assistant on velvet looms receives two-thirds and not one-half of that which is paid to the chief. The expenses of the chief weaver are less for velvet, because this article necessitates fewer changes in the set-up of the loom. The assistant pays 30 or 20 centimes a day to the chief on account of motive power. The warpers, folders, etc., earn from 2 to 2.50 francs a day; apprentices, 1.50 francs.

[Report of the Council of Experts for Weaving, at Saint-Etienne.]

At the present time the pay of a head weaver who conducts his own loom himself, the expenses of which he has to pay, may be estimated at 3.50 francs gross per loom. If the loom is run by an assistant, the gross receipts of the latter is 1.75 francs a day.

[Report of the Syndicate Chamber of Workmen in Textile Industry, Saint-Etienne.]

The average rate of pay amounts to, approximately, for head weavers, 3 francs, and 1.50 francs for workmen. For warpers and folders it is 1.50 francs; for winders, 75 centimes. The salaries vary very often, the industry being a reasonable one.

[Report of the Syndicate Chamber of Shop Foremen of Weavers at Saint-Etienne.]

Without fear of being disputed, one may estimate the average pay of a foreman weaver at 3 francs, and if one considers that the workers are paid one-half for ribbons and two-thirds for velvet, it appears that the average per day is 1.50 to 2 francs.

[Report of the Syndicate Chamber of Weavers and Textile Materials of Saint-Etienne.]

Female employees, 1.50 to 2.25 francs, for young girls during first two years; 2.25 to 2.50 francs for women. Males, 3 to 4 francs, for workmen without special skill; 4 to 6 francs for workmen having been through a complete apprenticeship.

[Report of committee of foremen dyers at Saint-Etienne.]

Twenty years ago the workmen were paid 3 francs for 11 hours of work. The hours of work have shrunk successively and are at the present time reduced to 10 hours, for which, up to 1004, they were paid 3, 3.25, to 3.50 francs. At the present time the minimum of this pay is 3.75 francs for 10 hours. The minimum pay for dyer's helpers was 4.50 francs; it is now 5 francs. Workmen being paid according to their professional capacity have salaries from 5.25, 6, to 6.50 francs. Pay of women has passed from 2.50 francs for 11 hours of work to 2.75 francs for 10 hours.

TREASURY DEPARTMENT CUSTOMHOUSE EXAMINERS, IMPORTERS, AND MANUFACTURERS ALL PETITION FOR SPECIFIC DUTIES ON SILK VELVETS AND PLUSHES.

The Wilson bill (1894) and all subsequent bills have made duties on silk velvets and plushes specific.

In the year previous to the adoption of specific rates on silk velvets and plushes there were 350 reappraisements before the Board of General Appraisers in New York.

The contention of the Government that values were erroneous was incapable of being sustained, owing to the impossibility of actually determining whether the plushes invoiced were "seconds" or not. (See Treasury Department letter below.)

The Treasury Department and principal customhouse appraisers at that time urged the necessity of changing the then existing ad valorem rates to specific, owing to the extraordinary and peculiar conditions relative to silk velvets and plushes. (See following letters:)

UNITED STATES PUBLIC STORES (THIRD DIVISION),
New York, May 24, 1890.

DEAR SIR: In reply to yours of the 23d instant as to the quantity of seal plush that is invoiced as "seconds," I would say, without going into the exact detail, that about one-half of all that we receive are so invoiced.

It is a difficult matter to determine when this claim is just, as a slight imperfection, a difference in color, and, in fact, many things are claimed which it is impossible to refute.

The usual allowance is about 18c. per yard.

Yours, respectfully,

M. J. CORBETT,
Assistant Appraiser.

TREASURY DEPARTMENT,
Washington, June 6, 1890.

DEAR SENATOR: I have conferred with manufacturers concerning a proposition which they will submit to your committee for a specific duty on velvets and plushes and other pile fabrics composed wholly or in part of silk.

The proposition meets with my views, being entirely preferable to an ad valorem duty on that class of merchandize, under which not only the revenues, but the domestic manufacturers, are exposed to constant fraud from undervaluation, as is abundantly proven by constant advance on invoice price and appeals therefrom to reappraisalment, in which, as you are aware, the Government is generally defeated.

Yours, very truly,

GEORGE L. TICHENOR.

Hon. I. S. MORRILL,
Chairman Senate Finance Committee.

The change from ad valorem to specific was not made alone at the request of the Treasury Department, the New York appraisers and customs officials and manufacturers, but the importers themselves were its strongest advocates.

(See letter, printed records, p. 1030, hearing on Wilson bill, 1894.)

Germans direct from Germany, in the interest of German manufacturers, then testified as follows:

"It means an honest and easy way of collecting duties, such as can never be obtained through an ad valorem duty, as no man, not excluding experts, can give the true value of pile fabrics within 15 to 20 per cent. We maintain that under the administration bill a specific duty is the only proper mode of collecting the actual duties on pile fabrics.

"Most respectfully, yours,

"FRED. J. REMER,
"MAX DOERMER,

"Committee appointed by New York Plush and Velvets Importers."

At the time of the writing of the Wilson bill all those who had occasion to be informed on this matter, whether personally interested or not, unanimously agreed that for this particular article specific duties were most desirable, namely, the Treasury Department, customs officials, manufacturers, and importers.

To-day we have identically the same situation. The inclosed brief shows that all now connected with this industry, namely, foreign chamber of commerce, importers' organization, and all manufacturers state that the duties can not be properly collected on either "silk velvets or plushes" or "on spun silk or schappe silk yarns" by any other than a specific rate of duty.

Twenty years ago all arguments and interests were unanimous on this one point, and they continue unanimous to-day.

There are some textile cloths that can not be equitably assessed under values by weight. This, however, does not at all apply to silk velvets and plushes, as all grades of same are made with a silk pile and a cotton back warp and cotton filling.

The lower grades always have coarser and heavier cotton warps and filling and hence weigh heavier. As the grades progress in value they have more silk ends and lighter and finer cotton warps and hence weigh lighter, for example:

A grade with warps containing few silk pile ends and coarse cotton warp ends and coarse cotton filling weighs heavier and hence comes under the low-duty rates.

A grade containing more silk pile ends and finer cotton warp and finer cotton filling weighs less and comes under the higher duty rates.

The weight (according to coarseness or fineness of the cotton warp and filling used) always progresses from heavy to light in proportion to the value of the cloth, and hence specific rates apply ideally to silk velvets and plushes.

Rates in the Wilson bill (1894) and in all subsequent bills have been specific on velvets and plushes. There has been no complaint from anyone, and to-day importers, manufacturers, and all interests petition to continue same.

Our proposed schedule of specific rates calls for large reductions on Payne law rates.

SIR TITUS SALT'S Co., *Saltre, England.*

STATEMENT OF THE SILK VELVET AND PLUSH INDUSTRY OF THE UNITED STATES
RELATIVE TO SPUN SILK OR SCHAPPE SILK YARNS AND SILK VELVETS AND
PLUSHES.

[Schedule I, pars. 319, 320, and 322, of H. R. 3321.]

ARGUMENT FOR SPECIFIC DUTIES.

Specific duties on silk velvets and plushes and spun silk yarns have been recommended by practically all interested—quoting from the brief submitted by the French Chamber of Commerce (p. 4623, Tariff Hearings, January, 1913):

"A specific duty could be collected with very much less delay and litigation and would be far cheaper for the Government and would be much fairer both to the importer and to the honest manufacturer in this country, since it would establish grades and qualities that could not be fraudulently imitated by other competing manufacturers willing so to do.

"FRENCH CHAMBER OF COMMERCE,
"HENRY E. GOURD, *President.*"

Importers' organization of New York City gives their entire velvet and plush schedule on a specific basis. (See p. 4609, Tariff Hearings, January, 1913.)

We quote also from the testimony of American manufacturers of velvets and plushes as follows (Tariff Hearings, January, 1913):

Page 4510:

"The operation of the specific duty with the ad valorem catch clause has been found easy of administration by the customhouses and has minimized the possibility of undervaluation.

"AMERICAN SILK SPINNING Co.,
"M. C. MIGEL, *Treasurer.*"

Page 4524:

"At this point I wish to emphasize the desirability of a specific duty wherever it can be conscientiously and specifically applied.

"A specific duty has, above all, the quality of being easily 'appraised.'

"It prevents the undervaluations and frauds which have freely been admitted as resulting from ad valorem duties in nearly every schedule. The reduction of the number of reappraisements since the specific duties have been applied on textiles in particular is so marked that everyone in the employ of the Government must be gratified with the continuance of specific duties and to the further development of them in the tariff which may be under consideration.

"SIDNEY BLUMENTHAL & Co. (INC.),
"SIDNEY BLUMENTHAL, *Treasurer.*"

Page 4520:

"It is absolutely essential in this particular industry that the duties thereon be specific and not ad valorem, for the principal reason that the duties intended could not otherwise be properly collected and the revenue to the Government would be materially decreased by any ad valorem rate of duty, owing to the immense amount of seconds produced and the utter inability to properly judge the values thereof.

"The framers of the Wilson bill realized this and made silk velvets and plushes specific, or, rather, compound, although few, if any, of their other schedules were so made; and, furthermore, for this very reason in all subsequent bills these rates of duties have been made either compound or specific.

"SALT'S TEXTILE MANUFACTURING Co.,
"F. E. KIP, *President.*"

Page 4545:

"We have filed a brief which comprises the argument which we wish to present to your committee. It is chiefly a brief in favor of the imposition of specific duties upon silk goods of all kinds, and it is based largely upon the theory, or the fact, that silk goods are not a matter of determined value; they are not a thing in which the value is proportionate in any way to the cost of production, but is solely a question of whim. The same article under an ad valorem duty might pay three different duties the same identical day. For instance, if you were to have goods which are made in Japan and dyed and printed in Japan, they would pay one duty; if the same goods were exported to France and there dyed and printed, they would pay another duty. * * * Third, if that same article should be produced in France or some other European country it would be of another value and would take a third duty.

"You have the condition that at the same time in the same article there would be different prints or different colors that have different values, and we ask the kindly consideration of Congress in favor of the poor gentlemen who have to base their business on guesses as to what the women are going to wear six months and a year in advance.

"HORACE B. CHENEY,
"Of Cheney Brothers."

Also the custom examiners and many of the Secretaries of the United States Treasury.

We would also submit for serious consideration that there is a probability of a very delicate situation occurring, in that the Japanese Government has guaranteed values on some merchandise for foreign shipment, and there has already arisen the question as to whether these guaranteed values are correct.

The United States Government may raise the value of an importer, but it would be almost impossible to raise the values fixed by a friendly nation.

With all parties interested—namely, foreign societies, importers, and domestic manufacturers—unanimously agreeing and petitioning for a specific rate of duty on silk velvets and plushes (and also on spun silk and schappe silk yarns), it would seem inconceivable that their unanimous request would be denied.

Spun or schappe silk yarns are the raw material of the silk velvet and plush manufacturers. The duties collected on spun and schappe silk yarns for the fiscal year ending June 30, 1912, were \$2,134,501. The silk velvet and plush industry paid over 55 per cent of these duties, one velvet concern alone paying about 20 per cent thereof, or \$382,327 in duties.

As importers and payers of over 55 per cent of all duties collected we ask that the duties on spun or schappe silk yarns be specific, because we as importers know that values of the spun and schappe silk yarns can not be accurately determined under ad valorem rates.

The following are some of the special reasons why the duties on said yarns should be continued as they are now, viz, specific:

Large quantities of these yarns are imported in the dyed state. Practically all of the black yarns are weighted in the dyeing from 10 to 100 per cent. Cotton, wool, or worsted yarns are not so weighted in the dyeing, silk yarns being the only ones where this weighting is indulged in to this very large extent.

A gray yarn, No. 200/2, worth 23 francs per kilo, under any ad valorem rate of duty; if imported in the gray would be invoiced at 23 francs.

Same yarn, if weighted in dyeing, 25 per cent, under any ad valorem rate of duty; if imported in dyed state, 18.50 francs, plus dyeing.

Same yarn, if weighted in dyeing, 55 per cent, under any ad valorem rate of duty; if imported in dyed state, 15.50 francs, plus dyeing.

Identically the same quality will under ad valorem rates be invoiced at three different prices.

It is impossible to tell either the amount of weighting in spun silk dyed yarns, or the correct quality. This is admitted by all, and even by the customhouse examiners at New York City. (See p. 4539, Tariff Hearings, January, 1913.)

Silk velvets and plushes, foreign trust control.—There is absolutely no combination among the United States silk velvet and plush manufacturers; the industry is competitive in the highest possible sense. Quite the contrary is the fact relative to the European velvet and plush manufacturers. We wish to call the particular attention of Congress to the so-called French and German silk velvet and plush manufacturers' trust, particulars of which will be found on pages 4536 and 4537, Tariff Hearings, Ways and Means Committee, January, 1913. This trust agreement is printed in said hearings. It runs for three years, from January 1, 1913, to December 31, 1915. There are 10 French and 36 German (total, 46) manufacturers, members of this trust combine, which is estimated as 90 per cent of the entire industry of France and Germany. Rebates of 10 per cent are allowed at the end of each year to customers purchasing no goods outside of the trust members; both wholesale and retail prices are fixed; in other words, a trust of the very worst type, international in scope, and comprising 90 per cent of the entire silk velvet and plush industry of Europe.

Peculiarities—Silk velvet and plush demand specific rates.—There are special reasons relative to silk velvets and plushes which make it absolutely essential that the duties thereon be specific and not ad valorem.

Many of the silk plushes used in the United States are piece dyed, and used in large quantities to make ladies' cloaks, imitation of real sealskin. Such goods to be "firsts" must not have the pile slanting two or three ways, but the pile must, throughout the entire piece, be standing all erect and even.

These plushes are first dyed and then go through a great number of different processes—among others the pile is tipped (a dyeing material tipped on the ends of the silk) and washed off several times. During some of these processes something often goes wrong (either through the dyeing water being impregnated with extra vegetable or mineral matter, or from some other unknown cause), in which case the silk is tendered or made towy; and thereafter it is impossible to raise the pile evenly, and consequently such pieces when finished have the pile or nap slanting in different ways, and all such pieces must be made "seconds."

Previous to the Wilson and McKinley bills, entire invoices of 30, 40, or 50 cases, amounting to thousands of dollars, came in through the customhouse invoiced at from 25 to 50 per cent off regular market prices. On account of being seconds for the above-mentioned faults made in finishing of the goods the committee of velvet and plush manufacturers now have a number of foreign invoices of 1890 showing invoice after invoice containing large quantities of seconds invoiced at 15 and 25 per cent off standard prices. Again we wish to emphasize to you the fact that such seconds can not be told from firsts until each and every piece has been gone over yard by yard, and even then it is a matter of individual opinion.

Notwithstanding that in textiles nearly all the rates in the Wilson bill (1894) were ad valorem, silk velvets and plushes were made specific or rather compound in the said bill. And in all subsequent bills specific or compound rates have been retained.

Specific versus ad valorem.—We wish to emphasize the fact that there is no dispute between Congress and the manufacturers as to the question of the amount of duties to be imposed on these articles of luxury, namely, spun silk yarns and silk velvets and plushes, as the House bill (H. R. 3321) in paragraphs 320 and 322 have granted the rates of duty in ad valorem form within 2 or 3 per cent of the average duties collected under the Payne bill. So that it really is only a question of granting to this industry the same rates of duty, but in a specific form instead of an ad valorem.

We do think, under all the circumstances, and with every party at interest in agreement and unanimously petitioning therefor, that Congress should grant specific rates on spun silk yarns and silk velvets and plushes.

We therefore present to you the following substitutes for paragraphs 319, 320, and 322 of the Underwood bill (H. R. 3321).

STATEMENT OF MR. EDWARD C. YOUNG, REPRESENTING BELDING BROS. CO., OF CHICAGO, ILL.

PARAGRAPH 321.—Sewing silks and embroidering silks.

MR. YOUNG. I represent Belding Bros. Co. The other members of the committee are Mr. H. J. Soria, representing the Richardson Silk Co., New York, N. Y.; G. C. Perkins, representing Heminway & Sons, New York, N. Y.; S. W. Lee, representing the Nonatuck Silk Co., Northampton, Mass.; and F. W. Eaton, representing the Nonatuck Silk Co., New York, N. Y.

This committee was appointed by a meeting of the manufacturers of sewing silks and embroidery silks.

SENATOR JAMES. What paragraph do you desire to speak to?

MR. YOUNG. We desire to speak to paragraph 321, Schedule L, covering sewing silks and embroidery silks only.

SENATOR JAMES. Do you oppose the House rate?

MR. YOUNG. In the first place, may we state that we agree with all other manufacturers and importers, and I believe I am safe in saying that almost everybody who has any practical experience in this line of business believes that the duty should be specific and not ad valorem for this particular line. We feel very confident that it would be a great mistake to place an ad valorem duty upon this commodity. That feature of the matter, however, has been represented to your committee by other members of the silk manufacturers, so we will simply voice our approval of that proposition.

Coming to the line in which we are particularly interested, being manufacturers of the same, we find that in shifting from the specific duties to ad valorem duties a very great reduction was made. This reduction is so great, is so out of line with other parts of the silk schedule, that it has led us to the conclusion that either it was based upon wrong information or it was one of those things that went through without consideration, or the consideration that it was entitled to. I may state that we did not personally go before the Ways and Means Committee of the House representing our organization, but the general silk association was represented there, and we do not know whether particular attention was called to our product. We do know, however, that when the bill appeared it made a reduction which endangered, in our belief, our business.

Under the present specific duties there are several classifications. Thrown silks, now included in paragraph 321, are divided into several classifications, depending upon the amount of manufacturing, and ranging from 50 cents a pound to \$1.50 a pound. Sewing silks and floss and other silk yarns were put into another item—ungummed at \$1 a pound and degummed, dyed, and finished at \$1.50 a pound.

We are particularly interested in that feature of the \$1.50 a pound as applied to our present schedule, embracing the manufacture of sewing silks and embroidering silks. Our main fear is naturally the Japanese. Their low labor cost, their ingenuity, would place them on a parity, as far as ability is concerned, and considerably superior to our own conditions as far as manufacturing is concerned. We have figured out as carefully as we can our cost. We figure that our total cost of manufacture is about \$1.35 a pound, which produces, in blacks, for instance, 13.5 ounces. To bring it up to 16 ounces, upon which the schedule would be based, would make our cost \$1.62. Of that cost, \$1.20, practically, is labor cost, the balance being cost of supplies, of material, and dyestuffs, etc., which have a price value, however, based upon our American goods. They are in excess of foreign costs, so that that whole amount of cost is considerably higher than the foreign cost. According to the best statistics we can get, the Japanese labor is about one-tenth, work for work, of our labor in per diem pay, with considerably longer hours. That would show such a difference in cost that we have figured on a very much less basis. We have figured it on one-fifth, in order that the matter might not be challenged.

Senator JAMES. Have you investigated to see what the imports of thrown silk were last year?

Mr. YOUNG. Yes, sir; and they were very small. In fact, the record that I have here covered about three years—from August, 1909, to June 30, 1912. I do not know whether your figures are later than that or not. That says 2,342 pounds in the particular items I am speaking of, with a value of \$14,536.

Senator THOMAS. Is that thrown silk or sewing silks?

Mr. YOUNG. Sewing silks.

Senator JAMES. That is practically no importation at all as compared with the production in this country?

Mr. YOUNG. That is true, sir.

Senator JAMES. Is that why they had to cut down that so as to get more revenue?

Mr. YOUNG. I am inclined to think they thought that, there being no importations, it would bear a very heavy cut; but you must bear in mind that when we get below the line of cost we get into a dangerous situation, and that might be reached very readily, notwithstanding that we now have no importations. That is why I prepared these figures, which I would like to discuss.

Of course the price of raw silk varies from year to year, and it varies at different times in the same year; but comparing equivalent cost of \$3 a pound, which I believe was near the average cost for the last year, on that character of silks, and estimating the Japanese labor cost at one-fifth of ours and their material cost at slightly less than ours, we have their cost, \$3.45 a pound; made into 16 ounces of black, \$4.14. Our equivalent cost would be \$5.22, based upon the

same price of raw silk. Their colors would cost \$4.48 a pound, and ours would cost \$5.65 a pound, based upon the same cost of raw silk.

I might explain to the committee that the difference in costs between colors and black is this: The raw silk, when the gum is taken out, reduces from 16 ounces to 12 ounces. When dyed into black it goes up again to about 13½ ounces, but very slightly increases in colors above the 12 ounces, so that we must add 20 per cent to get 16 ounces of black silk and add 30 per cent to get 16 ounces of colored silk. So it makes our cost on that ratio between blacks and colors.

When we come to the embroidery silks our labor cost is more and our material cost is a trifle less. Take raw silk at \$3 a pound. We find Japanese cost, in colors, is \$3.48; our cost is \$5.00, or a difference of \$1.42 a pound. After we have applied the duties proposed by the House bill, 62 cents on blacks and 67 cents on colors, it makes a total cost of black of \$4.67 against our cost of \$5.22 a pound, or a difference in favor of the Japanese of 46 cents a pound. In colors their cost, including duty, is \$5.15; our cost, \$5.65 a pound, or a difference of 50 cents a pound.

When we apply that to embroidery silk we find their cost, including duty, \$5.15 a pound; ours, \$5.00, making a difference of 75 cents a pound.

Returning to the question which you asked about importations, we are perfectly frank to say to your committee that we expect a reduction in the schedule.

Senator THOMAS. I guess in that particular your expectation will be realized.

Mr. YOUNG. I have no doubt of it, sir; but we did not expect and we can not bring ourselves to believe now that if we can convince your committee that the reduction is too great but that, we confidently believe, it will be raised. If your committee should decide to use specific duties instead of ad valorem duties we are prepared to suggest what we believe are the fair and necessary duties. If your committee decides to leave it on an ad valorem basis, which we hope you will not decide to do—but if it is so decided then we wish to urge before the committee to give us at least an even opportunity with the foreign manufacturer, and particularly with the Japanese manufacturer, who is the source of greatest danger to us.

Senator STONE. Are you prepared to state in a few words what the ad valorem is that you would advise?

Mr. YOUNG. Yes, sir.

Senator STONE. What is it?

Mr. YOUNG. For that classification, 30 per cent—that is, a reduction of from 36 to 30.

Senator STONE. What would you advise as a specific rate?

Mr. YOUNG. As a specific rate I should advise a minimum of \$1.25 a pound.

Senator JAMES. The ad valorem on last year's exports is only 25 per cent.

Mr. YOUNG. Thank you for calling our attention to that. I had almost overlooked it. I think therein lay one of the causes of this great reduction. If you will notice the importations were exceedingly small and not sufficient to give any basis for conclusions on that particular item. Undoubtedly the thing that was imported there

was some special fancy article that had a high price and was not a staple manufacture, because more than half of the sewing silk in this country is to-day being sold at \$5.82 a pound, which includes not only the cost, but includes the cost of transportation and the cost of selling. Manifestly, then, \$6.21 a pound is not a fair basis on which to estimate the ad valorem equivalent. That is decidedly wrong. Our ad valorem equivalent figures out on this ratio: Black sewing silk, 36 per cent; colored sewing silk, 33 per cent; embroidery silk, 33 per cent. If they had been importing those articles upon a fair foreign cost, then you would have a duty of 36 or 33 per cent, the ad valorem equivalent of our present duties. But when it is based on some fancy article, which was the case, as I know of my own personal knowledge, it is a different proposition. It was crochet silk—a varicolored silk that was not manufactured in this country and was imported at a high price, and I think most of it is in that schedule. So that is not a fair basis to consider or to form a conclusion upon.

Senator JAMES. This has been absolutely prohibitive?

Mr. YOUNG. Yes, sir; apparently.

Senator JAMES. But why they want to reduce it on silks is a mystery to me.

Mr. YOUNG. You won't have to reduce it very much to make it competitive.

Senator JAMES. We are told that production in this country is ten to twelve million and the importation is \$6,000. It looks to me as if we would have to make some sort of a cut that would be a right sharp one in order to bring in any revenue if the 25 per cent ad valorem is not able to do it, as the figures are given here.

Mr. YOUNG. May I ask a little further consideration upon the point that that 25 per cent ad valorem duty is not a fair equivalent?

Senator JAMES. Could you not give it to us in a brief?

Mr. YOUNG. Yes, sir.

Senator JAMES. We want to get revenue out of silk, because we look upon it as a luxury.

Mr. YOUNG. We are perfectly willing to have the committee put it on a fair competitive basis.

Senator JAMES. But we do not want to make it prohibitive, so that the people do not get anything out of it, nor the Government either.

Mr. YOUNG. On the other hand, you do not want to drive all the business to the foreign manufacturers. I think that the country has looked with considerable confidence upon the statement in the platform of your party that the changes would be made consistent with business and not in a way to destroy it. We rely with a feeling of perfect safety upon that point, and we do not believe that the committee desires to reduce it to a point that would injure our business. We are perfectly willing to have it reduced to a competitive point, but not one that may injure our business. Our costs are increasing all the time. Every State, or almost every State, is passing limited hours of labor laws. Massachusetts, where a large part of the manufacturing is done, has a law before the legislature now providing for a minimum wage. If you are going to reduce the hours of labor and make a minimum wage scale, we must have a reasonable degree of consideration in our manufacture, and our costs are going to be increased constantly rather than lowered. There-

fore a change of this kind might put us in a bad position in a very short time from now.

I am not inclined to take up more of the committee's time. I believe I have put the matter clearly before you.

Senator THOMAS. You have a brief, have you not?

Mr. YOUNG. We have submitted a brief to the chairman of the Ways and Means Committee, and we assume that it will be referred to the committee; but in order that there may be no doubt about it I will ask the privilege of placing a brief in your hands.

I want to thank the committee, and I want the committee to understand that we are here only to ask for a perfectly fair and reasonable consideration. We do not want one cent of protection more than is necessary to cover our business.

Senator STONE. It will be all right if you file it with the chairman of the Finance Committee along with your statement.

Senator JAMES. You had better give that brief to the stenographer.

Mr. YOUNG. All right, sir; I will do that.

Senator STONE. We are very much obliged to you.

Mr. YOUNG. We are very much obliged to you, Senator, and to the members of the committee.

(The brief of the witness follows:)

WASHINGTON, D. C., May 27, 1913.

HON. WILLIAM J. STONE,

Chairman subcommittee Senate Finance Committee,

Washington, D. C.

SIR: The manufacturers of sewing and embroidery silks are keenly disappointed in Schedule L, paragraph 321, of the House tariff bill. The undersigned was appointed at a meeting of manufacturers to present their objections to your committee. There are two primary objections:

First. Duty should be specific and not ad valorem.

Second. The rate of duty in the House bill is so low that it will result in serious injury if not absolute destruction of our industry.

SPECIFIC DUTIES.

We agree with all other manufacturers and importers of silk that specific duties should be applied and that a grave mistake would be made in applying ad valorem duties, particularly to this class of merchandise, which would be undervalued, and therefore the actual duty collected would be much less than the percentage called for. Ad valorem duties will vary with many conditions and with the changing cost of raw material. A specific duty can not be evaded, is clear, definite, uniform, and easy of application. This has been thoroughly presented to your committee by the representatives of the Silk Association of America, and it is sufficient for us to voice our approval and urge upon your committee the adoption of specific duties.

FOREIGN COMPETITION.

The most dangerous source is Japan, whose people have for centuries been expert silk operators, possessing great industry and skill as well as inventive genius. In making comparisons, therefore, of costs it is fair to assume the cost in Japan, from which importations are most likely to come. From the best reports that can be obtained it is ascertained that labor costs in Japan in this particular industry are one-tenth of the labor costs in America. The cost of their various supplies is evidently considerably less.

COMPARATIVE COSTS.

It is difficult to figure exact costs as they will vary from time to time; will vary in different mills and under different conditions. Costs will also vary with the manner in which merchandise is prepared for the market. To make a

concise statement, therefore, it will be necessary to consider general averages on the class of merchandise usually placed upon the market. There are three general classes in our manufacture.

	Per pound.
Black sewing silks, 16-ounce pounds, finished for market:	
Japanese cost of manufacture	\$0.54
American cost of manufacture	1.02
Difference	1.08
Colored sewing silk:	
Japanese cost .....	.58
American cost	1.75
Difference	1.17
Embroidery silks:	
Japanese cost .....	.58
American cost	2.00
Difference	1.42

To be conservative, Japanese labor is figured at one-fifth of American labor. These costs do not take into consideration general overhead charges and extra cost of investment in plants and machinery. To arrive at an actual difference in conditions would require the addition of from 10 to 15 cents per pound.

PRESENT DUTIES.

Sewing silks and embroidery silks in the present tariffs are divided into two classes: In the gum, \$1 per pound; further advanced, \$1.50 per pound.

Being the cost of raw material in Japan \$3 per pound, which is the average cost of silk entering into the manufacture of sewing silks and embroidery silks, 16-ounce pound of sewing silk would cost in Japan—

Black	\$4.14
Colored	4.48
Embroidery silks	4.48

The rate of duty at \$1.50 per pound expressed in ad valorem equivalent would be 36 per cent on black sewing silk, 33 per cent on colored sewing silk, and 33 per cent on embroidery silks.

PROPOSED DUTY.

The proposed duty of 15 per cent applied on Japanese cost would be: 62 cents for black sewing silk per pound, 67 cents per pound for colored sewing silk and embroidery silks. This is a reduction from present duties of 60 per cent on black and 55 per cent on colored sewing silk and embroidery silks. The actual difference per pound in favor of Japan, after duty is paid, would be 46 cents per pound on black sewing silk, 57 cents per pound on colored sewing silk, and 75 cents per pound on embroidery silks, not including extra costs of overhead charges and investment.

REDUCTION.

The reduction in duty in this paragraph is so great as to lead to the conclusion that the rate of the House bill was made either by mistake or upon wrong information. It may have been based upon the ad valorem equivalent as shown by the duties actually collected during the last two years. Reference to the Treasury report will show that importations were not sufficient in amount to form a fair average and are therefore not a reliable basis for conclusions. The value of the finished silk is given at \$6.21 per pound, making the ad valorem equivalent 24 per cent. Evidently the imported article was one of unusual and special value, something probably not manufactured in this country, and therefore sold at an unusually high price. Actual demonstrations as above given show that for most of the merchandise in this classification the cost should be figured at not to exceed \$1.48 per pound, which would make the ad valorem equivalent from 33 to 36 per cent. Attention also should be called to the fact that the reduction on sewing silks and embroidery silks is much greater than on any of the other articles in this schedule. Our manufacturers believe that they are entitled to the same degree of consideration as are other manufacturers in this important industry.

LABOR COST.

It is pertinent to this discussion to call attention to the fact that most of the States in which we are operating have already limited the hours of employment and are likely to make further limitations. They are also agitating the question of minimum wages both by the State and National Government. Undoubtedly labor costs will be legally increased steadily in the future, making conditions even more difficult than they are now. We are convinced that the proposed rate in the House would place our industry at the mercy of foreign manufacturers and would force the abandonment of numerous factories in this country employing many thousands. Legislation which seeks on one hand to provide liberal wages for limited hours of employment, and which on the other hand by low duties takes away the opportunity for employment, certainly can not be reconciled.

SUGGESTED DUTIES.

We urge upon your committee the adoption of specific duties based upon present classifications. We expect and are willing to accept a reasonable reduction in the present duties, as the small importations would indicate that they are higher than is necessary. We do not believe that a reduction exceeding 10 per cent can be safely made without grave danger to our business. Should your committee decide to abandon specific duties, which we hope you will not, then the general classification of sewing silks and embroidery silks would require a duty of 30 per cent to be within the bounds of safety, particularly in view of the fact that the actual duty collected would not reach this percentage.

We do not believe that your committee intends to fix any rates of duty that would result in injury to American industries. We do not ask for anything unreasonable, but urge fair, just, and considerate treatment.

Respectfully submitted.

EDWARD C. YOUNG,

Vice President Belding Bros. & Co.

STATEMENT OF MR. FRANK HUGHES, OF PASSAIC, N. J.

PARAGRAPH 326.—*Umbrella cloth.*

MR. HUGHES. Mr. Chairman, I represent a concern that makes what is called umbrella cloth. It is a mixture of silk and cotton—a cotton-filled article with a silk warp, about 11 per cent silk and 89 per cent cotton. It is a very small industry here. The consumption in the United States, including the foreign and domestic article both, is less than \$1,000,000 annually. There are only two concerns that make it—our own and what is called the Muller Works at Norwalk, Conn., Mr. Muller being a son of the German manufacturer, Otto Muller.

SENATOR STONE. Where is it made in this country?

MR. HUGHES. It is made at Passaic, N. J., and at Norwalk, Conn. Our mill is at Passaic.

SENATOR STONE. There are just two factories?

MR. HUGHES. Just two; that is all. It never was made in this country until we started our mill 10 years ago. The reason for that has been that the silk men considered it was too difficult an article to make at a profit.

SENATOR STONE. Is that the only article you make?

MR. HUGHES. No. During the last two years, on account of the competition and the decreased consumption, we have had to turn some of our looms into cotton-back satins, and we have had to make some silk goods; but our mill was planned to make this article. We expected to make about two-thirds of the total production, which, as I say, is less than \$1,000,000 annually.

The reason it is so difficult to make is that the cloth has to be made with a good deal of density, and has to be very light, and you can notice the defects in it very easily, because when it is made into an umbrella, and you raise it, the light shining through shows every little imperfection in it. That is why, I think, none of the silk men have tried to make it. We experimented for about two years with a German who was over here, and had been all his life in the industry in Germany, and found that it could be produced at a profit; but about two years after we started, and when we were just beginning to get our help trained, Mr. Muller devised what is called a tape edge, a silk tape edge, which never had been put on the cloth before, and that enabled the umbrella makers to split the cloth in the angles for the ribs, which they could not do before without wasting a great deal of material. It took us about three years to get our help so that they could make that tape edge; so it has only been in the last two years that we have been able to get our cloth somewhere near the same perfection as the Italian and German manufacturers.

Senator STONE. Did they learn the art of making this cloth more readily than you did?

Mr. HUGHES. They have been making it for years. I think Otto Muller and his father and grandfather have been in business for between 60 and 100 years; and I think Cavassi, who is located near Como, Italy, has been in business an equal length of time. They have had a class of help whose fathers and grandfathers and great-grandfathers were in the mill, and they grew up, and the boys and girls went into the mill. We had several of them come over and work for us afterwards, and our present manager is a man who learned his business all his life, as his father did before him, in a mill in Germany. Their help has been trained on that one article, while we have to pick up all kinds of help; and with the present class of labor that we are able to get it takes quite a time before they are able even to weave 8 or 10 yards per day. They should weave 14 or 15.

Our average wage for the girls in our weave shed is between \$9 and \$10 a week. Cavassi's average pay is \$1.70 per week. We have tried to keep everything possible down to the minimum of expense. I, as president of the mill, do not draw any salary at all. Our general manager, who is the practical man, gets \$6,000 a year. Our secretary gets \$2,000 a year. Those are the only salaries we pay.

Senator STONE. What do you do?

Mr. HUGHES. I am supposed to direct the policy of the mill.

Senator STONE. Do you take an active part in the business? Have you an office in connection with the plant?

Mr. HUGHES. Yes, sir; but it is not in the plant. I sign all the checks and pass all the bills.

Senator STONE. Do you do other business?

Mr. HUGHES. Oh, yes; I could not live if I did not. But the mill can not afford to pay any extra expenses, and we figured that we could not afford to pay salaries to executive officers until we got the mill on a profitable, paying basis. We have not been able to earn over 4½ per cent on our actual money invested. We are behind now nearly two and a half years with our dividends.

Senator STONE. What is the investment?

Mr. HUGHES. The investment is about \$500,000, actual money.

Senator STONE. Actual paid-in money?

Mr. HUGHES. Actual paid-in money.

Senator STONE. What is the capitalization?

Mr. HUGHES. We issued \$500,000 of stock to the people who brought it over to us, which was called process account, but that has been set aside and never has been figured in our investment.

Senator STONE. You mean \$500,000 of watered stock?

Mr. HUGHES. It is called common stock, issued for processes and patent rights.

Senator STONE. As compensation or inducement to the people for putting their money in it?

Mr. HUGHES. Partly; but it was represented to us by the German who helped us start the mill that with the tariff that existed at that time we ought to be able to earn a good deal more money.

Senator STONE. Let me get that: What is the capitalization of your company?

Mr. HUGHES. \$1,000,000.

Senator STONE. And \$500,000 paid in?

Mr. HUGHES. \$400,000 paid in, and \$100,000 has been put in in betterments and improvements.

Senator STONE. That is \$500,000?

Mr. HUGHES. Approximately \$500,000.

Senator STONE. And the outstanding stock obligation is \$1,000,000?

Mr. HUGHES. \$1,000,000.

Senator STONE. Are you paying 4½ per cent on that now?

Mr. HUGHES. No, sir.

Senator STONE. How much have you paid on it?

Mr. HUGHES. We have paid 7 per cent on \$300,000, with the exception of about two and a half or three years, for which time dividends have not been paid. Our preferred stock is supposed to pay 7 per cent dividends, but we are nearly three years back with those dividends.

Senator THOMAS. What is the cause of that?

Mr. HUGHES. Because we have not been able to make the money.

Senator THOMAS. Is it due to a decrease of demand?

Mr. HUGHES. Partly a decrease of demand and the foreign and domestic competition.

Senator THOMAS. How much is that competition? What percentage of the total consumption in America is foreign product as compared with the production here?

Mr. HUGHES. The last year or two there has been very little importation, because there has not been enough demand for the two domestic mills. Our mill and Mr. Muller's mill have been making pretty nearly the total consumption.

Senator THOMAS. Then the trouble is overproduction at home?

Mr. HUGHES. No; it has been due to the decreased consumption. The mercerized cotton goods have largely taken the place of the gloria cloth for making the cheaper grades of umbrella. The umbrella that people buy for 50 or 60 cents now is made out of mercerized cotton, where they used to pay \$1.25 for the umbrella made from our article. That consumption will always remain about the same. It will run about \$900,000 or \$1,000,000 a year, but it never will be any greater, from conditions as they exist to-day.

Senator STONE. How much of the \$1,000,000 of your stock issue is preferred stock?

Mr. HUGHES. \$100,000.

Senator STONE. And \$100,000 common, actually paid for?

Mr. HUGHES. No; that has been paid for, but it is in the way of betterments and improvements that have been put in. Stock was issued for those improvements and for processes and patent rights.

Senator STONE. What was the other \$500,000 of stock issued for?

Mr. HUGHES. I have stated that that was for this \$100,000 of improvements and the processes and patent rights which were taken over from the men who started the mill for us.

Senator STONE. You have been paying dividends. What was the last dividend you paid?

Mr. HUGHES. We paid $3\frac{1}{2}$ per cent on our deferred dividends.

Senator STONE. When?

Mr. HUGHES. About three months ago.

Senator STONE. Deferred from when?

Mr. HUGHES. Deferred from about two years ago.

Senator STONE. Had you not paid any dividends for two years?

Mr. HUGHES. No. We paid one dividend in that period of two years, but it was a deferred dividend from a prior period. You see, when we pay dividends now, we credit them to the first dividend that had accrued at the beginning of the deferred period.

Senator STONE. When did you start your business?

Mr. HUGHES. In 1903.

Senator STONE. Ten years ago?

Mr. HUGHES. Yes, sir.

Senator STONE. How many dividends have you paid?

Mr. HUGHES. I must check that up. We have paid, I think, in the 10-year period, all but six or seven of those dividends—6 months' period dividends. I think we are either six or seven behind.

Senator STONE. Six months' dividends?

Mr. HUGHES. Six months' dividends. That is about three years of dividends.

Senator STONE. Out of 20 dividends you are 6 or 7 behind?

Mr. HUGHES. Yes. We have paid the dividends, with the exception of about three years.

Senator STONE. What has been the average percentage that has been paid your stockholders during the 10 years?

Mr. HUGHES. During the 10 years, about 4 per cent; possibly $4\frac{1}{2}$.

Senator STONE. During the 10 years?

Mr. HUGHES. During the 10 years.

Senator STONE. Covering each year?

Mr. HUGHES. We took it over the period of 10 years, and that includes only the actual preferred stock. It does not include the \$100,000 of additional money.

Senator STONE. Does that include the whole \$1,000,000?

Mr. HUGHES. No, sir; it only includes dividends on \$400,000.

Senator STONE. What has been paid on the other \$500,000?

Mr. HUGHES. Nothing.

Senator STONE. Never anything?

Mr. HUGHES. Never; no, sir.

Senator STONE. What is the value of that stock?

Mr. HUGHES. That is a question as to what the mill may be able to do in the future.

Senator STONE. Has it any market value now?

Mr. HUGHES. No, sir.

Senator STONE. Have you any of it?

Mr. HUGHES. Yes, sir.

Senator STONE. What do you consider it worth?

Mr. HUGHES. I do not carry it at any value at the present time, Senator.

Senator STONE. Do you mean to say it is not worth anything?

Mr. HUGHES. Well, it may be. It is worth something for the sake of the control. It is hard to tell what the good will of any concern will be. But, as far as any money value is concerned, it has none to-day. Our preferred stock to-day would not bring par.

Senator STONE. The \$100,000?

Mr. HUGHES. The \$100,000. That is partly because there is no market for it.

Senator STONE. Go ahead.

Mr. HUGHES. What we think is that this article ought to be entirely separated from any other thing in the cotton or silk schedule.

Senator THOMAS. Under what schedule does it now come?

Mr. HUGHES. I think under section 330 in the bill as it was published.

Mr. BUNN. Section 326, if silk is the material of chief value.

Mr. HUGHES. That has been changed, I think. It was section 330 in the bill that was published.

Senator STONE. But silk is not the material of chief value, is it?

Mr. HUGHES. It would be in value.

Senator STONE. I thought you said 80 per cent of it was cotton.

Mr. HUGHES. Yes; but the silk has a higher value.

Senator STONE. Do you mean that the 11 per cent of silk is more valuable than the 80 per cent of cotton?

Mr. HUGHES. The 11 per cent of silk in the cloth might have more value than the cotton. I am not enough of an expert to tell you that, although I have detailed figures which I can leave with you, and which I sent to you, and which will show you exactly the figures and how they compare with the foreign product. I am not the practical man of the mill.

Senator STONE. Go ahead.

Mr. HUGHES. I would not be able to answer expert questions. What we want to do is to see if you will not take this article out of the general cotton and silk schedule, because it is entirely different from any other article manufactured in this country.

Senator STONE. I should like to have the Government men listen to him.

Mr. HUGHES. One of them is very familiar with it. I think his name is Gosner or Gosman. He introduced himself to me. He was at one time in the employ of a concern that used to sell these goods before we started the mill. I think he knows a great deal more about it than I do. He spoke to me inside and asked me if I remembered him.

(The gentleman referred to was sent for and entered the room.)

Mr. BUNN. He is a man who is with us, who knows something about silk goods.

Mr. HUGHES. He knows more about this cloth than I do. I should be very glad to have him answer your question.

Senator STONE. State what it is that you wish to have done now.

Mr. HUGHES. We would like to have this cloth taken out of what is called the general schedule, involving several hundred millions of cotton and silk goods, and have our duties made specific. Our product now has a duty of 85 cents per pound. The reason for that is that several years ago, under the Dingley tariff, we found that Mr. Cavassi was sending in his goods very much undervalued, and we had quite a fight in order to get that corrected. Under the ad valorem duty it is very much easier to do that: the goods can come in under different qualities much easier than they can under a specific duty per pound. I wrote to Mr. Underwood and told him we were perfectly willing to have a committee or an expert examine our books. Everything we have is open for anybody. There is nothing to conceal. There is no trust, no combination, no agreement of any kind whatever in connection with our goods.

Senator STONE. You want this cloth transferred to what section or provision or paragraph?

Mr. HUGHES. It would be in the same schedule, but a separate paragraph, with either 85 per cent specific duty or not less than 65 per cent ad valorem, which exactly equals the difference in cost of manufacture here and in Germany and in Italy. Our Mr. Hilgert has figured that out, and we would be very glad to have this gentleman or the gentleman from the appraisers' stores take these schedules and see if they are not correct. I should like to leave them with you.

Senator STONE. That ends what you desire to say, does it?

Mr. HUGHES. Yes. All we want is to have you protect us, if possible, from the general reduction which affects us so that it practically wipes out the industry, and there is no possibility of any other competition. Nobody else is going to make this material.

(Mr. Hughes submitted the following brief:)

WASHINGTON, D. C., May 23, 1913.

HON. WILLIAM J. STONE,
Chairman, United States Senate,

DEAR SIR: AS I was not able to make clear in the limited time allowed me at the hearing this afternoon the points which I wished to emphasize, they are:

We can not compete in the manufacture of this cloth with the foreign manufacturer if the duty is reduced to 45 per cent ad valorem, as provided in the new Underwood bill. Under the present tariff, which is specific—85 cents per pound—the margin of profit in the manufacture of this cloth has been less than 6 per cent. The consumption is limited and, including both foreign and domestic, is less than \$1,000,000 annually.

It is a special article, different from any other made in America and should not be classed with several hundred millions of cotton and silk goods in a general schedule. There is no combination, trust, or agreement in this country in connection with it. There are only two mills in this country producing it. The two large mills in Europe producing it employ help that have grown up from father to son for many years. We think it only fair and just that the tariff on this cloth should remain as it is, or that it should be taken out of the general schedule and put in a special paragraph, leaving the duty specific, or not less than 65 per cent ad valorem. This will represent only the difference in cost of labor and production.

We are willing to show your committee the private cost sheets of our mill, our books, or any other information you require. The duty provided in the Underwood bill simply means the ruin of this industry.

All we ask is to be fairly and justly treated, so that we can secure a reasonable return on our investment.

Yours, very truly,

FRANK HUGHES,
President Dundee Textile Co.

STATEMENT OF MR. FREDERICK CHARLES SUTRO, OF 222 FOURTH AVENUE, NEW YORK CITY, REPRESENTING THE SUTRO BROS. BRAID CO.

PARAGRAPH 327.—*Silk yarn.*

Mr. SUTRO. Mr. Chairman, I represent the Sutro Bros. Braid Co. These two gentlemen with me are officers of the National Association of Braid Manufacturers. We represent the industry that manufactures braids and dress trimmings in this country, a strictly competitive industry that comprises over 100 plants and gives employment to 35,000 men and women, and produces between \$12,000,000 and \$15,000,000 worth of goods annually. We ask for a lower rate of duty on artificial silk yarn, under paragraph 327.

Senator STONE. Lower than in the bill?

Mr. SUTRO. Lower than in the bill.

Senator STONE. What is it in the bill?

Mr. SUTRO. It is 35 per cent in the bill.

Senator STONE. What do you ask for in place of it?

Mr. SUTRO. In place of that we ask 15 per cent.

Senator STONE. From 35 to 15 per cent?

Mr. SUTRO. From 35 to 15 per cent.

Senator STONE. Are you manufacturers or importers?

Mr. SUTRO. We are manufacturers of braids and dress trimmings, and, to a considerable extent, import the raw materials from which we manufacture our finished goods. This particular artificial silk yarn exhibited here is an article that we import almost entirely for the purpose of manufacturing. Under the existing duty our finished goods pay a duty of 60 per cent plus 45 cents a pound. On the artificial silk yarn we pay 45 cents a pound. In other words, on the yarn at present we pay 45 cents a pound, and on the braid we have a duty of 60 per cent plus the compensatory duty of 45 cents. Now, under the proposed duty the braids, under paragraph 342, are to come in at 50 per cent, and artificial silk yarn, paragraph 327, comes in at 35 per cent, so that there is a margin between the finished goods and the yarn of only 15 per cent. We submit that we can not exist on that margin.

Senator STONE. You want the yarn to be 15 per cent?

Mr. SUTRO. Yes.

Senator STONE. What effect would that have on the revenue?

Mr. SUTRO. The artificial silk yarn duty collected in the year ending June 30, 1912, was \$727,007.65. The reduction of the duty to 15 per cent would considerably cut down that revenue on the face of it; but if the present duty remains—that is, the proposed duty remains, the 35 per cent—the braid industry would be so seriously affected that it would be unable to make use of the artificial silk yarn. The result would be that the importation of this yarn would be considerably cut down by the failure of the manufacturers to make use of it.

Senator STONE. Are those yarns made in this country?

Mr. SUTRO. They are, by one concern; and I come now to the next point in our argument. These yarns are made by a concern at Marcus Hook, Pa. This concern was founded and financed by an English corporation—Courtauld's (Ltd.)—which corporation owns a ma-

majority of the stock. Courtauld's (Ltd.) are the largest manufacturers of artificial silk yarn in the world. We understand by persistent trade rumor—I must put the thing that way, because I can not give this as a fact—but it is persistently stated that Courtauld's (Ltd.) has entered into trade agreements with the principal German and French manufacturers, whereby they divide the European field between them and are in a position mutually to agree upon prices.

Senator STONE. Does that corporation manufacture in Europe?

Mr. SUTRO. They manufacture in England.

Senator STONE. And in Pennsylvania?

Mr. SUTRO. And in Pennsylvania; so that the two concerns, the English concern and the American concern, are very closely allied. Moreover, this English concern and the leading French and German concerns have one selling agent in New York, who is at the same time the selling agent for the American company, so that the entire artificial silk yarn industry is apparently under one general control.

Senator STONE. You are making braid, and you want the material—that is, the yarn—cheaper? That is the whole story?

Mr. SUTRO. That is the whole story. Now, the reason that we have suggested 15 per cent is because artificial silk yarn is similar to thrown silk, and thrown silk under the proposed duty, paragraph 321, is to come in at 15 per cent. We base our recommendation on the Treasury decision, No. 32,164, January 11, 1912, in which the United States Court of Customs Appeals held that "the merchandise (artificial silk yarn) is the crudest form of artificial silk known to the throwsters' trade. It corresponds precisely to the natural silk, as this is made up from the cocoons." In other words, the United States Court of Customs Appeals have held that artificial silk yarn and raw silk yarn are the same. If we were to follow that out logically, we could ask to have artificial silk yarn put on the free list, and that, indeed, would be the logical thing for us to do, because that would only give us about the same differential that we have now; but we want to be reasonable, so we ask for 15 per cent.

Senator STONE. State it in ad valorem duty.

Mr. SUTRO. Of course the differential protection is 60 per cent, because we have 45 cents a pound on the yarn and 60 per cent plus 45 cents compensatory duty on the braid; so that that gives us the protection of 60 per cent.

Senator STONE. You mean that it gives you a compensatory protection of 60 per cent?

Mr. SUTRO. Under the existing tariff; not under the proposed bill.

Senator STONE. It would be only 15 per cent under the proposed bill?

Mr. SUTRO. Under the proposed bill there would simply be a differential margin of 15 per cent between the duty of 50 per cent on the braids and 35 per cent on the artificial silk yarn.

Senator STONE. You want the yarns reduced from 35 per cent to 15 per cent. You say that there is one company in the United States making these yarns and that is an English company?

Mr. SUTRO. That is correct.

Senator STONE. Have Americans stock in it? Are they interested in it?

Mr. SUTRO. I understand that they are to some extent, but only to a slight extent.

Senator STONE. You want cheaper raw material?

Mr. SUTRO. Exactly.

Senator STONE. Now, I see no objection just now to your having a cheaper raw material under the statement as made by you and of reducing the duty: still, I say, under the statement as made by you, if it does not materially affect the revenue.

Mr. SUTRO. As to the revenue question, as I say, Mr. Chairman, the Government is getting \$727,007.65 annually out of the importation of artificial silk yarn. At least that is what they got last year. Now, reducing the duty from 45 cents per pound to 15 per cent will unquestionably reduce that revenue to some extent on equal importations.

Senator THOMAS. The business is largely competitive, under the present duty, relatively speaking? The imports are very large?

Mr. SUTRO. Yes. If the rate is reduced, the revenue will also be reduced to some extent. It is impossible to say how much, because if the margin between finished goods and the artificial silk yarn remains as small as it is proposed, it will destroy some of the American industries that make use of the yarn.

Senator THOMAS. The estimate of the Ways and Means Committee is \$699,000 as against the \$783,000.

Mr. SUTRO. You see the committee in making that estimate assumed that existing industries would be able to continue to use the yarn in the same quantities as heretofore.

Senator STONE. Are there any American exports of this braid?

Mr. SUTRO. No: it is impossible to export with the tariff on raw material. You see the foreign manufacturer does not have to pay that.

Senator STONE. What per cent of the American consumption of the finished goods is imported?

Mr. SUTRO. Just about half.

Senator STONE. Then it is competitive under the present conditions?

Mr. SUTRO. It is competitive under the present conditions. All we ask is justice to the braid industry, because if the present rates go through, and the raw material remains as high as intended, it will practically destroy the industry of making artificial silk braids.

Senator STONE. Now, what gentleman would like to be heard next?

Senator THOMAS. Would it not be a good idea to hear the gentleman who oppose the statement just made?

Senator STONE. Is there anyone here who opposes the statement that has just been made?

STATEMENT OF MR. SAMUEL KRIDEL, OF NEW YORK CITY.

PARAGRAPH 327—*Silk yarn.*

Senator STONE. Do you ask for any reduction in the manufacture of artificial silk abroad?

Mr. KRIDEL. They have been reduced.

Senator STONE. You are asking for a reduction on the rates in the present House bill, are you not?

Mr. KRIDEL. Yes.

Senator STONE. Can not you stand a reduction on the manufacture of artificial silk in the same proportion?

Mr. KRIDEL. We are commission merchants and importers of silk.

Mr. SUTRO. The chairman asks whether we could not stand a greater reduction in the duty on the finished goods. If it were not for the fact that the duty on the finished goods is to be reduced we would not be here asking for a further reduction. It is only because the present tariff proposes a radical reduction in the finished goods that we ask for a corresponding reduction on the raw material. We can not exist under the present condition. If finished goods are to be reduced, we ask that raw materials be reduced also.

Senator STONE. What have you to say on the other side, Mr. Kridel?

Mr. KRIDEL. Only that if there is a reduction on the yarns, I naturally infer that the artificial silks would also be reduced in the same proportion.

Senator JAMES. Has there been a reduction in the raw material?

Mr. KRIDEL. I think there has.

Senator JAMES. Do you agree with that, Mr. Sutro?

Mr. SUTRO. Not at all. Under the existing tariff the finished goods have a duty of 60 per cent plus 45 cents a pound. There is a differential protection of 50 per cent. Now, under the proposed bill the duty on the finished goods is to be reduced from 60 per cent plus 45 cents to 50 per cent.

Mr. KRIDEL. Sixty per cent. I have it right here.

Mr. SUTRO. No; 50 per cent. You are looking at the wrong paragraph.

Mr. KRIDEL. I thought we were discussing paragraph 327, which covers the manufacture of artificial silk.

Senator JAMES. What is the protection tariff in this Underwood bill on the finished product?

Mr. KRIDEL. The duty on the finished goods in the proposed tariff is 50 per cent, paragraph 342; the duty on the raw material, paragraph 327, is 35 per cent, leaving a margin of 15 per cent. Our argument here is that on that margin we can not exist. It would put the manufacturers of artificial silk braid in this country out of business.

Senator STONE. Is the Government appraiser on silks here?

Mr. McGUIRE (Government appraiser). Yes, sir; I am here, Mr. Chairman.

Senator STONE. There seems to be some dispute here between these gentlemen as to the paragraph under which these goods were to be classified.

Mr. McGUIRE. Under paragraph 342 it provides for braid of whatever material composed, which would naturally catch the artificial silk. The other paragraph provides for the manufacture of silk at 50 per cent.

Mr. BUXX (Government appraiser). Braids are more specific than the artificial silk, and under the ruling of the General Appraisers it was held that braids will carry this proposition, and they would be classified, unquestionably, under the paragraph for braids, irrespective of the other provisions for manufactures of artificial silk.

Senator JAMES. I would like to ask the Government expert on silk to tell us which proposition is correct.

Mr. McGUIRE. I think there is a question, but the board might decide that braid is more specific.

Mr. BURN. The board has decided that in the past. That was all I wanted to call attention to.

Senator STONE. Who else has anything to say on this subject?

Mr. KUBEL. Does the committee desire to hear those in favor of the proposed House bill?

Senator STONE. We desire to hear anybody that wants to be heard, whether it is one side or the other.

Senator THOMAS. But we will request you gentlemen to limit your remarks so as not to take up more than 15 minutes' time for each speaker.

Mr. KUBEL. Mr. Chairman, I appear here in behalf of the importers of silk goods as enumerated in Schedule L of House bill 3321, paragraphs 322, 323, 324, 325, and 326. That embraces mostly all manufactures of silks. We have appeared before the Ways and Means Committee and we now are appearing before you.

Senator STONE. You live in New York, and you are engaged in importing and manufacturing silk?

Mr. KUBEL. Yes, sir.

Senator STONE. Where are you manufacturing silk?

Mr. KUBEL. We are interested in mills in Bethlehem, Pa., and in Philadelphia, Pa.; also in Paterson, N. J.

Senator STONE. What are the names of the corporations in which you are interested?

Mr. KUBEL. We are interested in the Bethlehem Silk Co. I am speaking about our firm. We are also interested in the Best Silk Manufacturing Co., besides being a selling agent for a number of other concerns which I can enumerate if you desire.

Senator STONE. But, as manufacturers, how many concerns are you interested in?

Mr. KUBEL. Two concerns.

Senator STONE. And, then, you are the selling agent for foreign manufacturers?

Mr. KUBEL. Both domestic and foreign.

Senator STONE. Are you large importers?

Mr. KUBEL. We are fairly large importers; yes. Our domestic business, however, is probably three times as much as our import business. If it is in the wisdom of this committee that a duty based on specific rates shall prevail, the importers are very happy to submit to embodying all these specific rates, the same as was presented to Mr. Underwood, the chairman of the Ways and Means Committee, of which I have a copy here.

Senator STONE. That is printed in the hearings?

Mr. KUBEL. No; it is a bit modified in this. It is a very lengthy paragraph, and if you desire to hear the entire paragraph I would be pleased to read it to you, but if you wish me to file it with your committee I will do so. In these specific rates we have embodied a minimum clause of 30 per cent ad valorem and a maximum clause of 45 per cent ad valorem, meaning that we do not want to have the first class of silks pay a lesser rate of duty than 30 per cent ad valorem under the specific rate; nor do we want a higher rate assessed than 45 per cent ad valorem on the cheaper grades of silk, or with silk mixed with cotton or wool or any other substance. But should this

committee find that they do not care to assess specific rates, the importers would be perfectly satisfied to have the ad valorem rate all around, embracing all these various paragraphs, with the exception of clothing, at 40 per cent ad valorem, which is a little higher than the average under the specific rate of a minimum of 30 per cent and a maximum of 45 per cent. In proposing this I feel confident that it will in no way hurt the domestic industry. In representing the domestic we feel and know that their output and product will in no wise be hurt or diminished. Furthermore, it will produce more revenue here for the Government, and, all in all, I hope that either of the rates that we propose here will prevail. In order to show you how these rates compare with domestic manufactures of silk, we have here before you to-day representatives of the various branches of the silk industry who can show you exhibits here that will convince you, I hope, that the rates we ask are justified and equitable. I would therefore call upon Mr. Mailhouse.

Senator JAMES. Before you sit down, Mr. Kridel, will you please look at paragraph 319? What does that provide for?

Mr. KRIDEL. For raw silk, partly manufactured from cocoon. That has nothing to do with the manufactures of silk.

Senator JAMES. But I wanted to ask you a question with regard to that. I notice that the imports in 1910 of that article amounted to \$17,512,000, and in 1912 it fell off to \$16,000,000, according to this record.

Mr. KRIDEL. That is raw silk free that you are speaking of, is it not?

Senator JAMES. No; I am speaking of this paragraph that I called your attention to.

Mr. KRIDEL. On what page do you get your statistics?

Senator JAMES. Page 245 of this book accompanying H. R. 3321.

Mr. KRIDEL. That is \$17,000, not \$17,000,000.

Senator JAMES. I mean \$17,000.

Mr. KRIDEL. Yes; it fell off. I noticed that. Very little thrown silk is imported.

Senator JAMES. And we exported three times as much as we imported?

Mr. KRIDEL. I really do not know anything about the raw material.

Senator JAMES. But that is the record, is it not?

Mr. KRIDEL. Yes; that is the record.

STATEMENT OF MR. M. E. MAILHOUSE, OF NEW YORK CITY, REPRESENTING GERMAN MANUFACTURERS OF VELVETS.

PARAGRAPH 322.—*Silk velvets, plushes, etc.*

Mr. MAILHOUSE. We have prepared a schedule, which Mr. Kridel refers to, a specific schedule which has been figured out carefully based upon prices of domestic qualities as compared with qualities made in Germany, of which I have samples to submit, showing the prices at which the goods have been sold here and corresponding prices for the same qualities sold in Germany under the proposed rate of 50 per cent and what rate they would have to pay to compete with the prices of American goods. For instance, we have one sample here of a schappe-faced cotton velvet which has been sold in the

United States by domestic manufacturers as low as 32 cents a yard, subject to a discount of 7 per cent.

Senator STONE. Which is that?

Mr. MAILHOUSE. The blue sample here. Attached there to the card is a sample of a red quality which is sold in Germany.

Senator STONE. Is it absolutely the same quality?

Mr. MAILHOUSE. It is absolutely the same quality. We give you the construction also, if you care for it. The price for that quality in the German market is a little over 1 mark; equal, approximately, to 25 cents. If this quality paid 50 per cent duty, but no selling expense, plus the expense of transportation and insurance for bringing the goods here, we would have to sell that quality at 39.9 cents without this expense, or we would have to sell it at 44.8 cents, including this expense.

Senator STONE. What is the American sample price?

Mr. MAILHOUSE. It is 32 cents. In order to sell the quality made in Germany at that same price, we would have to have a rate of duty of 21 per cent, and even that would not include the selling expense. If sold in the United States, paying 21 per cent, inclusive of selling expense, we would have to obtain 26 cents, paying a rate of 21 per cent against the proposed rate of 50 per cent.

Senator STONE. Do you know who made that first sample—the one in blue?

Mr. MAILHOUSE. Cheney Bros.

Senator STONE. Who made the red sample?

Mr. MAILHOUSE. That is made in Germany and supplied to me by Messrs. Scheibler & Co., who have looked after the interests of the German manufacturers who have supplied me with the material for them.

Senator STONE. Do you know what it costs Cheney Bros. to make that blue sample per yard?

Mr. MAILHOUSE. No; but I can tell you what I do know: I know that they sold it at 32 cents with a profit.

Senator STONE. Do you know what it cost the German manufacturers to make the sample in red?

Mr. MAILHOUSE. No; I know at what price he can sell it without the selling expense with the ordinary profit of a German working concern, which is a very small percentage of profit.

Senator STONE. You say that Cheney Bros. sell that blue sample at 32 cents?

Mr. MAILHOUSE. They have sold it as low as that within a year, to the best of my information, which I think is accurate. To-day they are obtaining a better price on account of the scarcity of goods.

Senator STONE. You can not import the corresponding sample from Germany and sell it for less than 39 cents, not including commission?

Mr. MAILHOUSE. On a 50 per cent basis we would have to sell it at 39.9, without including commissions and other expenses.

Senator STONE. Then you could not compete?

Mr. MAILHOUSE. We do not. We have not made it for years. We can not. It is absolutely impossible. That industry is absolutely monopolized here and several others, which I will show you. The next sample I have here is a quality of black velvet, for which the price here is 31 cents; that is, the price has been that within six

months. They take advantage of the times or the scarcity of an article. We have not been able to match this quality in Germany. The American price for that quality in Germany per yard would be 1 mark 11.

Senator STONE. State it in cents.

Mr. MAILHOUSE. In the neighborhood of 26 cents. If paying 50 per cent duty, including 50 per cent discount, it would have to obtain 42.5 cents; if including the selling expense, it would have to obtain 47.7; if sold in the United States at 31 cents, which is the domestic manufacturer's price, the highest rate of duty possible to pay would be 21 per cent, including 7 per cent discount, but no selling expense; and if sold in the United States, including selling expense, it would have to obtain 38.1 cents. That is another type of which we have sold none in this country for years.

Senator JAMES. Do you want these rates in the bill we are considering raised?

Mr. MAILHOUSE. We want them lowered. The present bill proposes 50 per cent ad valorem duty on velvet of which silk is the chief value. We have proposed a specific schedule, which will average in the neighborhood of 38.10. We do not know whether it is the pleasure of the committee to require ad valorem or specific duty. We will accept either with a maximum of 40 on velvet, or our specific schedule as we have proposed it, which we will demonstrate will permit a certain amount of competition by foreign manufacturers on a class of goods which we are unable to import now and which are sold profitably by domestic manufacturers and have been for a great many years.

Senator JAMES. Are you assailing these rates because they are too high or too low?

Mr. MAILHOUSE. They are too high. We want them lowered.

Senator JAMES. Will the lowering of these rates increase the revenue?

Mr. MAILHOUSE. It will increase the imports. They are at the present time a fraction over a million dollars. During the Wilson bill they were considerably higher, and they will be considerably higher unquestionably, providing we can compete. Speaking of the imports being over a million, there are one or two domestic velvet manufacturers who sell more than that.

Senator JAMES. You say the imports are over a million. What is the total consumption in the United States?

Mr. MAILHOUSE. Of velvet?

Senator JAMES. Yes.

Mr. MAILHOUSE. I could not tell you that offhand, but I am positive that the imports are not more than one-fifth.

Senator JAMES. So you say, then, that the production here was about \$1,000,000?

Mr. MAILHOUSE. I am convinced that it is much more than that. I would not care to go on record, because I do not know positively, but I know that there are no less than two manufacturers that undoubtedly do produce as much as is imported.

Senator JAMES. I was asking that question to ascertain whether or not there was competition in the sale of these velvets. Now, the rate of the Payne-Aldrich bill is lowered, is it not, by these prices here of the Underwood bill?

Mr. MAILHOUSE. The rate, according to the Payne-Aldrich bill, averaged a fraction over 52, I believe, and the present rate has been made at 50 per cent flat. The present rate is specific, and averaged 53.51, and the proposed bill, as passed by the House, proposes a 50 per cent rate. They have informed us that they look upon velvet as a luxury. Some are and some are not.

Senator JAMES. Where you fix a specific rate, of course, you go according to the weight of the threads?

Mr. MAILHOUSE. You could go by that, but it is rather complicated. We have prepared a specific rate along different lines. On the class of goods which I have just spoken of—goods which are schappe faced and all cotton back—they can not compete with the domestic manufacturers even at 20 per cent; but we would get an opportunity at some slightly higher grade with a rate of about 40 per cent to compete with them. They have done a profitable business for some years past with the protection that has been accorded them.

Senator STONE. Who have?

Mr. MAILHOUSE. The domestic velvet manufacturers of this country; whereas, the German business has gradually declined from a large volume to an exceedingly small one.

Senator JAMES. Where you fix a specific rate on velvet, what would be the variation under which this velvet would be imported as to the value of it?

Mr. MAILHOUSE. We would answer, first, that the lowest class of goods would be silk faced and cotton back; the next would be those which are of silk and part silk back; and the third, those which are of all silk, placing upon this the highest rate of classification which we have presented.

Senator JAMES. Where it was all silk, how much would that silk vary in price?

Mr. MAILHOUSE. All silk goods will vary considerably, depending upon the width and class of construction.

Senator JAMES. Of course, there would be a great variation there in the price, and the specific duty on the cheaper article would be just as great as it would be on the higher-priced article. That is the injustice of a specific duty.

Mr. MAILHOUSE. The objection to ad valorem is the reappraisal and the contentions which will arise. Still, if it is the pleasure of this committee to favor ad valorem rates, we are prepared to accept a rate of 40 per cent on all velvets, which is a fraction higher than the average which we have proposed.

Senator JAMES. It looks to me as if an expert who could tell whether it was all cotton or all silk ought to have sense enough to find out the value of that when he has the importer and exporter both at his command to assist in ascertaining it.

Mr. MAILHOUSE. For some time past the appraisers of the customhouse were not absolutely able to establish those values very satisfactorily. It is the talk of the import trade that they were not able to do so. We feel, those of us who are doing this business in the regular way, fairly satisfied with the way in which it has been done.

Senator JAMES. It is urged that it is easier under a specific duty to ascertain what the tariff is than it would be under an ad valorem duty. It is manifestly unjust, because of the variation in the prices of the different things. One might as well say that Kentucky horses

shall be admitted for so much per head; yet one horse may be worth \$5,000, another \$1,000, and another \$100.

Mr. MAILHOUSE. I wish to mention that we have in our specific schedule, which we have proposed, a sliding scale, which provides for different gradings for velvet. Those which are all silk by paying a certain rate per pound will find their own level, and in no case will that class of goods pay a lesser rate than 35 or a higher rate than 45.

Senator JAMES. But you admit that the cheap goods and the high-priced goods pay that same rate.

Mr. MAILHOUSE. No; we make the cheap goods pay a maximum of 40.

Senator JAMES. If you can ascertain that so as to fix the maximum and minimum tariff, why can not you ascertain the ad valorem of the article just as easily?

Mr. MAILHOUSE. According to our request, which we have presented, our ad valorem would be approximately 38 per cent, and we are willing, if it is the pleasure of the committee, to advocate a 40 per cent ad valorem to replace our specific schedule, although we are favorable to a specific schedule. If it is the desire of the committee, however, we will accept the 40 per cent schedule.

Senator JAMES. If I understand the contention of the different gentlemen about whether it should be a specific duty or an ad valorem duty, it is simply this: That as it is easier with the specific duty to obtain the price, that ought to be an aid to the appraisers. There could not be any other argument made for it.

Mr. MAILHOUSE. Hardly that. The reason we prefer a specific rate is that it places each article where it belongs better than the ad valorem rate. It places each individual article brought into this country where it belongs.

Senator STONE. I do not think it is worth while to discuss the relative merits of ad valorem duty and specific duty. What I would like to have here is any definite and concrete information that you can give the committee that will aid us in ascertaining what the rates should be; whether ad valorem or specific rates.

Mr. MAILHOUSE. Our brief which we submitted requests a specific schedule, with a sliding scale; and, on the other hand, if it is the pleasure of the committee, we will advocate a 40 per cent ad valorem rate, and we are prepared to submit here samples in velvet, giving the details carefully worked out, which will make clear to you our reasons for asking these rates. We maintain that with a 40 per cent ad valorem rate, or our specific schedule, the domestic industries will not suffer a loss; on the other hand, if the rate is left at 50 per cent, the revenues will not increase, but the domestic manufacturers' revenues will increase. That is our contention. We are prepared now to submit various qualities here of German goods.

Senator STONE. I would like to know if you have these various things marked so that they can be carefully worked out?

Mr. MAILHOUSE. Yes, sir; with a letter accompanying them.

Senator STONE. And a description of them?

Mr. MAILHOUSE. Yes, sir; there is a description on each sheet, making it absolutely clear. I will file them together with the letter. Our entire object in this matter is to increase imports, increase duties,

and decrease a few domestic profits which have been abnormally large.

Senator STONE. You want to reduce the duty on these velvets to 40 per cent if we maintain the ad valorem?

Mr. MAILHOUSE. Or our specific schedule equivalent.

Mr. F. E. KIP. Mr. Maillhouse has stated that they can not make a cheap velvet in Germany as cheaply as it is made here and import it under a 50 per cent duty, excepting at a loss of about 5 cents a yard, as I understand it.

Mr. MAILHOUSE. A loss of selling expenses.

Mr. KIP. He says that his firm is Scheibler & Co., of Krefeld, Germany. One of the reasons why they can not sell that any cheaper than they do is because they are in an international trust. Ninety per cent of all the manufacturers of Germany, France, and England are in that trust. One of the conditions of that trust is that a rebate of 10 per cent is to be allowed at the end of each year if according to the customers' books they show that no goods are bought outside of the members of the trust. There is no combination in America. He also states that the velvet business in this country has increased and that in Germany it has decreased. There has never been a period in the last five years when the German manufacturers have made more money than they are making now; so much so that my firm last year started a large velvet plant in Lyon in order to get some of the profits over there.

Mr. MAILHOUSE. The agreement to which Mr. Kip refers applies to the German and French velvet manufacturers as concerns their business between France and Germany, and only between France and Germany. All of the manufacturers in Germany, as well as those in France, are free to sell in the United States of America at whatever prices they can obtain, and there are no agreements as to rebates. I wish to submit a copy of an affidavit, the original of which is in the possession of the Ways and Means Committee of the House of Representatives. It is signed by all of the manufacturers in and about Krefeld, Germany, where the velvet industry is located. It denies in toto every statement which has just been made. If you care to have me do so, I will read this affidavit to you.

Senator STONE. Is it not in the public hearings?

Mr. MAILHOUSE. No; it was submitted afterwards.

Senator STONE. You may file it with the stenographer, and it can go into the record at this point.

(The statement referred to by Mr. Maillhouse reads as follows:)

Referring to various declarations made by representatives of domestic velvet manufacturers before the Committee on Ways and Means, the undersigned manufacturers of velvets and plushes do herewith solemnly declare that they do not have any agreement whatever, neither with regard to selling prices nor to special rebates to the purchasers of their goods, as far as the United States of America are concerned.

Motton & Lemdertz, M. de Groff & Co., Rud. Schelleckes & Co., C. Flaskamp & Co., Gustav Jacobbing, Peltzer Gebr., H. Von Bruck Söhne, Scheibler & Co., C. & H. von Beckenath, F. M. Donsen, Chr. Andreae, J. H. De Ball Nachfolger, Lütz & Dühr.

February 12, 1913.

Mr. MAILHOUSE. As I said, the original of this affidavit is with the House committee at the present time. Furthermore, as regards

Mr. Kip's statement about the low-priced velvet, we beg to say that there has been an extremely large quantity sold; but my list, which I have submitted to you, goes much higher. It goes to 75 cents, and shows the impossibility of competition at 50 per cent. We could even go still higher. We could go to 90 cents and show the impossibility of competition at 50 per cent. I have been connected with this velvet business for a period of 20 years and I have seen the importation of German velvets decline. The statistics prove that. There is one quality enumerated in that list sold in this country at 75 or 76 cents which we could not produce a piece of in Germany and sell at a dollar. As far as the German velvets are concerned, we rest on the samples as submitted and the letter accompanying.

Senator STONE. Are you through, gentlemen?

Mr. MAILHOUSE. There are some French samples to be submitted, if you care to have them. I have spoken for the German goods.

STATEMENT OF MR. HENRY F. TIEDERMANN, OF NEW YORK.

Senator STONE. What is your business, Mr. Tiedermann?

Mr. TIEDERMANN. Importer and commission merchant.

Senator STONE. Importer of what?

Mr. TIEDERMANN. Silks. I wish to file these samples of French goods. I have also an exhibit here of four samples of domestic manufacture which I have sent over to Lyon to be priced by various foreign manufacturers. A comparative domestic foreign cost on these samples will show that domestic manufacturers would have ample protection with even less than 10 per cent. In one instance the domestic article cost \$1.28, where the foreign cost is \$1.39 per yard.

Senator STONE. Have you indicated what those samples are so that they can be easily identified?

Mr. TIEDERMANN. Yes; they are all marked so that they can be easily identified.

Mr. KNEEL. Mr. Streuli, who is a member of this committee, would like to say a few words.

STATEMENT OF MR. CHARLES E. STREULI, OF NEW YORK.

Senator STONE. What is your business, Mr. Streuli?

Mr. STREULI. Commission merchant, selling domestic and foreign goods. I represent various domestic firms and foreign firms, selling about two-thirds domestic goods against one-third foreign goods. I came here to advocate a straight ad valorem duty. The principal reason I do this is that during the last four years of this present schedule we have found out that the finest kinds of silk were real luxuries, and more and more of the cheap goods have been shut out. These cheaper classes of silk are generally used by manufacturers of all kinds of apparel. For instance, umbrella makers, waist makers, people who make artificial flowers, and people who make millinery, and for all kinds of linings. The aggregate trade of all those various manufacturers who use silk employs very many more hands in this country than the silk mills do, and, consequently, we ought to look out for them, too.

Senator JAMES. You are opposed to the specific duty because it shuts out the cheaper grades of goods?

Mr. STREULL. Yes. You do not know what you get. It is absolutely impossible except for the expert who manufactures the goods himself. I advocate an ad valorem rate of 40 per cent straight. Under the present minimum rate of 45 per cent the importation has gone backward from year to year. Under the 40 per cent rate we might be able to import some of those goods which, under a high specific rate have been shut out, and I dare say that we would have a slight increase in importation. We would also get a little more revenue. At 40 per cent there is no question of this country being flooded with European silk.

Senator JAMES. You mean it would not be flooded?

Mr. STREULL. It would not be flooded. We would get a slight increase in importation; that is all.

Senator STONE. Do you gentlemen think you have had a pretty fair hearing?

H. B. CHENEY, SOUTH MANCHESTER, CONN.

PARAGRAPHS 319-327.—*Silks and silk goods.*

Mr. CHENEY. You have heard only one side of the case so far. I would like to call your attention to these estimated revenues.

Senator STONE. What is your business, Mr. Cheney?

Mr. CHENEY. I am a manufacturer of silks.

Senator STONE. Do you live in New York?

Mr. CHENEY. No; I live in South Manchester, Conn.

Senator JAMES. Did you appear before the Ways and Means Committee?

Mr. CHENEY. Yes, sir.

Senator JAMES. You had an extended hearing there, did you not?

Mr. CHENEY. Yes; I had a hearing there.

Senator STONE. What is it you wish to say to the committee?

Mr. CHENEY. I am the representative of the legislative committee of the Silk Association of America, and therefore I am expected to cover the whole schedule and all the points of it. You have prepared here an estimate of revenues on which you have census figures. I would like to call your attention to the fact that those figures are just as wrong as it would be possible to make them. I do not think they could be drawn so as to more fully misrepresent the facts.

Senator STONE. Do you mean the official Government figures?

Mr. CHENEY. The official Government figures as they are reported in your estimate of revenues.

Senator JAMES. They are taken from the census reports.

Mr. CHENEY. I will show you how they are wrong. You have here reported as the value of products \$196,000,000. Now, the Government census reports \$24,000,000 of duplication, which comes out of that \$196,000,000 of total value. You have reported as wages \$38,000,000.—

Senator STONE. Wait a moment, please. You say the committee tabulation shows \$196,000,000 of production?

Mr. CHENEY. Yes, sir; which are the gross figures as reported by the census—not the net figures.

Senator STONE. What are the net figures?

Mr. CHENEY. \$24,000,000 less that amount, or \$172,000,000.

Senator STONE. How was that amount arrived at?

Mr. CHENEY. There are some things which are reported in two places. There is reported silk thrown in the hands of a throwster, and then it is reported when it gets into the goods. There is a duplication which has to be taken out.

Senator JAMES. What are "throw-ers"?

Mr. CHENEY. The men who handle raw silk and make it into threads.

Senator JAMES. That would not affect the value of silk in the silk goods.

Mr. CHENEY. The whole thing is included in here.

Senator JAMES. But in giving the silk in silk goods the fact that they include throwsters would not affect the value.

Mr. CHENEY. Except that there are duplications there. They ought to take out those duplications to get the true value.

Senator STONE. Have you figures prepared showing just wherein these duplications occur?

Mr. CHENEY. The census reports give them, but they are not reported here.

Senator JAMES. What was the value that you mentioned of the silks?

Mr. CHENEY. The value of the products is reported at \$196,912,000. Now, there are \$21,000,000 duplication to come out of that.

Senator STONE. When you speak of product, what do you mean? As an illustration, take this article that we are talking about—silk.

Mr. CHENEY. In this case, and it runs all through the census, if an article appears in a throwster's hands and then again it appears in the weaver's hands, it is included in both places, the same article going in twice. You have to take it out once, at least, in order to get the correct value.

Senator STONE. The correct value of the final product, do you mean?

Mr. CHENEY. Yes.

Senator JAMES. When they go to a factory and ask the value of the goods in the factory, they would not give them two values, would they?

Mr. CHENEY. But if they go to one factory and get the value of the throwster's product and then go to the weaver and get the value of the weaver's product, they get the same article twice, because the weaver gets the product from the throwster and puts it in the goods.

Mr. SMITH. If you select and buy a steer, that is one product. Now, turn it into leather, and that is another product, but the final product of the leather is counted in the total production of the country with that steer. The price of the steer is in that leather, but when you come to making shoes the price of the steer is in the shoes. It runs through in the final product.

Senator STONE. I am a little confused on that subject, and I would like to have it made clear.

Mr. CHENEY. On page 4577 of the hearings before the Ways and Means Committee of the House, Mr. Kitchen asked me for a lot of census figures, and I went home and made an analysis of the census as related to silks, which I forward to them, and it is published in this hearing. That analysis shows the things that I am trying to explain to you now.

Senator STONE. Then we have that information already.

Mr. CHENEY. Yes; and I wish to call your attention especially to it, because you have reported here as wages that which is not wages; as product that which is not product, and as per cent of value of paid labor that which is not the paid labor. In fact, there is nothing in there that is worth shucks.

Senator JAMES. They are all taken from the summary of the census made by officers of the United States under oath.

Mr. CHENEY. The census figures when used for this purpose are very misleading, because they leave out entirely a large portion of the labor which goes into the silk industry. All of the labor which is employed in dyeing, in printing, in finishing, and other subsidiary industries of the manufacturers are not reported in the silk census, and they do not appear as wages or labor at all. Moreover, this contract labor, which is labor done in another mill, does not appear as wages.

Senator JAMES. All we can do is to rely on the census of the United States Government.

Mr. CHENEY. Senator James, those figures are not in a shape from which you can draw proper conclusions.

Senator JAMES. Do you dispute that the capitalization of \$152,000,000 is correct?

Mr. CHENEY. I think that is partially correct. It reports a portion of the capitalization, but not the whole capitalization. It does not include the capital which is reported in dyeing, printing, and subsidiary industries, all of which are a part of the cost of making silk goods. They are reported in another section of the census. They do not come in there at all.

Senator JAMES. You think the cost of labor is more than 24 per cent?

Mr. CHENEY. I think it is more than twice and very nearly three times 20 per cent. Nineteen and six-tenths per cent is what you have reported it. I have data here that will show that for our mills making gray spun silk the percentage is 58 for raw material and 42 for labor and overhead charges. Colored spun silk is 52 per cent for materials and 48 per cent of labor and overhead charges. I am giving you full figures, not the fractions. Colored reeled silk is 81 per cent raw material and 19 per cent labor and overhead charges.

Senator JAMES. If you are right, Mr. Cheney, about the cost of labor being practically 60 per cent, then in view of this census report here giving the cost of material as 47.7 per cent, evidently you are manufacturing at a very great loss.

Mr. CHENEY. I think you will find that that is sufficiently explained in the letter which I called your attention to. When you come to piece-dyed and printed goods, it is 46 per cent raw material and 54 per cent labor and overhead charges; ribbons and woven cravats are 34 per cent raw material and 66 per cent labor and overhead charges; and yarn dyed goods, 35 per cent raw material and 65 per cent labor and overhead charges.

Senator JAMES. Of course, the thing that we are interested in relative to the rates that you are going to criticize here is that primarily we want to raise revenue. What have you to say about these rates proposed in the Underwood bill from a revenue standpoint?

Mr. CHENEY. Referring to paragraph 319, I wish to call your attention, Senator James, to the fact that you a short time ago spoke of there being exports under that paragraph. If you will look at that again, you will see that there is a mark there directing you to a footnote at the bottom of the page to show that that is not combed silk which was exported, but is waste. That is not one of the products of manufacture, but it is the waste of manufacture.

Senator JAMES. But that includes waste, as I understand it.

Mr. CHENEY. That export is entirely waste; nothing else.

Senator JAMES. I notice that it says noils is waste.

Mr. CHENEY. It is classified as waste. Another thing I wish to say: This paragraph says combed silk and silk noils exceeding 2 inches in length. Heretofore silk noils have never been mentioned in a tariff. If they have been over 2 inches in length, they have been classified as partially manufactured waste silk. If they were under 2 inches in length, they were classified as waste and came in free. There is no use disturbing that at all. They have never been there before.

Senator JAMES. Do you agree with these gentlemen that this duty ought to be reduced 10 per cent?

Mr. CHENEY. They have not spoken about a duty on combed silk.

Senator STONE. What do you think the duty ought to be?

Mr. CHENEY. I think it should all be specific; that it is not proper nor possible to make an ad valorem duty which will work equitably and profitably in all cases. If you will permit me, I will go on with this paragraph by paragraph and will later come to that point.

Senator STONE. I want to be as indulgent as possible, gentlemen, but we have been two hours now engaged on this hearing with regard to silk, and you, Mr. Cheney, appeared before the Ways and Means Committee, as I understand it, and are now, in a measure, repeating what you said before that body.

Mr. CHENEY. No, sir; I am not, because I am now criticizing their bill, which was not in existence at that time.

Senator STONE. What I wish to avoid is a mere repetition.

Mr. CHENEY. I will endeavor to avoid repetition as far as possible. The question of spun silk I will pass over for the present. There is another gentleman here who wants to talk about that. Thrown silk in paragraph 321 is put in at 15 per cent, which is a very low duty. That will result in all the cheap thrown silk being thrown abroad, chiefly in China and Japan. It will abolish that portion of the industry in this country. The absurdity of that is this, that the better the silk is and the more it costs, the less it costs to handle it. The first quality of thrown silk runs off very easily in manufacture. The poorer the silk is the more labor you have to put on it. With an ad valorem duty on thrown silk the more it costs to handle it the less duty you put on it.

Senator JAMES. The importation of thrown silk in 1912 was only \$16,366 and the production in this country was \$12,550,510.

Mr. CHENEY. There never will be any considerable imports of thrown silk unless it becomes impossible to throw it advantageously in this country, for the reason that the manufacturer has to buy his raw silk, and then he wants to divide it into all kinds of different threads and twists.

Senator JAMES. But the suggestion I wanted to make was this: That if an ad valorem duty or an equivalent ad valorem duty of 22.41 per cent only brought in \$16,000 worth against a total home production of over \$12,000,000, how can 15 per cent ever in the slightest way impair your industry?

Mr. CHENEY. Fifteen per cent will not touch that twelve millions that you are speaking about; it will touch the low end of that and send it all abroad.

Senator JAMES. In this record here our experts have stated how much that importation would be increased.

Mr. CHENEY. They do not know anything about it. It is absolutely a guess.

Senator JAMES. If we have to guess at what the experts have to say, who on earth can we rely on? We had just as well say that what you state is a guess as to say that the disinterested fellow, who is employed under oath to ascertain a fact, has guessed. If his figures are guesses, what shall we say of the manufacturer who is directly interested in it?

Mr. CHENEY. If I had attempted to make any estimate, I should have had to guess.

Senator JAMES. So when you say that you are in danger, you are just guessing?

Mr. CHENEY. No, sir; that is another proposition. I can figure easily that a thing can be shut out or will come in, but how much will come in if it does come in is another question. How much matters will be increased in importation by this is something which nobody knows.

Senator JAMES. So far as I am concerned, silk is a luxury, and I am simply trying to get the maximum revenue.

Mr. CHENEY. I do not think that the revenue would be materially increased by this, but it might possibly be increased to some extent by the sending to Japan and the handling of low-grade raw silks and sewing silks. When you come to plushes and velvets and chenilles, Mr. Mailhouse has filed with you several samples. He mentions one as being made by us. Now, that sample, as Mr. Kip has truthfully said, is made practically without profit. The price quoted upon it in this country does not mean more than the possibility of getting our money back with a very infinitesimal margin, and it was only done to retain a business which there was very close competition for. Now, on the other hand, Mr. Mailhouse has quoted German prices as against the American prices as being on the same plane. They are not. He has said that those gentlemen do not fix the price of goods for export to the United States. The price which he is quoting is not the price for export to the United States. It is the price for Germany, and that price in Germany is subject to a discount of 10 per cent at the end of the year to certain firms. I sent you a letter, accompanied with an extract from a German paper, telling about how they treated some people in this German case. Furthermore, the prices of those articles in Germany are artificially maintained. There is in Germany a trust which does maintain the price of velvet in Europe.

Senator JAMES. That is, you mean to say by that that they sell these goods cheaper in Germany than they do to the American people?

Mr. CHENEY. I mean that they would probably charge more for them in Germany than they would if they exported them to the United States, because they have a close combine in the whole of Europe which controls the prices of velvet throughout Europe.

Senator JAMES. They can not do that under the dumping clause in this bill, can they?

Mr. CHENEY. You have to establish the fact----

Senator JAMES. I am not discussing how hard it would be to prove. I am taking your statement as accurate that they would sell cheaper here than they would at home. We have a provision in this bill that that can not be done. In other words, the dumping clause would forbid that.

Mr. CHENEY. If you could put it in operation, it would. You would have to establish the fact that they had sold in this country the same quality at a lower price than they sold in Germany.

Senator JAMES. Of course you would have to prove your case.

Senator STONE. Your objection, then, is to the administration of the law.

Mr. CHENEY. No; I was referring to the fact that prices in Germany on these German samples are maintained there, and that those German and French and Swiss manufacturers have made much larger profits than the velvet manufacturers in this country. Moreover, if they took any one of those samples and quoted prices, those prices would be very misleading, because different colors sell at different prices at different times. We are at the present time quoting premiums on certain colors, and there are other colors that were once premium colors that are being sold at a loss.

Senator JAMES. If the experts and manufacturers are that easily fooled about it, what becomes of the consumer when he goes to buy it?

Mr. CHENEY. The consumer buys the thing which is in fashion. The consumer pays what the fashion demands, solely because it is in fashion. He pays because he wants that color, or because he wants that particular style of goods. He wants that identical thing and does not take into consideration what it costs to make it. It is the fashion which controls the price in silk goods, and that is the reason that a specific duty is the only thing that can operate to an advantage.

Paragraph 323 of the House bill is put at 40 per cent. Now, gentlemen, there is a manifest mistake there. Handkerchiefs are broad goods, cut up and hemmed. They put broad goods in at 45 per cent; you put a small amount of labor on them and make them into handkerchiefs, and then you bring them in at 40 per cent. It is manifestly a mistake, and I do not think the House would have done it if they had understood that feature.

Ribbons and bandings I will pass over for the present and come to woven fabrics in the piece. Now, before the Ways and Means Committee of the House there were two criticisms made against the silk schedule, one of them being that low grade, cotton-backed patterns—cotton and silk mixtures—paid a very high rate of duty, and I should like to call your attention to the fact that these gentlemen who have just spoken presented a schedule after having presented their testimony and did not provide for the article they had talked about. The article came in under 1½ ounces, and they provided a schedule which went down to 1¼ ounces, and the article they talked

about came down to 1.19 ounces as figured out from their own figures that they gave in their hearing, and they have not provided for it at all.

Senator JONES. It came in under the "catch all" clause, did it not?

Mr. CHENEY. No; it would have come in under a specific rate, but it was a very peculiar article.

Now, in order to meet the criticisms that were made by the Ways and Means Committee, the silk association prepared and filed with your committee—I will file another copy here, however—a recommendation of changes in the silk schedule by which they have met the two criticisms that were made before that committee, one of them being on low-grade velvets. I will grant Mr. Mailhaus that they passed a duty which was practically prohibitive under the Payne bill. It was not intentional; it was done because it seemed to be impossible to make a special schedule at that time which would meet the conditions. After their criticism was made of it we worked the matter over, had a great many consultations, and finally devised a schedule which would reduce that low-grade velvet which he is speaking of from \$1.50 a pound down to \$1 a pound.

The other case was that of low-grade cotton and silk mixtures. There the committee have recommended a reduction to meet that criticism. We believe that both those criticisms were just criticisms—that they did find a hole in the Payne bill which had not been properly provided for—and we provided for it to the best of our ability.

I also want to present to you a matter that you have seen—a Japanese Government document in relation to Habutae—which, I think, you will see is a very important matter. Any Japanese goods, stamped under those stamps, brought into the United States as seconds at one-third to one-half less value than perfect goods and paying from one-third to one-half less duty on an ad valorem basis, could then be taken and dyed and printed and their identity entirely lost, and nobody on earth could say what they sold for.

Senator STONE. I want to ask you just two or three questions before you sit down. You have been discussing the silk schedule throughout?

Mr. CHENEY. Yes, sir.

Senator STONE. I want to talk to you a little about your particular business. Where is your factory?

Mr. CHENEY. It is in South Manchester, Conn., which is about 9 miles east of Hartford.

Senator STONE. Exactly what do you make?

Mr. CHENEY. We make more different articles of silk than any other manufacturer in the world.

Senator STONE. You make the silk?

Mr. CHENEY. We make the spun silk. We buy raw roll silk, and we do our own throwing, our own dyeing, printing, finishing, and weaving of broad goods, both yarn dyed, piece dyed, and printed. We make ribbons and velvets. We make velvet ribbons, cravats, and spun silks. There is only one thing, practically, of any moment which we do not make, and that is sewing silk, and we began the business with sewing silk.

Senator JAMES. Of course, then, you are the greatest silk manufacturers in the United States?

Mr. CHENEY. I believe we are, speaking as a whole. If you take any one branch of our industry you may find other manufacturers who do more business in that branch than we do, except in spun silks.

Senator STONE. About what is the aggregate production of the various silks you make in the United States?

Mr. CHENEY. We make very nearly everything that is covered by the census of silks. The aggregate production would be—you mean our own personal production?

Senator STONE. No; in the United States.

Senator JAMES. The total production of all of them.

Mr. CHENEY. In the United States, I should say, it was close to \$170,000,000.

Senator STONE. About how much of that does your concern make?

Mr. CHENEY. We make somewhere in the neighborhood of \$10,000,000.

Senator STONE. And is that the largest concern in the United States?

Mr. CHENEY. Yes; I believe so.

Senator STONE. Where is your competition—your foreign competition?

Mr. CHENEY. The worst foreign competition that we get in our own goods is the Japanese competition, particularly that coming through France. Japan has practically run France out of her own home market on piece-dyed and piece-printed goods.

Senator STONE. Is your competition, then, chiefly with Japanese manufacturers?

Mr. CHENEY. Very largely.

Senator STONE. Do they make substantially all the things you make?

Mr. CHENEY. No; they do not. They make piece dyed and printed goods more than anything else, and that is our largest field. They make other goods in very much smaller quantities; they make raw silk and thrown silk, and they make a considerable quantity of spun silk. I understand that Japan now has more spindles to make spun silk than the United States.

Senator STONE. Did you say that the Japanese had practically closed up the silk industry in France?

Mr. CHENEY. No, sir; I said that the Japanese had run the French out of their own home market on the low grades of piece dyed and printed and converted goods. It is done in this way: Goods are exported from Japan to France in the gray; that is, before they have been dyed or printed or finished. In France they dye them or print them or put the spangles on them or emboss them or otherwise embellish them, and send them out and sell them as French goods. The French Chamber of Deputies some time ago was petitioned for an increase in duties for the benefit of the French manufacturers of these goods, and after an examination they replied that the converting industry of France had become of so great importance to France that it was of more value than the corresponding loss in woven goods through Japan making these goods; in other words, that if they did not do it, if they did not let those goods come in, they would go to Germany and be done there and France would lose that business and would not make up enough of it to correspond.

Senator STONE. I understand that France now gets the basic cloth from Japan?

Mr. CHENEY. Yes, sir.

Senator STONE. And they dye it and emboss it, etc., and send it out as French goods; in other words, they changed the industry in that way?

Mr. CHENEY. Yes, sir.

Senator STONE. Instead of manufacturing originally, they buy the crude form of it?

Mr. CHENEY. They buy the crude forms and convert them themselves.

Senator STONE. Does that now constitute the silk industry of France?

Mr. CHENEY. No, sir. The silk industry of France is very largely engaged—the weaving industry—in the manufacture of novelties, high-grade goods, things which make a very considerable part of our imports into the United States from Europe.

Senator STONE. Do you come in competition with them?

Mr. CHENEY. We do to a certain extent. We come in competition with them, but we do not come in competition with the products of the hand looms of Lyon and the vicinity and the very highest novelties which are only made in a small way.

Senator STONE. What other countries in Europe do you compete with?

Mr. CHENEY. Italy, Germany, and Switzerland.

Senator STONE. Do you export?

Mr. CHENEY. No, sir. When I say we do not export—

Senator STONE. Do American manufacturers export?

Mr. CHENEY. The American manufacturers export less than \$2,000,000, which is chiefly made up of ready-made clothing which goes largely to Canada. There are some small exports from the United States to Canada of novelties, things which are not duplicated abroad. There is no direct competition between the United States—

Senator STONE. You do not make ready-made clothing?

Mr. CHENEY. No, sir.

Senator STONE. You make silks?

Mr. CHENEY. We make the silk from which it is made; yes.

Senator STONE. Now, do the silk manufacturers, of those engaged in making such goods as you produce, export?

Mr. CHENEY. Practically nothing at all. We never have been able to establish any export business on a profitable basis.

Senator STONE. Do I understand you to say that the aggregate product in the United States of such goods as you make is about \$168,000,000?

Mr. CHENEY. Somewhere in that vicinity. The census figures of silk manufactures would amount to \$171,000,000, as nearly as I can tell, if they are correctly reported.

Senator STONE. How much is the importation as compared with the production?

Mr. CHENEY. The importations have averaged in the vicinity of \$30,000,000.

Senator STONE. Now, what duty do you wish levied? In other words, in a terse, short statement, about what do you think the duty ought to be; I mean, taking the Underwood bill as a basis? On an ad valorem basis, how much would you increase it or decrease it?

Mr. CHENEY. We believe that an ad valorem equivalent of 50 per cent is not an unreasonable duty upon silk goods. But we have not appeared before your committee for the purpose of advocating rates. We have appeared for the purpose of asking you to give us specific rates and to make those specific rates where, in your judgment, they should be made. If you think you have to make reductions from the present schedule, let them be made on specific rates, which we consider are the only equitable ones and the only ones which give equal opportunity for all and the only ones which can be properly administered. Also, if you have a specific rate, it means the same duty on the same article, no matter where it comes from.

Senator THOMAS. You gentlemen have never yet answered my question as to why the rate was changed from specific to ad valorem by the House Ways and Means Committee. They must have had some purpose in it.

Mr. CHENEY. As near as I have been able to understand it, Senator Thomas—and I shall not vouch for the accuracy of my diagnosis—the rate was changed because the House did not understand the matter and were not willing to give sufficient attention to it to properly write the proper rates. They did not understand the technical matters and were not willing to give sufficient time to it, and so took that as the short way.

Senator STONE. Do you think the silk industry in this country is on the competitive basis now?

Mr. CHENEY. It is on the most closely competitive basis now of any business I know of.

Senator STONE. I mean between the domestic and foreign manufacturers.

Mr. CHENEY. Yes, sir; that is on a competitive basis.

Senator STONE. You are selling in our market \$171,000,000 against \$30,000,000 of imports?

Mr. CHENEY. Yes, sir.

Senator STONE. You say that is closely competitive?

Mr. CHENEY. I think it is closely competitive. There are some articles on which it is not closely competitive, and there are some articles on which it is. There is going to be a difference under any class you make. Unless you send all the silk goods abroad, there will be some things which will be more closely competitive than others, but the silk business, taken as a whole, both domestic and foreign, is the most closely competitive business that I know of.

Senator JONES. Would not a specific rate, which you say was reprobated by the House, have the effect of keeping out the importation of cheap grades of silk that are used by the common people?

Mr. CHENEY. It would, sir, if there were only one specific rate; but these specific rates have been made in jumps from the lowest up to the highest. So that, while these little groups of cheapest goods will pay a higher duty than the highest grade, you only go a little way before you reach another rate which begins the thing all over again.

So you can not say that that is true, because in some cases cheaper goods will come in on a lower rate than the expensive ones.

Senator STONE. Have you finished?

Mr. CHENEY. Yes, sir.

Senator STONE. Then we will hear the next gentleman.

FREE LIST.

STATEMENT OF MR. JAMES L. GERRY, 12 BROADWAY, NEW YORK.

PARAGRAPH 450.—*Sludge machines.*

Mr. GERRY. I want to include in the free list, if possible, a provision (par. 450) which provides for tar and oil spreading machines used in the construction and maintenance of roads and in improving them by the use of road preservatives, to cover sludge machines. I filed a memorandum on that subject.

A sludge machine is one for separating sewage. The ordinary sewage of the city is a great disturbing element, and is likely to promote contamination of rivers and harbors, and all that kind of thing; and these machines separate the sludge from the water and get it in such shape that it can be disposed of without any possible fear of contamination. These machines are not manufactured in this country, and the city of New York to-day is very much interested in the proposition, and I have attached hereto this memorandum letter from the engineers and people connected with the sewage department of the city of New York, recommending the inclusion of this article on the free list. It is not an article which is imported in any capacity; it is only used by municipalities or counties.

Senator THOMAS. What is the name of the machine?

Mr. GERRY. It is a sludge machine. I will show you the originals of those letters. The Public Health and Marine-Hospital Service was interested in it, and wherever you apply to any of the engineers of the sewage department, it meets with absolute favor.

Senator THOMAS. Where is it manufactured?

Mr. GERRY. There are two or three kinds of machines. This particular machine is manufactured in Germany. There is one which has been installed in Jamaica, Long Island.

Senator THOMAS. Are there not any manufactured in this country?

Mr. GERRY. None manufactured in this country at all.

Senator STONE. Do these letters accompany this memorandum?

Mr. GERRY. Yes, sir.

STATEMENT OF HON. JAMES M. CURLEY, M. C.

PARAGRAPH 503.—*Kromoline.*

Mr. CURLEY. I have a constituent of mine with me, Mr. Chairman, who is interested in a product that he calls kromoline. It is used in the stuffing of leather previous to the tanning of the leather. We have a great many shoe industries located in Massachusetts, and leather is on the free list at the present time. Boots and shoes are on the free list in the present tariff bill, and practically everything

that enters into the manufacture of boots and shoes has been placed on the free list, as well, I presume, to serve as an offset to some extent for the removal of the 10 per cent protection on calfskin leather shoes, and the 15 per cent that formerly was on patent leather. This product is used in the stuffing or the dressing of leather, and in previous bills it was on the free list. I believe in this bill it is also on the free list, and I suppose it was some grammatical error that caused it to be put in in that way. In other words, the words "natural and un-compounded" have been put in that paragraph where they never have been previously placed. It is paragraph 503.

I will say, however, that I took it up with Mr. Harrison of New York, who was chairman of the subcommittee on the part of the House, and my attention was not directed to it until after the Committee on Ways and Means had reported the bill, and he was somewhat averse to recommending any change at that particular time, I believe, and I called it to his attention on the date that it came up for consideration in the House, and I approved of his position. He then suggested that I take it up with the subcommittee having charge when it was being considered by the Senate, and I believe it would be agreeable to you and to everybody familiar with the particular article affected if the change were made, which it could easily be, simply by shifting the bracket. It is believed by those people who are interested that the intention was to put the bracket there so it would read "excepting fish oils, natural and un-compounded."

If that change were made, it would, we believe, meet the general approval of men who are interested in the shoe industry and who have had investments and who have been thriving to a great extent on the small measure of protection that has been afforded in previous bills. Either change the bracket or strike out those three words entirely. It would be agreeable either way. But those words, I might say, were not in the Payne-Aldrich bill, and are new to this bill.

Senator STONE. This would modify the fish oils. Is there any such thing as a compounded grease?

Mr. CURLEY. I believe so. Mr. Gerry perhaps is more familiar with it than I am. I know nothing about it, either about the manufacture of shoes or of chemicals.

Senator STONE. You wish to have oils such as are used in soap making come in free?

Mr. CURLEY. Exactly.

Senator STONE. You wish to except from that provision the words in the paragraph reading "excepting fish oils, natural and un-compounded"?

Mr. CURLEY. Yes, sir. Personally, I believe that the better way, of course, would be to strike out "natural and un-compounded," because it has never been in previous tariff bills, and I know of no reason why it is put into this bill; but if it is to remain, I believe the brackets should be shifted so that it would apply only to fish oils.

Mr. Gerry, you might say a word about this product—kromoline. It is used for the stuffing of leather, and if those words remain in—"natural and un-compounded"—it would probably affect this particular product.

STATEMENT OF MR. JAMES L. GERRY, 12 BROADWAY, NEW YORK.

PARAGRAPH 503.—*Kromoline*.

Senator STONE. What is it that you desire to say in connection with this subject?

Mr. GERRY. *Kromoline* is a product of various old oils that are gathered up and put together with a chemical process, and the product is used in the stuffing of leather. That is, when you have your skin ready, and you apply the tannin to it, this oil drives the tannin into the pores of the leather, and that is what is called the stuffing or dressing of leather.

Senator STONE. What is the name of it?

Mr. GERRY. *Kromoline*.

Senator STONE. Do you make that?

Mr. GERRY. It is made by Levenstein, whose office is in Boston, Mass.

Senator STONE. Is it an American product?

Mr. GERRY. No; it is an European product.

Senator STONE. Is it made in this country?

Mr. GERRY. Not made in this country.

Senator STONE. You want it put on the free list?

Mr. GERRY. Where it has always been; or with any other grease, oil, or fat. For instance, I think that you could go back as far as the act of 1890; the act of 1894, the act of 1897, and the act of 1909, and in all of these acts you will find that the provision for greases, fats, and oils for the stuffing and dressing of leather have been on the free list. If this were put on the dutiable list, it would simply subject the tanners of this country to inconvenience, because the only difference, practically, is that if the tanners use ordinary oil it does not remain stable, whereas this product does remain stable.

Senator STONE. How much of it comes in?

Mr. GERRY. There is about 10,000 barrels of it brought in here.

Senator STONE. What is the duty per gallon, or in whatever way it is levied?

Mr. GERRY. It is on the free list, Senator.

Senator STONE. *Kromoline*?

Mr. GERRY. Yes, sir; it has always been on the free list.

Senator STONE. Then there is no duty imposed under this bill?

Mr. GERRY. Under this bill, inasmuch as *kromoline* is an oil, it would be subject to duty under the chemical schedule at 15 per cent ad valorem.

Senator STONE. What would be the revenue from that?

Mr. GERRY. This is worth about 40 cents a gallon, and it would be 15 per cent ad valorem, which would be 6 cents. There are about 10,000 gallons, and it would be \$18,000.

Senator STONE. It would reduce the revenue about \$18,000?

Mr. GERRY. Yes, sir.

Mr. CURLEY. Do you know whether the House intended to raise the revenue on that article?

Mr. GERRY. So far as I am aware, I do not. My impression, however, is that it was not their intention, so far as I am aware.

Senator THOMAS. Do I understand you to say that you had called this matter to Mr. Harrison's attention?

Mr. CURLEY. Yes, sir.

Senator THOMAS. What was it he said to you?

Mr. CURLEY. My attention was directed to it on the day that the chemical schedule was under consideration in the House; and he said, "I would prefer that nothing be done until the bill goes to the Senate. You can then take it up with Senator Johnson, and I will take it up with him, also"; and I submitted the brief to Senator Johnson.

Senator THOMAS. Have you been before him at all?

Mr. CURLEY. I talked with Mr. Peters, from our State, on the Committee on Ways and Means, and Mr. Peters stated that it should be permitted to remain on the free list, since the duty was removed from boots and shoes, and that everything entering into the manufacture of boots and shoes should be permitted to remain on the free list. I do not know that it would add materially to the cost of boots and shoes.

Senator STONE. Is that all you care to say?

Mr. CURLEY. That is all, Senator.

Senator STONE. Then we will hear from Mr. Bradford.

(By direction of Senator Stone, the following letter is inserted under the heading "Kromoline":)

HOUSE OF REPRESENTATIVES,
Washington, D. C., May 27, 1913.

Hon. WILLIAM J. STONE,

*Chairman subcommittee of Committee on Finance,
United States Senate.*

MY DEAR SENATOR: Since appearing before your subcommittee, with reference to an amendment of paragraph 504 of the free list, I would say that I have conferred with Representative Francis Burton Harrison, of New York, and we have concluded that the wisest course to adopt would be to amend, by the inserting upon page 114 of a new paragraph, after line 8, and to be known as line 9, paragraph 530, the word "kromoline."

Mr. Harrison stated that much care had been exercised in the drafting of this paragraph and that, in his opinion, the above step would be the wisest and best course to pursue.

For the benefit of such members of the subcommittee who were not present at the hearing this morning, I would say that kromoline is a compound used in stuffing leather.

In view of the fact that the duty has been removed upon boots and shoes it was the evident intent of the Ways and Means Committee to place on the free list all articles entering into the manufacture of boots and shoes.

It would appear necessary that as finished leather contains 20 per cent of grease and oil, that kromoline be specifically named as an article upon the free list.

Faithfully, yours,

JAMES M. CURLEY,
Twelfth Massachusetts.

WISCONSIN CONDENSED MILK CO., BURLINGTON, WIS.

PARAGRAPH 551.—*Condensed milk.*

Senator STONE. I also have here a letter and brief from the Wisconsin Condensed Milk Co., addressed to Mr. Jerry Mathews. Mr. Mathews is here and states that he desires to present this letter and brief simply as a matter of courtesy and personal favor to the

writer, Mr. C. B. McCanna. Mr. Mathews says he has no interest in the matter in any way and knows nothing about the merits of it.
(The letter and brief above referred to are as follows:)

WISCONSIN CONDENSED MILK CO.,
Burlington, Wis., May 16, 1913.

MR. JERRY MATHEWS,
Press Gallery, United States Senate, Washington, D. C.

DEAR MR. MATHEWS: I have your esteemed favor of May 14, and I am inclosing you herewith statement of conditions of the condensed-milk business and the effect it will have on different companies in this country.

Inasmuch as we are a small, independent company, not affiliated in any way whatever with any trust, it would be a hardship for us, as well as our farmer patrons, if this bill is passed as it originally stands.

The present duty now is 2 cents per pound, as I understand it, inclosing the package. We can stand 1 cent duty per pound, or one-half of what now is. This is the same ratio that is to be placed on butter and cheese, and the new schedule tariff now is proposed. I wish, Mr. Mathews, that you would see that this is placed where it will have some effect and give our little company some protection. If you will do so, I will greatly appreciate it.

Yours, truly,

WISCONSIN CONDENSED MILK CO.,
C. B. McCANNA, President.

[Inclosure.]

A BRIEF OUTLINE OF THE PROBABLE EFFECTS ON THE CONDENSED AND EVAPORATED MILK INDUSTRY IF THE PROPOSED TARIFF BILL BECOMES LAW.

Under the present tariff condensed and evaporated milk, including weight of immediate containers, is subject to a tariff of 2 cents per pound, which is equivalent to about \$1 per case, while under the proposed new tariff these products are placed on the free list. This will place the milk manufacturers at a decided disadvantage, as the European manufacturer is able to produce these products at a cost very much under that which is possible in the United States, due principally to the fact that the American manufacturer pays the milk producer a price considerably in excess of that paid to the producer in European countries.

The American manufacturer also pays more than twice as much for labor. He will be obliged to absorb the tariff on sugar and tin plate—the sugar for three years and on tin plate for an indefinite period.

The manufacture of condensed and evaporated milk has become one of the leading industries in Switzerland, Holland, and Norway, and is also manufactured to a large extent in Germany and in England. These countries are now exporting many millions of dollars' worth of these products each year to various parts of the world, with the notable exception of the United States, where the industry has been protected.

It is an established fact that eased milk can be shipped from Europe to seaboard distribution points in the United States at a lower freight cost than shipments to the same points from the principal dairying centers of the United States.

Through low cost the European manufacturer will be in a position to offer goods for sale in American markets at prices equal to or lower than the cost of manufacture in the United States. As materials compose a major part of the cost of condensed and evaporated milk, the American manufacturer will have no opportunity to lower his cost to meet this European competition unless he reduces the price which he pays to the farmer for his principal material—raw milk.

This possible and very probable European competition will be more than disturbing to the milk industry, and every American manufacturer is urged to use his best efforts to see that the proposed tariff bill is amended so that the industry will receive a reasonable protection.

It has been determined by reference to the tariffs of various European countries that in all countries where milk is manufactured the industry is protected by an import tax, which in some instances, notably in Sweden and Germany, is almost equivalent to the entire cost of manufacture during certain periods of the year, and the following table illustrates this point.

Duties on milk imported into European countries.

	Per case.
Argentina, in tin.....	\$1.715
Australia:	
Sweetened.....	2.24
Unsweetened.....	1.11
British preferential:	
Sweetened.....	1.68
Unsweetened.....	.76
France:	
Without sugar.....	.54
With less than 50 per cent sugar.....	2.69
Germany.....	3.64
Holland.....	2.52
New Zealand:	
Sweetened.....	2.24
Unsweetened.....	1.14
Norway.....	.6855
Sweden.....	3.40
Switzerland, condensed.....	.384

There is at present no very complete data on file as to the total value of condensed and evaporated milk which is exported from Europe each year, but it may be said to aggregate approximately \$20,000,000. Published consular reports have indicated that the exports from Switzerland alone are in excess of \$8,000,000 per annum.

WISCONSIN CONDENSED MILK CO.,
C. B. McCANNA, *President.*

STATEMENT OF MR. JAMES L. GERRY, 12 BROADWAY, NEW YORK, N. Y.

PARAGRAPH 595.—*German sago.*

Mr. GERRY. If you please, Senator Stone, paragraph 595 of the free list provides for sago, crude, and sago flour.

I am here for the purpose of asking that this paragraph be amended so as to read "Sago, sago, crude, sago flour, and German sago."

Senator STONE. You add the words "German sago"?

Mr. GERRY. Yes sir. At the present time German sago is imported into this country, for the reason that it is held dutiable at 20 per cent ad valorem, as a nonenumerated manufactured article in section 6.

Senator THOMAS. In what respect does German sago differ from sago?

Mr. GERRY. As far as you can see, it does not differ at all; but ordinary sago that you have on the free list is made from the sago palm, and when it is made the starch cell is taken out and heated, and it becomes a small pellet, and that is put in a heated bath and slightly gelatinized, and then it is subjected to heat, and it comes out in the form that you see it [exhibiting samples], hard and almost transparent.

Senator JAMES. Is it a food product?

Mr. GERRY. Absolutely a food product, and only used for that purpose.

Senator STONE. Do they make puddings out of it?

Mr. GERRY. Yes, sir.

Senator STONE. Is this German sago [indicating sample]?

Mr. GERRY. I could not get any German sago over here. I tried to this morning, but I could not find it on the market. There is tapioca [indicating]; and that would be the same thing. The only difference is that this German sago is made from potato starch and the other is made from the sago palm, and tapioca is made from cassava roots; and when we get down to the starch cell the product is absolutely always the same thing; it is nothing more nor less than sago.

Senator STONE. Why do you wish it on the free list?

Mr. GERRY. I am not philanthropic on that proposition. I have been asked to come here to represent parties who are interested in marketing this merchandise in this country. It is made in Germany, and the duty at the present time on this food product is prohibitive.

Senator JAMES. Is there any German flour manufactured in this country?

Mr. GERRY. Not that I know of.

Senator JAMES. A protective tariff could not be placed on it for the purpose of any industry?

Mr. GERRY. No, sir.

Senator JAMES. It was just an oversight?

Mr. GERRY. This case came up before the Board of General Appraisers, and I should like to submit a copy of the decision of the board here with the committee showing just exactly how it is made. They took testimony and found that it is used solely and absolutely for food purposes, and I do not know of anybody who is manufacturing this stuff in this country at all. I would like to leave this brief here.

Senator THOMAS. Is this starch?

Mr. GERRY. The testimony at the finding of the Board of General Appraisers in this case is to the effect that not only is it not starch but it is absolutely incapable of use as starch, so that proposition is expressly covered.

Senator JAMES. Is it possible that the starch manufacturers were interested in keeping German sago out?

Mr. GERRY. I think not, Senator, for the reason that when this stuff is put in a solution of water it just swells up like ordinary tapioca pudding and becomes a viscid ball and does not have that form; it can not be used as starch; it does not constitute a substitute for starch in any way.

(Mr. Gerry on May 26, 1913, filed the following paper:)

WASHINGTON, D. C., May 11, 1913.

HON. WILLIAM J. STONE, *United States Senate*.

SIR: Inclosed herewith I hand you copy of a letter which was addressed to Mr. Underwood requesting the amendment of paragraph 595 of House bill 3321, so as to include "German sago," and have that provision of the free list amended so as to read as follows, to wit:

"Sago, sage, crude, sago flour, and German sago."

When it is borne in mind that potatoes are on the free list and German sago is a product of the starch cell of the potato, just as is the ordinary sago the production of the starch cell of the sago palm, the reason for this becomes apparent. All of this merchandise is used for edible purposes; and by reason of the fact that in its pellet form it is first slightly gelatinized and then hardened under dry heat, it is rendered absolutely unfit for use as starch. Being a food product and chemically the exact counterpart of sago produced from the sago palm there is no apparent reason for this merchandise not being included in the free list.

Very truly, yours,

JAMES L. GERRY.

[Inclosure.]

NEW YORK, April 14, 1913.

Hon. OSCAR W. UNDERWOOD,

*Chairman Ways and Means Committee,**House of Representatives, Washington, D. C.*

SIR: I desire to call to your attention that the present bill, as introduced by you, provides in paragraph 597 for "sago, crude, and sago flour." The act of 1897 provided merely for "sago, crude," whereas the acts of 1894 and 1899 were in the exact language as it appears in your bill and in the act of 1909, paragraph 604. In the act of 1883, however, paragraph 774, the provision was for "sago, sago, crude, and sago flour."

Sago is an artificial product from the sago palm; but this article can be produced also from various roots, and as a matter of fact is nothing more nor less than starch extracted from any vegetable substance, reduced to the form of pellets by heat, then slightly gelatinized by subjecting these pellets to a steam bath, and thereafter subjecting them to a dry heat, by virtue of which we have produced what is ordinarily bought and sold on the market as sago.

Starch produced from potatoes subjected to these processes results in the production of what is known as German sago. It is physically, chemically, and actually a so-called commercial sago, the difference being that it is produced from potato starch instead of starch of the sago palm. At the present time this article is subject to duty at 20 per cent ad valorem as a "nonenumerated manufactured article," under section 480 of the Payne-Aldrich Act, although sago, produced from the sago palm, is admitted to free entry as "sago, crude," under paragraph 604.

All merchandise of this character, whether imported under the name of pearl, bullet, or flake tapioca or sago, consists of starch brought to that particular form, gelatinized and dried. It makes no difference whether the starch cell may be obtained from cassava, manihot, tapioca, cassady, the sago palm, or the potato; the raw material, to wit, the starch cell, is the same in all instances, and when this starch cell is subjected to the processes enumerated above the result is pearl tapioca in one instance or sago in the other instance and German sago in the third instance.

Sago and tapioca are both provided for on the free list. Sago is unquestionably, undeniably, an article of food. There is, inherently, no reason why German sago should not be on the free list. In the decision of the Board of General Appraisers, a copy of which is hereto attached, it was established, and the board found as a fact, that German sago was not a starch and was not fit for use as starch; but in view of the fact that it was not produced from the sago palm and had been subjected to a manufacturing process, it was held to be a "nonenumerated manufactured article" at 20 per cent ad valorem.

Paragraph 597 should therefore be amended so as to read:

"Sago, sago, crude, sago flour, and German sago."

This amendment will be strictly in accordance with the attitude of the committee with respect to the free entry of food products, and it is hoped will receive favorable consideration by your committee.

Very truly, yours,

JAMES L. GERRY.

(T. D. 28937—G. A. 6753.)

German sago.

GERMAN SAGO--UNENUMERATED ARTICLES--STARCH.

German sago, which is in the form of small pellets manufactured from potato starch and is an imitation of or substitute for true pearl sago, is classifiable as an unenumerated manufactured article under section 5, tariff act of 1897, rather than as a starch under paragraph 283, or as "sago, crude," under paragraph 652.

United States General Appraisers, New York, April 14, 1908.

In the matter of protests 267842, etc., of Austin, Nichols & Co. et al. against the assessment of duty by the collector of customs at the port of New York.

Before Board 3 (WAITE, SOMERVILLE and HAY, General Appraisers; SOMERVILLE, G. A., absent).

WAITE, *General Appraiser*: The merchandise in question herein is called German sago. It was assessed for duty under paragraph 283, tariff act of 1897, which paragraph reads as follows:

"285. Starch, including all preparations, from whatever substance produced, fit for use as starch. 1½ cents per pound."

It is claimed by the importers to be free of duty under the provision in paragraph 652 for "sago, crude"; and in the event of that contention not being sustained, they make the further claim that it is dutiable at 20 per cent ad valorem under section 6 as an unenumerated manufactured article. Several other claims are made in the protests which we do not deem it necessary to discuss.

It appears from the evidence in the case that the commodity before us is manufactured from potato starch. The process of manufacture is described as follows:

"The potato starch is well refined, so that on drying an entirely white product is formed. The starch is dried until a mass is formed which yields little pellets when shaken through a sieve, which stick together and do not crumble up. The glazed appearance is obtained through the pellets being partly gelatinized at the surface and dried. In order to obtain this result the pellets are shaken on an iron plate in thin layers, then brought into the boxes, which are heated from 70° to 80° by hot air. Before the hot air is passed into the boxes it is brought over a vessel in which water is heated to boiling. The air is thereby saturated with steam, which works upon the surface of the starch and gelatinizes it. As soon as gelatinization has taken place the vessel is removed and hot air is passed over the pellets until they have become dry and solid. The pellets now appear, if well made, very white, glassy, and very hard. If stirred around in hot water, they quickly swell to a transparent mass, which, however, when the temperature is raised to the boiling point, still continues to retain the form or shape of pellets, because the inside of the pellets do not fully swell up."

It will appear from the above that the merchandise in question herein is elaborately manufactured from a refined product, resulting in round pellets the surfaces of which consist of gelatinized starch.

True sago is the product of the sago palm, procured from the pith or center of said tree, the process of manufacture being described as follows in the International Encyclopedia (vol. 17, p. 425):

"SAGO—A starch prepared from the pith of several species of palms (*Myrtrotylen*, *Borussus*, *Aranga*, etc.), natives of the East Indies. The pith constitutes a large proportion of the trunk and contains a considerable quantity of starch, which is elaborated by the plant as a reserve material. The tree must be cut down after blossoming, otherwise it is useless for the production of sago, as the starch is used by the tree for the growth and development of the seed. The pith, sometimes as much as 700 pounds from a single tree, is pounded in wooden mortars, the starch removed by washing with water and purified by sieving in the usual way. (See Starch.) The finely divided sago (sago flour) is worked into a dough by kneading and forced through sieves upon hot greased pans to form pearl sago. The dough forms granules, which become covered with a paste made from some of the starch by the action of heat. The finished product consists of translucent globes. * * * It is an important article of diet with the natives of the East Indies, and is largely exported to Europe and America for thickening soups, making puddings, etc. A peculiarity of pearl sago is that the grains swell and become still more translucent on cooking, but do not form a homogeneous paste. Imitation sago is made from potato starch and other starches."

Pearl sago, an advanced condition of sago, is made from the sago starch by a similar process to that made use of in the manufacture of the German sago involved in this case. It appears from the evidence that this product has been known as German sago for the last 30 years. From the fact that such has been its designation in trade and commerce, and that it must have been well known when the present tariff act was enacted, it might well be claimed that the intention was to distinguish it from crude sago; and had the intention been to admit it free under the provision for crude sago it would have been particularly mentioned in paragraph 652.

The importers contend that it should be free, relying upon the decision in *Littlejohn v. United States* (119 Fed. Rep., 483). The reasons for the finding in that case were stated as follows:

"The importers contend that this sago flour is 'sago, crude.' It appears from the reports of the United States consuls and from agricultural bulletins published by the British Government that there is a crude form of the sago pulp or pith known as 'raw sago,' and that it is a more crude product than sago

flour. It also appears that commerce in this crude article is confined to the natives in the country where the sago grows, and it is fully proven that this raw sago has not come into this country and would not bear transportation hereto. Sago flour is the first and only form in which the product of the sago palm is known in this country. But counsel for the Government contends that it is not crude because the pulp of the sago tree has been subjected to certain processes in the foreign country before its importation here, and that in its state of importation into this country it is a completed article and ready for use. It appears, however, from undisputed testimony that the only manipulations which it undergoes in the foreign country are those which are necessary to fit it for importation, and consist in successive cleansing operations in order to get rid of the impurities, which would otherwise cause fermentation. * * *

It is further contended that since Congress put crude sago and sago flour on the free list in former tariff acts it must thereby have intended to designate two separate articles, and that the omission of sago flour from the free list in this act shows the intention of Congress to make it subject to duty. But inasmuch as the crude sago of Singapore is not and can not be imported into this country, the words 'sago, crude,' in the present act, if this sago flour were excluded, would have no meaning, because they would not refer to any commercial product of sago, and no sago would be free."

We think, however, that the above case is clearly distinguished from this, in that the record must have been different, judging from the language of the learned judge with reference to what was proved in that case. Note the language:

"Sago flour is the first and only form in which the product of the sago palm is known in this country."

The testimony in this case clearly shows that there is a commodity [sample introduced in evidence as illustrative Exhibit G in this case] in much cruder condition, which is the product of the sago palm, and which has been imported to considerable extent into this country and is imported very largely into Europe, especially into Great Britain, where it is used in that crude state as a food for cattle, and from which sago starch and other more advanced forms may be produced. The court states, as will be seen:

"It appears, however, from undisputed testimony that the only manipulations which it undergoes in the foreign country are those which are necessary to fit it for importation, and consist in successive cleansing operations in order to get rid of the impurities, which would otherwise cause fermentation."

The testimony in the case at bar clearly would not sustain such finding.

And, further, the judge states:

"But, inasmuch as the crude sago of Singapore is not and can not be imported into this country * * *"

This shows a condition of the record which is entirely different from the record herein, from which it clearly appears that a product of the sago palm in a very much cruder condition can be and is imported.

The reason for the finding in the Littlejohn case is given in the language of the court, where it says:

"The words 'sago, crude' in the present act, if this sago flour were excluded, would have no meaning, because they would not refer to any commercial product of sago, and no sago would be free."

Even admitting that such might be the case with reference to sago flour, we doubt very much its application in case of the more advanced stage, or the pearl sago, to which the article before us is similar in form, use, and method of production.

We observe, however, that the controlling principle in the Littlejohn case was not recognized by the circuit court of appeals in a later case—*Leycraft v. United States* (130 Fed. Rep., 106; T. D. 25221)—which involved the classification under the tariff act of 1897 of starch produced from the roots or tubers of the arrowroot plant. That case was closely analogous to the Littlejohn case (supra). The starch was the crudest form of the product imported, the tuber being unknown to the commerce of this country. The language used with reference to the arrowroot was "in its natural state," while in the Littlejohn case the term "crude" is used to distinguish from the higher or more advanced state. The court in the *Leycraft* case (supra) used the following language:

"In view of the fact, which seems to be established by the evidence, that the tuber is never imported into this country, it is difficult to understand why Congress should have taken pains to put it upon the free list, because there was no necessity for exempting from duty an article which practically is never sub-

jected to duty. In the absence of any light from the previous tariff legislation, there would be fair room for argument that Congress meant to exempt the article from duty in its starchy form or crude condition. On the other hand, the term 'arrowroot in its natural state' is the equivalent of the term 'arrowroot in a state of nature,' and that description would hardly fit an article which has been subjected to the various processes which have been mentioned by which it is converted into the starch. The previous tariff legislation, however, indicates that Congress was not unmindful of the distinction between arrowroot in its starchy form and in its natural state, and that its later legislation was intended to remove the former from the free list by exempting from duty only the root in its natural state, in case any might possibly be imported. The phraseology employed in paragraph 178 would seem intended to remove any doubt which might possibly arise from the provisions of the acts of 1880 and 1891, and to make more explicit the intention of Congress to withdraw arrowroot in its starchy or commercial form from the free list and exempt from duty only the arrowroot in its natural state, as distinguished from any state to which it may be advanced by treatment."

This decision takes away a good deal of the force of the judge's reasoning in the Littlejohn case (*supra*), where he holds that, it being the crudest form imported, therefore, to give the statute effect it must be that which was intended to be characterized as crude. The record in this case shows that a cruder form can be and is imported; hence it may well be claimed that Congress intended to permit the importation of the cruder kind in case it might possibly be imported.

It will be noted also that in the Littlejohn case Judge Townsend used the further significant language:

"If, however, this term (crude sago) be confined to this sago as flour as the first product capable of transportation, then the other manufactured products of sago or sago flour, such as 'pearl sago' or 'bullet,' might be subject to duty under the appropriate paragraphs of said act."

If the commodity here in question known as German sago is admitted as sago, it must be admitted as what is known as "pearl sago" or "bullet," because it is in that form and brought to that condition by the same manipulation and processes of manufacture. Hence, it must pay duty if any other paragraph in the act is found applicable, even under the decision which is invoked in behalf of free entry.

We can not accept the interpretation of the importers' counsel that because German sago is first recognized as sago in its advanced condition and being the crudest form in which German sago appears in the trade and commerce of the country, therefore it must be called sago crude, notwithstanding it is manufactured from potato starch and is an entirely different commodity. As an illustration, suppose crude iron were admitted free, but, as a matter of fact, no other form of iron was imported into this country, except watch springs. Could it be claimed for a moment that watch springs would therefore be free as crude iron? We think not.

Potato starch has been subject to and has paid duty for many years. It would be an anomaly to allow a product made from the same and of greater value to be admitted free of duty. Upon this point see *Union National Bank v. Seeburger* (30 Fed. Rep., 429). Abstract 14250 (T. D., 27892).

Great stress is laid by the importers upon the fact that this merchandise has been admitted free as sago for a great many years, on the strength of which it is claimed it should now be admitted free, whether found to be crude sago in fact or not.

Were this a case involving a question of doubt, we think there would be some force in this contention. However, this is not a case, in our judgment, where the mind wavers between two conclusions. In such a situation it would be our duty to give force to the finding of the Government and the Government officers. We think this is an error, which has been persisted in through failure to investigate, and the rule has been observed more from force of habit and in recognition of a wrong precedent than because it is a question of doubt. We think it is clearly a case of error that should be righted at the earliest opportunity. Note *United States v. Tanner* (147 U. S., 663).

Congress may be said to have used every endeavor to right the wrong, else there would have been no occasion for a change in the law as indicated by com-

paring the laws of 1894 and 1897. Paragraph 606 of the tariff act of 1894 provides free entry for "sago, crude, and sago flour." Paragraph 652 of the law of 1897 provides for "sago, crude," "crude" being an adjective used to limit and describe "sago," the construction being equivalent, in our judgment, to "crude sago." We think this is significant, in view of the record in this case, and was clearly intended to limit to crude sago the benefits of the free list in the law of 1897, which, in our judgment, would exclude, without doing violence to the opinion in the Littlejohn case, sago in any form more refined or advanced than sago flour at least, and of necessity must exclude the product here in question, because it is as equally advanced and can in no way be considered crude even under the decision cited by the importers.

We therefore hold that, so far as the claim made by the importers that the merchandise in question is free, the protests must be overruled.

It will be seen from the foregoing that this commodity is the result of an advanced condition of manufacture, when we follow it through its various stages from the potato to the German sago, which consists of small pellets, the surfaces of which are gelatinized starch granules, the centers being the starch granules themselves, brought to this point by means of specially designed apparatus and particular and careful manipulation in the application of heat and moisture. We therefore conclude it is a manufactured article not specially provided for in any part of the statute; hence it must be classified under section 6 as an unenumerated manufactured article dutiable at 20 per cent.

Having arrived at this conclusion, it is unnecessary to discuss any further claims made by the importers, or the claim of the Government that it is dutiable as classified by the collector, or as a starch under section 7, known as the similitude clause. Suffice it to say that we think the treatment it has undergone not only leaves it in condition where it can not be said to be fit for use as starch—as we understand that term or as we think it was intended to be understood by Congress—but has entirely unfitted it for use as starch by leaving it in a condition where it will not dissolve when placed in boiling water. We are also told by all the witnesses who handle this German sago that its only use is as a food product.

Protests 267842, 269527, and 272412 are sustained in so far as they claim the commodity to be dutiable as an unenumerated manufactured article, and overruled as to all other claims, the action of the collector being reversed.

Protest 267961 contains only the claim for free entry under paragraph 652. That contention being denied herein, this protest is overruled and the collector's decision will stand, although not correct according to our finding.

STATEMENT OF MR. RUSSELL BLEECKER, REPRESENTING THE TEA ASSOCIATION OF THE UNITED STATES, 99 WATER STREET, NEW YORK.

PARAGRAPH 629.—*Tea.*

Senator STONE. What is your business?

Mr. BLEECKER. I am an importer of tea.

Senator STONE. And to what paragraph of the bill do you especially desire to address yourself?

Mr. BLEECKER. Paragraph 630.

Senator JAMES. The free list?

Mr. BLEECKER. Yes, sir.

Senator STONE. What is it that you desire to say about that, Mr. Bleecker?

Mr. BLEECKER. We desire to have that amended by inserting the words, after the word "tea" and before the words "and tea plant," "imported direct from the country of origin."

Senator THOMAS. There were some gentlemen before us on that same proposition on Saturday.

Mr. BLEECKER. Tea imported from other than the country of origin, ad valorem, 10 per cent.

The reason for that, sir, is that every country in Europe maintains a tariff on tea, and Canada maintains a differential against the United States of 10 per cent, which is very irksome to our merchants all along the border, from Maine to California—from Alaska, in fact. On the other hand, we have no access at all to their market, which frequently is necessary for us, especially in cases where tea has been condemned by the Treasury Department's standards and it is necessary to export it to Canada.

In addition to the loss incurred on that transaction we have to pay 10 per cent differential. Furthermore, the importers of tea in Great Britain send their teas here already packed in pound and half-pound packages, which completely paralyzes the packing industry in this country and also makes it very difficult for importers of tea to follow the amount of tea that comes into the country.

Tea from countries of growth—we have the statistics with relation to that, and can ascertain exactly what the fluctuations are in the demand and supply. But this is tea that comes in small packages, and we have no method of determining to what extent that is eating into the trade of the country. I would say that a small differential there would enable us to get the figures from the customhouse and tell us exactly how we stand with regard to that competition. If we have occasion to ship tea into England, we have to pay nearly 8 cents (4d.) a pound. Therefore it is the urgent request of the tea association that I represent to-day that that protection be granted, as I have suggested. I do not think it is necessary to make any extensive remarks on that. It is a matter that interests every tea dealer practically in the northern tier of the United States, and interests all importers of tea; and it has always seemed to us to be exceedingly unfair competition. The Canadian merchants, of course, are under a lower basis than our merchants, and are able to put teas in the northern part of New York and Michigan and all the way across the United States and take away the trade that properly belongs to our people.

Senator THOMAS. Your suggestion, in brief, is that you would like to have a differential as to Canada?

Mr. BLEECKER. That is the size of it; but we suggest that we may broaden the scope to take in all countries.

Senator STONE. They have a differential against you.

Mr. BLEECKER. They have a differential against us.

Senator STONE. I say, against you. What is that?

Mr. BLEECKER. Ten per cent.

Senator STONE. And you would ask the same differential?

Mr. BLEECKER. We ask the same.

Senator STONE. I think we understand your position.

Mr. BLEECKER. We should have had a larger delegation here to-day, but there was some misapprehension as to the time when the hearings were to be held.

Senator STONE. There was no need of a large delegation. You have stated your case.

STATEMENT OF MR. GEORGE F. MITCHELL, OF WASHINGTON, D. C.

PARAGRAPH 629.—*Tea.*

Senator STONE. Proceed with your statement, Mr. Mitchell.

Mr. MITCHELL. I am going to read a brief I wrote to Senator Simmons, and make a few remarks. I will only take about five minutes.

On behalf of the tea merchants of the United States who have complained to me, I would like to call your attention to the Canadian tariff on tea.

"Tea imported direct from the country of origin and tea purchased in bond in the United Kingdom, free. Tea not otherwise provided for, ad valorem 10 per cent."

Under this provision Canadian merchants have a distinct advantage over tea merchants in this country, for the reason that while they may ship tea into this country free of duty, tea shipped by our merchants into Canada must pay duty at the rate of 10 per cent ad valorem. Practically every country in the world has a duty on tea, and for many of these countries which are not producers of tea to be allowed to do unrestricted business in this country is certainly not giving the importers and packers here equal opportunities, because foreign labor is so much cheaper.

In view of the foregoing, the propriety of incorporating into the new tariff act the provision in the Canadian tariff act as to the imposition of the duty upon tea not imported direct from the country of origin is recommended.

I respectfully suggest, therefore, that paragraph 630 of the Underwood tariff bill be amended by adding after the word "tea" and before the words "and tea plants" in the first line, the words "imported direct from the country of origin," so that the paragraph as amended will read as follows: "Tea imported direct from the country of origin and tea plants; *Provided*, That the cans, boxes, or other containers of tea packed in packages of less than 5 pounds each shall be dutiable at the rate chargeable thereon if imported empty; *Provided further*, That nothing herein contained shall be construed to repeal or impair the provisions of an act entitled 'An act to prevent the importation of impure and unwholesome tea,' approved March 2, 1897, and any act amendatory thereof."

I also suggest that a paragraph be added to the dutiable list, providing that duty shall be assessed upon teas imported from countries other than the country of origin.

Senator THOMAS. In other words, you think this section should be made to conform with the requirements of the Canadian statute?

Mr. MITCHELL. Yes, sir. You see, the Canadians export into this country about 2,500,000 pounds of tea a year. This tea is put up in packages, and the American packers have to compete against this tea that is put up in packages and brought into this country duty free, whereas if our merchants along the Canadian border attempt to do any business over there at all, they have to pay a 10 per cent ad valorem duty.

Senator THOMAS. I see your point.

Mr. MITCHELL. The same thing applies to Alaska. They have the advantage of us in Alaska, because they are nearer.

Senator THOMAS. That is, Canada gets the market from Alaska instead of America, on account of this discrimination, as I understand you?

Mr. MITCHELL. Yes, sir.

Senator STONE. What do you represent?

Mr. MITCHELL. I am the supervising tea examiner over in the Treasury Department.

Senator STONE. Are you an examiner?

Mr. MITCHELL. Supervising tea examiner; yes, sir.

Senator STONE. Of the Treasury?

Mr. MITCHELL. Yes, sir.

Senator STONE. A public official?

Mr. MITCHELL. Yes, sir; a Government official.

Senator STONE. Are you appearing in your capacity as a Government official?

Mr. MITCHELL. No, sir. I am appearing, not as a Government official; simply as a private citizen.

Senator STONE. But you are a Government official?

Mr. MITCHELL. Yes, sir; but I appeared before the Ways and Means Committee on the tea-container proposition, paragraph 195.

Senator STONE. What do you represent here?

Mr. MITCHELL. The tea importers. They have appealed to me.

Senator JAMES. Are you employed by them?

Mr. MITCHELL. No, sir. I have simply gotten a great many letters from them asking me please to try to have this removed, and I appeared before the Ways and Means Committee on the tin tea-container proposition.

Senator THOMAS. You are appearing at their request, but without compensation?

Mr. MITCHELL. Yes, sir; because I have seen the injustice myself. I guess I see it more than anybody else, and hear more about it, and know more of the facts of the case. Are there any questions you wish to ask me?

Senator STONE. Nothing more, I think.

STATEMENT OF HON. C. B. LANDIS, FORMER REPRESENTATIVE IN CONGRESS FROM INDIANA.

PARAGRAPH 649.—*Wood flour.*

Mr. LANDIS. Mr. W. B. Lewis and myself, gentlemen, wanted to appear briefly and just speak a word in the matter of wood flour. It has been placed in the Underwood bill on the free list. It is specifically mentioned as wood flour on the free list. In the Payne-Aldrich bill it was carried under section 178 and classified under manufactures. It is a flour that is mechanically ground from wood and is used as an absorbent for nitroglycerine in the manufacture of dynamite. It is also used in the manufacture of linoleum and in the sizing of wall paper.

Senator THOMAS. And for breakfast foods?

Mr. LANDIS. No; it looks as though it might be used for breakfast food to advantage. It is not a by-product. It is manufactured in this country from slabs and abroad from sawdust.

Senator SIMMONS. Why is it not manufactured here from sawdust, there is such an abundance of that here?

Mr. LANDIS. When manufactured from sawdust the fiber is so short that it does not answer the purpose as it does when manufactured from wood, which latter gives a longer fiber. There was consumed in this country last year approximately 18,000 tons; 3,100 tons were imported, paying a 35 per cent ad valorem duty and giving us a revenue about \$10,700. The fact that such a large proportion of the

consumption was imported under an ad valorem duty of 35 per cent would indicate that the industry has been on a competitive basis. It is now placed on the free list and Mr. Lewis has figures to show you that if it is placed on the free list that in the manufacture of wood flour we can not compete with the Germans, who now are able to import it under a 35 per cent ad valorem duty. I said that it entered into the manufacture of dynamite, linoleum, and the sizing of wall paper. None of those have been placed on the free list. The tariff has been reduced approximately one-half, and we feel that it is no more than reasonable to ask that approximately a relevant duty be placed on wood flour. It paid \$10,780.60 last year in the way of revenue. That is not very much, but it is something.

Senator JAMES. You say it is used in the manufacture of dynamite?

Mr. LANDIS. As an absorbent for nitroglycerin in the manufacture of dynamite. Mr. Lewis has figures that will give you any other information that you may desire.

STATEMENT OF MR. W. B. LEWIS, OF WILMINGTON, DEL., REPRESENTING THE E. I. DU PONT POWDER CO.

PARAGRAPH 649.—*Wood flour.*

Mr. LEWIS. Wood flour is produced in this country at six mills, in the following locations: One in Maine, one in Vermont, two in New York, one in California, and one in Washington. The production of these mills is 15,000 to 16,000 tons per year. The consumption of the country is 18,000 to 19,000 tons among the following industries: The manufacture of dynamite, of linoleum, of a certain grade of wall paper, and some other smaller ones. There was imported in 1909, 2,879 tons, valued at \$12 per ton; in 1910, 3,198 tons; in 1911, 3,674 tons; and in 1912, 3,183 tons. In all these last three years the valuations were placed at \$10 per ton.

Senator SIMMONS. Where was it imported from?

Mr. LEWIS. From Germany, Norway, and Sweden, mostly coming into the port of New York. My company's first investment in wood flour was made some 25 years ago, when wood flour was not obtainable in any dependable quantity. We built a mill and improved a water power large enough to supply the then existing demand. As the volume of business in all consuming lines increased, we built another mill. Our present investment amounts to \$650,000. Under existing conditions, which are keenly competitive, we are able to earn a very moderate return on our investment, and our plea to this committee is that the proposal to remove wood flour from the dutiable to the free list be disapproved and that such a duty be retained as will at least partially cover the difference in cost of production at home and abroad. The cost to manufacture at home, including the freight to New York, is about \$18 per ton.

Senator SIMMONS. What part of that is freight?

Mr. LEWIS. \$3.

Senator THOMAS. From where?

Mr. LEWIS. From the mill at Newhall, Me.

Senator SIMMONS. Why would it not be more economical to put your factories where the material is to be found instead of hauling the material so far?

Mr. LEWIS. The material is found in those centers where the lumber industry prevails.

Senator THOMAS. Is not that an enormous freight rate for that class of goods?

Mr. LEWIS. Fifteen cents per hundred; it is the same as applies on paper and other material similar in character.

Senator THOMAS. They haul wool from San Francisco to Boston for \$1.

Mr. LEWIS. I will tell you what it cost to haul this same stuff from Hamburg. It is \$4 per ton. It costs our friends \$4 to get it from their European ports to our New York ports.

Senator THOMAS. Your industry, like every other industry, involves a question of freight rates quite as much as the tariff.

Senator SIMMONS. What I had in mind was how far you had to haul your raw material, the wood out of which you make this flour.

Mr. LEWIS. All the way up to 300 miles, and that is quite a material point in the cost of our raw material.

Senator SIMMONS. You manufacture in New York?

Mr. LEWIS. We have one mill in New York State, but the mill that I am speaking of now is in Maine. That is our principal mill. We are obliged to locate these mills with reference to two things, water power and supply of wood. Those are the two things seldom obtained satisfactorily in one location. The cost to manufacture abroad, including freight to New York, is \$14 per ton, as compared with our cost of \$18. The present duty of 35 per cent amounts to \$3.50 per ton, so that the price paid at New York is \$17.50 per ton. German sellers are freely offering this at \$14.50 per ton which implies that they are willing to accept a profit of \$2 per ton over their home cost of production. We were able last year, because of our better quality, to obtain for our product an average price of \$21.70 per ton, thus making a profit of \$3.70 per ton. Our profit was about 5 per cent on our investment. If wood flour is put on the free list it will be offered for sale at \$15 per ton instead of \$19.50 as at present, and assuming that because of our better quality we can continue as at present to obtain \$2.20 per ton higher price for our product, we would be able to obtain only \$18.20 per ton as compared with \$16 as the foreign price. Our cost is \$18. It goes without saying that we would be obliged to relinquish to our foreign competitors all except those who require wood flour of a better quality than can be imported. This would mean that American mills would be operated at possibly half their capacity, and it would become unprofitable.

Senator JAMES. Would not a reduction of this rate increase the revenue? Would there be more of it imported here at a rate of 20 per cent say?

Mr. LEWIS. It would be logical to think that that would be the case.

Senator JAMES. They import 3,000 tons now at the rate of 35 per cent.

Mr. LEWIS. Yes, sir.

Senator JAMES. Who urged that that be placed on the free list before the Ways and Means Committee? What was the argument used there?

Mr. LEWIS. I do not know.

Senator THOMAS. Did you appear before them?

Mr. LEWIS. No, sir.

Mr. LANDIS. There is nothing on record indicating that anyone appeared and asked that it be placed on the free list. The only reason I can figure out for its being placed on the free list is this: That there has been through the years a dispute on the part of the importers as to how it should be classified when imported. They have insisted that it should be classified as sawdust, and at one time it was admitted as sawdust. That was only one importation. That was contested, and it was taken up to the Court of Customs Appeals and they reversed that ruling. It is not any more sawdust than print paper is wood pulp, because it is a finished product of wood mechanically ground through a very extensive process.

Senator SIMMONS. What is the cost of your raw material, which is wood, as I understand it?

Mr. LEWIS. It is \$7.82 per ton of pulp. This compares with the European cost of \$5.17.

Senator SIMMONS. It is almost impossible for me to understand why the raw material, which is wood, should be so much greater in a country where we have such an abundance of it that it is thrown away as compared with a country like Germany.

Mr. LEWIS. When we say Germany we include Norway and Sweden. They have the forests of Germany, Norway, and Sweden, and they use almost altogether sawdust. They make a wood flour which, for some industries, does not compare with ours in quality. We make a better quality, and to-day we have to use a better quality of raw material—that is, wood. We do to some extent use sawdust, and to the extent that we can use sawdust we can compete with them, but we can not use sawdust to make that quality of pulp that a certain large part of our customers demand.

Senator STONE. Can not you use the same material that your competitors use?

Mr. LEWIS. We do, so far as it is possible to use it, but our quality is better than theirs. A certain part of our trade demands a higher quality, and we have to make it out of a higher priced material.

Senator STONE. Is there a competition in that quality? If you make this material out of wood instead of sawdust, and a better quality, which your consumers demand, then do you have to compete with the German, Norwegian, and Swedish manufacturers, who make an article out of sawdust?

Mr. LEWIS. Yes, sir.

Senator STONE. You have to compete with them?

Mr. LEWIS. Yes, sir.

Senator STONE. Then I do not quite understand how your customers demand the higher quality.

Mr. LEWIS. Some of them do and some of them do not. Our total volume of production must be enough to keep our mills going. Some demand a high quality and some are satisfied with a lower quality, but we have to make both.

Senator STONE. Do you have it graded and labeled as to quality?

Mr. LEWIS. Yes, sir.

Senator STONE. Now, as to the higher quality which a large number of your consumers demand, do you have to compete with these foreign manufacturers who produce out of sawdust, and therefore make a lower quality of the manufactured material?

Mr. LEWIS. We compete in the sense that those consumers are necessary to enable us to produce at a reasonable cost. If we produced only half the quantity that we do produce, it would cost us at great deal more per ton to produce it than it does now. In that sense we have to compete with them.

Senator STONE. About what proportion of your manufacture is made out of sawdust?

Mr. LEWIS. That, I would say, at a guess, would be about a quarter or a third—somewhere around there.

Senator STONE. And the other three-quarters or two-thirds is made of wood?

Mr. LEWIS. Yes, sir.

Senator STONE. I understood you to say that the foreign manufacturer makes it of sawdust, and that, I presume, is what comes from the sawing of lumber.

Mr. LEWIS. The sawing of lumber; yes, sir.

Senator STONE. Now, if you make this flour out of that sawdust, it is of a lower quality than if you make it out of the wood?

Mr. LEWIS. It is a lower quality in one respect and a better quality in another respect. There are certain classes of trade that require a light color, and the sawdust wood flour from Europe is of a light color—lighter than any wood that we produce. It has a quality that is not so attractive to that class of trade, but that is attractive to another class of trade. It is not so good for dynamite purposes, but it is good for linoleum. We need the linoleum customers to make up our aggregate customers.

Senator STONE. Can your foreign competitors get along without it? Aren't they in the same boat?

Mr. LEWIS. They are concerned with their home trade. We are only considering our home trade.

Senator STONE. But you compete with people for the trade?

Mr. LEWIS. I presume they need the trade. I have no doubt they need the trade. They are continually offering their wood flour in this country, which indicates that they want more trade, and they are likely to get it if we admit them into the country duty free. And all of the trade that they get comes out of our pockets.

Mr. LAMBS. We feel, gentlemen, that in view of the considerable importation that there has been under a 35 per cent ad valorem duty, it is evident that this industry in this country at this time is on a competitive basis.

Senator SIMMONS. The thing that is bothering me is the raw-material proposition. Most of the gentlemen who have appeared here have alleged that they could not compete on account of difference in labor cost. Now, we have a case here where it is said that we can not compete on account of material cost. Mr. Lewis has stated that the difference in unit is about \$2 higher than it is in Europe.

Mr. LEWIS. The labor cost is higher, too, sir.

Senator SIMMONS. You have said that you had about \$2 difference in material cost. Your material is wood. You say that you have to locate your factories far from the supply of wood, because the mill has to be run by water power. In this country we transmit water power for many hundreds of miles for electricity. We do in my State, I know. I do not think that is a very serious obstacle. I suppose you have these lines transmitting electricity in New York

as we have down South. It does not seem that that ought to be an impediment against locating your factory within a reasonable distance of the wood which you use.

Mr. LEWIS. Unfortunately, it is already located.

Senator SIMMONS. I doubt very much whether Germany or Sweden or Norway has any particular advantage over us so far as water power is concerned. Certainly they have not any over my State. We have here in this country the greatest abundance of wood: it is everywhere.

Mr. LEWIS. Yes; but we can not use any old kind of wood. We have to use a certain kind of wood.

Senator SIMMONS. What kind of wood do you have to use?

Mr. LEWIS. White pine. We find that in Maine, and the best supply in the Eastern States. It does exist in certain parts of New York State.

Mr. LANDIS. When this mill was located it was located at the most advantageous spot.

Senator SIMMONS. You mean to say that they have a better supply of this material in Germany, Norway, and Sweden than we have?

Mr. LEWIS. No, sir; I do not mean to say that at all.

Senator SIMMONS. I can not understand how this material should cost \$2 per ton more here than it does there.

Mr. LEWIS. Because they have nothing over there but the sawdust, which is relatively cheap.

Senator SIMMONS. That makes an inferior article?

Mr. LEWIS. It makes an inferior article, but an article that is suitable for half of the consuming trade of this country.

Senator SIMMONS. Is not your competition almost entirely in that inferior article?

Mr. LEWIS. Very largely; yes, sir.

Senator SIMMONS. If you saw fit to use sawdust over here and make that inferior article, could you not supply the demand here as cheaply as they can, so far as the material is concerned?

Mr. LEWIS. We can not get sawdust as cheaply as they can. They have a concentrated source of supply. Germany is a small country, and their sawdust is not drawn from a distance of over 20 miles from their factory. Ours is drawn from a radius of 300 miles.

Senator SIMMONS. And you can not get your factory to the source of supply as the German manufacturer can on account of water power?

Mr. LEWIS. Yes; and the great distance in this country as compared with Germany. Then you have not touched on labor. They have an advantage of \$2 per ton on labor.

Senator SIMMONS. Yes; you had laid stress on the difference in the cost of material, and I was directing my statement particularly to that.

Mr. LEWIS. Those are the two items that make up the difference in cost.

Mr. LANDIS. We are willing to stand on the reduction from 35 to 15 per cent. as the other articles will have to stand it in that paragraph, which object would be attained if wood flour were eliminated from the free list and permitted to be returned and classified as manufacture of wood.

Mr. LEWIS. Put it back where it was.

Senator SIMMONS. You are not objecting to the scale of reduction?

Mr. LEWIS. No, sir.

STATEMENT OF MR. LIONEL J. SOLOMON, OF BROOKLYN, N. Y., REPRESENTING THE AMERICAN RATTAN & REED MANUFACTURING CO.

PARAGRAPH 650.—*Rattan.*

Senator STONE. What paragraph in the bill do you wish to discuss?

Mr. SOLOMON. 650. I wish to invite your attention particularly to the words "reeds, unmanufactured." I brought with me some samples of rattan. I should like first to tell you the history of this business. My father was born in this country and my grandparents also. We were the first manufacturers of whalebone in the early part of the thirties, and in the forties the first rattan was brought to this country. On account of the whale fisheries becoming extinct and the advance in the price of bone becoming so high, they made imitation whalebone out of rattan. That was the secret of the rattan business. To-day we are making everything of rattan. We can take any quality of rattan, from the cheapest to the best, and arrange it so that we can make the price accordingly. Consequently, the reed that comes out of this rattan, which is the enamel stripped off, comes to this country free, and that is all manipulated here and worked out here. The industry is quite large. The Asiatic and European manufacturers can not sell this reed in any quantities anywhere else in the world similar to what they do here. Wherever you look in this country you find a reed carriage or a reed chair. The finer these reeds are the more valuable they are, and the larger the reed becomes the less valuable it is. If you visit our docks here you will see steamers coming in from China or from Europe—Hamburg and Bremen in particular—and you will see factories dumped on our docks; that is, they dump the entire manufactured product on our docks.

Our Government has tried to grow rattan. We made a little success in growing bamboo; but unfortunately it is a production of the Celebes Islands, New Guinea, Java, Sumatra, and Borneo, and our direct steamers from those places are very few. Everything has to be transhipped from those countries by way of Europe to get them here. These people have a tremendous advantage over us in this country. We employ to-day a considerable number of people. Everything is done in our place under a contract system. One man has supervision over a dozen or more other men. He is paid for that department, and that department looks after itself. When this cane is split up and after we get through using it you can see from the different samples that we can take and dye or bleach that in the same way that you might go out and get your hair dyed or bleached.

Senator STONE. I have seen this bleaching done in the Missouri penitentiary.

Mr. SOLOMON. We sell quite a lot of stuff down there. They only bleach the reed. If you want to collect a revenue, there is no reason why any of these manufactured reeds should come into this country. Anyone is welcome to get rattan; and if you have a dollar in your

pocket, you can buy it. The Asiatic and European countries are close to their supplies. They can get their supplies in a few days where we have to wait for 65 to 70 days to get ours. It is simply a question of turning over this industry to these people if conditions prevail as they are going at the present time.

Senator STONE. What is it you wish to have done with this section?

Mr. SOLOMON. The words "reeds, unmanufactured" cut out and the word "rattan" left there. If we produce the raw material, rattan, I would say to put a duty on it. I believe in putting a duty on all raw material that interferes with our raw material, irrespective of where it comes from. On account of our manufactured goods everything that we make here has got to be looked after and taken care of. We do not want our money to go to Europe and take care of those people when we have so many people here to take care of. I have here a letter which I received on Saturday from the chair makers' union. You might read that letter if you care to. Those people have known me since I was 16 or 17 years old.

Senator JAMES. Do you wish to file it here with the committee?

Mr. SOLOMON. No; I do not wish to file it. It is from a man who has been intimately acquainted with me for years. I mailed on Saturday a letter to Mr. Bunn, which he has not yet received, showing the entire matter as it stood. We are simply losing our grip to the Europeans and Chinese. We are going back. We have the best machinery in the world and make the best goods there are, but we can not compete with them. We ask to have the words "reeds, unmanufactured" stricken out. There is no such thing as "reeds, unmanufactured."

Senator THOMAS. If it is a reed unmanufactured, what harm does it do?

Mr. SOLOMON. There is no such thing as an unmanufactured reed.

Senator THOMAS. I think you made a statement the other day that if we would eliminate those two words it would save the Government a great deal of revenue.

Mr. SOLOMON. It would bring in a revenue to the Government.

Senator STONE. That is practically the same thing.

Mr. SOLOMON. You can not bring these in unless you are paying a duty on them.

Senator STONE. If you strike out those words, what would be the effect?

Mr. SOLOMON. The man in Europe would raise the price of his chairs that come from Hongkong.

Senator STONE. What would be the effect on the revenue?

Mr. SOLOMON. You would receive a duty on it.

Senator STONE. How much duty do you want on it?

Mr. SOLOMON. You can arrange that among yourselves.

Senator STONE. I understood you to say just now that there was no such thing as a reed unmanufactured?

Mr. SOLOMON. No, sir; there is not.

Senator STONE. If that is the case, how can either the presence or the absence of these two words affect the revenue?

Mr. SOLOMON. Because we claim that this reed is perfected out of this rattan. It is not unmanufactured. As soon as you get a piece of rattan and cut it, it becomes a manufactured article. As soon as you expend any labor on it, it becomes manufactured.

Senator STONE. Then it would come in anyway, whether we strike out those words or not.

Mr. SOLOMON. No; it will come in under another tariff. Right here it contradicts itself again.

Senator STONE. Give me the paragraph.

Mr. SOLOMON. Paragraph 175.

Senator STONE. I see now what you want.

Mr. SOLOMON. I have a schedule here which Mr. Bunn thoroughly understands. I give you gentlemen an invitation to come in my plant at any time you wish to look it over.

Senator THOMAS. Where is your plant?

Mr. SOLOMON. Brooklyn.

Senator THOMAS. What is the name of your company?

Mr. SOLOMON. The American Rattan Co. You gentlemen are perfectly welcome to see the entire business and how it is conducted. Would you care to have these samples left here?

Senator JAMES. Yes; you can leave them.

Mr. SOLOMON. I brought you also another set of samples. I have traveled around the world since 1874. I have lived all over the world and done business all over the world, and am still doing it, and I can put up a bundle of cane for any price that you want it for.

**STATEMENT OF MR. JAMES L. GERRY, OF NO. 12 BROADWAY,
NEW YORK CITY.**

PARAGRAPH 651.—Rag pulp (proposed).

Mr. GERRY. Mr. Chairman, I appear here in behalf of Messrs. Marx, Maier & Co., who are interested in paper stock. Our firm was retained to represent them in regard to the classification of what is known as rag pulp. We carried this case to the Customs Court of Appeals, and the court held that rag pulp, a sample of which I have here, was a manufacture of cotton, dutiable at 45 per cent ad valorem.

This rag pulp is produced from cotton rags which are macerated, and its use is absolutely identical with that of chemical pulp or mechanical pulp. It bears the same relation, I might say, to chemical pulp that chemical pulp would bear to the mechanical pulp.

Senator THOMAS. For my information, I wish you would distinguish between them. What is the trade difference between this pulp, mechanical pulp, and chemical pulp?

Mr. GERRY. Mechanical pulp is made from wood and is mechanically ground. Chemical pulp is made from wood, and its fibers separated by a chemical process. Rag pulp is made from cotton rags macerated.

Senator THOMAS. Yes; you stated that.

Mr. GERRY. And the use is absolutely identical with that of the others. When this case went to the Customs Court of Appeals, there being no provision in the act at all under which it could be classified, we argued that it was dutiable by similitude to mechanical or chemical pulp, which under the present act are dutiable at one-twelfth and one-sixth of a cent per pound. But the court held that inasmuch as this merchandise was produced from cotton rags, there was no similitude, and that it was dutiable as a manufacture of cotton. Under the present act the rate of duty is 45 per cent ad valorem.

Senator THOMAS. Is that now classified under the cotton schedule?

Mr. GERRY. If you gentlemen do not see fit to make specific provision for it, it will still continue to be classified as a manufacture of cotton.

Senator THOMAS. My reason for asking that question was that the cotton schedule is not before this subcommittee, you know.

Mr. GERRY. But the reason why I am coming before this committee is to ask that this be made a part of paragraph 651, which provides for mechanical pulp and chemical pulp; and I am asking that that paragraph be amended by including, after the words "unbleached or bleached," the words "and rag pulp."

Senator STONE. On the free list?

Mr. GERRY. On the free list; yes, sir.

Senator THOMAS. What section is that?

Mr. GERRY. Paragraph 651.

Senator STONE. Where is it classified now—in what paragraph?

Mr. GERRY. Under the manufactures of cotton, at 30 per cent ad valorem.

Senator STONE. In what paragraph?

Senator THOMAS. Whereabouts would you put that in? This is paragraph 652 in my copy—"mechanically ground wood pulp, chemical wood pulp, unbleached or bleached."

Mr. GERRY. Right after the words "unbleached or bleached," I suggest inserting "and rag pulp."

Senator STONE. You want it on the free list?

Mr. GERRY. Yes, sir.

Senator THOMAS. Would not that require another addition further on?

Mr. GERRY. No, sir; because the retaliatory provision only affects chemical pulp, and there is not any operation of retaliation against us.

Senator THOMAS. Then you wish the words "and rag pulp" added?

Mr. GERRY. "And rag pulp."

Senator STONE. What paragraph is it classified in now?

Mr. GERRY. The basket clause of the cotton schedule, providing for 30 per cent ad valorem. The duty is prohibitive at the present time, and would be at the rate of 30 per cent ad valorem.

Senator STONE. What is your business?

Mr. GERRY. I am practicing law in New York.

Senator STONE. What kind of people do you represent, I mean?

Mr. GERRY. My clients, Marx, Maier & Co., are interested in paper stock and paper supplies.

Senator THOMAS. I understand that this article is competitive with chemical and mechanical pulp?

Mr. GERRY. The chemical pulp is worth about 3 to 3½ cents per pound, and this ranges from 3 to about 6½ or 7 cents a pound.

Senator THOMAS. But it is used for the same purpose?

Mr. GERRY. It is used identically in the same way and for the same purposes, except that this pulp makes a better grade paper. You use rag pulp in improving the quality of paper, just as you use chemical pulp in improving the quality of paper made from mechanical pulp.

Senator THOMAS. You want it transferred to the free list?

Mr. GERRY. Yes, sir.

Senator THOMAS. That is an unusual request.

Senator STONE. Who makes this pulp in the United States?

Mr. GERRY. There is only one concern that makes it in the United States, and that concern is located in Ohio, and the entire output of the plant is used locally.

Senator STONE. What is the output of the plant?

Mr. GERRY. I think something like 10,000 pounds.

Senator STONE. What is the consumption?

Mr. GERRY. That would be difficult to say, for the reason that at the present time the rags themselves are imported, and the various mills macerate the rags themselves. It is a pure question of the paper supply in this country.

Senator STONE. What number of mills use this rag pulp in the manufacture of paper?

Mr. GERRY. There are quite a number of mills that use cotton rags; and all of the mills making book paper, magazine paper, writing paper, and the better grades of ledger paper, would use rag pulp.

Senator STONE. Does it make a better paper than wood pulp?

Mr. GERRY. Yes, sir.

Senator STONE. Better than either kind of wood pulp?

Mr. GERRY. Better paper than either kind of wood pulp.

Senator JAMES. What would be the loss of revenue to the Government if that were placed on the free list?

Mr. GERRY. None at all.

Senator JAMES. Is there none imported?

Mr. GERRY. None at all. The duty is prohibitive. You can not bring it in.

Senator JAMES. Suppose we should reduce the duty, say, 50 per cent, what would be the revenue to be derived?

Mr. GERRY. If you reduced the tariff 50 per cent, that would be from 30 down to 15 per cent. It is a difficult proposition to answer, because at the present time none of this merchandise is brought in, and it is purely a proposition of how much, if brought in, could supply this trade.

Senator STONE. Do you say none of this rag pulp is brought in?

Mr. GERRY. None of it is brought in. It can not be done.

Senator STONE. And only one concern in the United States is making it?

Mr. GERRY. Yes, sir.

Senator STONE. And they make about 10,000 pounds?

Mr. GERRY. Yes, sir.

Senator STONE. Then there is very little of it used?

Mr. GERRY. As I say, at the present time the paper mills are macerating their own rags, and to bring in the rag pulp would be very largely beneficial to the paper mills of this country, because they would have a steady supply of rag pulp, and it would be giving to the paper mills who have had their merchandise reduced in duty a cheaper raw material.

Senator STONE. Does it matter whether the paper mill makes the pulp or whether this concern in Ohio makes the pulp?

Mr. GERRY. Yes, sir; because a good many of the mills find it difficult to get the rags, and the maceration and making of this pulp

is quite a process, so that a good many of the mills do not go into it at all.

Senator STONE. Where does your interest come in?

Mr. GERRY. If the rag pulp is put upon the free list, then this merchandise would be imported and be supplied as rag pulp to the paper mills of this country.

Senator STONE. Is your concern importing it now?

Mr. GERRY. No; we can not import it at the present time.

Senator STONE. You are trying to open the market for it?

Mr. GERRY. We are trying to open the market for the importation of this merchandise by getting it on the free list.

Senator JAMES. What do you say the use of that is?

Senator STONE. He says it is used for the same purposes as the other classes of pulp.

Mr. GERRY. In the manufacture of ordinary printing and writing paper, book paper, magazine paper; it makes a better grade of paper than the ordinary chemical or mechanical pulp.

Senator JAMES. Wood pulp being on the free list, you think this ought to be on the free list?

Mr. GERRY. Inasmuch as it has identically the same use as mechanical pulp or chemical pulp, there is no reason why it should not be on the free list, as long as the other two are.

Senator THOMAS. That looks reasonable.

Senator JAMES. I was just wondering who had sufficient interest in its exclusion to have a prohibitive tariff put on it.

Mr. GERRY. I do not think there is anybody in this country who would oppose the insertion of the words "and rag pulp" on the free list, except possibly the people who are now handling the rags and bringing them in.

Senator THOMAS. There would be some opposition.

Mr. GERRY. It might militate against the people who are handling the rags, but otherwise than that I do not think there would be anybody who would object to the inclusion of this article in the free list.

Mr. BUNN. Answering your question, Senator. I imagine that the classification that the gentleman speaks of was made upon one importation to see what the customhouse would do with it. No other provision being made for it except the fact that it was a manufacture of cotton rags, it had to go as a manufacture of cotton.

Mr. GERRY. I did not understand your question, Senator. It was purely an experimental importation for the purpose of carrying this case to the Customs Court.

CUSTOMS ADMINISTRATION.

STATEMENT OF HON. HATTON W. SUMNERS, MEMBER OF CONGRESS FROM TEXAS.

Mr. SUMNERS. I know you are very busy, gentlemen, and I shall be very brief in stating the matter that I wish to submit to this committee.

It seems to me that there ought to be the same requirement with reference to the inspection of beef that is imported into this country as there is of beef that is produced in America, and the same inspection of the packing houses that use beef that is imported into America as the packing houses using beef produced in America. The reason for that, it seems to me, is obvious.

This is another thing that I believe ought to be done: We have a dumping clause now in the tariff bill, the purpose of it being to protect the American manufacturer against the sale of imported goods in America at a price cheaper than sold at the place of origin. You gentlemen may know that the packing interests—what is known as the Packing Trust of America—are rapidly getting control of the South American field. The cattlemen of my State—Texas—are apprehensive that after they have accumulated cattle that are ready for sale, and when the selling season is at its height, that the Packing Trust will ship from their South American plants chilled beef and sell it for a less price in this country than they would sell it for in the ordinary course of commerce—sell it for the purpose of breaking the market of the cattle of the American ranchmen and farmers. The local papers of last Tuesday carried an item to this effect—that the American Beef Trust is gradually closing out and running out of business the packing houses in South America, and they are paying higher prices for cattle and sheep in South America than they are selling their carcasses for in England. That illustrates the power and the methods of these people.

Senator SIMMONS. Will you kindly state that again?

Mr. SUMNERS. They are paying higher prices for sheep and cattle, according to the newspaper report, than they were selling their carcasses for in England, they being engaged in a fight with the independent packing concerns of South America, and this being a policy pursued by them in order to win their fight and drive these other people out of business. Personally I have no knowledge about it, but it was so stated in the papers last Tuesday.

Senator SIMMONS. You have no confirmation of that? You just saw that statement in the papers?

Mr. SUMNERS. No, sir; except I do know this, that the American packing concerns are rapidly getting control of the South American situation, and I do know also that the cattle people and the stock people of this country are apprehensive that they will lose considerable trade.

Senator STONE. What do you know as to the actual thing done by these American packing concerns in the way of getting control of the South American business?

Mr. SUMNERS. Of course, I have not been to South America, and I do not know personally, but they are controlling now over 35 per cent of the packing industries of South America.

Senator STONE. Where are their packing establishments?

Mr. SUMNERS. Most of them are in Argentina.

Senator STONE. Can you mention any other place?

Mr. SUMNERS. I do not know, sir.

Senator SIMMONS. Where do you get your information that they control 35 per cent of the packing interests of South America?

Mr. SUMNERS. I get my information from the cattle people; the president of the Cattle Raisers' Association of Texas and a number of my friends who are ranch people. I know that they are apprehensive that just the thing that I have outlined will be done. It seems to me it would be a very simple matter to clothe the President of the United States with power to put in force this dumping clause tariff. The dumping clause as written out will hardly cover the situation, because it provides that if the sale is made here at a

cheaper price than in the country from which the importation comes then the President may put in this 15 per cent duty.

Senator STONE. Are you apprehensive that the large packers in Chicago, Kansas City, and other points, the same people, would kill and pack beef in refrigerators and ship it up here in our markets in the Gulf, Atlantic, and Pacific ports and sell that beef at a lower price than they would be willing to sell beef for that they are making here at home at Chicago and Kansas City?

Mr. SUMNERS. Not regularly. I do not think they would be willing to do it regularly.

Senator STONE. In other words, would they likely compete with themselves?

Mr. SUMNERS. No, sir; but they are a trust just as much for the purpose of buying as they are for the purpose of selling. Now, they do have some competition. There are the people who buy cattle for slaughter. If they could supply one or two of the big cities along the Atlantic coast with their chilled beef at a time when the cattle and sheep are moving in largest quantities to market, they could break that market and enable them to buy that movement of cattle and sheep. Then they could put the price back again.

Senator STONE. What do you know about this Australian importation to San Francisco and Los Angeles?

Mr. SUMNERS. I do not know anything about it, except what I saw in the papers the other day.

Senator STONE. I noticed in the papers, and that is all I know about it, that beef was brought into San Francisco and Los Angeles by these people and distributed for sale, and that the difference was made, even under existing conditions to the consumer of from 3 cents per pound to a very much higher rate per pound. I do not recall the exact language of the dispatch. I can understand that a foreign corporation killing cattle and other animals in Australia might try to build up a market of this sort, but it is a little difficult for me to see just why Armour, Swift, and Morris, and men of that kind, would want to compete with themselves in the American market.

Mr. SUMNERS. I do not think they want to compete with themselves at all.

Senator STONE. Now, just what do you want?

Mr. SUMNERS. I want the President to be clothed with power to put this dumping clause tariff in force where the importation of meat or cattle is not in the ordinary course of commerce, but is made for the purpose of breaking the market and compelling the American producer to sell in a trust-made market.

Senator STONE. Have you a form of an amendment?

Mr. SUMNERS. No, sir; I have not. I can submit one if you think it is worth considering.

Senator STONE. The only reason for submitting it is that it would be a condensed way of stating your views.

Mr. SUMNERS. I would be very glad to do it.

Senator SIMMONS. Do you mean that you want the dumping clause to apply to articles coming in under the free list, as well as articles coming in under the dutiable list?

Mr. SUMNERS. Under the circumstances; yes, sir.

Senator STONE. If that were done, what would be your feeling with respect to a provision in the bill as to the admission of live cattle and meat?

Mr. SUMNERS. As to whether they ought to be under the same duty?

Senator STONE. Yes.

Mr. SUMNERS. It seems to me, and I believe it is the general opinion among cattlemen, that if they are going to have free beef they want free cattle. I can not speak with authority with reference to that, but that is my judgment.

Senator STONE. You think they ought to run together?

Mr. SUMNERS. It looks to me like that.

Senator STONE. Suppose a tax were put on meat to correspond with the tax on cattle: would that meet your purpose?

Mr. SUMNERS. It would be pretty difficult for the importers to overcome a 10 per cent tariff, I think.

Senator STONE. I wish you would furnish that amendment you referred to.

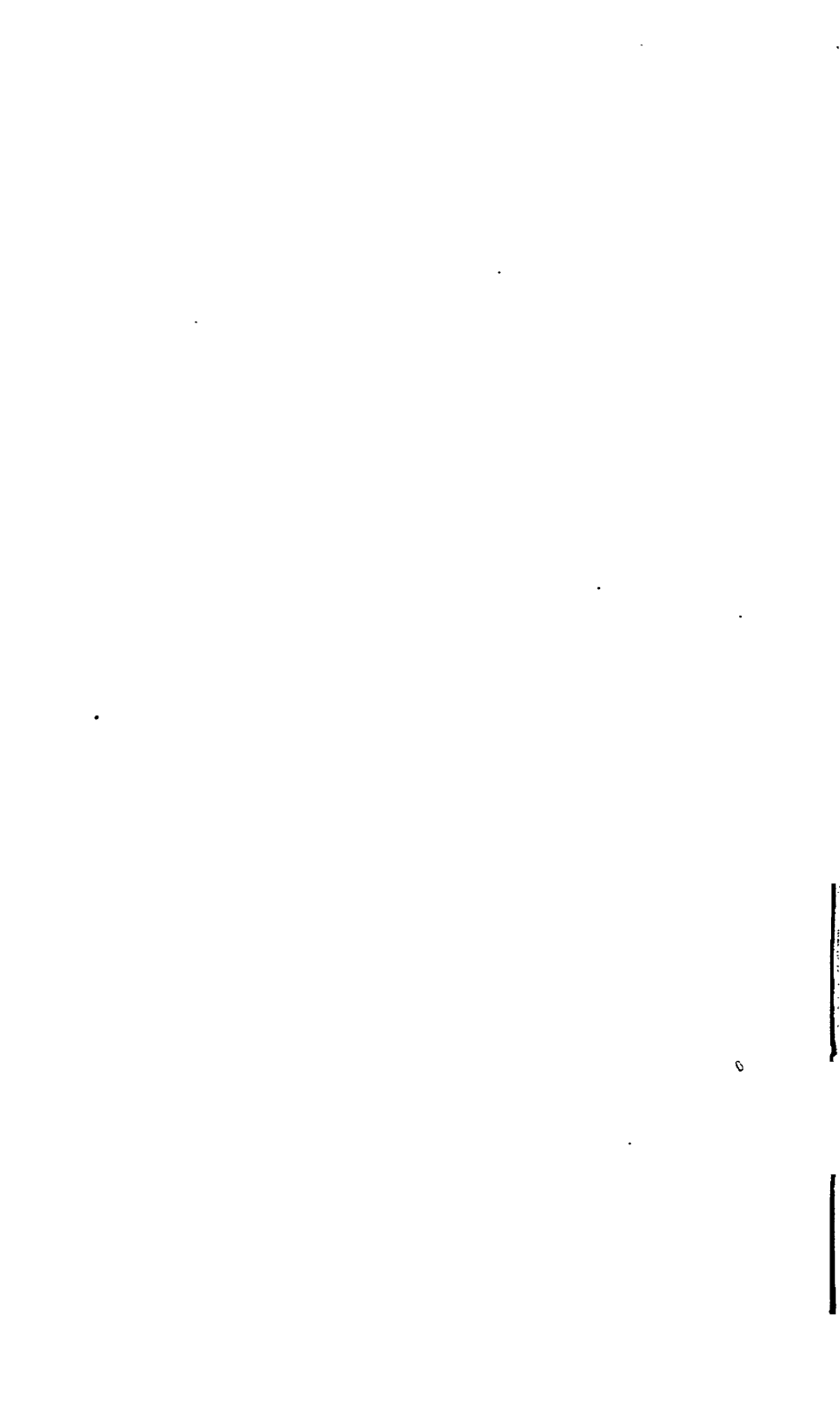
Mr. SUMNERS. I thank you very much, gentlemen. I appreciate your giving me the time.

Hon. Hatton W. Sumners, Representative in Congress from Texas, submitted to the committee the following, which he suggested be added after line 10 in subdivision R of section IV, page 221:

Whenever cattle, sheep, or other domestic animals used for food, or the food products thereof, shall be imported into the United States not in the ordinary course of commerce, but for the purpose of enabling those engaged in the United States in the slaughter of animals for food to purchase such animals produced or owned in the United States at a less price than but for such importation, there shall be levied and collected and paid on such animals or food products an import duty equal to 10 per cent ad valorem.

HEARINGS BEFORE SUBCOMMITTEE NO. 2,

MAY 8-13, 15, 17, 19-27, AND 29, 1913.



HEARINGS BEFORE SUBCOMMITTEE NO. 2.

The statements made before this subcommittee were not taken verbatim. There is printed here only a list of those appearing before it and a statement of the subjects discussed.

LIST OF PEOPLE WHO APPEARED BEFORE SUBCOMMITTEE NO. 2, CONSISTING OF SENATORS WILLIAMS (CHAIRMAN), SHIVELY, AND GORE.

SCHEDULE E.—*Sugar, molasses, and manufactures of.*

Jose de Diego, speaker of the House of Delegates of Porto Rico, San Juan, P. R.

Martin Travieso, jr., president Executive Council of Porto Rico, San Juan, P. R.

Antonio R. Barcello, president Porto Rico Association, San Juan, P. R.

Carlos Carbrera and Hector H. Scoville, San Juan, P. R.

The above delegation representing the interests of the sugar planters appeared before the subcommittee May 21, 1913.

Mr. Diego made an extended argument that the provisions of the Underwood bill, with the clause for free sugar, would wipe out the sugar industry in Porto Rico. His remarks were made in Spanish, being translated by Mr. Travieso.

J. W. Pharr, Olivier, La.; Jules Godchaux, Raceland, La.; E. T. Dickinson, Matthews, La.; and Paul J. Christian, of Washington, D. C., appeared before the subcommittee in behalf of the Louisiana sugar interests May 21, 1913.

Mr. Pharr read a brief, giving a history of the cane-sugar industry of Louisiana and contended that the proposed reduction in the tariff and the clause for free sugar in three years would put an end to the Louisiana sugar industry.

Mr. H. T. Oxnard, of San Francisco, Cal., and Mr. T. G. Palmer, of Washington, D. C., appeared before the subcommittee May 23, 1913, in behalf of the beet-sugar industry.

Mr. Oxnard submitted a verbal statement to the effect that the reduction of duty proposed in the Underwood bill would hurt the beet-sugar business, but that the clause providing for free sugar in three years would do away with the business in the United States.

Mr. Palmer followed Mr. Oxnard in an argument to the same effect.

Messrs. C. B. Warren, president, and F. R. Hathaway, secretary, Michigan Sugar Co., of Detroit, Mich., appeared before the subcommittee May 8, 1913, in behalf of the beet-sugar manufacturers.

Mr. Hathaway made a verbal argument that the proposed reduction in the tariff would cripple the beet-sugar industry, and the proposition to put it on the free list would kill it.

Mr. Sidney Ballou and Mr. A. D. Baldwin appeared before the subcommittee May 8, 1913, in behalf of the Hawaiian sugar planters, both making oral arguments that proposed reductions of Underwood bill would destroy the sugar industry of Hawaii.

Mr. Frank A. Dillingham, of Millburn, N. J., appeared before the subcommittee May 26, 1913, and after a few introductory remarks, submitted a brief in behalf of the Porto Rico sugar planters.

Mr. William L. Bass, of the American Sugar Bureau, Washington, D. C., addressed the subcommittee May 27, 1913.

SCHEDULE G.—*Agricultural products and provisions.*

Messrs. John W. Zisgen, manufacturer of linseed oil and linseed cake, and Sim F. Gretzen, customhouse broker, of Ramsay, N. J., appeared before the subcommittee May 29, 1913.

Mr. Zisgen argued verbally in behalf of a drawback provision for linseed cake when exported.

Mr. J. G. Kammerlohr, attorney, representing the John Layton Co. of New York, appeared before the subcommittee May 23, 1913.

Mr. Kammerlohr argued for a lower rate on egg albumen, which was under the agricultural schedule in the Payne-Aldrich law, but has been moved to the chemical schedule of the Underwood bill; states that it was purely a food product, and that a lower rate of duty would result in larger importations.

Messrs. P. D. Bane, J. P. Woodley, and R. J. Smithers, of Norfolk, Va., and J. D. Martin, of Petersburg, Va., representing the peanut growers of the country, appeared before the subcommittee May 9, 1913.

Mr. Bane addressed the subcommittee, arguing for a retention of the present duty on peanuts, stating that the industry could not thrive under a lower duty.

Mr. Stephen L. Bartlett, of Boston, Mass., manufacturer of chocolate and cocoas, appeared before the subcommittee May 10, 1913.

Mr. Bartlett stated that the proposed rate on sweetened chocolate in Paragraph 236 was higher than the present rate, and suggested certain changes to be made in paragraph 236.

Messrs. S. H. Cowan, — Pryor, and Dr. — McClure, of Fort Worth, Tex., representing the American National Live Stock Association appeared before the subcommittee May 12, 1913.

Mr. Pryor addressed the subcommittee against the proposition of putting meat products on the free list.

Dr. McClure addressed the subcommittee urging that if cattle are placed on the free list a strict inspection law be adopted.

Mr. W. B. Dunlap, of Beaumont, Tex., president Southeastern Rice Growers' Association, appeared before the subcommittee May 11, 1913.

Mr. Dunlap made an argument on behalf of the rice growers of the country and said that the proposed reduction of duties of the Underwood bill would seriously cripple the rice industry.

Messrs. C. M. Rich and E. Harmon, of Buffalo, N. Y., appeared before the subcommittee May 8, 1913.

Both of these gentlemen addressed the subcommittee and advocated equality of tariff treatment for oats and the product of oats.

Mr. L. R. Alderson, of Lewiston, Idaho, representing the Lewiston-Clarkston Fruit Agency, appeared before the subcommittee May 24, 1913.

Mr. Alderson addressed the committee in relation to paragraph 222, of Schedule G, advocating that the duties on deciduous fruits, and more especially apples, be put on a parity with those of Canada, contending that the American fruit growers are now at a disadvantage with Canada in this respect. For himself, he desired to see a free movement of fruit between both countries.

Messrs. E. C. Hutchinson and Lands Levan, of Trenton, N. J., representing the flour millers, appeared before the subcommittee May 17, 1913.

Messrs. Hutchinson and Levan both addressed the subcommittee, contending that wheat and the products of wheat ought to be put on a parity in the matter of tariff treatment.

Mr. A. T. Johnston, jr., of Brooklyn, N. Y., appeared before the subcommittee and presented an argument in behalf of the condensed-milk manufacturers, arguing that the lowering of the tariff would hurt their business.

Mr. Harrison Osborne, of New York, N. Y., representing the New York Fruit Exchange, appeared before the subcommittee May 24, 1913.

On behalf of the citrous-fruit importers argued for a reduction of the tariff on lemons.

G. H. Powell, of Los Angeles, Cal., representing the citrous-fruit raisers of California, appeared before the subcommittee May 8, 1913.

Mr. Powell presented an argument against the lowering of the duty on lemons.

Mr. R. A. McCormick, of the firm of McCormick & Bros., Baltimore, Md., appeared before the subcommittee May 27, 1913.

Mr. McCormick addressed the committee and urged higher rates of duty on certain spices, and also an additional duty on unground spices.

SCHEDULE J.—*Flax, hemp, and jute, and manufactures of.*

Mr. Nathaniel Stevens, of the Stevens Linen Works, and Mr. A. F. Hall, Meredith Linen Works, Meredith, N. H., appeared before the subcommittee May 23, 1913.

Mr. Stevens addressed the subcommittee and argued against any further reduction on goods manufactured from flax and flax tow than already made by the Ways and Means Committee. He also asked that flax noils be specifically mentioned in the bill.

Mr. Hall addressed the subcommittee to the same effect.

Mr. Claude N. Bennett, of Washington, D. C., and L. J. Elsas, of Atlanta, Ga., appeared before the subcommittee May 15, 1913.

Mr. Elsas addressed the subcommittee in behalf of the jute manufacturers, and contended that a differential treatment should be accorded goods chemically treated as distinguished from those not chemically treated.

Messrs. Paul T. Wise, of the Chelsea Fiber Mills, Brooklyn, N. Y.; S. S. Evans, of the Dolphin Jute Mills, Paterson, N. J.; and J. E. Barbour, of Allentown, Pa., appeared before the subcommittee May 20, 1913.

Mr. Wise addressed the subcommittee, protesting against the lowering of the duty on the manufactured products.

Mr. Charles H. Studin, attorney, New York, N. Y., representing the manufacturers of linen handkerchiefs, appeared before the subcommittee May 26, 1913.

Mr. Studin addressed the subcommittee, arguing against a reduction of the tariff on handkerchiefs.

Mr. Martin C. Harman, manufacturer of handkerchiefs, of New York, N. Y., appeared before the subcommittee May 12, 1913.

Mr. Harman addressed the subcommittee, protesting against the reduction of the duty on handkerchiefs.

Mr. H. D. Cooper, president of the Linen Association, New York, N. Y., appeared before the subcommittee May 26, 1913.

Mr. Cooper addressed the committee, urging that the ad valorem rate in paragraph 288, Schedule J, on plain woven fabrics of single jute yarns, be lowered from 20 to 15 per cent; also in paragraph 292 that the word "plain" be stricken out in the first line of the paragraph.

Mr. Harrison Osborne, attorney, New York, N. Y., representing the linen manufacturers, appeared before the subcommittee May 26, 1913.

Mr. Osborne addressed the committee, arguing against the reduction of the tariff on the manufactures of linen.

Mr. E. R. Biddle, representing James Scott & Sons, of New York, manufacturers of burlap, appeared before the subcommittee May 29, 1913, and presented a brief in behalf of the manufacturers of burlap, protesting against the lowering of the duty.

SECTION II.

Income tax.

Mr. Alfred Thom, general counsel, Southern Railway, Washington, D. C., appeared before the subcommittee May 17, 1913.

Mr. Thom addressed the subcommittee, urging an amendment to paragraph B of Section II by inserting the word "gift" at the proper place.

Col. F. W. Fleming, of the Kansas City Life Insurance Co., Kansas City, Mo., and Mr. T. W. Blackburn, secretary and counsel, American Life Convention, Omaha, Nebr., appeared before the subcommittee May 19, 1913.

Messrs. Fleming and Blackburn addressed the subcommittee in relation to the features of the proposed income-tax provision as applied to life insurance companies.

Mr. Walker B. Hines, attorney, New York, representing from 15 to 20 railroad companies, appeared before the subcommittee May 20 and 26, 1913.

Mr. Hines addressed the subcommittee on the features of the income-tax provision of the Underwood bill as applying to railroad corporations.

Mr. Falcon Joslin, president Tenana Valley Railroad Co. of Alaska, appeared before the subcommittee May 24, 1913.

Mr. Joslin addressed the subcommittee and urged an amendment to paragraph II of Section II, providing that in lieu of the present tax of 100 per mile per annum imposed by law on Alaskan railways

an income tax of 5 per cent per annum on the net income be adopted.

Mr. Frank Haines, of the Middlesex Banking Co., Middletown, Conn., appeared before the subcommittee May 12, 1913.

Mr. Haines addressed the subcommittee on the relation of the income tax to banks who loan their money on western farm mortgages, etc., and urged that certain changes be made in Section II, to meet their objections to the bill as it stands.

Messrs. T. L. Quackenbush, Interborough Rapid Transit Co., New York, N. Y., and ——— Yeoman and ——— Fuller, of the Brooklyn Rapid Transit Co., of Brooklyn, N. Y., and ——— Norton, traffic expert, appeared in behalf of the above companies.

Mr. Quackenbush addressed the subcommittee, urging certain changes be made in some of the provisions of the income-tax section to meet the necessities of corporations such as he represented.

Mr. Robert ———, attorney, of New York, representing the Investment Bankers' Association and for Harris, Forbes & Co., appeared before the subcommittee May 26, 1913.

Prof. Charles J. Bullock, of Harvard University, appeared before the subcommittee May 25, 1913.

Prof. Bullock addressed the subcommittee in support of certain amendments proposed by him to the provisions of the income-tax provisions of the Underwood bill.

Mr. E. F. Clark, attorney, representing the Allied Real Estate interests of New York, N. Y., appeared before the subcommittee May 27, 1913.

Mr. Clark addressed the subcommittee in support of certain amendments suggested by him in relation to the bearing of the provisions of the income-tax section on real-estate corporations.

Mr. Thomas P. Paton, representing American Bankers' Association, of New York, appeared before the subcommittee May 13, 1913.

Mr. Paton addressed the subcommittee with reference to the bearing of the income tax upon certain features of the business done by banking corporations.

Mr. D. P. Kingsley, president New York Life Insurance Co., appeared before the subcommittee May 26, 1913.

Mr. Kingsley addressed the subcommittee with reference to the bearing of certain provisions of the income tax upon the business of mutual life insurance companies, and suggested certain amendments.

Mr. F. B. James, Washington, D. C., representing mutual fire insurance companies, appeared before the subcommittee May 9, 1913.

Mr. James addressed the subcommittee in behalf of certain amendments to be made to income-tax section in the interest of mutual fire insurance companies.

SECTIONS III AND IV.

Administrative features.

Messrs. James F. Curtis, Assistant Secretary of the Treasury, and W. T. Denison, Assistant Attorney General, Washington, D. C., appeared before the subcommittee.

Messrs. Curtis and Denison were heard by the subcommittee with respect to certain suggested amendments to the administrative features of the Underwood bill.

Mr. Henry Wigglesworth, attorney, representing the General Chemical Co., of New York, appeared before the subcommittee May 19, 1913.

Mr. Wigglesworth addressed the subcommittee in behalf of some change or amendment in paragraph R of Section IV, the dumping clause, so as to prevent the dumping of by-products of European manufacturers on the American market—speaking especially to the article of sulphuric acid.

Mr. William J. Gibson, attorney, of New York, N. Y., appeared before the subcommittee May 22, 1913.

Mr. Gibson addressed the committee at length on the provisions of Sections III and IV, and suggested a number of amendments, as shown in his brief.

Mr. B. A. Levette, attorney, of New York, appeared before the subcommittee on May 22, 1913.

Mr. Levette addressed the committee with reference to the administrative features of the Underwood bill, and suggested various amendments to the language of it.

Mr. A. Strasser, of Buffalo, N. Y., representing the International Cigar Makers' Union of America, appeared before the subcommittee May 17, 1913.

Mr. Strasser addressed the subcommittee on the question of bringing into this country cigars made in the Philippines, and suggested an amendment to paragraph C, of Section IV, to limit the number of such cigars that could be brought into the United States to 75,000,000; the Payne-Aldrich law placing the limit at 150,000,000.

Mr. E. J. Wentz, attorney, representing the Singapore pineapple importers' committee, of New York, appeared before the subcommittee May 27, 1913.

Mr. Wentz addressed the subcommittee and filed invoices, showing the prices fixed by the United States consular officer in the foreign port from which shipment is made may vary to a large degree on the same articles shipped on the same day on the same vessel, and urged that this defect in the law be remedied by an amendment.

Mr. N. I. Stone, of New York, representing the importers of dress models for women's garment makers, appeared before the subcommittee May 20, 1913.

Mr. Stone addressed the subcommittee upon the question of the importation of these models and suggested an amendment be made to Paragraph J, subsection 4, of Section IV of the Underwood bill which will allow dress models to be imported free in bond with the provision that they be exported within six months.

Mr. Francis R. Arnold, importer, New York, appeared before the subcommittee May 13, 1913.

Mr. Arnold addressed the committee with reference to certain features of the administrative sections.

Mr. Henry T. Friedman, attorney, New York, appeared before the subcommittee May 27, 1913.

Mr. Friedman addressed the committee with reference to certain paragraphs of Section III, administrative features.

Mr. William W. Rich, customhouse broker, New York, appeared before the subcommittee May 27, 1913.

Mr. Rich addressed the subcommittee on administrative features of the bill.

Mr. Edward C. Berriman, representing the Cigar Manufacturers' Association of Tampa, Fla., appeared before the subcommittee May 22, 1913.

Mr. Berriman addressed the subcommittee in behalf of an amendment to paragraph M of Section IV of the Underwood bill, whereby the manufacturers of cigars made wholly out of Cuban tobacco may manufacture the same in bonded warehouses, and the cigars so manufactured are to be stamped by the Government, certifying they are made wholly of Cuban tobacco.

Mr. S. Christy Mead, secretary Merchants' Association of New York, appeared before the subcommittee May 21, 1913.

Mr. Mead addressed the subcommittee in reference to certain suggested changes in the administrative features of the Underwood bill.

Messrs. V. A. Wallin and C. Beye, of Wisconsin, representing the National Association of Tanners.

Mr. Beye addressed the subcommittee and urged that an amendment be made to paragraph R of Section IV the dumping clause, so that statistics going into greater details in the leather industry can be obtained than is done at the present time.

Mr. F. E. Claussen, wood-alcohol manufacturer, of Ridgway, Pa., appeared before the subcommittee May 27, 1913.

Mr. Claussen addressed the committee urging that wood alcohol be given some recognition in the dumping clause of the Underwood bill, to put the manufacturers in this country on the same footing with his competitors in foreign countries.



HEARINGS BEFORE SUBCOMMITTEE NO. 3,

MAY 19-27, 1913.



HEARINGS BEFORE SUBCOMMITTEE NO. 3.

SUBCOMMITTEE OF THE COMMITTEE ON FINANCE, UNITED STATES SENATE.

SCHEDULE A.—CHEMICALS, OILS, AND PAINTS.

PARAGRAPH 1.—*Tannic acid.*

STATEMENT OF MR. MAX B. KAESCHE, OF 240 WATER STREET, NEW YORK, REPRESENTING F. BREDT & CO.

Mr. KAESCHE. I really do not think I will take your time, because I would actually have to confirm what Mr. Zinsser has stated in regard to the manufacture and in regard to his views as to what the duty ought to be, or should be, in order to equalize the difference of 6 cents a pound on tannic acid. So that I really do not know that I should say anything further.

Senator JOHNSON. Are you interested in gallic acid?

Mr. KAESCHE. No, sir. However, in touching tannic acid, under the free list, I would like to speak on gall extract, which is practically tannic acid in solution.

Senator JOHNSON. What section is that gall extract under?

Mr. KAESCHE. Six hundred and twenty-seven. It is placed here under tanning materials. As a matter of fact, gall extract is not a tanning material, nor can it be used, nor is it used, for it. So I really think this was placed there by mistake.

Senator JOHNSON. This is extract of nutgalls?

Mr. KAESCHE. Yes, sir. That is really a gall extract, or tannic acid in solution. One never is sold for the other.

Senator JOHNSON. You say it is not a tanning extract?

Mr. KAESCHE. It is not a tanning extract; no, sir, because it is not used for tanning. It is used as a mordant and for working silk. The present duty on that is a quarter of a cent per pound and 10 per cent ad valorem. Despite that duty, it is being imported at the present time. With that duty there is very keen competition, so, taking it away altogether, there would not be any difference to equalize anything in this country, and it is quite a process in the manufacture, requires scientific skill and training, and it is the basis of tannic acid; in other words, it is tannic acid in solution, and it would be an easy matter—in fact, we have done it ourselves—to import gall extract and simply desiccate it or dry it here, and we get tannic acid. Therefore, I would suggest that there be a duty of 15 per cent.

Senator JOHNSON. On tannic acid?

Mr. KAESCHE. On extract of nutgall.

Senator JOHNSON. That was put on the free list in the bill; then the tannic acid was largely reduced.

Mr. KAESCHE. It is really a tannic acid in solution.

Senator JOHNSON. The other party who was here said tannic acid was made from nutgalls and from this solution.

Mr. KAESCHE. This is a tannic acid in solution, and it is not a tanning material, and for that reason we are of the opinion that it really was put in there by mistake. It is a manufactured article; in fact, requiring quite some skill and labor and expense in the manufacture. We have a factory, especially installed and equipped for the manufacture. In fact, this gall extract under the free list would practically destroy the intent of a duty on tannic acid.

Senator JOHNSON. Have you got all that in your brief?

Mr. KAESCH. I have not found the brief as yet.

Senator JOHNSON. I wish you would, so that we can take it up with him.

(At this point Mr. Herstein appeared in the room.)

Senator JOHNSON. Mr. Herstein, this gentleman is speaking about tannic acid, and the fact that we have put aqueous extract of nutgalls upon the free list. He thinks a mistake has been made, as he says that is simply tannic acid in solution.

Mr. HERSTEIN. Senators, that statement was made here the other day by Mr. Young. I believe it is the intention of the committee to try to correct that. Some mistake has been made there.

Senator JOHNSON. It should be fixed?

Mr. HERSTEIN. Yes.

Mr. KAESCH. It is not a tanning material.

Senator JOHNSON. Also Persian berries and sumac?

Mr. HERSTEIN. Persian berries and sumac—exactly the same line of argument would apply to them.

Senator SMITH. The same thing applies to them. Those ought to come out of that list, because they are not part of the dyeing process?

Mr. HERSTEIN. They are not part of the tanning materials.

Senator JOHNSON. You have that in mind?

Mr. HERSTEIN. Oh, yes; we have had that in mind.

Mr. KAESCH. Then I do not think it is necessary for me to say anything further.

Senator JOHNSON. We will get to that when we get to the schedule with the Doctor.

Senator SMITH. But we would still like to have you furnish us your views.

Senator JOHNSON. Yes; you had better furnish your views in writing and send them to us by Tuesday.

Mr. KAESCH. All right; thank you.

STATEMENT OF MR. NORVIN R. LINDHEIM, OF NO. 60 WALL STREET, NEW YORK, N. Y.

PARAGRAPH 1—*Salicylic acid.*

Mr. LINDHEIM. I would like to be heard on one matter in reference to the chemical schedule, Mr. Chairman. I represent the Heiden Chemical Works, who are manufacturers of salicylic acid, which had a duty of 10 cents per pound in the Dingley bill, was reduced to 5 cents a pound in the Payne bill, and which is reduced in this bill to 2½ cents a pound.

Our plea as made, the fundamental thing that we ask, is for the retention of the duty of 5 cents in order to cheapen the cost to the consumer, and we are prepared to submit to the committee letters from the largest consumers of salicylic acid in the country, asking that it be not reduced to 2½ cents a pound, because that reduction would result in forcing the American manufacturer out of business and putting the whole trade in the hands of the foreign combination. There is a contention in reference to salicylic acid and I think that this can not be contradicted. We are prepared to substantiate these statements by affidavits.

The salicylic acid business was formerly done entirely in Germany. Our salicylic acid was shipped here and the cost was as high, under the Wilson bill, when it was on the free list, as 60 cents a pound. The duty in Germany is now 5 or 6 cents a pound. Our company manufactures at Garfield, N. J., in an American plant, and the reduction from 5 cents to 2½ cents a pound would simply mean that this plant would have to go out of business, and there would be no competition at all against the German manufacturers of salicylic acid.

Senator SMITH. Is not your firm connected with the European manufacturers who are in the combination?

Mr. LINDHEIM. No, sir; not in any way. The salicylic acid that we manufacture in this country is manufactured at Garfield, N. J., by the Heiden Chemical Works, an American concern. There is a Heiden Chemical Co. in Germany, a large combination, that has nothing to do with us.

This chemical company manufactures here, and it will be forced to go out of business by this change in the tariff. Its investment here amounts to some \$200,000.

We have letters here, addressed to the Senate Finance Committee, from three concerns, in which they state that they are consumers of salicylic acid, and the only thing that they are interested in is to get salicylic acid as cheap as possible, and to keep the salicylic acid on a competitive basis they ask, as consumers and not as manufacturers, that the duty be retained at 5 cents a pound, and not reduced to 2½ cents a pound.

Senator JOHNSON. What does this sell for now?

Mr. LINDHEIM. Twenty-six cents a pound, by both the American and German manufacturers. It is sold at a considerably higher price in Germany than here, because the territory abroad is divided under this convention. The United States is free to all the world. The Germans sell their salicylic acid here at a much lower price than they sell it for in Germany.

Senator JOHNSON. The import price for 1912, the average unit, was 20 cents.

Mr. LINDHEIM. That is not quite correct. They have taken in some salicylic acid which has certain impurities there. It is not the salicylic acid of the trade.

Senator JOHNSON. From what is it made?

Mr. LINDHEIM. Phenol, benzol, carbolic acid, muriatic acid, sulphuric acid. There is a duty of 15 per cent on the component parts.

Senator JOHNSON. On sulphuric acid there is no duty.

Mr. LINDHEIM. I know, but they cost 15 per cent more in this country than abroad.

Senator JOHNSON. Sulphuric acid is on the free list.

Mr. LINDHEIM. Yes.

Senator JOHNSON. Benzol you use?

Mr. LINDHEIM. Yes.

Senator JOHNSON. Do you use phenol?

Mr. LINDHEIM. Yes, and carbolic acid. Synthetic phenol is used in this.

Senator JOHNSON. Do they not make it synthetically, too?

Mr. LINDHEIM. Yes, sir; but it is not made in this country.

Mr. BAUER. Not much, but there is a small amount of phenol made in this country.

Mr. LINDHEIM. Mr. Bauer is president of the Heiden Chemical Works, and he says that if that reduction to 2½ cents a pound is made they will have to go out of the business. Then this German parent concern might be interested in that thing, but these people would not be interested in it at all.

Senator JOHNSON. Do you use caustic soda?

Mr. LINDHEIM. Yes; there is some used.

Senator JOHNSON. The duty upon that is reduced.

Mr. LINDHEIM. Yes, 10 per cent. But you must bear in mind relative to the salicylic acid that it is sold cheaper in this country than in Germany.

Senator JOHNSON. The importations are pretty small, are they not? The importations last year were 28,000 pounds, and in 1910 they were 64,000 pounds. It fell off more than one-half.

Mr. LINDHEIM. Because Germany gets a higher price over there than here for the product, because the territory over there is divided up. The same man does not sell in Germany who sells in France. The tariff was reduced from 10 cents to 5 cents under the Payne bill.

Senator JOHNSON. It was 5 cents a pound in 1910, and in 1905 it is true that it was 10 cents a pound.

Mr. LINDHEIM. Yes, sir; and under the Wilson tariff it was on the free list.

Senator JOHNSON. The importations, then, when the duty was 10 cents a pound were only 7,455 pounds. Then when the duty was reduced to 5 cents a pound the imports were 64,000 pounds in 1910, and in 1912, with the duty still 5 cents a pound, they fell off to 28,000 pounds.

Mr. LINDHEIM. When it was 10 cents a pound there were many more making it than after it was 5 cents a pound. The manufacturers found that they could not exist under the duty of 5 cents a pound and went out of business, many of them. It is a notorious fact with reference to salicylic acid that there is a convention abroad, that there is no competition abroad, while we have competition here.

This reduction from 5 cents to 2½ cents a pound will eliminate the American production of salicylic acid and put the thing right back in the hands of Germany and France. When there was no competition in this country salicylic acid was as high as 65 cents a pound. These facts are absolutely admitted by everyone connected with this matter, and we are producing here letters from the consumers, who use 60 per cent of the salicylic acid, asking that it be not reduced to 2½ cents a pound. They know that if it is reduced, the Germans will get the trade and we will be out of business and the price will be raised.

Senator JOHNSON. Where is it made synthetically?

Mr. LINDHEIM. The Heiden Chemical Works, at Garfield, N. J., have a plant of about \$200,000.

Senator JOHNSON. You make it synthetically?

Mr. LINDHEIM. It is all made out of phenol. It is all made synthetically. I may use the wrong word there, because I am not a chemist.

Senator JOHNSON. Very likely I may be using the wrong word; but synthotic phenol is made in this country?

Mr. LINDHEIM. Very little.

Senator JOHNSON. Is there a patent covering that process of making it?

Mr. LINDHEIM. Probably there is a patent. I do not know.

Mr. ROSENGARTEN. No; there is no patent.

Mr. LINDHEIM. I know that I have some applications for other patents for making synthetic phenol. I do not know very much about it.

We are in this peculiar position, that we are coming before you with recommendations from the consumers, who are interested in nothing but getting this cheaper—and that is all, I understand, that the Senate is interested in—and at the same time giving some small differential so that the American manufacturer can live.

Senator JOHNSON. You do not mean, by the consumer, the man who has to take the salicylic acid when it is prescribed for him?

Mr. LINDHEIM. No, sir.

Senator JOHNSON. You do not mean the ultimate consumer? You are talking about the fellow that buys from you?

Mr. LINDHEIM. Yes; he is the man interested in the component parts.

Senator JOHNSON. When you talk about the consumer, you do not mean the man who ultimately consumes?

Mr. LINDHEIM. No; I do not mean the man that takes it in order to get rid of his rheumatism. We have gone to the drug houses that have to use this thing. You must remember that this salicylic acid is also used to make aspirin, and it is notorious what the profits are in that business. The people who manufacture that do not need to get this material any cheaper.

I will submit those original letters from these drug houses, and submit copies for the committee.

STATEMENT OF MR. F. G. ZINSSER, OF HASTINGS UPON HUDSON, REPRESENTING ZINSSER & CO.

PARAGRAPH 1.—*Gallic acid.*

Mr. ZINSSER. Mr. Chairman, I desire to make a short statement in regard to tannic acid. It has been figured that 26 cents is the selling price of tannic acid. There is no such price. No commercial tannic acid of any purity is sold for any such price. The average price is from 35 to 38 cents for the pure acid.

Senator HUGHES. It runs from 39 cents in 1896 to 40.6 cents in 1905, 52.10 in 1910, and 47.9 in 1912.

Mr. ZINSSER. Yes, sir; that is about right, considering the fact that these prices range from 32 to 75 cents, according to strength and quality. The trouble about this proposed schedule of 4 cents is the

fact that these very high priced tannins that differ from the others chiefly in strength can be brought in at that price and be reduced here and would practically wipe out the duty on tannins that go into consumption.

Senator JOHNSON. Very little has been imported heretofore. This last year it was \$484 worth. Do you know anything about the production in this country last year?

Mr. ZINSSER. I imagine about a million pounds altogether of various grades.

Senator JOHNSON. There was a production of 715,500 pounds in 1905.

Mr. ZINSSER. I should say between nine hundred thousand and a million pounds last year.

Senator JOHNSON. Then 35 cents per pound is prohibitive?

Mr. ZINSSER. Yes, sir. The average price of the commercial has been 35 cents, so you can see that has not done the American manufacturer any good.

Senator HUGHES. The price of the stuff has dropped until it was just about equal to the specific duty?

Mr. ZINSSER. Just about, for the average commercial article. Naturally, that does not include the highly refined medicinal products that bring as high as 75 cents and even a dollar a pound. But the consumption of that is comparatively small. I would ask for an increase to at least 6 cents on tannic acid.

Senator JOHNSON. Six cents a pound?

Mr. ZINSSER. Six cents a pound.

Senator JOHNSON. Of what is it made?

Mr. ZINSSER. It is made from nutgalls, brought from either China or Turkey.

Senator JOHNSON. Do those come in free?

Mr. ZINSSER. Yes, sir.

Senator HUGHES. They always have?

Mr. ZINSSER. Yes, sir.

Senator JOHNSON. What is the process of making tannic acid from nutgalls?

Mr. ZINSSER. It is extracted with solvents, such as alcohol, acetone, fusel oil, etc.

Senator HUGHES. Are there any duties on them?

Mr. ZINSSER. On the acetone there is a duty. I do not know what it is. I think it is 1 cent a pound.

Senator HUGHES. Have they been reduced in the proposed bill?

Mr. ZINSSER. I think they have.

Mr. HERSTEIN. They are carried in the 25 per cent ad valorem clause and a specific of 1 cent. It is a reduction of very nearly a cent and a half a pound.

Senator HUGHES. On acetone?

Mr. HERSTEIN. On acetone. It was in the basket clause. Now it is made specific at 1 cent a pound.

Senator HUGHES. Have you any idea what it costs a pound?

Mr. ZINSSER. The difference between the raw material and the finished?

Senator HUGHES. Yes.

Mr. ZINSSER. About 8 to 10 cents for the commercial. The higher grades are very much more expensive, because there is a lot of solvent lost, and the labor charge is high.

Senator HUGHES. Eight or ten cents a pound, and the duty is 4 cents?

Mr. ZINSSER. Yes.

Senator JOHNSON. What are its uses?

Mr. ZINSSER. Medicinal; for use in connection with the finishing of cotton cloth; also on silk wool cloth, and for the making of gallic acid.

Senator JOHNSON. It is a mordant?

Mr. ZINSSER. Yes, sir; a mordant for one specific kind of dyestuff known as a basic dye.

Senator JOHNSON. What is the dyestuff it is a mordant for?

Mr. ZINSSER. For a certain group of colors known as dyestuffs that have to have this mordant in order to be made fast on cotton cloth.

I would like also to speak on the question of gallic acid, in the same schedule?

Senator JOHNSON. That is the same rate, 4 cents a pound?

Mr. ZINSSER. Yes, sir; it is made from tannin, and the best yields obtainable to-day are about 80 per cent. I would think that the rates ought to be proportioned to the tannin. If the tannin is 6 cents that ought to be about 8 instead of 4. The gallic acid is made from tannic acid by boiling it with sulphuric acid, and in this process quite a little of the tannic acid is destroyed. It is not possible to get more than 80 per cent, although the theory calls for over 100 per cent.

The gallic acid is used chiefly for the production of pyrogallie, and unless the pyrogallie is higher than 10 cents that will wipe out the gallic-acid industry. Last year there were 150,000 pounds of pyrogallie acid imported.

Senator JOHNSON. It does not give it so; it says 28,000 pounds.

Mr. ZINSSER. Yes, sir, because a lot of the pyrogallie acid has come in as acids not specifically provided for. The estimate of the manufacturers to-day is that there were 150,000 pounds imported.

Senator JOHNSON. All other acids, not specifically provided for, taking all of them, amount in importations to only \$60,000.

Mr. ZINSSER. Mr. White of the Eastern Chemical Co., a manufacturer of pyrogallie acid, testified before one of the committees that the amount imported was about 150,000 pounds. That is where I got my figures.

Senator JOHNSON. You have that in a brief. We shall have to take that up in detail with Dr. Herstein, the chemist. I am sure we will not be able to do much here in settling that. You give us your statement, so that we can take that up with him and have that for consideration.

STATEMENT OF MR. JOSEPH G. KAMMERLOHR, NO. 12 BROADWAY, NEW YORK.

PARAGRAPH 4.—*Egg albumen.*

Mr. KAMMERLOHR. Egg albumen in previous tariff acts has been classified under the agricultural schedule. Naturally, you would think that Congress would view it as a food product. In this proposed act it has been transferred to the chemical schedule, the rate

of duty remaining the same. 3 cents per pound. Egg albumen is imported in two conditions.

Senator JOHNSON. Do you want us to reduce it?

Mr. KAMMERLOHR. We wish a reduction. In other words, we desire to have a word added to the paragraph, making it "dried egg albumen," to cover a certain class of albumen that is used for chemical purposes only.

Senator JOHNSON. You want "dried egg albumen"? You want us to leave egg albumen as it is?

Mr. KAMMERLOHR. No. We desire to urge before the subcommittee having charge of the agricultural schedule a provision regarding egg albumen in other conditions.

Senator JOHNSON. It has gotten over here in this schedule, now.

Senator HUGHES. We have it here, at 3 cents a pound.

Mr. KAMMERLOHR. But egg albumen is also imported in a frozen or liquid condition for food purposes only, and in this they provide for egg yolk and frozen eggs in the food schedule. We believe they also should provide for egg albumen there at a correspondingly lower rate. Egg albumen is imported in two conditions, in the frozen or liquid condition, which is the egg white as it is taken from the shell; and then its dried form, which is the albumen after the water is extracted. In extracting the water there is a loss of 75 per cent, and the merchandise is worth about four times as much. We contend that we could not pay the same rate of duty for our product, which is the albumen as taken from the egg, and this dried product, and we are asking that the word "dried" be inserted in this paragraph to cover the merchandise which was intended, and I think the Government chemist who is here from New York will bear me out that it was the view of the Ways and Means Committee that most of the egg albumen, 90 or 95 per cent of it, was in dried shape, and was used for chemical and photographic and manufacturing purposes.

Senator HUGHES. What rate are you going to suggest?

Mr. KAMMERLOHR. We do not ask that any change be made.

Senator JOHNSON. Leave this just as it is, only inserting the word "dried" before "egg."

Senator HUGHES. None of it is imported as egg albumen without having the water squeezed out of it?

Mr. KAMMERLOHR. Oh, yes; it did come in under the agricultural schedule at a lower rate of duty.

Senator HUGHES. So that the word "dried" would do everything you want?

Mr. KAMMERLOHR. Yes.

Mr. HERSTEIN. I can only say with reference to egg albumen that when it was transferred originally from the agricultural schedule to the chemical schedule the intention was to raise the duty to a higher ad valorem rate. The original Underwood bill carried a duty of 6 cents—H. R. 2182, of course—with a view of raising revenue, which was at that time necessary. At this time, when the bill was framed, it was thought advisable to leave it at the present rate of duty, because the revenue derived from it was not thought essential. The albumen which the gentleman contends for is an entirely different product, that comes in here in the frozen condition. It is not used for chemical purposes at all, although I believe it can be used to some extent. They contend that it is used exclusively for food pur-

poses, and the result of this would be, if you put "dried" there, unless a special provision were made, it would throw out this original albumen to paragraph 408, which is the basket clause for all manufactured articles not specifically provided for, and probably would let it in at the 15-cent rate unless you made a specific provision in the agricultural schedule for it.

Senator HUGHES. If we put the word "dried" in here, then we have failed to provide for egg albumen specifically?

Mr. HERSTEIN. Yes.

Senator HUGHES. And it would come in the basket clause?

Mr. HERSTEIN. Yes; unless you provided for it specifically under the agricultural schedule.

Mr. KAMMERLOHR. The only cure, in my opinion, for our situation, is a provision in the agricultural schedule for frozen egg albumen, as they have also provided for frozen eggs. This is one part of a frozen egg. I could urge that before the subcommittee in charge of the agricultural schedule.

Mr. HERSTEIN. The price of dried egg albumen is 45 cents a pound. The price of the eggs those gentlemen bring from China is about 12 or 15 cents a pound, and naturally they are contending that in order to equalize that the low-grade material should not carry the same specific rate as the high grade. I think the difficulty could be obviated very largely by putting an ad valorem rate, instead of putting a specific duty on the material.

Senator HUGHES. You think the objection to this classification would, then, be met by an ad valorem rate?

Mr. HERSTEIN. If you did that you would naturally increase, to some extent, your rate on this grade of albumen, and you would lower very materially the grade that the gentleman speaks of. Under a rate of 12 cents per pound, or even 15 cents, the ad valorem of 8 per cent would not mean even a quarter of a cent per pound.

Mr. KAMMERLOHR. We would prefer a specific rate of duty. It does away with the reappraisal question.

Senator JOHNSON. You have called this to the attention of the subcommittee having the agricultural schedule in charge?

Mr. KAMMERLOHR. I have an appointment to-day there.

Senator JOHNSON. All right. You do that, and then we can confer. Leave your brief with us.

Mr. KAMMERLOHR. Yes.

Senator JOHNSON. Some gentlemen interested in the chemical schedule, and also some gentlemen interested in the paper schedule, are here. I do not know who has the right of way. We will go ahead with those who seem to be ready first.

STATEMENT OF MR. ROBERT A. SHAW, VICE PRESIDENT OF THE CASELLA COLOR CO., 182 FRONT STREET, NEW YORK CITY.

PARAGRAPH 6.—Alizarin.

Senator JOHNSON. The colors you are interested in are in what sections?

Mr. SHAW. With respect to alizarin colors and indigo. Indigo will be found on the free list.

Senator SMITH. Alizarin is page 2, line 18.

Senator JOHNSON. Ten per cent ad valorem.

Mr. SHAW. That is what I am speaking on particularly, the derivatives.

Senator SMITH. They are 30 per cent?

Mr. SHAW. They are 30 per cent; yes, sir. I want to speak for equality in taxation on all coal-tar dyes. We are importers, and therefore have no proper plea to make, except the one of every American citizen—that all should be treated on an equality. We never have asked a favor at the hands of Congress and have no intention of doing so now. But we have for the past 20 years, upon every suitable occasion, urged that all coal-tar colors should be treated alike—all taxed or all free.

We have never pretended to express an opinion as to what the rate should be—the needs of the textile manufacturer being the controlling factor in such a matter—but we have believed it was within our province to protest against the admission of one importer's goods free while another man's goods were tax burdened. This is the practice to-day. It has been the practice for the past 20 years. It is distinctly un-American and undemocratic. I refer to the clause of the tariff by which a large class of colors derived from anthracin have been kept free while the great aggregate have paid a high tax.

Senator SMITH. You say the great aggregate of those derived from anthracin?

Mr. SHAW. No; those that are not.

Senator SMITH. I thought you said derived from it.

Mr. SHAW. No; all the anthracin dyes are derived from coal tar, and all the other coal-tar dyes, except indigo and the anthracin derivatives, are paying a 30 per cent tax.

Senator SMITH. Anthracin and alizarin; yes, sir.

So, when the House decided that the unfair practices of the past should be corrected and the so-called anthracin derivatives of coal tar made taxable, the same as other coal-tar dyes, we applauded that decision, though one exception was made in favor of artificial indigo and true alizarin.

Senator SMITH. What was the exception in favor of alizarin?

Mr. SHAW. True alizarin is made free.

Senator SMITH. Ten per cent is on alizarin.

Senator JOHNSON. "Alizarin, natural or synthetic, dry or suspended in water, 10 per centum ad valorem."

Mr. SHAW. Yes. I should have said 10 instead of 30. This placing of indigo on the free list left us no alternative than to ask that hydron blue, the chief competitor of artificial indigo, should be placed upon an equality and likewise be removed from the dutiable list. We have made formal application to this effect in a letter to your chairman, dated the 13th day of May last. And if indigo is to remain free, we do not see how your committee can deny the right of its competitor to similar advantage. They are both coal-tar derivatives. Both do similar work and hydron blue is the faster color of the two.

Senator SMITH. You simply mean it would be logical to make both of them free?

Mr. SHAW. Yes; on the basis of equality.

Senator SMITH. Neither has any claim on us. If we find one already on the free list, we can leave it there if we wish, and leave the other taxed without any injustice to any American.

Mr. SHAW. You will continue an injustice.

Senator SMITH. Why is it an injustice?

Senator JOHNSON. Let me ask you. You say yours is what, the ultramarine blue?

Mr. SHAW. Hydron blue.

Senator JOHNSON. Indigo is used in coloring the cheaper goods, is it not—denims, etc.?

Mr. SHAW. Yes, sir.

Senator JOHNSON. What use is made of the blue which you speak of as compared with indigo?

Mr. SHAW. It is made for denims.

Senator JOHNSON. I mean how much in amount; how would the proportion stand? Take the use of the color you represent.

Mr. SHAW. Indigo is vastly in the aggregate, larger in consumption, because it is free, and our color is taxed.

Senator JOHNSON. It is what they have been using, is it not?

Mr. SHAW. Yes; but this is something new. Indigo has been known for a thousand years.

Senator JOHNSON. You want to compel the cotton manufacturers and woolen manufacturers to attempt to use your color?

Mr. SHAW. No, we do not want to compel them. Nature compels them.

Senator JOHNSON. To let go a thing which they know about and try something you say will do as well for them as indigo?

Mr. SHAW. Do you not think the consumer ought to have the advantage of a better color at the same price if he can get it? If hydron blue does not wash out and indigo does, do you not think he ought to have that?

Senator JOHNSON. I am taking the experience of those who have for a good many years been trying the pretty cheap goods, and I presume they have found out.

Mr. SHAW. There has not been the opportunity, because this color was only discovered two or three years ago. It is an absolutely new thing. It comes from carbazol, and comes out of the commercial anthracin, and because it comes out of the commercial anthracin, the Commerce Court says we must pay the 30 per cent. So you can see how unequal the whole system of taxation works.

Senator HUGHES. As I understand it, this dye is chemically the same when the manufacturer gets it as the dye derived in the other way, as the other dye—the dye it competes with?

Senator JOHNSON. Oh, no; the other comes from indigo.

Mr. SHAW. You are perhaps speaking of a poorer dye. In other words, the consumer has to take the poorer goods because the manufacturer can only afford to give him the poorer goods. If the manufacturer could get our goods as cheaply as he can get indigo, he would take ours.

Senator HUGHES. He can not take yours because there is a tax on them, and those are free?

Mr. SHAW. Exactly so.

Senator HUGHES. Your claim is that all dyes and colors should be on the same basis, whatever that basis is?

Mr. SHAW. We have urged that for 20 years, that all colors should be taxed the same.

Senator JOHNSON. Do you suppose it is because of that fact or because he has used indigo, and knows about it, that he would rather have the indigo than your dye? If he thought your dye was a better dye would the little difference in price made by the duty deter the manufacturer from using your dye, do you think?

Mr. SHAW. I know what the manufacturer tells us, that the small fraction of a cent makes a difference to them, and I presume that is what they tell you gentlemen in this matter.

Senator JOHNSON. Certainly it seems as if there will be a cut in a large part of the duties on textile goods, cottons and woolens, and we at the same time put a duty on the raw material which they use, and you ask us to put that on their dyes at the same time that we are cutting down the duties on the manufactured products of a large industry.

Mr. SHAW. I am not asking for that now. I am asking for equality as between indigo and hydron blue.

Senator JOHNSON. That is the effect of that.

Mr. SHAW. I am not asking you to raise indigo; I am asking you to lower hydron.

Senator JOHNSON. On the other colors that would be the effect.

Mr. SHAW. On anthracin colors that would be the effect. That is what the House has done, and that, we believe, is right. We believe they should all be made equal.

Senator JOHNSON. Regardless of the effect upon those who use them at the same time?

Mr. SHAW. That is something for you gentlemen to decide, how taxation shall be adjusted, and upon whom it shall bear, of course. But you can not get away from the fact that every man should be treated on an equal basis, importers as well as others.

Senator SMITH. They are all treated the same. If we put some dyes on the free list and some on the taxed list, all importers are handling the same; they can handle what they please. All who handle this one you referred to pay the same tax, and all who handle indigo and anthracin and their derivatives pay the same tax.

Mr. SHAW. There is no one else who can import this but us, because it is made by a process which is controlled abroad. We can not import the other man's goods, because they are controlled by patents. So that the manufacturers of anthracin derivatives have had a monopoly of the market, a monopoly of the lower tariff, by reason of the fact that they control the anthracin products and make the anthracin colors, which we never have.

Senator HUGHES. And you, in order to compete with them, have to pay a duty now of 30 per cent?

Mr. SHAW. Yes, sir. The same principle of equality in taxation applies to the anthracin derivatives. If the anthracin derivatives are free, then hydron also must be free. The plea made so successfully in the past—that the faster dyes must be given a preference—is vague and dangerous. No man to-day knows from what chemical formula the faster dye will be obtained a year hence. It may or it may not be an anthracin derivative. The industry in its vast ramifications is a constantly changing one and if duty is to be assessed according to degree of fastness, each of the thousands of thousands of colors must have a different rate. Congress can not get away from the reasonableness of this contention.

Everyone knows, too, how great has been the cost of litigation to the Government by reason of the effort to give preference to these anthracin dyes, and it has not been alone burdensome to the Government, for the importer who initiates the litigation must ultimately get the cost out of the textile manufacturer and consumer. The consumer really pays both bills.

It has been stated in the public prints recently that a duty of 30 per cent on the anthracin derivatives would mean an additional tax on the consumer aggregating a full \$2,000,000, but this is a misunderstanding of the facts. The entire money value of imports of such derivatives, as given in Government publications, in the year 1912, totaled \$1,381,936. Had these been assessed the 30 per cent tax, the Government would have collected \$414,580, not \$2,000,000.

Our conviction is that if Congress desires to adhere to the true American spirit of equal favor to all, it will meet the needs of the textile manufacturer by fixing a rate which is not burdensome, applicable uniformly to all classes. It will stand firm for the same treatment for all coal-tar colors by whatever name known and will make no exceptions. No other position is free from attack. None other can be successfully defended, in our opinion.

Senator SMITH. What is the exact dye that you ask to have put on the same basis as anthracin, alizarin, and indigo?

Mr. SHAW. Hydron blue is the color we ask shall be put on the same basis as indigo. That is a derivative of carbazol. If you wish to make a clause that would be a basket clause, to take in other dyes made from carbazol, it would be certainly fair and reasonable and right.

Senator HUGHES. All the carbazol colors, you mean?

Mr. SHAW. All the carbazol derivatives.

Senator HUGHES. Your point is that all colors derived mediately or immediately from coal tar or coal-tar preparations shall be treated alike?

Mr. SHAW. Coal-tar colors, not coal-tar preparations. Coal-tar preparations, known as such, are not colors.

Senator HUGHES. They do not take the colors directly from the coal tar; they put them through some intermediate processes, do they not?

Mr. SHAW. Yes, sir. Preparations are used in the making of the colors. Our contention first is for equality in the taxation of indigo and its competitors; secondly, equality in all matters of coal-tar colors.

Senator SMITH. The House bill taxes all other products or preparations of coal tar, not colors or dyes, not specifically provided for, 15 per cent. Coal-tar dyes or colors not specifically provided for, 30 per cent.

Mr. SHAW. That is correct. That is the clause I am speaking of, 30 per cent.

Senator SMITH. Yours falls under that?

Mr. SHAW. Yes, sir. That as it now reads includes all the anthracin derivatives, whether are they anthracin or whether they are carbazol or what not.

Senator SMITH. What is the volume of use outside of anthracin, alizarin, and indigo? What is the present importation?

Mr. SHAW. The total imports in 1912 of colors not anthracin colors and not indigo were something under \$7,000,000.

Senator SMITH. Seven million imported?

Mr. SHAW. Yes, sir.

Senator SMITH. If you put them all on the free list, it would take \$2,000,000 off the revenue.

Mr. SHAW. It would; yes, sir.

Senator SMITH. That much came in in spite of the tax?

Mr. SHAW. Yes. The most of the dyes do come in in this country. Only a few are made here.

Senator SMITH. And it was seven millions, outside of anthracin, alizarin, and indigo, that came in?

Mr. SHAW. That is correct, Senator.

Senator HUGHES. Your contention is that those that come in and anthracin, alizarin, and indigo should be treated alike?

Mr. SHAW. Yes, sir; and you should equalize the taxation so as to include them all.

Senator HUGHES. All should carry the same rate, whatever that rate is?

Mr. SHAW. That is right.

Senator HUGHES. Because they are destined for the same use in the end?

Mr. SHAW. And because they come from the same base, and it is generally a part of the same industry.

Senator JOHNSON. Are they all designated for the same use in the end?

Senator HUGHES. I said "destined" for the same use.

Mr. SHAW. Cotton, soap, leather, paper—they dye everything.

Senator HUGHES. Somebody said here the other day that they were used interchangeably, and a piece of cloth would be dyed one color with alizarin and another color with the other.

Mr. SHAW. I do not mean to say that the same dye will dye all classes of fabrics. Each fabric has its own peculiar method of application, and dyes are prepared especially for that application. The ramifications of the coal-tar color industry are tremendous in technique, both in the preparation of the dyes and in the application of them.

Senator SMITH. You say one concern manufactures all the anthracin?

Mr. SHAW. There are three concerns that bring in anthracin derivatives.

Senator SMITH. And how many alizarin?

Mr. SHAW. The anthracin and alizarin are practically the same. Alizarin is a derivative of anthracin.

Senator SMITH. And what number indigo?

Mr. SHAW. There are two, I think, two principal ones. There may be two smaller ones.

Senator HUGHES. I think we are familiar with your contention. It has been made here by other gentlemen.

Mr. SHAW. I am certainly very much obliged to you gentlemen for the opportunity of presenting the matter thus fully.

**STATEMENT OF MR. ARTHUR S. SOMERS, OF NEW YORK,
REPRESENTING THE DRY COLOR MANUFACTURERS OF THE
UNITED STATES.**

PARAGRAPH 6.—Alizarin.

Mr. SOMERS. I appear not as an attorney but as a manufacturer, Mr. Chairman.

I begin with paragraph 6, "Alizarin, natural or synthetic, dry or suspended in water," which under the present bill is free, but under the proposed bill, or the bill passed by the House, has imposed on it a duty of 10 per cent. Alizarin is used for many purposes.

Senator SMITH. You need not state them. We know all about alizarin and the compounds derived therefrom; we have heard so much about them that we almost understand this as well as a manufacturer.

Mr. SOMERS. It is asked, for the same reason that the others have advocated it, that this should be restored to the free list, and my additional reason is that we use it in several colors that are included in paragraph 64, which it is proposed to reduce from 30 per cent to 15 per cent, thereby taxing our raw material, formerly free. This is cutting down the tariff on the goods we produce, in which this material is used, from 30 to 15 per cent. We hold that that is hitting us both ways, and it is rather a severe and drastic cut.

The same argument applies to paragraph 21, including coal-tar dyes and colors, of which you have heard ample, I suppose. These colors are also used under paragraph 64, which you propose to cut from 30 to 15 per cent, at the same time retaining the duty of 30 per cent on coal-tar dye colors in paragraph 21.

In paragraph 24 you also impose a duty of 10 per cent—

Senator SMITH. Wait a moment; let me ask you about paragraphs 21 and 23.

Mr. SOMERS. Paragraph 21 is the paragraph which covers coal-tar dyes and colors.

Senator SMITH. Thirty per cent ad valorem?

Mr. SOMERS. Yes. It is now, under the Payne bill, 30 per cent, and no change is made in that whatsoever; yet the colors that are made from these coal-tar dyes included in paragraph 21, and which are included in paragraph 64, are cut from 30 per cent to 15 per cent.

Senator SMITH. And your point there is that we leave under paragraph 21 the material that you use to make the dyes in paragraph 64, taxed 30 per cent, and reduce the tax on the things you produce to half that?

Mr. SOMERS. Yes, sir; except in the case of colors, lake, which the House changed at the last moment to 20 per cent; so that those materials are left at 30 per cent, while the materials that are made from them are reduced to 15 per cent, and we hold that that is too drastic entirely.

Senator SMITH. Do you ask that that rate in paragraph 21 be reduced?

Mr. SOMERS. Either that, or that you increase the duty on our product to 30 per cent. We are not asking for any unreasonable protection. We are simply asking for an equalization of the duties. If you leave the duty at 30 per cent on coal-tar dyes, then we ask you

to consider our appeal to restore the duty under paragraph 64; and I might say that if that is done we can stand the 10 per cent duty on alizarin, because that is used in the manufacture of high-class goods, and cuts very little ice with us if we have the 30 per cent duty as before.

Senator JOHNSON. We have had a great many men here who said that they could not stand any cut on alizarin.

Mr. SOMERS. I am speaking only for ourselves on this. I do not wish to disparage anything that any man has said, because every man views this through his own spectacles.

On blues, under paragraph 53, it is proposed to put a duty of 20 per cent on Berlin, Prussian, and Chinese blue. The present duty is 8 cents a pound. The last report you have there before you, and from that you will find that 195,000 pounds of blues were imported into this country at 8 cents a pound. It is proposed to reduce the duty from 8 cents to 20 per cent. As near as I can gather from all the information that comes to me from abroad the cost of blues over there is 18.4 cents a pound, and I believe that comes pretty nearly agreeing with the report of the statistical bureau of the House committee. On that basis the proposed duty would be about 3 $\frac{3}{4}$ cents a pound, bringing the cost to approximately 22 cents a pound for foreign blue laid down at our American ports. It is no dream when I say to you that we can not possibly make blue in this country at the present time at those prices. Blues to-day cost at least 26 cents a pound to make, at the present prices of prussiate of potash, as indicated by Mr. Bauer, and even with the proposed reduction of prussiate of potash from 4 cents a pound to 1 $\frac{1}{2}$ cents a pound, that does not give us any relief, because we had a similar condition under the Wilson bill, and at that time nearly all of the blue—I say nearly all, but it was a very large proportion of the blue—in this country was imported from abroad, and we as manufacturers found it more advantageous to import every pound of bronze blue that we used from Germany and France.

Senator HUGHES. What do you mean by bronze blue?

Mr. SOMERS. Bronze blue is similar to Chinese or Berlin blue. That is a trade name.

Senator HUGHES. It is ultramarine blue?

Mr. SOMERS. No.

Senator HUGHES. Wash blue?

Mr. SOMERS. No.

Senator HUGHES. Blues in bulk?

Mr. SOMERS. No, sir.

Senator HUGHES. Blues, whether dry, in pulp, or ground, etc. Does that take it in?

Mr. SOMERS. Yes.

Senator HUGHES. They did not import as much under the Wilson bill as under the Dingley tariff.

Mr. SOMERS. I am speaking from my own experience. Whether the figures there indicate that we imported it or not I do not know.

Senator HUGHES. Under the Wilson bill they imported 138,000 pounds of blues in pulp, dry, etc.?

Mr. SOMERS. Yes.

Senator HUGHES. Under the Dingley tariff there was considerable of an increase. They imported 198,000 pounds.

Mr. SOMERS. What was the Dingloy tariff?

Senator HUGHES. 39.13. The Wilson tariff was 19.56. Then, under the Payne bill, they imported more, where the tariff ran up to 44.23.

Mr. SOMERS. Yellow prussiate of potash at that time was selling for about 12 cents a pound.

Senator HUGHES. At that time prussiate of potash was as high as 23 cents.

Senator JOHNSON. That is what you make your blues of, yellow prussiate of potash?

Mr. SOMERS. Yes; it is the chief component.

Senator JOHNSON. That is reduced from 4 cents to 1½ cents a pound?

Mr. SOMERS. Yes; and at that we will find it impossible to compete with the German manufacturer who makes his prussiate from gas mass. I was in the prussiate of potash business for several years and we were driven out of it.

Senator JOHNSON. You do not make it; you buy it?

Mr. SOMERS. Yes.

Mr. BAUER. I just heard that remark, and I really must protest against it. We use, as I said before, exactly the same raw material, and use the same materials, that are used in all the large German prussiate factories and Belgian factories.

Mr. SOMERS. I will accept that statement, Mr. Bauer. I thought they were still adhering to the manufacture of prussiate from leather, as they were a few years ago, and from the black salt. If they use the gas mass, I will withdraw what I said. I was simply trying to show that there was a disadvantage to the prussiate manufacturers in this country if they were forced to adhere to the old practice as against the foreign manufacturer, who converts his potash right into the blue. Manufacturers of prussiate over there are also manufacturers of blue, so that I hope you will consider and look very carefully into that tariff on the blues.

Senator HUGHES. By looking carefully into the imports for 1896, it would seem as if that was one of the lowest years of importation we have had since that time.

Mr. SOMERS. In 1896?

Senator HUGHES. Yes, under the Wilson bill, when the rate was much lower than the present rate, there was very much less in the way of importations than there has been in recent years.

Mr. SOMERS. Speaking from my own experience, I can only say, and assure you, and I have methods by which I can support this statement, that we imported all the bronze blue that we made or sold at that time, and we carried quite considerable of it. It may be that our methods were not up to those of our competitors, but we think they were.

In section 55 there is provided on "chrome yellow, chrome green, and all other chromium colors in the manufacture of which lead and bichromate of potash or soda are used, in pulp, dry or ground in or mixed with oil or water, 20 per cent ad valorem."

In paragraph 57 you provide a 25 per cent duty on lead pigments that are used in the manufacture of these chrome colors. If the lead products are taxed at 25 per cent, the articles into which these enter largely, sometimes as much as 95 per cent, should also bear the same

percentage of duty. It is quite a cut from the present duty of 44 cents a pound, and we believe that a 25 per cent duty on chrome colors is ample, if we have the 25 per cent duty on lead products which enter very largely into the manufacture of the chrome colors.

Senator SMITH. Or if we should leave that at 20 per cent in paragraph 55 you think that the duty in paragraph 57 ought to come down to 20 per cent?

Mr. SOMERS. It should be either one way or the other. All that we ask is equalization. We are not asking for any privileges whatsoever.

Now I come to an article that is quite a sore spot with me; in fact, more so than any other; that is the manufacture of Paris green. We are one of the manufacturers of Paris green in this country that make considerable of it; and there is a great deal of it manufactured.

Senator SMITH. What paragraph is that in?

Mr. SOMERS. That is put on the free list. It was formerly 15 per cent, in the Payne bill, but the House has put it on the free list and has coupled with it London purple. London purple is an entirely different article from Paris green. It is a by-product that is made in England by one concern only. It is not made in this country; it could not be made in this country. There is a great deal of it used, and it should not be coupled with Paris green, which is quite an extensive industry in America.

I want to be perfectly candid with the committee. We do not fear any competition from England or Germany, although both countries make Paris green. We have no fear of them whatsoever. The fear we have is of the manufacture, which is being extended, in Canada, just across the border. There is quite an industry there in the manufacture of Paris green, and they have been doing some business in America, even at the 15-cent rate of duty. They know the American methods of distribution, which is quite a thing to know, and with their facilities over there, with their material, just as we have it here—they even manufacture arsenic in Canada, while we have to go to Mexico for our arsenic, and with the political conditions down there as they are now it has been rather an uncertain quantity—

Senator SMITH. Why do you not get your arsenic from Canada?

Mr. SOMERS. They use pretty nearly all that they produce up there, and we are obliged to go to Mexico for arsenic; and then sometimes the Mexican arsenic is a little cheaper in the market, and there is a little advantage in getting it there, and one-eighth of a cent cuts a good deal of ice with us on an article like arsenic. If Paris green is put on the free list, we will suffer from Canadian competition. Canada has a duty of 10 per cent against us on Paris green; she insists upon protecting her manufacturers by imposing that duty, and we think that the United States ought to have the same protection that those manufacturers have, inasmuch as we are so closely bound together, and there is but a hair's line dividing us, and Paris green might come in from any Canadian point and be distributed all over the country here.

Senator SMITH. What is the duty now on Paris green?

Mr. SOMERS. Fifteen per cent. We are quite satisfied with 10 per cent.

Senator SMITH. And that to be reduced when Canada makes a reduction in her duty?

Mr. SOMERS. I would be quite satisfied to have a reciprocal clause put in this bill. Although Paris green is imported at times from Germany, still we do not fear that competition, because we are on the spot when the Paris green is needed, and we have that advantage. It is a speculative article. We have in July and August to make the Paris green that is not sold until the following May. We are beginning now to ship out through the country the Paris green that we made last summer, and which was paid for at that time, and which we have had to hold. It has been lying in the storehouse all that time. You never can tell what the demand will be. If there was no demand for it, we could not pay people to take it off our hands. If the farmer needs it, he takes it, and if he does not we have to hold it, and we have suffered some losses at times in that way.

Senator HUGHES. That is used largely in the manufacture of insecticides?

Mr. SOMERS. Paris green is an insecticide, Senator. It is used on potatoes to kill insects, and it is used for spraying trees and shrubbery. The theory is that they want to have insecticides cheaper to the farmer, and that by this means the farmer will be able to get his insecticides cheap. We are selling Paris green at 12 cents a pound, and the price to the farmer will not be affected by this reduction. The farmer is paying 40 or 50 cents a pound, and he will not get his insecticide a cent cheaper: and yet 10 per cent is a whole lot to us. Senator Williams told us in the hearing last year that he paid 75 cents a pound for Paris green, and I am afraid that he charged that up to the manufacturer. I had some difficulty in persuading him that the Paris green that he paid 75 cents a pound for I sold for 15 cents a pound. Who got the difference? The small storekeeper, who has it in the season when the farmer wants it, and who will soak the farmer, who will pay any price that he puts on it. You can not protect the farmer against that kind of a man. If we were asking a fabulous price, we would not have any case here.

Senator SMITH. You are selling it at 12 cents a pound?

Mr. SOMERS. Yes, sir; and 10 per cent reduction means a lot to us, but it means nothing to the farmer. The storekeeper is not going to give him that 10 per cent if he can buy it from the Canadian manufacturer that much cheaper. It is a case of charging all he can get. If there was some way of protecting the farmer, I would be with this committee and with the Congress in protecting him against these high prices, but, on the other hand, it is a good deal like the prescription drug business. A farmer can use 25 or 50 pounds in a season. We make millions of pounds, and what is 25 or 50 pounds to millions of pounds? So that the storekeeper who handles 500 to 1,000 pounds in a year feels that he ought to get a good profit on this, because he thinks, "If it is a bad season, I am stuck." That is the attitude, I assume, that he takes with the farmer.

Senator SMITH. When he charges 300 per cent profit he can afford to hold some in his stock.

Mr. SOMERS. I remember the day that a telegram came into my office to ship by express to New Orleans 30,000 pounds of Paris green, on which they paid something like \$3 a pound express charges,

when they needed it down there for the cotton worm or for the insects that infested their tobacco and cotton plants. They would have paid any price for it. It was like so much gold to them. We got 18 cents a pound for that, and after they paid that fabulous express charge I suppose that Paris green was worth, when they got it there, \$5 a pound.

Senator SMITH. They did not pay any such express rate as that; the express rate was not a dollar a pound?

Mr. SOMERS. I think it is more than that on Paris green. Paris green takes a very high rate. Some transportation companies will not take it at all. We can not ship it over certain lines. We can not ship it over the boat lines any more; they will not take it. Even railroad companies are shutting down on it and compelling us to have a certain kind of a package that is almost hermetically sealed, because the stuff is poison, you know, and it is sometimes put in with food products and if you have a bad package, you know what it would be to have a package break in a carload of products of that kind.

Then of course there is a law that specifies how Paris green is to be made, and we are up against that drastic requirement, which means that we are liable to a fine and imprisonment if one of our workmen in a factory makes a mistake; so that it is a very hazardous business, and we are entitled to some consideration, I think, and all that we ask for is to be put in the same position that the Canadian manufacturer is in with his home government, and if you do that we have not any cause of complaint.

Senator JOHNSON. In the manufacture of Paris green you use arsenic and sulphate of copper and soda ash?

Mr. SOMERS. Yes.

Senator JOHNSON. The duty on sulphate of copper is largely reduced in this bill.

Mr. SOMERS. I think it is put on the free list. But let me call your attention to the fact that there was not any sulphate of copper imported here.

Senator JOHNSON. You can get the sulphate of copper free now?

Mr. SOMERS. Yes.

Senator JOHNSON. Whereas there was a duty before.

Mr. SOMERS. Yes.

Senator JOHNSON. And on soda ash there has been a reduction. What is that reduction?

Mr. HERSTEIN. It is on the free list.

Senator JOHNSON. It is on the free list.

Mr. SOMERS. Yes.

Senator JOHNSON. Where are you at a disadvantage, then, with your Canadian competitors?

Mr. SOMERS. We are at this disadvantage——

Senator HUGHES. They have their arsenic on the ground, there.

Mr. SOMERS. They produce arsenic so that they can get it right on the ground and convert it into Paris green.

Senator JOHNSON. How about sulphate of copper?

Mr. SOMERS. Sulphate of copper they get at a lower price than we buy it at.

Senator JOHNSON. Do they import it?

Mr. SOMERS. They import it from the States.

Senator JOHNSON. Is there a duty on it when it comes in there?

Mr. SOMERS. I do not know.

Senator JOHNSON. How about soda ash, as to the Canadians?

Mr. SOMERS. They import it from abroad or get it from the States.

Senator JOHNSON. Is there a duty on that?

Mr. SOMERS. I do not know. I wish I knew. I would have liked to have had that information for you, but I do not know exactly about that. The matter of fact is that sulphate of copper is sold for export at a lower price than it is sold at to the domestic manufacturer. Frequently sulphate of copper comes back from Liverpool and is found to be American sulphate of copper that has been sent over here, the freight being paid over there and then back again and sold here at the market price, convincing me that it must have been sold there for less than the price that it is sold at here. So that if they can buy their sulphate of copper cheaper there, they have that much advantage in price. That I assume because of the cost of the transshipment on this stuff abroad and back.

Senator JOHNSON. Canada has an antidumping law, has it not? They could not carry it from the States and dump it into Canada, under their law, at a price less than they were selling it at here?

Mr. SOMERS. I do not know; but I know that many materials find their way here because they are sold at a price for export less than they can buy it here for; but they were not able to buy it at the export price, because they require that the goods be put upon a car and sealed and a manifest issued, and that business is watched very, very closely. We tried to beat it, and we could not.

It is suggested that I tell you about the proportions. It requires more than a pound of sulphate of copper to make a pound of Paris green. About 1,100 pounds of sulphate of copper usually produce approximately 1,020 pounds of Paris green, and about 800 pounds of arsenic are required to make a thousand pounds of Paris green; so that you see there is a tremendous waste of material there. The acetic acid we use is lost, and all the soda ash we use there is lost. There are four or five hundred pounds of soda ash that is lost, and that is all washed out and is lost entirely. We have to be very careful to eliminate the free arsenic oxide, and if we do not we are jacked up by the Attorney General, as I have been frequently jacked up, because somebody made a mistake of a fraction of 1 per cent. I have two cases now pending before the Attorney General because there was a difference of one-twentieth of 1 per cent between the analyses as found by them and as claimed by us. That means a lot of expense to us to defend those actions, or rather to file our briefs, make our appearances, and make this explanation. I will say that they did not prosecute us.

I have filed our brief with the committee, and I hope that I have made some impression that will lead you to favor our request.

**STATEMENT OF MR. FRANKLIN BLACK, 81 MAIDEN LANE,
NEW YORK, REPRESENTING CHARLES PFIZER & CO.**

PARAGRAPH 9.—*Cream of tartar.*

Mr. BLACK. Mr. Chairman and Senators, I appear in connection with crude tartar and its product, cream of tartar, not with the intention of asking any increase in duties, but to ask for free crude materials, as with a duty of 5 per cent on crude tartar and 2½ cents per pound on cream of tartar the proportion is not sufficient to cover the difference in cost of the crude materials to the United States manufacturer as compared to the foreign manufacturer.

Senator SMITH. What paragraph is that?

Senator JOHNSON. Paragraph 9.

Mr. BLACK. I am not prepared with a brief, gentlemen, but would be glad to supplement my remarks with a brief later on. I merely desire to go on record as in favor of that action.

Senator JOHNSON. It is articles of crude tartar. The bill leaves the duty on those just as it was before—5 per cent?

Mr. BLACK. Yes, sir.

Senator JOHNSON. But it decreases the duty upon cream of tartar, which is what you are interested in, from 5 cents a pound to 2½ cents a pound?

Mr. BLACK. Yes, sir.

Senator JOHNSON. The process is a simple one, is it not, to make the cream of tartar from the argols?

Mr. BLACK. It is a simple one in a sense, Senator, but it requires great skill.

Mr. VOIGT. All organic substances are difficult in treating.

Senator JOHNSON. You treat the argols with hot water, dissolve them, and crystallize, do you, out of that? Is not that the whole of it?

Mr. PETERS. That is not the whole of it. There is a great deal to it beyond that. It requires almost constant attention from one end to the other.

Senator JOHNSON. I assume that might be so, but that is the substance of what takes place, is it not? You dissolve the argols in hot water?

Mr. PETERS. With various treatments that have to follow in between them to bring it out to a state of purity. It will not come out to a state of purity by dissolving it in hot water.

Senator JOHNSON. What else do you do? Commence with the process, taking crude argols. What do you do to get cream of tartar?

Mr. PETERS. We have to grind them, dissolve them, crystallize them.

Senator JOHNSON. You dissolve them in water, and then it evaporates and crystallizes out, of course?

Mr. PETERS. There is no evaporation. It crystallizes out naturally. That is the first process. The second process is redissolving, and treatment to bring it up to a state of purity.

Senator JOHNSON. What treatment?

Mr. PETERS. Cutting out the tartrated lime, to take that away from it.

Senator JOHNSON. Tartrated lime?

Mr. PETERS. Yes.

Senator JOHNSON. Would that be a by-product of the manufacture?

Mr. PETERS. To some extent; yes.

Mr. VOIGT. And you have to clarify it.

Mr. PETERS. And after that it has to be clarified, and then it is redissolved and recrystallizes.

Mr. VOIGT. Then it has to be treated to remove other impurities, which are chemical processes.

Senator JOHNSON. What are the other processes that you carry on?

Mr. PETERS. It has to be treated for the elimination of lead. That has to be all taken out.

Senator JOHNSON. How?

Mr. PETERS. By the addition of chemicals—sulphides.

Mr. VOIGT. That has to be very accurately gauged and very accurately watched as to temperature, etc., in order to obtain the proper purity.

Senator SMITH. What does it sell at a pound?

Mr. VOIGT. The wholesale price is 22½ cents. But that is not the question at all, as far as it occurs to me. The question is this, that the European manufacturer, whom we have to principally consider, is right in the market where the crude material is found. The largest factory in France is there. Within a radius of 30 miles he can obtain all the crude material he needs for his factory. In order to prepare that crude material and bring it over here, we have charges such as packing, gathering, careful supervision, as far as the drying of the crude material is concerned; we have the freight charges to the port, the steamer freight, port charges, and commissions for the people who handle it, and the difference on the 22½ cent cream of tartar is 1¾ cents, which does not compensate us for the difference in the cost of foreign manufacture. We are worse off by over 2 cents a pound in the cost of the crude material laid down at our factory against the cost of the crude material to the foreign manufacturer. I can give you specific items and specific corresponding documents, and so on, to prove the correctness of my statement.

Another thing, it seems to me illogical to put crude lees, which contains a small percentage of bitartrate purity, and which cost the same amount for shipment, freight, etc., laid down at the factory, and put on the same amount of duty as you would put on the refined lees, which test from 80 to 90 per cent.

Senator SMITH. That first is 5 per cent ad valorem, is it not?

Mr. VOIGT. Yes, sir.

Senator SMITH. And 2½ cents per pound is at least 10 per cent.

Mr. VOIGT. Two and one-half cents is-----

Senator SMITH. Is 10 per cent?

Mr. VOIGT. Yes.

Senator SMITH. So we make 5 per cent with the ad valorem?

Mr. VOIGT. Senator, if you take the foreign cost of manufacturing cream of tartar, and the foreign selling price, the duty of 2½ cents a pound amounts to about 14 per cent. Now, you take from the 14 per cent the 5 per cent duty on the crude material and you have less than 10 per cent to pay us. This less than 10 per cent is more than eaten up by the crude material laid down to us at the factory.

Senator SMITH. To what extent is the business conducted here of making the change from the raw material to the cream of tartar complete; how many enterprises?

Mr. VOIGT. There are five.

Senator SMITH. How large is the business?

Mr. VOIGT. The business amounts to, probably, I should say, between four and five million dollars a year.

Senator SMITH. What of the sales of the cream of tartar made in the United States?

Mr. VOIGT. Of cream of tartar alone, the value of the sales is about three and a half to four million dollars.

Senator SMITH. How much importation is there?

Mr. VOIGT. The importations are relatively small; I should not say over 1 per cent.

Senator JOHNSON. They are given as \$16,300 in 1912.

Senator SMITH. What is the present tariff?

Mr. VOIGT. The present tariff is 5 per cent and 5 cents a pound.

Senator JOHNSON. It is 5 cents a pound on cream of tartar.

Mr. VOIGT. On the manufactured product; yes, sir.

Senator SMITH. It is reduced to 2½ cents?

Mr. VOIGT. Yes.

Senator SMITH. At 5 cents a pound there is no competition?

Mr. VOIGT. At 5 cents a pound there is no competition to speak of. There is competition, Senator.

Senator SMITH. There is no foreign competition.

Senator JOHNSON. It is not apparent from the importations, because they are very small.

Mr. VOIGT. I realize that. There is no particular competition, but still there is competition. Otherwise, we could get larger margins.

Senator JOHNSON. Domestic competition?

Mr. VOIGT. Yes; and there is also competition from the foreign manufacturer.

Senator SMITH. The foreign competition is this, that he sells below the foreign price plus the tariff?

Mr. VOIGT. No, sir; not plus the tariff; not at all plus the tariff.

Senator SMITH. You sell below the foreign price plus the tariff?

Mr. VOIGT. Yes.

Senator SMITH. You sell for less than the foreign price plus the tariff?

Mr. VOIGT. Yes; but it does not mean we have that margin.

Senator SMITH. You have that margin, for you have competition for the foreign goods.

Mr. VOIGT. No. What I mean is this, there is not 5 cents a pound margin.

Senator SMITH. I do not mean that you sell at the whole 5 cents increase, but they have to meet you with their foreign price plus the tariff before they can come in here and compete?

Mr. VOIGT. Yes; certainly.

Senator SMITH. How much below the foreign price plus the 5 cents do you sell in this country?

Mr. VOIGT. Not very much.

Mr. HERSTEIN. Just to make a statement with reference to that matter, the gentleman just stated that cream of tartar sells here at 22½ cents. The foreign market price is about 18 cents, so there is practically 4½ cents between the market prices; and the duty is 5 cents.

Mr. VOIGT. Now, you cut that to 2½ cents, and leave us a duty on the crude material, where the manufacturer has more than that difference, and you know where we are.

Senator JOHNSON. What is the wholesale price of the argols to you a pound?

Mr. VOIGT. The wholesale price of the argols to us, not counting the duty on them to-day, is 14½ cents.

Senator JOHNSON. The duty is 5 per cent?

Mr. VOIGT. It would be three-quarters of a cent, making it 15½ cents.

Senator JOHNSON. The unit of value given here for the argols imported in 1912 was \$0.129.

Mr. HERSTEIN. Argols vary very greatly in strength. Under the term "argols" come also wine lees, which run in strength, at the highest, about 25 per cent, and they are all sold at the unit of cream of tartar which they contain. As the gentleman stated, the unit of cream of tartar argol is worth to him, laid down here, 15½ cents.

Mr. VOIGT. That is right.

Senator JOHNSON. You said the foreign price was what?

Mr. HERSTEIN. About 18 cents.

Senator SMITH. It would have to sell at 20 cents, under this bill, to keep out the foreign importations, with the price at 22½ cents.

Senator JOHNSON. You gentlemen are interested in some other things except argols?

Mr. VOIGT. We are interested only in argols, ourselves. But we should have our crude material free.

ADDITIONAL STATEMENT OF MR. FRANKLIN BLACK.

Mr. BLACK. Senator, I have another item to refer to, crude citrate of lime, in connection with citric acid. It will be found in paragraph 42. We ask for free citrate of lime. This new bill puts a duty of 1 cent a pound on citrate of lime and reduces the duty on citric acid from 7 cents a pound to 5 cent a pound.

Senator SMITH. We have already heard with reference to citrate of lime a request to put it on the free list, and that is your request also?

Mr. BLACK. Yes, sir.

Senator SMITH. Out of citrate of lime you make citric acid?

Mr. BLACK. Yes, sir.

Senator SMITH. Have you any written discussion?

Mr. BLACK. No; but I will prepare a brief.

Senator SMITH. How soon can you have it here?

Mr. BLACK. By Monday or Tuesday.

Senator SMITH. We would like to have it by Tuesday, if possible, because Wednesday we are going to start on this chemical schedule in private, and we would be very glad to have all the briefs on each one of these items as we go over them.

Mr. BLACK. I would also like to make reference to one more subject, and that is with reference to mercurials.

Senator JOHNSON. What is the paragraph?

Mr. BLACK. Paragraph 15.

Senator JOHNSON. "Calomel, corrosive sublimate, and other mercurial medicinal preparations, 15 per cent ad valorem."

Mr. BLACK. Yes, sir.

Senator JOHNSON. On quicksilver under this bill there is 10 per cent.

Mr. BLACK. Quicksilver is 10 per cent ad valorem.

Senator JOHNSON. What is your criticism?

Mr. BLACK. The duty on this quicksilver, or mercury, has been reduced 28 per cent, and at the same time the duty on corrosive sublimate and calomel, etc., to the extent of 58 per cent.

Senator JOHNSON. The equivalent ad valorem on quicksilver was 15½ per cent reduced to 10.

Mr. BLACK. Yes, sir; it was 7 cents per pound. The present duty of 7 cents per pound is reduced to 10 per cent.

Senator JOHNSON. They have changed it into an ad valorem. The equivalent ad valorem is given here as 13.50.

Mr. BLACK. There is some inadvertence there.

Mr. HERSTEIN. The gentleman wants to refer to the horizontal reduction which has been made from the specific basis, but the principle of a horizontal reduction was not followed in any of the items. Quicksilver was reduced from a 13 per cent ad valorem to a 10 per cent ad valorem, or a reduction of only about 28 per cent, while mercurial preparations carried originally an ad valorem rate of 35 per cent, and they were reduced in this bill to 15 per cent, so that the reduction is practically over 60 per cent. So he complains that these horizontal reductions in those two items were not on the same level.

Senator SMITH. Do you want that reduced more or less?

Mr. BLACK. No, sir. I was going to ask for a greater difference. Of course, we know that to enable successful mining operations of quicksilver in competition with the governmentally controlled mines of Europe, a duty is necessary. But we hope that with 10 per cent on mercury a duty of 25 per cent ad valorem on the preparations could be instituted.

Senator HUGHES. There was not much in the way of imports under the old duty, was there?

Mr. BLACK. There were quite considerable imports.

Senator SMITH. The quicksilver is used in making——

Mr. BLACK. Calomel and corrosive sublimate. Those are the principal things, and what is called red precipitate.

Senator SMITH. The bill leaves 5 per cent difference between the raw material and the manufactured product—10 per cent on quicksilver and 15 per cent on calomel and corrosive sublimate.

Mr. BLACK. There would be less than 8 per cent duty if the duty of 10 per cent ad valorem on mercury should remain, and 15 per cent on the preparations. I am quite prepared to put this all in a brief, rather than take up your time here.

Senator JOHNSON. What is the production of calomel and corrosive sublimate in this country and other medicinal preparations?

Mr. BLACK. That is a very difficult thing to say. It is something I can not estimate on well. I might possibly find figures, but even then they would be indefinite.

Senator HUGHES. Do you know why twice as much came in under 35 per cent as under 25?

Mr. BLACK. That was largely due to red precipitate, red oxid of mercury, which was shipped over here in a dumping way to disturb things. It is used largely on ships' bottoms.

Dr. HERSTEIN. May I just interrupt you? You are mistaken as to that, because red precipitate would not come under that paragraph at present, because that paragraph applies only to medicinal preparations. Those others would come under pigments, and it would come under the mercurial paragraph, which is there in the pigment schedule. Red precipitate came in at 30 per cent as a pigment. It would not be covered by this item at all.

Mr. BLACK. The Senator is speaking of medicinal preparations.

Senator HUGHES. I was talking about paragraph 15, calomel, corrosive sublimate, and other medicinal preparations. It seems that in 1896, under the Wilson bill, a rate of 25 per cent was levied on the articles mentioned in that paragraph, and the value of the imports was \$7,000. In 1905 the rate was raised to 35 per cent and the value of the imports was over \$14,000, twice as much imports under 35 per cent duty as under 25 per cent duty.

Mr. HERSTEIN. Probably the natural increase of trade would explain that—a difference of 11 years.

Mr. BLACK. Of course, even with that duty, it shows that large imports would come in.

Senator JOHNSON. There is no segregation under this paragraph. Can you tell what it is that comes in or is imported most largely under this?

Mr. BLACK. No, sir.

Mr. HERSTEIN. What paragraph?

Senator JOHNSON. Paragraph 15.

Mr. HERSTEIN. The law reads exactly as it is here, with the exception of having the words "also medicinal," so that at present only medicinal preparations coming in are carried under this paragraph.

Senator SMITH. Is that the rule under the Payne-Aldrich bill?

Mr. HERSTEIN. That is the rule under the Payne-Aldrich bill. At this time the word "medicinal" has been thrown out. The fact of the matter is this, that when we get in calomel and bichloride of mercury and corrosive sublimate it is thrown into paragraph 3 and comes in at 25 per cent, and there is quite an item that is included in paragraph 3, so that the statistics are unreliable. They will give no idea as to what is coming in.

Senator SMITH. That is, the statistics in the Handbook?

Mr. HERSTEIN. The statistics in the Handbook.

Senator SMITH. They confuse the two.

Mr. HERSTEIN. They could not help it, because the law specifying "medicinal" gave the medicinal compounds at 35 per cent, and it is an extremely difficult proposition to figure on one which is medicinal and one which is not. So, if they gave the statement that it was not medicinal, it would go in at a duty of 25 per cent, while the importer who is honest in his dealings with the Government, who will declare it as medicinal, will pay the additional 10 per cent.

Senator SMITH. His products are calomel, corrosive sublimate, and other medicinal preparations?

Mr. HERSTEIN. The "medicinal" is left out.

Senator SMITH. Other mercurial preparations?

Mr. HERSTEIN. Yes. So, in this way they will get the complete statistics.

Senator SMITH. You separate them, or you classify them together now, because you hold that there is no justification in a different rate.

You can not tell what it is intended for, and if you give a different rate the honest importer would pay it and the other would not.

Mr. HERSTEIN. Not only that, but the blanket clause here carries the item, anyway. So, no matter what comes in they would have to pay 15 per cent anyway, and we will have complete statistics.

Mr. BLACK. I merely want to call your attention to the fact that this duty as proposed of 10 per cent ad valorem on the mercury or quicksilver and 15 per cent on the preparations would equal only about 8 per cent on the latter.

Senator SMITH. After deducting 10 per cent on mercury it would leave only a net 8 per cent on the other?

Mr. BLACK. Less than 8 per cent, and it would not pay the mercurial-preparation manufacturers here to operate. It would really be more profitable for us to operate abroad and pay the duty of 15 per cent. In fact, we already have propositions made to us to supply us and have us pay the 15 per cent duty. As I said, I would be glad to put that all into a brief, with some other statistics, and have it down here by Tuesday.

Senator SMITH. All right.

Mr. VOIGT. I would like to really reimpress the question of duty on the crude material, the argols and lees. There is an illogical statement there, so far as the lees containing a small percentage of bitartrates, on which we have the same amount of freight, pay the same duty as refined lees, or the testing.

The crude argols should also be free, because the present cost is higher to us than it is to the manufacturer in Europe. I would suggest, if you are unwilling to grant argols free, that this paragraph be changed to read like this:

Argols or crude tartar, 2½ per centum. Wine lees or argols partly refined, containing not more than 90 per centum of potassium bitartrate, 5 per centum ad valorem; containing more than 90 per centum of potassium bitartrate, cream tartar, and Rochelle salts, or tartrate of soda and potassa, 2½ cents per pound; calcium tartrate, crude, 5 per centum ad valorem.

That is a counter proposition which would equalize to a certain extent the differences existing to-day.

Senator JOHNSON. Wine lees, crude, would include argols, would they not?

Mr. VOIGT. No, sir.

Senator JOHNSON. What is the difference?

Mr. VOIGT. The difference is in the nature of it and in the taste of it. Wine lees never test above 40 per cent purity, and they are in a pulpy mass, while the argols are a crystallized product, crystallized out of the wine casks.

Senator JOHNSON. That is, partly refined?

Mr. VOIGT. No; it is not refined at all; it is absolutely crude. Crude argols are red in color.

Senator HUGHES. Wine lees are not carried in the present law at all?

Mr. VOIGT. Yes; but they pay 5 per cent, too.

Senator SMITH. You want the wine lees put in free?

Mr. VOIGT. The wine lees free, and the crude argols changed to a 2½ per cent. I think that is an absolutely just, honest proposition.

Senator JOHNSON. And the distinction can be made?

Mr. VOIGT. Easily. Can it not, Doctor?

Senator HUGHES. Between argols and wine lees?

Mr. HERSTEIN. They can very easily be differentiated. There would be no difficulty about that. But, of course, what the gentleman has perhaps unintentionally omitted to state is that the 5 per cent being an ad valorem rate, naturally it compensates him also to the extent that his material costs him very much less. Of course, he is under a disadvantage only with reference to the freight.

Mr. VOIGT. Not alone the freight, but the whole packing and preparation charges. The European manufacturer can use those lees to advantage, because he has not those charges, which amount to 3 cents a pound between the foreign manufacturer and the American manufacturer.

Mr. HERSTEIN. Is it not a fact that you get your unit price in the lees somewhat cheaper than you get it in the argols?

Mr. VOIGT. Yes; but the European manufacturer has it very much different. If the unit price in the bitartrate to us here is 14 cents, the European manufacturer has 11 cents.

Mr. PETERS. I think the whole point of the matter is that the cost of the crude material there is so much lower than the cost of the crude material here that it is not offset by the difference of one and three-quarters cents which this proposed duty would give us. The difference between the crude material to them and to us is much greater than that, and I think Mr. Voigt has plenty of figures to illustrate that.

Senator SMITH. If that were true, and it produced a large burden on the American consumer, it would be an argument, would it not, against the advisability of manufacturing here? But the difference is not very great. If the difference were still smaller, it might be excused.

Mr. VOIGT. But it would not be a benefit to the American manufacturer, because the large European manufacturers are combined together.

Senator SMITH. American consumer, you mean?

Mr. VOIGT. To the American consumer, because the large European manufacturers are combined together, and are working together under an agreement, and they would simply raise the prices and get the extra benefit of throwing the market open.

Senator SMITH. That is an important thing for you to state.

Mr. PETERS. That is perfectly correct.

Senator HUGHES. What is this product you are speaking of, wine lees, now?

Mr. VOIGT. Yes.

Senator HUGHES. What is the unit of value of wine lees? Right now what are you buying and selling it for?

Mr. VOIGT. That depends on the percentage of purity contained therein.

Senator HUGHES. Take 80 per cent.

Mr. VOIGT. That is not lees.

Senator HUGHES. What is the average?

Mr. VOIGT. I would say that the average would be about 35 per cent, and they cost us $3\frac{1}{2}$ cents a pound.

Senator HUGHES. Do you know what they sell for in Germany?

Mr. VOIGT. In Germany they would sell for about $2\frac{1}{2}$ cents.

Senator HUGHES. Do you know what they sell for in England?

Mr. VOIGT. But, Senator Hughes, Germany and England do not enter into it with us. It is France and Italy.

Senator HUGHES. All right. But you say there is no market for them in England; they are not sold there!

Mr. VOIGT. They are not sold to any particular extent in England.

Senator HUGHES. You do not know what the English price is?

Mr. VOIGT. The English price would be a trifle less than ours here. But the English manufacturer does not enter into competition at all.

Senator HUGHES. Why would it be a trifle less than ours? I find a great many gentlemen state that if the duty is lowered here the Germans will immediately lower the price.

Mr. VOIGT. I am not speaking of German manufacturers.

Senator HUGHES. The foreign manufacturers—that they will immediately absorb any change that we make in the rate; and I was trying to find out if it is true in this case, as it is in so many other cases where that statement is made, that the price in England is about our price, less the duty, which would show, of course, that there is not any such combination, and, if there is, it is not operative. That is the only way we have of testing that statement.

Mr. VOIGT. Let us get at a little more concrete fact. The cream of tartar is selling in France to-day at not quite 18 cents.

Senator SMITH. What is it selling at in England?

Mr. VOIGT. In England it is selling at 18½ cents, and it costs us, with the cost of the crude material and the cost of manufacture, more to manufacture it here.

Senator HUGHES. What does it cost in this country now?

Mr. VOIGT. We are selling it wholesale at 22½ cents.

Senator SMITH. If the tariff were off, would it not sell at 18 cents?

Senator HUGHES. If the tariff were off, would we not get it as cheap as England?

Mr. VOIGT. No; because they are combined.

Senator HUGHES. Why do they not combine and make England pay 22 cents; if they can make us pay it, why do they not make England pay it?

Mr. VOIGT. England does not manufacture.

Senator HUGHES. I know; but England's price is our price less the duty, as it is in most of these cases. It simply shows that there is nothing in that combination argument. If they could combine against us, they could combine against England. They are paying 18 cents for what we pay 22 cents for.

Senator SMITH. England is paying 18½ cents and we are paying 22½ cents.

Mr. VOIGT. Yes.

Senator HUGHES. That shows there is no combination which controls the price. If there was, they would make them pay it, too.

Senator SMITH. If they have not taken it up and made England pay 22½, how can you argue that with free trade they would make us pay 22½ cents here?

Mr. VOIGT. I do not say they would make you pay 22½.

Senator HUGHES. You said the American consumer would not get any benefit.

Mr. VOIGT. No; he would not get any benefit. The fact exists, nevertheless, that the European manufacturer gets his crude material for less money than the American manufacturer.

**STATEMENT OF MR. A. G. ROSENGARTEN, REPRESENTING
THE POWERS-WEIGHTMAN ROSENGARTEN CO.**

PARAGRAPH 15.—*Calomel.*

Mr. ROSENGARTEN. Mr. Chairman, I have two paragraphs on this line.

Senator JOHNSON. What are those?

Mr. ROSENGARTEN. The first is paragraph 15, calomel, corrosive sublimate, and other mercurial preparations, 15 per cent ad valorem.

The duty on raw material for these products, viz, quicksilver, paragraph 161, is fixed at 10 per cent.

The salts contain from 80 per cent to 85 per cent quicksilver, leaving only a net duty of 8 per cent on the manufactured articles.

We urge either that quicksilver be placed on the free list or that the ad valorem rate in this paragraph be advanced to 25 per cent. Otherwise, this industry in all probability will have to be discontinued in this country.

Senator JOHNSON. I do not find that. Quick-silver is in the metal schedule, is it not?

Mr. ROSENGARTEN. Under the metal schedule, in paragraph 161.

Senator JOHNSON. That is all reduced by this bill?

Mr. ROSENGARTEN. Yes.

Senator JOHNSON. From 13½ per cent ad valorem to 10 per cent?

Mr. ROSENGARTEN. That is about it.

Senator JOHNSON. And what is the paragraph, "Calomel, corrosive sublimate, and other mercurial medicinal preparations, 15 per cent ad valorem"?

Mr. ROSENGARTEN. Yes, sir; paragraph 15. The rate is now 15 per cent. It leaves a net of about 8 per cent. Previously the duty was 35 per cent.

Senator JOHNSON. You have a difference of about 8 per cent?

Mr. ROSENGARTEN. That is about it.

Senator JOHNSON. Have you a brief you want to file?

Mr. ROSENGARTEN. Yes, sir. I have one more paragraph, paragraph 42, "Lime, citrate of, 1 cent per pound."

Senator JOHNSON. Citric acid, I suppose you want to refer to?

Mr. ROSENGARTEN. No; this is citrate of lime, paragraph 42. It is the raw material for making citric acid. We respectfully suggest that citrate of lime be restored to the free list. This article is the principal raw material in the manufacture of citric acid. It has always been on the free list, and the imposition of a duty advances the unit of cost of this raw material and thereby places the domestic manufacturer at a great disadvantage. The rate on the finished product has already been cut from 7 cents per pound to 5 cents per pound, equivalent to about 12 per cent against to-day's foreign market price. We earnestly ask that citrate of lime be made free of duty. It has always been on the free list, and the duty of 1 cent a pound has been imposed on it, which is equivalent to about 2 cents on citric acid content.

Senator JOHNSON. There have been one or two briefs already filed upon this thing.

Mr. ROSENGARTEN. I did not know that. May I file this?

Senator JOHNSON. Yes.

Mr. ROSENGARTEN. That is all I have to say. I thank you very much.

STATEMENT OF MR. LEVERING JONES, OF PHILADELPHIA, PA.

PARAGRAPH 16.—*Chalk.*

Mr. JONES. I will submit a brief to the committee that covers all we have to say on the subject. It is a subject that I am somewhat familiar with. I may be a little inaccurate concerning some of the minor facts stated, but as to the general statement, I believe I am accurate. There are three sections that I will refer to.

We want to have transferred into paragraph 16, on page 14, certain words from paragraph No. 70, on page 17. Those words are as follows: "French chalk, cut, powdered, washed, or pulverized." The reason we suggest that is that it has no relation to talcum or talc. It has heretofore always been included under the paragraph that is equivalent to paragraph 16 on page 4. It seems to have been taken out in this instance and transferred to a subject to which it has no relation whatever.

Senator HUGHES. Is French chalk made out of ordinary chalk?

Mr. JONES. Yes, sir.

Senator HUGHES. It goes through some kind of a process, does it not? What do they do to give it the gloss or polish?

Mr. JONES. We do not know because we do not manufacture it. We simply know that it is not in the paragraph where it should be. It seems to have been taken out of the paragraph to which it is naturally related and transferred to another. It is purely a chalk product, the same as English chalk, excepting the characteristics of manufacture.

I will take just a few minutes in stating to you the other modification we ask and our reasons for asking it. We represent all of the whiting-chalk manufacturers in the United States. There are only 16. They are located in Florida, New Jersey, Pennsylvania, Massachusetts, and Connecticut. Business amounts to about \$1,500,000 a year. Nobody is objecting, and no consumer is asking for any change in the tariff. That business has taken a hundred years to build up.

Senator SMITH. In what paragraph of the bill is it?

Mr. JONES. It is in paragraph No. 61, on page 15. The present bill reads as follows: "Whiting and Paris white, dry, and chalk, ground or bolted, one-tenth cent per pound." Heretofore it has been one-half cent per pound. This proposed change makes a difference of 60 per cent in the tariff. We ask that it be made only 20 per cent. I do not believe that these industries would live under the 60 per cent. There is no whiting imported to any great extent into this country. We suggest that the rate be made two-tenths cent per pound, which would be a reduction of 20 per cent. We make only 6 per cent dividends. Some of the companies do not pay any. None of them have a capital on an average of over a hundred thousand dollars, and you can see at once that at 60 per cent reduction it becomes a tremendous duty on us.

Senator SMITH. You mean a tremendous reduction; you said a tremendous duty.

Mr. JONES. Pardon me, I meant a tremendous reduction.

Senator SMITH. They have allowed you 20 per cent, and you want 40 per cent.

Mr. JONES. That is right, sir. On the next part of the same paragraph a similar situation is created, and the difference is 30 per cent; that is upon whiting and Paris white, ground in oil, or putty, 15 per cent ad valorem. We ask that that be put on a specific basis of four-tenths cent per pound. That will work out precisely the same. It is now a 60 per cent reduction, and we merely ask that it be 20 per cent. You can, I think, see that a 60 per cent reduction in the present tariff would destroy our business. We are ready to give any facts or figures as regards our business, and that was the reason I took the liberty to mention the fact that it has taken a hundred years to build up a million and a half dollar business in this country.

STATEMENT OF MR. HENRY WIGGLESWORTH, OF NEW YORK CITY, REPRESENTING THE GENERAL CHEMICAL CO.

PARAGRAPHS 21-24.—*Coal-tar dyes, etc.*

Mr. WIGGLESWORTH. Mr. Chairman and Senators, I thought in a very few minutes I could explain the broad problems that seem to confront the chemical industry in this country as affected by this tariff. I had hoped that the full committee would be here, but I will go ahead, if you prefer it, unless there would be an opportunity when Senator Smith could be here also. I call attention more particularly to paragraphs 21, 22, 23, and 24, on which we handed in briefs. I really came down because we were informed in New York that you would hand in your report, or recommendations-----

Senator JOHNSON. We have your brief?

Mr. WIGGLESWORTH. Yes. But I have never had the opportunity of speaking quietly, and explaining the situation in relation to the broad chemical field.

Senator JOHNSON. Go ahead. We have here Dr. Hirstein, upon whom we rely pretty largely, and we will all hear you.

Mr. WIGGLESWORTH. There are two broad branches in the chemical field, called organic and inorganic, and the inorganic represents the industry that exists in the United States—that is, the manufacture of sulphuric acid, and all the salts made from those acids—sulphate of soda, for example, the various phosphates, and the various alums.

Senator HUGHES. The chemical production of those products as distinguished from the natural production?

Mr. WIGGLESWORTH. Oh, yes, absolutely; in every instance a chemical production, carbonate of soda, etc. Those are called the inorganic chemicals, and this country has been highly successful, and is in need of no protection. What little protection we have had has, in the main, been removed by this Underwood bill, and we are in entire accord on the reductions that have taken place, for the most part.

There is one phase, however, that appears to be extremely complicated, although it is simple in itself; that is, that the United States until recent years has virtually destroyed all the products in its coke

manufacture, a large number of chemicals that could be made. The list of chemicals that could be made from the by-product of coke is legion, and there is not any chemist in the world who can sit down and tell you the number of them, much less how they are made. That is the industry that was created in England, but developed more rapidly in Germany, so that Germany ultimately, through government and private protection, really through the banks and others, has developed an industry that virtually monopolizes the business and has made enormous profits thereby. It has been to their interest to pursue this tariff in a way that has not been to the interests of the inorganic chemical manufacturers to pursue it, and the tariff of the past has really represented a tariff that was in the interest of the importer; that is, of the German manufacturer and not of the American manufacturer, the American manufacturer being quite indifferent as to that tariff, because he was not manufacturing those products. Coke was being made in the beehive oven, and the products were permitted to go into the atmosphere.

With the development of these great companies, like the United States Steel, the Lackawanna Steel, Jones & Laughlin, and others, they have begun very rapidly to develop what is known as the by-product coke oven, and the development of the by-product coke oven demands some broad principles laid down whereby we can develop and get entrance into the field that will consume those by-products.

Mr. Harrison has studied that and apparently recognizes that, and Mr. Underwood has also, and this Underwood has put off the free list a certain number of chemicals that are embraced in paragraph 24, coal-tar products, known as anilin oil and salts, etc.

It is not possible for the United States to create an industry that will manufacture all of those articles at once, but it is possible for the United States to create an industry that in time will manufacture every one of them, so that at present that tariff will be a revenue producer, and it would not be considered as a protective measure except in three products, anilin oil and salts and nitro benzol, that are entered in there, that you have given 10 per cent. We have strongly urged that you should give that 15 per cent, for the reason that on the color industry you have retained the 30 per cent. You have retained in paragraph 31, coal-tar dyes and color, 30 per cent. Thirty per cent has not really been sufficient to promote the industry in this country, but we do not attribute the failure to promote the industry in this country to the fact that that 30 per cent is inadequate. We ascribe it entirely to the fact that we had not a foundation; we did not have the coke ovens operating in the right way, and we were not getting the by-products, much less working those by-products up. We believe now that we are just entering the period when we can do that.

Senator JOHNSON. If I understand it, only one concern in the country have ever attempted to do that?

Mr. WIGGLESWORTH. I would say two, and neither of those has lived through the profit of their manufacture, but through the profit of their trading. That is to say, they have virtually entered into an understanding with the German manufacturers, and worked along the line of least resistance; have said, "We will take a certain amount of your colors, but you leave our line on blacks and blues," and virtually all they have made in this country have been blacks and blues. But

our opinion is not that that was because there has been only 30 per cent duty.

Senator JOHNSON. If it had been 130 per cent it would not have done it?

Mr. WIGGLESWORTH. No. But now we believe we have entered the period, because we are exporting the raw material to manufacture these goods. I do not think the high rate does that. The sole interest of the General Chemical Co., which I represent, in this is to see the chemical industry broadened, because we can not see any opportunity of advance and development in the inorganic line—the salts and the acids—unless this country can find some way to take up the organic line, the carbon compounds. And we believe that that period has been reached. So that we, with the concerns interested in the coal-tar ovens, have created this company, the Benzoate Products Co., for the purpose of making anilin oil and salts and nitro-benzol, and have magnanimously put our hands in our pockets every year and paid the losses, not for philanthropy, but because we are earnest believers that the industry of carbon compounds can be created, but that it can not be created by mere tariff.

We suggested to the Tariff Board, and I think it was recommended by the Tariff Board, that the better method to define this would be to make paragraph 23 the first paragraph of the series, "Coal-tar distillates, including dead and creosote oil not specially provided for in this section." Those are the products that come from the coke ovens. We thought perhaps that that should be the first classification, and that that should be free, because if it is going to pay the coke ovens to recover those products, there is no question that they can do it, and they can do it without any assistance at all. But the next step is the step that produces paragraph 24. That is what you might call the intermediate products, "Coal tar products known as anilin oil and salts," and so forth. Twenty-four we thought should have half of whatever you gave to 21, and 21 really should be paragraph 24.

If I were fighting for a mere itemized tariff, I would say give the small dealers some of those items. We are only concerned in anilin oil, salts, and nitro-benzol. But that is not the principle that is behind it. We are not driving at making one profit. We are trying to get a tariff created on scientific lines, that will create and encourage an industry in this country that is bigger than the present industry. If you take the chemical industry, with its relation to coal-tar products, it is bigger than the interest that exists here to-day. So that I would not recommend the subdivision of paragraph 24, except as an extreme measure, because I do not think it is going to solve the problem. I think what will solve the problem is seeking after those broad classifications. There is no reason, you know, why, for instance, there should be so many exceptions to paragraph 21, "Coal tar dyes or colors, not specially provided for in this section." Indigo is on the free list. It is an absolute color. It is a pure revenue producer, and there is no immediate prospect of its being made in this country. But still it is a pure revenue producer, and a revenue producer that costs nothing, because this in your suit of clothes here does not amount to 5 cents.

Senator JOHNSON. But you see we run up in indigo against the other schedule.

Mr. WIGGLESWORTH. It is absolutely insignificant.

Senator JOHNSON. But the cotton manufacturer makes an awful howl. He says we have put a duty upon his raw material; taken from the free list and put on the dutiable list his dyes. Then we have cut down the duties, as we have, in the cotton schedule and the wool schedule.

Mr. WIGGLESWORTH. What is the amount collected of those? You will find it is not so very large. I do not think I have that book here.

Senator JOHNSON. Indigo has always been on the free list.

Mr. HERSTELIN. Some colors have yielded about \$120,000. Indigo on a 20 per cent basis would not have given \$120,000.

Mr. WIGGLESWORTH. That is divided between every industry from lithographing to Sunday newspaper printing, this cloth [indicating] and every other fiber and cloth, the wall, painting—you can not conceive how many thousands of industries there are that are paying.

Senator JOHNSON. But the indigo is made, as I am told, synthetically, and under a patent process.

Mr. WIGGLESWORTH. No.

Senator JOHNSON. You do not make it in this country at all?

Mr. WIGGLESWORTH. We can not. But I believe that if the tariff were put on there at 30 per cent, you would see those fellows come over. We want them to come over. We are not trying to shut the Germans out. We are trying to create an industry. I believe if you put 30 per cent on there they would come over. Why? Because indigo then can be sold in competition with other dyes, and they would come over.

Senator JOHNSON. And they would charge all the manufacturers a still higher price for their indigo.

Mr. WIGGLESWORTH. I do not believe they would add a cent, although I am not appearing for indigo.

Senator JOHNSON. The purpose of putting the duty there would be to increase the price.

Mr. WIGGLESWORTH. No.

Senator JOHNSON. What would be its object?

Mr. WIGGLESWORTH. As a matter of fact, the indigo business was protected. Those patents are rapidly expiring, and one or two processes have already completely expired, so that in the last 12 months the Swiss have taken up the manufacture of that, and since that the price has dropped 3 cents, which is more of a reduction to the consuming public in the United States than the tariff would have inflicted, which was only a cent and a half. They have already otherwise had 20 per cent reduction to the consumer.

Senator JOHNSON. When you speak of the tariff as enabling the industries to locate here, your idea is to increase the price, of course, by adding that 10 per cent. Otherwise, it would not serve your purpose.

Mr. WIGGLESWORTH. No. I think that will come out of the pockets of the German manufacturer. But I would like to see broad classifications stuck to, such as you have there—coal-tar dyes—and I would not make any exception to it; coal-tar dyes, not colors or dyes, and I would not make any exception to it; special coal-tar products, and I would not make any exception to it. I would not allow the German importer to come in here and by subterfuge state

that his process was patented, and that nobody could make it over here anyway. It is not true, although I do not think anybody would make it over here. We would like to see him make it over here, and buy his chemicals in this country, and cooperate in this country, instead of working for a measure of protection that is in the interest of the German manufacturer and against the interests of the industry in this country. What I say is, that while he has been telling you that the price would have to go up if you put 10 per cent on indigo, the facts are that the price has gone down 20 per cent, because the patents have expired, and the Swiss have taken it up, and I do not think it would be far out of the way if I said that indigo would be selling at 5 cents or 10 cents a pound. That is all, I believe, and I believe it might still do that. But I am not appearing for indigo, nor upon any specific product, but only to urge sticking to these broad classifications.

Senator HUGHES. Have you a classification to suggest?

Mr. WIGGLESWORTH. There it is. But I did not deal with 23. I have been led on to talk of 23 more by accident, because it does not really concern us. I do not believe the country cares whether there is 5 per cent or not.

Mr. HERSTEIN. The country cares very much about it, because paragraph 23 involves a revenue of \$123,000.

Senator HUGHES. What you mean is that these especially provided for articles shall all be treated alike?

Mr. WIGGLESWORTH. They should be treated alike, and we should stick to these broad classifications.

Senator JOHNSON. What would you say about 21?

Mr. WIGGLESWORTH. I would leave it. I think if we can not create the industry with 30 per cent, we can never do it; in my opinion we will never do it. I think Schulker's failure was not due to the 30 per cent, but in spite of the 30 per cent that we do not get out of the recovery of by-products; and we do not, therefore, begin to operate on by-products. Now we are doing it, and I see hopes for that color business. I would shove all those colors under coal-tar dyes. They are coal-tar dyes.

Senator HUGHES. And with the rate 10 per cent?

Mr. WIGGLESWORTH. Ten per cent, of course, would prevent anybody going into it. You might say that there is nobody in it at present. For all practical purposes you might say the industry does not exist, virtually. The blues and blacks do exist. They are making those two colors, and 10 per cent would put those colors out of business. But this is a revenue producer, not a protective measure, at present an absolute revenue producer, with 30 per cent.

Senator HUGHES. What was your suggestion that was made when Schulker was here?

Mr. HERSTEIN. You mean with reference to coal-tar dyes?

Senator HUGHES. Yes.

Mr. HERSTEIN. Mr. Wigglesworth is not interested in that.

Senator JOHNSON. But he knew that the Ways and Means Committee proposed to cut that 30 per cent and leave them on the free list, and then they compromised by putting 10 per cent on what were his raw materials, and leaving him at 30, and he was asked here which he would prefer, whether he would prefer this or the other one, 20 per cent.

Mr. WIGGLESWORTH. I think you are very wise not to touch that paragraph, and I would make paragraphs 21 and 22, 30 per cent, both of them, as a matter of fact, because there is no real difference between the steps necessary to do 22 and 21.

Senator HUGHES. Except that in paragraph 21 there are some intermediate products which enter into them.

Mr. HERSTEIN. Yes; and 22 carries items which are only carrying 20 per cent.

Mr. WIGGLESWORTH. What I maintain is that there is no difference between the steps necessary in producing 22 and producing 21. If anything, 22 is harder than 21.

Mr. HERSTEIN. That is true. But, at the same time, you realize that this is probably the first time that coal-tar schedule had been put on some sort of scientific principle. The Ways and Means Committee nevertheless had to frame the bill in such a form as to not disrupt prevailing conditions. It is a fact that all these articles in paragraph 32 have been carrying 20 per cent, and all these articles in 23 and 24 were on the free list. It was impossible to jack them from the free list to 30 per cent, and the Ways and Means Committee did the nearest to it they could, and they put them up to 20 per cent.

Mr. WIGGLESWORTH. Ten per cent of the products have precisely the same things entering into them, and they are precisely as complicated. I am talking only on principle. There is no reason why 10 per cent should be cut from 20 to 15 when the other is 30. It would be more reasonable to put the 10 per cent to 30 and maintain a uniform standard. There is no need to make the chemical schedule complicated. There is no advantage in having it complicated. Twenty-one and twenty-two are just the same things in every respect and should retain the same tariff. I would say leave them. Put them both 30 and leave them as they are and shove the 10 per cent up instead of down. You have dropped paragraph 22 to 5 per cent, which, I think, must be an absolute oversight. Dr. Herstein says it is not.

Mr. HERSTEIN. No; it is not. The Ways and Means Committee had years enough of preparation.

Mr. WIGGLESWORTH. Otherwise, they had troubles of their own.

Mr. HERSTEIN. I do not believe there was much oversight in the chemical schedule.

Senator HUGHES. Explain that to us again, Dr. Herstein, why that 15 per cent ad valorem and the 30 per cent ad valorem.

Mr. HERSTEIN. Paragraph 21 deals with the coal-tar products, which were left at 30 per cent. Paragraph 22 are coal-tar products, which very largely enter into the manufacture of other products. For instance, it covers products that enter into the manufacture of saccharine. They enter into the manufacture of certain photographic products, and for those reasons it was thought advisable to have a reduction from 20 to 15 per cent.

Senator HUGHES. They were more important in the manufacture of other things than the other paragraph?

Mr. HERSTEIN. The other paragraph, 21, deals with the finished product.

Senator HUGHES. You could deal with this paragraph by itself?

Mr. HERSTEIN. Yes.

Senator HUGHES. But this paragraph you had to deal with----

Mr. HERSTEIN. As it was related to any other industry. Of course, the logic of the situation would have been to treat those items which are in paragraph 24 in the same way as those in paragraph 22; that is to say, put them on the 15 per cent basis and know no difference at all, because they enter largely into the manufacture of other products. Incidentally, also, they enter into the manufacture of coal-tar products. But since they had been on the free list before, the committee did not think they could possibly put them on at the 15 per cent basis, and from the conditions that have developed since, there has been trouble enough to keep them there.

Mr. WIGGLESWORTH. As a matter of fact, Doctor, I want to point out to you that paragraph 22, as near as we can estimate from the census, is only one-tenth the value of paragraph 21. That is as closely as we can figure.

Mr. HERSTEIN. We import \$7,000,000 of coal-tar products. You are right about that.

Mr. WIGGLESWORTH. That paragraph 22 is only \$618,000. It is not worth talking about. You should not separate your classification for one-tenth of the product and complicate it thereby.

Mr. HERSTEIN. What would you advocate?

Mr. WIGGLESWORTH. Ten per cent on coal-tar products.

Mr. HERSTEIN. You mean to say an increase from the present rate of duty?

Mr. WIGGLESWORTH. From 20 to 30, absolutely.

Mr. HERSTEIN. You just appeal to the Senators right here.

Mr. WIGGLESWORTH. Not because I think that is certain to get the business started in this country— that 20 to 30 is going to do that— but I hold it is a broad, simple classification that, instead of making the chemical schedule complicated, you can make it easy, and that you can sit back and say, "If you can not get an industry going with 30 per cent, we have nothing more to do with you."

Mr. HERSTEIN. According to this proposition, there would still be a differential between paragraph 22 and paragraph 24. This embraces also a great many intermediate products. For instance, you take sulfamid.

Mr. WIGGLESWORTH. There is a chemical that is used in a small way. There is certainly not \$50,000 worth of it imported.

Mr. HERSTEIN. Oh, yes. We produce over in this country in the neighborhood of about 150,000 pounds of saccharine, and that would involve considerably more of sulfamid than any other product.

Mr. WIGGLESWORTH. As a matter of fact, we are taking up that very thing, so that the saccharine man can make it over here.

Mr. HERSTEIN. Your proposition would be to take paragraph 22 and combine it with paragraph 24 at 10 per cent?

Mr. WIGGLESWORTH. No. I would make paragraph 24, 15 per cent.

Senator HUGHES. He wants paragraph 24 made 15, and 22 combined with 21.

Mr. WIGGLESWORTH. I want 21 and 22 together. Dr. Herstein says he would rather see 22 put with 24.

Mr. HERSTEIN. That would be the more logical solution, I would say.

Mr. WIGGLESWORTH. I would say so, too, if you had any such tonnage. But you then let in photographic chemicals and a great

many other products that are extremely complicated in their manufacture. There is great difference whether you are making a ton of stuff or whether you are making a few pounds.

STATEMENT OF MR. G. P. ADAMSON.

PARAGRAPH 22.—*Coal-tar preparations not colors or dyes.*

Mr. ADAMSON. We are interested in paragraph 22, "All other products or preparations of coal tar, not colors or dyes, not specially provided for in this section, 15 per cent ad valorem." Ours is an entirely new manufacture in this country. We have been obliged to purchase some of our raw material from German and English manufacturers, and they are very jealous in connection with the conversion of these materials into the finished product, and the competition has been strong, and since three years ago, since we have been in business, the price has been cut directly in half, so that to-day we are showing a material deficit in all our manufactures. Owing to the competition on the other side it has practically forced us below our manufacturing cost. The duty has been 20 per cent and it has been reduced to 15 per cent, and we would like to have it increased to the old duty of 20 per cent.

Senator JOHNSON. We have had a good many before us on those same paragraphs, 21, 22, 23, and 24.

Mr. ADAMSON. This is an entirely new line of industry in this country.

Senator JOHNSON. Is it under paragraph 22?

Mr. ADAMSON. Under paragraph 22.

Senator SMITH. That is "All other products or preparations of coal tar, not colors or dyes, not specially provided for in this section, 15 per cent ad valorem"?

Mr. ADAMSON. Yes; that includes synthetic perfumes, and materials of that kind. It has only been in the last few years that the beehive oven has been changed over to by-product ovens, giving us in this country the coal tar that we have to have to make these materials, and we would like to have a little bit of help until we get on our feet.

Senator SMITH. What did you say your raw material was taxed?

Mr. ADAMSON. The anilin under the present law is free.

Senator SMITH. And this bill proposes a duty of 10 per cent?

Mr. ADAMSON. We would much prefer having it at 10 per cent, knowing we can get it in this country without being held up by the foreign convention. We are not objecting to the 10 per cent on the anilin, at all, but we would like to have a duty of 20 per cent on this paragraph instead of 15 per cent.

Senator SMITH. What are those products used for?

Mr. ADAMSON. The ones we are manufacturing are entirely for hydrozene and lytol and anolat and a number of other such products, and also for synthetic products.

Senator JOHNSON. You have a brief, have you?

Mr. ADAMSON. Yes, sir. I will have it typewritten and sent in to you.

**STATEMENT OF MR. BERNHARD C. HESSE, 90 WILLIAM STREET,
NEW YORK, REPRESENTING THE BARRETT MANUFACTURING
CO. OF PHILADELPHIA AND NEW YORK.**

PARAGRAPH 24.—*Coal-tar products.*

Mr. HESSE. The Barrett Manufacturing Co. is interested in the alterations going on with respect to paragraph 24, particularly, and paragraph 22. The Barrett Manufacturing Co. is interested in the Benzol Products Co., and in that connection it is appearing before you this afternoon.

The things it is particularly interested in are anilin oil and salts. The other things that follow immediately after those words in paragraph 24 are technically and commercially manufactures rather closely related to anilin oil and anilin salt. They grow out of that manufacture. Related to the manufacture of anilin oil and anilin salts products of further refinement are those which would come under paragraph 22. The alteration in regard to paragraph 24 is from 4 to 10 per cent, and in regard to these further products of refinement to which I have referred there is a reduction from 20 to 15 per cent. We hope there certainly will be no change toward a reduction in the tax in paragraph 24.

Senator HUGHES. They were formerly free.

Mr. HESSE. They were formerly free.

Senator HUGHES. And you think that 10 per cent is satisfactory?

Mr. HESSE. We will take that rather than nothing. We think we ought to have 15 per cent.

Senator HUGHES. Were you manufacturing before?

Mr. HESSE. The manufacture goes back about three years, of the anilin-oil and anilin-salt business as already developed. At present the development has not gone much beyond those two. Out of this anilin oil and anilin salt would come products not enumerated under paragraph 24, but included under paragraph 22.

Senator HUGHES. All the products and preparations of coal tar not colors or dyes.

Mr. HESSE. And it is the products under 22 which we have every reason to expect would bring about a larger consumption of at least the anilin oil, the anilin salt, and other products under paragraph 24, and that is why we should not want to have any further reduction, at any rate, in paragraph 22.

Senator JOHNSON. One acid in paragraph 22, picric acid, heretofore free, is given a duty of 15 per cent.

Dr. HERSTEIN. That belongs to paragraph 21.

Senator HUGHES. That refers to all other products or preparations of coal tar.

Senator JOHNSON. The doctor says it is misplaced.

Senator HUGHES. As I understand it, you are satisfied with these paragraphs as they stand?

Mr. HESSE. We should like to see that at least. I have a little something to say about 22. I think we would like to have that raised, if we could.

Senator HUGHES. It was formerly 20 per cent.

Mr. HESSE. It was formerly 20. Our judgment was that on paragraph 24 that should have read 15 per cent, because 15 per cent would

represent about the difference, the advantage that the foreigner would have over the domestic manufacturers, so far as this country is concerned.

Senator HUGHES. Of course you are familiar with the fact that at least one concern that is using these produces other products?

Mr. HESSE. They are used in this country—that is, the anilin oil and the anilin salt are used in this country for other manufacturing purposes.

Senator HUGHES. Of course an increase on that would handicap whoever used it.

Senator SMITH. They came here a day or two ago and insisted that paragraph 24 should be made free and 22 should be increased.

Mr. HESSE. We overlap, do we not?

Senator SMITH. Each man wishes what he gets abroad made free, and what he manufactures here to receive an increased duty.

Mr. HESSE. With regard to the articles in paragraph 22, the reason we believe that they should have the rate increased rather than decreased is that, so far as the manufacturing status of the things is concerned, they are just as highly finished commercially, from the manufacturer's point of view, as are the other materials of coal tar provided in paragraph 21, namely, the coal-tar dyes, which are assessed at 30 per cent in the proposed bill and in the present tariff. We feel that the articles coming under the definition of paragraph 22 should certainly not be reduced, and that a fair measure, using the coal-tar dye tax, a proper way of applying it, would be to raise the things that come under paragraph 22 to the same level as the things that come under paragraph 21.

Senator HUGHES. A lot of these articles in paragraph 24 are taxed in this bill, and that is one of the reasons why this rather high rate is left on coal-tar dyes in paragraph 21, because these are the raw materials of the manufacturers producing coal-tar dyes and colors, and this rate that we put on here was reflected in this 30 per cent rate. Does that apply to paragraph 22?

Mr. HESSE. Yes; some of the things of paragraph 24 are used in the manufacture of the things mentioned in paragraph 22, and from a manufacturer's point of view or from a chemist's point of view the things that fall under paragraph 22 are just as highly finished and commercial and manufactured a product as the things that come under paragraph 21.

Senator HUGHES. That is what I am trying to get at. This 15 per cent is not as much as this man gets—as much as the man dealing in the articles under paragraph 21 gets?

Mr. HESSE. Yes; but the things in paragraph 22 are not used ordinarily in the manufacture of the things mentioned in paragraph 21.

Senator JOHNSON. What are some of the articles in paragraph 22 that you say are as highly finished as those that fall under paragraph 21?

Mr. HESSE. The one I have particularly in mind is hydroquinone, photographic developers, and allied things.

Senator JOHNSON. Any others?

Mr. HESSE. That is the one I have particularly in mind.

Senator JOHNSON. Do you have any others in mind?

Mr. HESSE. Not at the moment. I can supply them—give you a list of those that come under that. I can send in a list to-morrow.

Senator JOHNSON. Yes; I would like to have you make your statement complete, if you will do so.

Mr. HESSE. Yes, sir.

Senator HUGHES. Paragraph 21, coal-tar dyes and colors, is given a 30 per cent rate.

Mr. HESSE. Yes; that is given a 30 per cent rate.

Senator HUGHES. And the reason they are given that rate is because many of the products which enter into the manufacture carry a 10 per cent ad valorem rate there. So it was the object of the House to compensate for that, and that explains that.

Senator JOHNSON. They thought of reducing the duty from 30 to 20 per cent in the Ways and Means Committee?

Senator HUGHES. And they arrived at this other method as an alternative?

Mr. HESSE. I see. Then the same reason would not apply to paragraph 21.

Senator HUGHES. I have never so understood it.

Mr. HESSE. Paragraph 22 calls on 24.

Senator SMITH. Part of the products in paragraph 22 are made out of the products in paragraph 24?

Mr. HESSE. Yes; part of paragraph 24.

Senator SMITH. We had a manufacturer who produced articles covered by paragraph 22 who was very anxious for paragraph 24 to be put on the free list.

Mr. HESSE. Yes; there is no doubt of that.

Senator SMITH. But after he talked it out with us, I think he concluded that he had better be satisfied.

Senator JOHNSON. Are there any other gentlemen who wish to be heard on colors?

**STATEMENT OF MR. R. A. McCORMICK, OF BALTIMORE, MD.,
REPRESENTING THE FIRM OF M'CORMICK & CO.**

PARAGRAPH 28.—Ground spices.

Mr. McCORMICK. Mr. Chairman and Senators, I would say that I would have had a printed brief, but I got out of the hospital day before yesterday, and therefore what I have to say I just got up last night. I would like to refer to section 28, page 7, line 24. The bill as passed in the House provided for a 10 per cent duty on ground products. I wish to file with you gentlemen a copy of the brief that I filed with the Ways and Means Committee. I would like to see this figure "10," on line 34, changed from "10" to read "30." The reason for this is not to protect myself as a manufacturer. I believe that we can take care of ourselves against almost any competition that comes down the pike; but there is a very grave possibility of the substitution of poor-grade goods ground abroad and sent into this country. Take, for instance, marjoram leaves that are damaged. I simply instance marjoram leaves as one of a type. If they are damaged on the other side, they can very easily be examined by the eye and will be rejected under the food and drugs act when they reach this country whole.

Senator JOHNSON. If unground, they would come in free?

Mr. McCORMICK. If unground they would come in free. Ten per cent will not protect. The possibilities of importing these ground goods which might be practically adulterated because they are ground from very poor quality of goods has existed in the past. But almost any kind of goods could be imported whole just as well as ground. Therefore, the object or the incentive for bringing them in when they were poor, and when the quality was covered up by grinding, has not existed. But under the food and drugs act now the inspection of whole goods is exceedingly rigorous. Therefore, very fortunately for the public and for the manufacturer, the poor quality whole goods are barred out. But with this small differential of 10 per cent the poor quality of ground goods can be imported, much poorer than they could if they were whole. For instance, goods that would cost 10 cents per pound on the other side, of normally good quality, would be sold on the other side, if damaged, for 5 or 6 cents per pound. It can be ground and sent into this country, and it is chemically pure; there is not any getting around that; it can be turned out and it can come in and compete against a first class quality of goods. Is there any question you would like to ask about that?

Senator JOHNSON. Can they not detect the impurities when they are ground just as well as when it comes in whole?

Mr. McCORMICK. Positively not, and I would refer you to the Board of Food and Drug Inspection for confirmation of the statement I make. I can name over 20 different goods that will be turned down when imported into this country whole, and if imported ground, they can not possibly turn them down. Exactly on this basis you go out in the apple orchard and you pick a barrel of apples that you will get six or seven dollars for. You will also pick up the wind-shaken apples, and the worm-eaten apples, and they are pure apples, and if they were ground up, and there was such a thing as powdered apples, they could be sent into this country, and the Government could not bar them out, because there would be no way in the world, except a microscopic test, to see whether they were pure or impure, and the microscopic test will not show it. Do not think I am here for any personal advantage I am going to get out of this. I am only stating the facts.

Senator JOHNSON. You engage in the business of grinding?

Mr. McCORMICK. I engage in the business of importing and grinding very largely, and I know the facts that I speak of absolutely.

Senator JOHNSON. I suppose a good many of them come in with the present rate of duty, 30 per cent?

Mr. McCORMICK. The present rate of duty was a quarter of a cent a pound.

Senator JOHNSON. A good many come in now, do they not?

Mr. McCORMICK. Comparatively little up to this time, because the rigorous inspection of goods has been only enforced within the last year and a half or two years. I am a sincere advocate of the continuance of the rigorous inspection, as far as that is concerned.

I would like also to call your attention to section 28, page 8, line 1, the next page. There I would like to add, after the word "valorem," the following words:

Insect flower stems, pyrethrum, unground, 5 cents per pound; if ground, 5 cents per pound plus 30 per cent ad valorem.

In order to give you my point there I wish to state this: Insect flower stems, insect flowers, or pyrethrum are practically all imported

from Dalmatia and areas contiguous to the eastern shore of the Adriatic Sea. The plant belongs to the chrysanthemum family and the powdered flowers are used as an insecticide. The flowers now come in without duty, and cost for import from 16 to 35 per cent, depending upon the flowers, whether in the open, half-open, or closed state. The slender stems of the plant are cut into short pieces and are imported as insect flower stems at an import cost of 3 to 3½ cents per pound.

The stems have certain insecticidal virtue, though certainly very much less than that possessed by the whole flower. Consult chairman of insecticide and fungicide board, United States Department of Agriculture. Before the issuing of Decision No. 1, August 26, 1911, by the insecticide and fungicide board, which requires that if powdered stems are present in a mixture it must be stated upon the label, the practice of substituting the powder from stems in whole or in part for powder from the flowers led to great misrepresentation, which seriously interfered with the proper and legitimate conduct of this business.

Indeed, it was almost impossible for anybody to be in that business without lying, because on every side we had the mixed goods of absolutely straight stems put out represented as pure powder.

As the Treasury Department does not segregate insect flowers and stems from other imports in the drug line, no information can be had as to imports of this product. It is quite certain that much more stems are imported than flowers.

We urgently recommend if insect flowers are left on the free list that a specific duty of not less than 5 cents per pound be levied upon the stems if unground and 5 cents per pound plus 30 per cent ad valorem if ground.

The duty will yield a very important revenue, and will not in our opinion reduce the imports of stems a single pound.

If it is decided to put a duty on unground insect flowers, then we advise that the above-recommended duties on stems be increased by the amount of duty levied on the unground flowers.

The next point to which I want to call your attention is section 40, page 9, line 22. Exactly the same argument that I made with reference to the first point there—of the substitution of poor-grade goods and imperfect goods when ground—obtains here, and I would like to see your committee recommend that, after the word "pound," in line 22, the following be inserted:

In the ground state all the foregoing 30 per cent ad valorem.

When I get back, I will put all this matter in the form of a brief and turn it over to you in the next few days.

Gentlemen, before I go I just want to say to you that I give you my word there is not any hope of gain in this proposition for me, but it will simply put the trade in better shape and it will protect the consumers of the United States. There is no question about it at all in the world.

There is a very large percentage of the better class of manufacturers who would like to see it. I am very much obliged to you, gentlemen, for your courtesy.

BALTIMORE, Md., May 23, 1913.

Hon. CHARLES F. JOHNSON,
Chairman Senate Subcommittee on Schedule A, Washington, D. C.

DEAR SIR: Following my appearance before your committee on Tuesday last I beg to urge that section 28, page 7, line 24, H. R. 3321, be amended to read "30 per cent ad valorem" instead of "10 per cent."

Many drugs, leaves, etc., under this section have no chemical standard. Any one of a number of items may be imperfect, immature, or badly damaged from many causes, so much so that they would be rejected under the customs inspection for the food and drug department if imported unground.

If ground, however, this inferiority can not be detected, and the goods if offered for import can not be rejected. The inferiority referred to can not be detected by any chemical or microscopical test, though, as stated, the goods from which they were ground would be rejected without question if imported unground.

In many cases the 10 per cent differential between ground and unground goods would be ample, but in very many cases even a 30 per cent differential will not be more than sufficient to protect the public. You will doubtless ask if this could be done why was and is it not done under the present tariff act. Not longer than two years ago almost any grade of drugs, unless positively worthless, could be imported. Inspections are now more rigid, and properly so, and foreigners have simply not become alive to the possibilities of the situation.

We are not asking the above to protect us as manufacturers, for many manufacturers in this country will take advantage of the opportunity and import the goods ground, but we ask it because of the absolute certainty that many inferior items will be shipped into this country ground, to the detriment of the consumer.

Insect flower stems.—We further urge that section 28 be amended as follows: By inserting on page 8, line 1, after the word "valorem," the following words:

"Insect flower stems (Pyrethrum), unground, 5 cents per pound; if ground, 5 cents per pound plus 30 per centum ad valorem."

We present the following as reasons for suggesting this amendment:

Insect flower stems, insect flowers, or pyrethrum are practically all imported from Dalmatia. The powdered flowers are used as an insecticide. The flowers now come in without duty, and cost for import from 16 to 35 cents, depending upon the flowers, whether in the open, half-open, or closed state. The slender stems of the plant are cut into short pieces and are imported as insect flower stems at an import cost of 3 to 3½ cents per pound.

The stems have some insecticidal virtue, though very much less than that possessed by the whole flower. (Consult chairman of insecticide and fungicide board, United States Department of Agriculture.) Before the issuing of decision No. 1, August 26, 1911, by the insecticide and fungicide board, which requires that if powdered stems are present in a mixture it must be stated upon the label, the practice of substituting the powder from stems in whole or in part for powder from the flowers led to great misrepresentation, which seriously interfered with the proper and legitimate conduct of this business.

As the Treasury Department does not segregate insect flowers and stems from other imports in the drug line, no information can be had as to imports of this product. It is quite certain that much more stems are imported than flowers.

We urgently recommend if insect flowers are left on the free list that a specific duty of not less than 5 cents per pound be levied upon the stems if unground and 5 cents per pound plus 30 per cent ad valorem if ground.

The duty will yield a very important revenue, will not reduce the imports of stems a single pound, and will aid in putting trade in this very important article on a much more legitimate basis.

We urge further that section 40, page 9, line 22, be amended by inserting, after the word "pound," the following:

"In the ground state, all the foregoing 30 per centum ad valorem."

The arguments given hereinbefore with reference to the suggested change of duty, provided in section 28, from 10 to 30 per cent apply in this instance also.

Please be assured that these requests are not made from any benefit that we personally will get out of this proposition. The change will clarify and benefit the trade and protect the consumer. Any statement made hereinbefore will be confirmed by conference with the board of food and drug inspection or the Secretary of Agriculture.

Very respectfully,

R. A. McCORMICK,
McCORMICK & Co.,
Baltimore.

STATEMENT OF MR. WILLIAM A. HARSHAW, PRESIDENT OF THE HARSHAW, FULLER & GOODWIN CO., MANUFACTURING AND IMPORTING CHEMISTS, CLEVELAND, OHIO.

PARAGRAPH 36.—*Glycerin.*

Mr. HARSHAW. Mr. Chairman, I want to talk on the subject of glycerin.

Senator HUGHES. What is your paragraph?

Mr. HARSHAW. It is paragraph 36, "Glycerin, crude, not purified, 1 cent per pound; refined, 2 cents per pound."

We have been engaged in the refining of glycerin at Elyria, Ohio.

Senator JOHNSON. The duty on crude glycerin has not been changed. It was a cent a pound, and it is left at a cent a pound.

Mr. HARSHAW. That is right; yes, sir.

Senator JOHNSON. The only difference is on the refined glycerin, on which the duty has been reduced from 3 cents to 2 cents a pound. That is the way it is left.

Mr. HARSHAW. Yes.

Senator JOHNSON. Not touching the duty upon the crude glycerin.

Mr. HARSHAW. Leaving 1 cent a pound differential there, out of which they must take care of transportation and different manufacturing conditions.

We have been engaged in the refining of glycerin at Elyria, Ohio, for a number of years, fairly successfully. This duty has caused us to give very careful consideration to our future. We would like to continue refining glycerin at Elyria. However, we are perfectly willing to move somewhere else. It is merely a question of where we can do it.

This country produces about 80,000,000 pounds of glycerin a year, and consumes about 110,000,000 pounds a year, so that there are 30,000,000 pounds of glycerin that must come from somewhere. It does come from the Latin countries of Europe.

Senator JOHNSON. I have not the importations as compared with production for 1912, but for 1910 the figures for our production are about what you state—74,000,000 pounds.

Mr. HARSHAW. There are no absolutely accurate figures there.

Senator JOHNSON. 74,000,000 pounds; \$10,676,000. We imported that year in pounds only 244,000.

Mr. HARSHAW. That is the refined glycerin.

Senator JOHNSON. Yes; but the duty is not changed on the crude at all. It is only upon the refined that the duty is proposed to be changed; that is, the reduction has been upon that. The crude will come in just as it always has done, with the same duty.

Mr. HARSHAW. Yes, sir; may I go on?

Senator JOHNSON. Yes.

Mr. HARSHAW. Crude glycerin is produced in the Latin countries of Europe, where it is a by-product of the manufacture of soap and candles. It is a certain grade that is produced largely in the Latin countries. In the other countries it is generally produced.

If we would eliminate tariffs, undoubtedly glycerin could be refined to the best advantage in Marseille, France, for the reason that it is produced largely in France, scattered over the country, not in any one point in a sufficiently large quantity to operate a refinery in con-

nection with its production; so that it would have to be assembled at some point, and Marseille would be a very favorable one.

It takes about 125 pounds of crude glycerin to produce 100 pounds of refined glycerin, on an average. This crude glycerin could be assembled at Marseille without paying any excess transportation charges on that portion that is lost in refining. Furthermore, it must be assembled in packages of some sort. Iron drums are used. They are 20 per cent of the volume in weight; so that it seems to me evident that glycerin could be refined to better advantage in Marseille than anywhere else, if you would eliminate tariffs; but we have had a tariff which made it desirable to produce it within the United States. All right. The next question is, where within the United States? We have several ports here—Boston, New York, Philadelphia, Baltimore, and New Orleans. Refining glycerin at Marseille would enable the refiner there to ship it directly to any of those ports and distribute it in a straight line into the interior of the United States without doubling back whatever.

Senator JOHNSON. Do not our refiners get their crude glycerin in this country?

Mr. HARSHAW. I say that they produce 80,000,000 pounds, while the consumption is 110,000,000 pounds, and 30,000,000 pounds, consequently, must come from abroad.

Senator JOHNSON. You are speaking now of crude glycerin?

Mr. HARSHAW. I am speaking of crude glycerin. The foreign refiner can distribute in a straight line through all these ports I have named. The domestic refiner must refine at some point. If he selects Baltimore, he must pay a local rate of freight up to Boston, New York, or Philadelphia, and up into the interior. We have refined at Elyria, out in the interior. We have paid our freight on the packages and the portion lost in the refining and on that part which went abroad, and we have distributed on lines radiating like the spokes in a wheel.

Senator JOHNSON. You are taking all of it as if it came from abroad, while you tell us that 80,000,000 is made in this country, and you get it here. As to that, you do not have these expenses of which you speak. It is only on what you import that you have those expenses.

Mr. HARSHAW. I think you do not quite understand the matter. We will take, for instance, Procter & Gamble, manufacturers of Ivory Soap; very large producers of crude glycerin. They refine it and sell it themselves. So it is all along the line—so does Kirk, in Chicago. We are not interested in the American production of glycerin, at all.

Senator HUGHES. You import all your crude glycerin.

Senator JOHNSON. That is what I wanted to get at.

Mr. HARSHAW. Yes.

Senator SMITH. Why can you not buy from them?

Mr. HARSHAW. Because they are refiners, themselves.

Senator SMITH. They will not sell it in a crude state to refiners?

Mr. HARSHAW. No; they refine it themselves.

Our business consists of importing and refining this 30,000,000 pounds, chiefly—that is, a portion of it. We do not import it all.

Senator JOHNSON. I understand.

Mr. HARSHAW. You understand, now, we are not interested in this domestic production, at all.

Senator SMITH. You do not have a chance to make any of that domestic production?

Mr. HARSHAW. No; or very little. We sometimes buy a little of it.

Senator SMITH. You do not make any of the domestic production?

Mr. HARSHAW. No, sir: because they refine it themselves.

Now, the question is, Where shall we do this refining? While the 2-cent differential was in force, as it is now, we were able to take the crude through to Elyria, very largely because of the fact that the railroads have allowed us to carry this crude glycerin at what is known as the import commodity freight rate. This freight rate consists largely in carrying the 125 pounds of crude glycerin at the 100-pound refined glycerin rate. Do I make myself clear?

Senator JOHNSON. Yes.

Mr. HARSHAW. This rate has been withdrawn in installments. The last installment was in February. Now we are square up against paying the same price per pound on crude glycerin that we do on refined, although one is worth considerably less than the other.

This tariff change is the last straw, and it is utterly impossible for us, out of that 1 cent differential, to pay freight out to the interior and to distribute back a portion of our output over the same line.

This is the first time that I have appeared in Washington personally. For the past year, ever since the Underwood bill was first considered, I have been considering the question of where we would go to refine our glycerin. If you had left that 1 cent off entirely, we would have gone to France. Now it is Baltimore. Why? Because Baltimore extends into the interior somewhat, and there is 3 cents a hundred pounds differential in freight in distributing out.

Senator HUGHES. That is because it is a water competitive point?

Mr. HARSHAW. Because it is in the interior, to a degree. Baltimore is west of New York. If you had a map here I could show you how it is. It has what is known as a port differential of 3 cents per 100 pounds over New York; and for that reason you can distribute from there to any point for 3 cents a hundredweight less than you can from New York. That is what caused us to take notice of Baltimore, and seemingly that is the best point at which to refine glycerin within the United States; but if you were to take that 1 cent differential away, there, then it would go over to the other side, and we would refine in France. We do not much care. It is entirely a question of transportation with us. All the difference in labor and everything else has faded out of sight. It is just the difference in transportation. We can not pay freight on a material shrinking 25 per cent in refining to a point in the interior, and then distribute it in competition with a seaboard point, under the existing freight conditions, or under the existing railroad rate structure which permits a manufacturer at the seaboard to ship goods at a lower price than a manufacturer in the interior, due to the long-and-short-haul clause.

Senator SMITH. Well, you ought to get on the coast, ought you not, for your business?

Mr. HARSHAW. Yes, sir.

Senator SMITH. Instead of getting your crude glycerin over the sea and shipping it to the interior, you ought to get it where you can get it cheapest?

Mr. HARSHAW. Yes, sir.

Senator SMITH. If you have got to import your crude glycerin, and the rates of freight are the same on both, and therefore if you have to haul by land a large bulky substance, paying the same rate per pound as the refined pays, you ought to get where you do not have to haul it, and avoid that economic waste?

Mr. HARSHAW. Surely; and for that reason we will go over to Baltimore, and if you leave off that 1 cent a pound we will go over to Marseille. It is perfectly immaterial to us. We do not care. We have got past that point. The only question is, Where can we build and remain stationary? If tariffs and railroad rates are going to keep shoving us around all the time, the best way is to quit. But you may not know that glycerin enters into a great many things that you use, and you could not very well get along without it. It has got to be refined somewhere.

There has not been the slightest combination, or even agreement or acquaintance, among manufacturers even. It is a perfectly open proposition. Last year we refined and distributed about 5,000,000 pounds of glycerin. We did it on a gross profit of 9 per cent, on which we had to stand overhead charges, labor, and fuel, and interest on investment, and everything else. As to whether or not we had anything left—

Senator HUGHES. It would take an expert accountant to figure that?

Mr. HARSHAW. It would; but you people have to have glycerin, and we have been entirely willing to serve you.

Another thing; we will sell you 100 tons of glycerin for delivery over this year, and we will cover ourselves by a fixed price, and we will meet any conditions that come up. You might say that is an impossible situation. That is the glycerin business in this country. You are producing a condition here by lowering that differential that is making it utterly impossible to continue in it with any degree of comfort at all; absolutely not at Elyria or any other interior point, and it is a question whether you can do it even at the seaboard. However, we will try it.

Senator JOHNSON. The concerns that have their own crude supply in this country will get along? They do not labor under the disadvantages under which you labor.

Mr. HARSHAW. They are just the same as if they were in an entirely different line of business. We are interested in this 30,000,000 pounds of foreign crude glycerin that is imported into this country.

Senator SMITH. If you were to go out of business, that would stop being imported?

Mr. HARSHAW. No, sir; it will come over as refined.

Senator SMITH. The crude imported will stop coming over? The refined will come?

Mr. HARSHAW. Yes.

Senator HUGHES. As he says, somebody will jump into the field and pick out a favorable spot at which to refine; and the man who is out of the business will have an advantage over you who are in the business and have an established refinery at a certain point?

Mr. HARSHAW. No, sir; I will refine glycerin in Germany or France, wherever it is most favorable.

Senator JOHNSON. You are going to continue to supply your own customers? It is only a question of where you are to locate?

Mr. HARSHAW. Yes.

Senator HUGHES. A man of equal skill and capital would have an advantage over you, if he was to start into the business, because he could select his own spot, his own location, for his refinery, whereas you would have to move?

Mr. HARSHAW. Yes. And one feature I want to impress upon you is that the man located at Marseille or Bordeaux or Liverpool can ship into any part of the United States and distribute in a straight line out, whereas located at any one spot in the United States, you have got to distribute from that point; and under our railroad-rate structure, the longer the haul the lower the rate. At Elyria we are 25 miles west of Cleveland, and we can not—

Senator SMITH. The lower the rate per ton-mile, you mean; not the lower the rate.

Mr. HARSHAW. The longer the haul, the lower the rate per ton-mile; yes, sir. A man in New York, you know, can ship goods via Chicago, consigned to a point west of there, on that rate. Because we are in Elyria, 25 miles west of Cleveland, our rates are not as low as his, because we are too far back.

I have figured that over, and as near as I can get at it there is one-tenth of a cent in favor of Baltimore, over Marseille; and that one-tenth of a cent per pound is pretty slim, and because of this ability to ship directly into all of the ports in the United States there is a question whether, even in Baltimore, we can stand up against Marseille, so long as you put it down to a cent.

On a commodity like glycerin, in which there is an open market, and no favors asked of anybody, a cent a pound does not any more than take care of the difference of transportation.

Senator SMITH. How much ad valorem is 1 cent a pound?

Mr. HARSHAW. Within the past five years I have bought crude glycerin at 65 francs per 100 kilos, and I have paid 210 francs.

Senator SMITH. Tell me something I understand.

Mr. HARSHAW. All right, then.

Senator SMITH. What per cent ad valorem is 1 cent? Just figure it out.

Mr. HARSHAW. You can not work it out. It is a speculative proposition.

Senator HUGHES. It varies from 14 per cent to 9 per cent under the present law.

Mr. HARSHAW. I withdraw what I was going to say, because I have been through that.

Senator SMITH. About what per cent ad valorem would 1 cent a pound be?

Mr. HARSHAW. It depends on when.

Senator SMITH. Well, to-day.

Mr. HARSHAW. To-day it would be about 1½ cents a pound. I hate to answer that without figuring. The present market is 60 francs per 100 kilos.

Senator HUGHES. Can you answer that, Doctor?

Mr. HERSTEIN. It would be 8 per cent under the present tariff, which is 2 cents a pound. I mean, the differential is about 8 per cent.

Senator HUGHES. On the price to-day?

Mr. HERSTEIN. On the refined to-day.

Mr. HARSHAW. I will tell you we are to-day paying 15 cents a pound at Elyria for crude glycerin. Ten per cent is 1½ cents.

Senator SMITH. What would the refined be?

Mr. HARSHAW. Abroad?

Senator SMITH. No; take it at Elyria.

Mr. HARSHAW. Fifteen cents at Elyria, Ohio.

Senator SMITH. What do you sell it for f. o. b. the factory to-day?

Mr. HARSHAW. We do not sell it f. o. b. the factory; we sell it everywhere. It averages up 18 cents.

Mr. HERSTEIN. On 18 cents 1 cent differential is about 8 per cent.

Senator SMITH. I wanted the price abroad, per pound, about.

Mr. HARSHAW. I really do not know what it is. You might just as well talk of the price of—

Senator SMITH. About what is it now?

Mr. HARSHAW. I imagine it is about 17 cents.

Senator HUGHES. Nineteen and seven-tenths cents per pound, they say, in 1912. Is that right?

Mr. HARSHAW. I could not answer that question.

Senator HUGHES. That is what the Treasury figures give.

Senator SMITH. You do not know what it is abroad?

Mr. HARSHAW. No; we do not pay any attention to that. It is about 17 cents. It is just the differential below our duty and below the charges that are on it for refining. It is, I should say, about 17 cents. I am not prepared to answer definitely.

Senator SMITH. Then 2 cents would be about 12 per cent. The proposed rate is about 12 per cent ad valorem. I wanted to see what 2 cents per pound made, ad valorem.

Mr. HARSHAW. The doctor says it is about 8 per cent.

Mr. HERSTEIN. That differential is about 8 per cent.

Senator SMITH. Of course, the cheaper the goods the higher the ad valorem.

Senator HUGHES. Is this a very complicated process?

Mr. HARSHAW. Of refining?

Senator HUGHES. Yes.

Mr. HARSHAW. It involves a certain amount of skill and knowledge. It is not complicated, no; but it is quite a process.

Senator HUGHES. You refine it in big quantities?

Mr. HARSHAW. We refine about 15,000 pounds a day.

Senator HUGHES. I mean by big quantities, a great deal at a time.

Mr. HARSHAW. Yes; it is rather a continuous process.

Senator HUGHES. You refine about 5,000,000 pounds, do you?

Mr. HARSHAW. Yes.

Senator HUGHES. How big a plant have you got? How many men do you employ?

Mr. HARSHAW. Probably, directly and indirectly, 25 or 30.

Senator HUGHES. How many other plants are there in the country like yours, importers of the crude glycerin and refiners of crude imported glycerin?

Mr. HARSHAW. There is only one other concern strictly as we are. That is a concern in New York. There are other concerns that refine. I mentioned Procter & Gamble. They are producers of crude glycerin.

Senator HUGHES. They refine their own by-products?

Mr. HARSHAW. At times they import.

Senator HUGHES. At times their trade requires more than they produce?

Mr. HARSHAW. Yes; and then they may go into the market and buy it. There is another concern at Aurora, Ill. But we are strictly refiners, and we do not concern ourselves with refined. I am talking merely to this end, that this 1 cent is taken up in shipping around, in transportation, and if it is possible to refine in this country we must leave the interior and go to the seaboard; and if it can not be done there, we must go abroad. If you leave it at 2 cents a pound, as it has been, it will permit the business to be carried on as in the past. That is all I say about it.

Senator JOHNSON. Can you tell us anything about glycerin, Doctor?

Mr. HERSTEIN. Yes, sir. Of course, the gentlemen here who represent the refiners of glycerin are at some disadvantage, as they have already stated, as against the man who produces glycerin as a by-product. The largest consumers of glycerin in this country are the explosive industry. Manufacturers of dynamite are the very largest consumers. Some of it goes into consumption for medicinal preparations, and some of it may go into some drinks, but the very largest consumers are in the explosive industries.

Senator JOHNSON. And they manufacture some soaps?

Mr. HERSTEIN. Not to such a large extent as it is claimed. They carry on their industry at some disadvantage, because manufacturers of soaps and manufacturers of candles get their raw material as a by-product from the decomposition of their fat and refine it directly.

At 2 cents differential, with a consumption in this country of close to 25,000 tons of refined glycerin, we have imported only 78 tons, all together, of refined glycerin. That is taken from Commerce and Navigation of 1911. I do not know what the figures are for 1912. I have not got them. Twenty-five thousand tons is the total consumption in the United States. Of course, glycerin is consumed only in the refined state naturally, so that the importation of the refined is only 78 tons, as it is given here in Commerce and Navigation for 1911.

Senator HUGHES. It is 183,000 pounds in 1911.

Mr. HERSTEIN. That would be 91 tons, then. So that that does show it is absolutely prohibitive. The Ways and Means Committee naturally thought of some way to bring in some interchange of that commodity and, of course, tried to reduce duties.

I will also say that with this rate of duty we have exported of refined glycerin to Canada, where there is a differential of 20 per cent in favor of England, practically 283,000 pounds. Of course, it is not a very great quantity, but it shows that they could there practically compete with a 20 per cent differential against England.

A part of the crude comes from France, but a large part, practically one-third, of the crude material comes from England, and the Ways and Means Committee thought that leaving them a differential of 1 cent naturally would be sufficient to introduce some interchange of trade. While, of course, they were also mindful of the fact that the independent refiner would be affected more by this duty than the man who recovers it as a by-product, it was considered that they were carrying it on under unnatural conditions.

Senator SMITH. What was the former duty?

Mr. HERSTEIN. The former differential was 3 cents.

Senator SMITH. The duty was 3 cents, and we reduced it 2 cents.

Mr. HERSTEIN. Yes.

Senator SMITH. Leaving them a differential of 1 cent.

Mr. HERSTEIN. Yes; that probably covers the entire conversion cost of the glycerin from crude to refined.

Senator SMITH. What did we reduce the crude material?

Mr. HERSTEIN. We did not reduce it at all. The crude material was left exactly as it was.

Senator SMITH. Why was not that reduced?

Mr. HERSTEIN. It is a very large revenue producer.

Mr. HARSHAW. We are bringing into this country something about \$40,000,000. That means a large revenue.

Senator HUGHES. \$3,681,000.

Senator SMITH. Revenue?

Senator HUGHES. No; that is value. The revenue is about \$300,000. Of course, if the revenue had been reduced, the committee probably would have reduced the differential down, making the rate on glycerin at 1 cent.

Senator SMITH. They cut the differential in two?

Mr. HERSTEIN. They cut the differential in two, so that if possible the idea was that by cutting this the committee would get not only revenue on the crude but also at the same time get some revenue from the refined material.

Mr. HARSHAW. You would get a lot of revenue from the refined; there is no doubt about that. Pardon me.

Senator SMITH. Did they expect the amount of consumption to be increased in this country, too?

Mr. HERSTEIN. No, sir.

Senator SMITH. Or did they expect to get that revenue by its coming in and taking the place of what is manufactured here? Did they expect to bring down the price?

Mr. HERSTEIN. The value was the main idea. Naturally the price would come down by 1 cent.

Senator SMITH. Who are the principal purchasers of the refined glycerin?

Mr. HERSTEIN. The refined glycerin is sold in the open market, and goes largely in 10 and 15 gallon cans to drug houses. Every little drug store has to keep a little glycerin; every little household has to keep a little glycerin water.

Senator SMITH. Of the amount in consumption here, what proportion goes to the drug stores?

Mr. HERSTEIN. I should say not more than 75 per cent goes to the manufacturers of the very large, heavy explosives and other heavy materials, and about 25 per cent is sold in the general trade. But that is, of course, merely an estimate. I do not believe that I could get it anywhere near accurate figures, unless Mr. Harshaw knows about that.

Mr. HARSHAW. It seems to me you can not have gone very thoroughly into the glycerin business. As a matter of fact there is no refined glycerin sold to the explosive trade.

Mr. HERSTEIN. We have spoken about the entire amount of glycerin consumed in this country.

Mr. HARSHAW. I am only asking for a differential between crude and refined glycerin. Glycerin is not refined until it is refined. It may be partially refined.

Senator SMITH. What is the refined glycerin used for?

Mr. HARSHAW. The largest use is in sweetening chewing tobacco.

Senator SMITH. Sweetening chewing tobacco?

Mr. HARSHAW. That is the largest use for chemically refined glycerin. Then glycerin has certain properties of not drying. It does not fade away and evaporate like some other things. It stays there. It is used largely by the National Biscuit Co., for instance; it is used in keeping their things moist. It is used in medicine for extracting the active principles of the roots and barks. Firms like Parke, Davis & Co. and Rosengarten, and people of that kind use it.

The other large use is through the retail drug trade in small things. You perhaps have heard of a compound called Coca Cola. The consumption of glycerin in Coca Cola is quite large. I scarcely think that I should state the amount.

Senator SMITH. One of my fellow townsmen does not make but a million dollars a year out of it.

Mr. HERSTEIN. Is it not used in the printer's trade?

Mr. HARSHAW. Not refined glycerin, sir. There is a difference between crude glycerin and partially refined glycerin. You have lost your trolley there. Partially refined glycerin and refined glycerin are entirely different.

Senator JOHNSON. They make only two classes here, refined and crude. Partially refined glycerin would come in as refined, would it not?

Mr. HARSHAW. If you want to favor the explosive people.

Senator JOHNSON. If partially refined glycerin came into the custom-house they would class it as refined glycerin?

Mr. HARSHAW. Yes, sir.

Senator HUGHES. But he does not seem to approve of that. He seems to think that is perhaps not altogether just. If that comes in before much work being done on it, and goes to the big powder companies at the same rate as the stuff which has a lot of work on it, and is made chemically pure—do you make yours chemically pure?

Mr. HARSHAW. We hope we do.

Senator HUGHES. I mean that is your object?

Mr. HARSHAW. The Government compels us to. We can leave about one part in a million of one or two things. The Government regulates us on that.

Senator JOHNSON. You do not partially refine for the explosive people?

Mr. HARSHAW. No, sir; we completely refine the glycerin.

Senator HUGHES. Still that partially refined glycerin is classified under this legislation of refined glycerin?

Mr. HARSHAW. Yes.

Senator SMITH. How could you classify it as in any other condition than pure?

Mr. HARSHAW. The glycerin that is used in the manufacture of explosives is an anhydrous glycerin; all the water is taken out of it. It is practically 100 per cent glycerin, while refined glycerin is practically 95 per cent glycerin.

Senator SMITH. Suppose we put $1\frac{1}{2}$ cents on partially refined glycerin?

Senator JOHNSON. I do not see how you can make any distinction.

Senator HUGHES. We can, very easily.

Senator SMITH. Between partially refined and refined?

Mr. HERSTEIN. It would be very hard.

Senator HUGHES. If his stuff was chemically pure, it would not be.

Mr. HERSTEIN. On the refined glycerin it is by no means an easy matter.

Mr. HARSHAW. I am down here to talk about the difference in tariff on crude and refined glycerin.

Senator SMITH. Yes; but we are asking you about anything that we think may help us; in this case a possible addition to that rate, say, $1\frac{1}{2}$ cents on partially refined and $2\frac{1}{2}$ cents on pure.

Senator HUGHES. This is dynamite glycerin; manufacturers of dynamite use this glycerin?

Mr. HARSHAW. Pardon me; we buy domestic dynamite glycerin. I want you to bear in mind that glycerin fluctuates violently. Dynamite glycerin in the last two years has changed from 9 cents to 25 cents, and any figures you make up on percentages will not count for anything.

Senator SMITH. You would rather the tax would be ad valorem?

Mr. HARSHAW. Absolutely, if it was ad valorem I would go crazy. There is only one thing to do—leave it specific.

On ad valorem duties there is another item. May I mention it, just to illustrate the situation?

Senator HUGHES. Yes.

Mr. HARSHAW. One day one of our customers wants a price on 25 tons of a certain commodity, a foreign-made commodity. We cable over and get a price and he gives us an order and we cable for the goods, and they do not ship them for several months, and in the meantime they form a little clique and put up the price of that commodity, and when the goods come along, instead of making \$200, we lose \$300. That is your ad valorem combination.

Senator HUGHES. If the figures here are not wrong, the ad valorem fluctuated from 40 per cent to 4 per cent, with a specific of 3. That is another disadvantage of the specific.

Mr. HARSHAW. Oh, well, it is definite. Here is a speculative thing. We are buying at a fixed price and selling at a speculative one. We have got to have some chance to live, some chance to carry on business. If you add to our trouble by an ad valorem duty—

Senator SMITH. I do not care to add it on. I was just asking. I am very glad to get your opinion on the subject.

Mr. HARSHAW. I have an opinion.

Senator JOHNSON. You have decided views about it?

Mr. HARSHAW. I have spent all my life in its manufacture.

Senator SMITH. There was a manufacturer of cloth here in whose case there was such a wide variety of prices, from the lowest cloth that could be made to the highest—

Senator JOHNSON. Half cloth.

Senator SMITH (continuing). That he wanted the specific duty changed to an ad valorem.

Mr. HARSHAW. I appreciate the difficulties down there. You understand that the thing that I have tried to keep in mind is that that one-half cent differential is entirely exhausted in transportation charges and it is not sufficient. I may say we are in the general chemical manufacturing business, and the same principle is involved in other items that is involved here.

Senator JOHNSON. You are in the general chemical manufacturing business?

Mr. HARSHAW. Yes; in the general chemical manufacturing business.

Senator JOHNSON. You make many other things besides glycerin?

Mr. HARSHAW. Yes, sir. One item in particular is manganese ore. I am a grinder and preparer of manganese ore for the trade. They advance it 50 per cent. They do not differentiate there. They let both of them in free. You see here the position that it makes. I can not compete with the fellow that can ship the stuff in in all the different parts of the country on a direct line.

I am trying to get before you this question of transportation as connected with the tariff. It has a very important bearing.

Senator HUGHES. It has, undoubtedly.

Mr. HARSHAW. I thank you, gentlemen. That is all, unless you want to ask me questions.

Senator JOHNSON. Do you wish to file any brief?

Mr. RALPH L. FULLER. Our brief will be just the same as we filed before the Ways and Means Committee.

Mr. HARSHAW. I would like to say one thing, that I have read with great interest here your estimates as to what our average prices are going to be for the next year, and what our costs are. If the man who compiled those figures really can produce, I can give him an awfully good job.

Senator HUGHES. That is merely a mathematical calculation.

Senator JOHNSON. He takes 3 cents a pound, and what the importation was as the amount, and he calculates from that.

Mr. HARSHAW. I have been in the business for 15 years, and also in the linseed-oil business for about the same time, and with all my experience I have no idea what conditions are going to rule a year from now.

Senator HUGHES. He just estimates from fixed figures, and we understand that, you know.

Mr. HARSHAW. What I want to say is there should be no consideration given those estimates. They do not mean anything.

Senator HUGHES. We understand that.

Mr. HARSHAW. I have bought crude glycerin all the way from 7 to 20 cents a pound. On an ad valorem, do you not see that section would be clear out of sight on your crude stuff? But the railroad rate on the distribution would be the same always.

STATEMENT OF MR. RUSSELL HASTINGS MILLWARD, IN CHARGE OF EXPLORATION AND EXPLOITATION, BELIZE EXPORT CO., BELIZE, BRITISH HONDURAS.

PARAGRAPH 37.—Chicle.

Mr. MILLWARD. Mr. Chairman, we supply chicle to all the various manufacturers in the United States, and the proposed 20 per cent increase will practically drive us out of business.

Senator JOHNSON. It is increased from 10 cents a pound to 20 cents.

Mr. MILLWARD. Yes, sir; which amounts to about 80 per cent ad valorem on a raw product which is not produced in the United States.

Senator SMITH. Chewing gum?

Mr. MILLWARD. Yes, sir. It is the basic ingredient of chewing gum.

Senator JOHNSON. One party stated we ought to have one rate upon the crude and another upon the refined.

Mr. MILLWARD. I have only one suggestion, and I think it is a good one. We charge 10 cents a pound duty, and carrying it to Canada, where the gum is entered duty free, they refine it down to about two-thirds its actual weight, and then bring it in here. Placing that duty on it would run the ad valorem to 88 per cent.

Senator SMITH. We were thinking about taking the tax off of that and leaving the tax on the manufactured.

Senator JOHNSON. No; putting a tax of 15 cents on the crude and then 20 cents on the refined, and making them refine it in this country.

Mr. MILLWARD. I will tell you how you can get around that and bring the entire interest into the United States, by placing a revenue tax on every box of gum that is manufactured, 3 or 4 cents a box. I will tell you why that will be fair to anybody. Twenty per cent of the manufacturers do not use chicle. Therefore, they manufacture chewing gum, and distribute it, of an inferior quality, and pay nothing to the Government. The users of chicle have to pay 20 cents, according to this law, and the makers of poor gum, making a greater profit, pay nothing to the Government. By paying an internal-revenue tax every manufacturer is equally handled.

Senator JOHNSON. And we get some revenue?

Mr. MILLWARD. Yes, sir.

Senator JOHNSON. Do you not think it is going to come in just the same at 20 cents a pound? People will have chewing gum.

Mr. MILLWARD. I do not know about that. We have a substitute now, which is only 4 cents a pound more than the raw material of the high grade.

Senator JOHNSON. What is that?

Mr. MILLWARD. It is Mexicola. It is made from paraffin and various ingredients. Nobody knows what it is exactly. By placing that on the free list and putting an internal revenue on every box of manufactured gum you will drive all the refining industry to the United States.

Senator JOHNSON. We do not refine it now in the United States?

Mr. MILLWARD. No, sir. The industry is carried on in Canada.

Senator JOHNSON. Then it is brought in from there, after the water has been squeezed out of it, and the weight is much less, and that is the purpose, to pay the duty on the refined?

Mr. MILLWARD. Yes, sir.

Senator JOHNSON. What do you say about having a duty upon the crude of 15 cents a pound, and making a difference between the crude and the refined?

Mr. MILLWARD. That could be done. That would be much better than the present arrangement. But I think the best would be putting an internal-revenue tax on it.

Senator SMITH. We can not put an internal revenue on it. We could not in a tariff bill put an internal revenue on it.

Mr. MILLWARD. Then why not put an ad valorem on the whole product? Then that would drive the industry of refining to the United States; if we could arrange an ad valorem it would be satisfactory.

Senator SMITH. What ad valorem would you suggest?

Mr. MILLWARD. I think around 50 per cent. That would give you about 14 or 15 cents a pound. I would like to see those interests come to the United States. I would like to do business with the people of the United States rather than Canada.

Senator SMITH. How much less valuable is the crude than the manufactured?

Mr. MILLWARD. We use about 21 per cent of the crude material in the finished product. There are 7,000,000 pounds imported every year to the United States.

Senator SMITH. How do they bring it over from Canada? I mean in what shape.

Mr. MILLWARD. Refined, powdered form.

Senator SMITH. Then you call it refined?

Mr. MILLWARD. Yes, sir.

Senator SMITH. What is the difference in value between the crude and refined?

Mr. MILLWARD. Refined is worth about 65 cents a pound.

Senator SMITH. What is the other worth?

Mr. MILLWARD. About 33 cents. A great many manufacturers do not use chicle at all. They use cheap substitutes. They pay nothing to the Government, and how are you going to reach them?

Senator SMITH. We are not going to reach them; we are going to reach the stuff that is imported.

Mr. MILLWARD. The manufacturers will not be able to pay 20 cents a pound and refine their stuff in Canada and bring it over here. They will have to use the substitutes.

Senator HUGHES. What are the substitutes?

Mr. MILLWARD. Paraffin is one. The refuse of breweries, I believe, is one substitute.

Senator HUGHES. We used to chew paraffin before chewing gum came in.

Mr. MILLWARD. That is one of them. So, instead of doubling your revenue, you will wipe it out entirely.

Senator SMITH. Your plan was 20 and 15?

Senator JOHNSON. I have not any plan. It was 15 cents on the crude and 20 cents on the refined, and then we would get the refining of it in this country.

Mr. MILLWARD. But better still would be a sweeping ad valorem on chicle, no matter how it comes. It would be cheaper for them to bring the crude into the United States on an ad valorem basis.

Senator SMITH. The refined being worth about twice as much as the crude?

Mr. MILLWARD. Yes.

Senator SMITH. The same bulk?

Mr. MILLWARD. Just about double. You must figure in shrinkage here. There is a great shrinkage.

Senator JOHNSON. That figures out 50 per cent at 20 cents a pound. What is the price per pound?

Mr. HERSTEIN. In New York now anywhere around between 33 and 42 cents.

Senator JOHNSON. At 40 cents a unit their figure of 20 cents would give us an ad valorem of 50 per cent.

Senator HUGHES. The difficulty about an ad valorem duty on chicle is the alleged fact that that product is controlled, and they could put whatever value they want on it.

Mr. MILLWARD. It would be controlled if a high duty were placed on it, because the small manufacturer would not be able to purchase his raw material on the market.

Senator HUGHES. Can he control it now?

Mr. MILLWARD. Yes, sir. It is shipped in from other countries, not produced in this country.

Senator HUGHES. It comes from one place?

Mr. MILLWARD. British Honduras, Guatemala, and Mexico. The other countries produce but very inferior qualities of the same gum.

Senator HUGHES. What is your suggestion?

Mr. MILLWARD. My suggestion is a sweeping ad valorem duty.

Senator HUGHES. What would you suggest?

Mr. MILLWARD. Forty or fifty per cent, I think, would be fair. Then we could land our gum and sell it to anybody. The way it is now, we have to sell it to three big manufacturers.

Senator SMITH. You mean you could land your crude gum?

Mr. MILLWARD. Yes, sir.

Senator SMITH. You could not import refined?

Mr. MILLWARD. Nobody imports refined. It is all imported to Canada and reimported.

Senator HUGHES. Are you an importer of chicle?

Mr. MILLWARD. No, sir; I am an explorer and exploiter.

Senator SMITH. You are a manufacturer?

Mr. MILLWARD. No, sir. I export to them. I have contracts with other manufacturers.

Senator SMITH. You export it for others?

Mr. MILLWARD. Yes, sir. I am an explorer and exploiter. This 20 per cent would put us out of business.

Senator SMITH. Suppose it were put at 15?

Mr. MILLWARD. Even that would not be satisfactory. Furthermore, it would not bring the refining industry to the United States.

Senator SMITH. Twenty for refined and fifteen for crude.

Mr. MILLWARD. Even that would be a question. I think the ad valorem would settle the whole question, or the internal-revenue tariff.

Senator JOHNSON. We imported \$2,433,000 worth of chicle in 1912.

Mr. MILLWARD. \$3,127,000. These figures are according to the Department of Commerce and Labor.

Senator JOHNSON. I supposed these were Government figures, taken from the Treasury Department. We get over half a million dollars in duties on it.

Mr. MILLWARD. Yes, sir.

Senator JOHNSON. It is estimated we would get a million dollars.

Mr. MILLWARD. I think if you put a sweeping ad valorem on it you would get over a million dollars.

Senator HUGHES. An ad valorem of how much?

Mr. MILLWARD. Whatever you may determine.

Senator SMITH. We might make it so high that it would simply cause the use of substitutes in this country.

Mr. MILLWARD. I think that 50 per cent is fair, 40 to 50. Then we will bring this into the United States, and it gives the little fellows a chance to buy the crude article of the best grade and manufacture a high-grade chewing gum. We do not want an inferior article sold to the people, the people who consume this.

Senator JOHNSON. Do you know why they put a specific duty on this, Doctor?

Dr. HERSTEIN. Oh, yes. Practically 90 per cent of the production of the chicle tree is in Mexico and Honduras, and it is controlled by practically two concerns in this country, and if you put an ad valorem on it, it has been suggested in the hearings before the Finance Committee, that they could put any value on it, because they own it and control the forests. They hire their own labor.

Senator HUGHES. Who made that statement, do you remember?

Dr. HERSTEIN. The statement was put in the form of a question by Senator Smoot, "If they were put on an ad valorem basis, could you not?" I believe it was in that form. You will find it in the hearings before the Senate Finance Committee last year, when House bill 2182 was before the committee. They were willing to accept that 50 per cent ad valorem. They also advocated an ad valorem rate, and Senator Smoot put that question to them, whether that would not give them an opportunity to lower the value to any point they pleased.

Senator HUGHES. They did not admit it, I suppose?

Mr. HERSTEIN. They did not admit it at the time.

Senator JOHNSON. If we fix the rates——

Mr. MILLWARD. Could you not fix the rates at a minimum valuation of 30 cents per pound? The way it is at the present time, I have possibly 226 manufacturers on my list. I have only been able to sell to three, for the reason that they have no way of refining in this country. They have to import their gum and they lose a great deal by shrinkage, and it is only with great difficulty that we can sell gum to the manufacturers in the United States.

Senator HUGHES. No man can deal with you unless he is able to refine in Canada?

Mr. MILLWARD. Profitably.

Senator HUGHES. He can not, as a commercial proposition, deal with you unless he is in a position to refine it and escape the duty?

Mr. MILLWARD. Exactly. The only point is this, that if we can get this article in here at an ad valorem duty it might encourage some concern to go into the buying and refining of chicle, and then that concern could sell to anybody who wanted to buy.

Senator SMITH. Take this man from New Jersey, who was here the other day. He is in the business of refining and selling to anybody who wants it.

Mr. MILLWARD. That is Robert L. Johnson, of New York. He does not refine; he is a broker.

Senator SMITH. I thought there was a refiner here.

Senator HUGHES. There was a man here who represented some chewing-gum follows. This man Johnson called our attention to this situation. He did not say he was in the business of handling the commodity.

Senator SMITH. There was some one before us from New Jersey—

Senator HUGHES. That is the same man—Johnson.

Senator JOHNSON. He did not refine it. He said it was refined in Canada.

Senator SMITH. He said that man did refine it in the United States.

Mr. MILLWARD. The only thing I came about to-day was the internal-revenue matter.

STATEMENT OF MR. BENJAMIN ARTHUR LEVETT, REPRESENTING LAMONT, CORLISS & CO., NEW YORK, N. Y.

PARAGRAPH 46.—Peanut oil.

Mr. LEVETT. This commodity is treated in paragraph 46. This article has always come in free of duty, under the provision for oil of nuts in the free list and we ask that the words "peanut oil" and the rate be stricken out of paragraph 46, so that the oil can come in free. Peanut oil is made from the African peanut. It is not made in this country at all. It is made from the African peanut, and only from the African peanut, or practically only, because that peanut has no flavor and the oil does not have any flavor of the peanut or anything else about it, and can be used, as it is chiefly used, in the making of butterine. That is the poor man's butter.

Senator HUGHES. Which carries a 10 per cent internal-revenue tax.

Mr. LEVETT. I do not know anything about that. It is used in making butterine. On the floor of the House Mr. Harrison, in speaking about this duty, made the statement that he thought it was made into peanut butter. That is not correct. I wrote to Mr. Harrison, and received a letter from him stating that he thought it might be straightened out in conference.

This peanut oil is used in butterine when it is cheap enough. If it is not cheap enough, then they use cottonseed oil, and as the price of the peanut oil goes up they use more cottonseed oil. And as the price goes up the importations go down, and we ask that it be permitted free entry, because it is the raw product and is wholesome and nutritious. It prevents the butterine from sticking to the roof of the mouth, and that is why they use it instead of cottonseed oil.

Senator JOHNSON. What is the reason that the importations of the peanut oil fall off so largely? There were over 3,000,000 gallons in 1910, and in 1912 there were 800,000 gallons.

Mr. LEVETT. I am making a point of that in these papers which I will leave with the committee. If you add anything more, down it will go again, because they would not use it if it goes up in price for the making of this butterine. But I have those figures there, which I have quoted in my brief.

Senator HUGHES. Where do you get that peanut oil?

Mr. LEVETT. From Holland.

Senator HUGHES. Do they grow peanuts there?

Mr. LEVETT. These are African peanuts carried into Holland, and the oil is there pressed out.

Senator SMITH. Is it not used in paints, too?

Mr. LEVETT. Oh, no, Senator: nothing of that sort. It is a food product entirely. A little of it is used as a salad dressing to take the place of olive oil; but the main purpose is in the making of the batterine.

Senator JOHNSON. Can we make it from our peanuts which are grown in this country?

Mr. LEVETT. No; on account of the flavor which our peanuts have. The African peanut is entirely free from any flavor. It is not eaten, because it has no flavor; and it is not made in this country, so far as we have been able to find out.

There has been no reason to have it put on the dutiable list, because, as I say, if it is it will fail utterly because it will not be imported. It would be prohibitive.

I think that that is all I need to take the time of the committee in which to present. I would like, however, to leave the brief.

Senator HUGHES. Doctor, what do you know about this peanut oil?

Mr. HERSTEIN. It was put on the dutiable list simply, as it was stated, for a revenue purpose. Some of the peanut oil, I believe a larger percentage than the gentleman has indicated, is in competition with olive oil for salad.

The duty of 6 cents a gallon is less than 1 cent a pound. It is used very largely in the manufacture of butterine, and it was felt that any duty which would be put on peanut oil could never cut down the price to the consumer, but it would have been entirely the manufacturer who would have had to pay the tax. On that theory it was put on there because it competes with olive oil.

Senator SMITH. For revenue?

Mr. HERSTEIN. For revenue purposes, wholly.

Senator SMITH. What was the estimated revenue?

Mr. HERSTEIN. I have not the figures here.

Mr. LEVETT. I think it is something like \$50,000.

Senator HUGHES. \$36,000.

Mr. LEVETT. May I ask the doctor a question?

Senator JOHNSON. Certainly.

Mr. LEVETT. It is a fact that cottonseed oil is placed in this but terine when the price is too high to use peanut oil for that purpose?

Mr. HERSTEIN. That was the case I pointed out, that it would increase the consumption of cottonseed oil—which would be a very desirable proposition for us in this country.

Mr. LEVETT. It is a fact that the consumption of cottonseed oil has increased as the importations of this article have decreased.

Senator JOHNSON. It would have to be put in another paragraph.

Mr. CORLISS. I have been investigating this matter, over in Holland, and the manufacturer seems to think that it will practically cut off the importation of a large part of it. One suggestion was that he thought they could import it if they had a duty of 1 cent.

Senator JOHNSON. One cent a gallon?

Mr. CORLISS. One cent a gallon. It is an oil that is used solely for salad dressing, and it comes between. It is a little better than cottonseed oil and at a much lower price than olive oil. The olive-oil duty has been reduced, and it would seem to me as if this were nearer a necessity than the olive oil.

Mr. HERSTEIN. The duty on peanut oil amounts to a great deal more. Peanut oil is coming in favor; it is competing very directly with olive oil. As a matter of fact, I can not see the difference. Any one tasting the two would not be able to differentiate between them.

Mr. LEVETT. My wife can.

Mr. HERSTEIN. It comes in direct competition, and there is no reason why there should be any differentiation between the two.

Mr. CORLISS. Why should the poor man have his price increased on olive oil and the wealthy man have his reduced?

Senator SMITH. But you have still left the duty very much higher on the olive oil.

Mr. HERSTEIN. Oh, yes; 20 per cent ad valorem.

Senator SMITH. That puts the tax at 20 per cent on the olive oil. How much on this?

Mr. HERSTEIN. Something like 8 per cent.

Senator JOHNSON. Nine per cent.

Mr. LEVETT. The olive oil would come in, no matter what rate of duty were put on it. It simply means that nobody gets any benefit out of it.

Senator SMITH. If it competed largely with olive oil, it would have to come in more, because the product is cheaper.

Mr. CORLISS. It either reduces the quality of the butterine or increases the price; and we do not want the price increased to such an extent that it will keep it out.

Mr. LEVETT. I leave you those figures, in my brief, and thank you, gentlemen, for your attention.

STATEMENT OF MR. L. WEIGERT, OF WASHINGTON, D. C., REPRESENTING THE POMPEIIAN CO.

PARAGRAPH 46.—*Olive oil.*

Senator JOHNSON. State your name, your business, and what particular section you wish to be heard on.

Mr. WEIGERT. My name is L. Weigert. I represent the Pompeian Co., of Washington, D. C. Our paragraph is 46, House bill 3321, which reduces the duty on olive oil not specially provided for to 20 per cent; and olive oil in bottles, jars, kegs, or other packages having a capacity of less than 5 standard gallons each, 30 cents per gallon.

The effect of that paragraph is that it provides, first, for a specific duty on olive oil in packages, and not for a specific duty on olive oil in bulk. There is a chance there, which is very likely to occur, of the duty on bulk olive oil being higher than the duty on package olive oil, which is certainly something that is not desired by the Congressmen who framed that paragraph.

Senator SMITH. It puts olive oil in bottles, jars, kegs, and other packages having a capacity of less than 5 standard gallons at 30 cents?

Mr. WEIGERT. Yes.

Senator SMITH. Then olive oil in bulk would be 20 per cent?

Mr. WEIGERT. Twenty per cent.

Senator SMITH. That would be in larger quantities than 5 gallons?

Mr. WEIGERT. Yes. The olive oil packing industry has grown to be a very large industry in this country. The firm I represent will pack this year half a million gallons of olive oil.

Senator JOHNSON. What is the value of olive oil? The unit value here is given at \$1.42. Is that about right?

Mr. WEIGERT. When it was \$1.42 that would make 28 cents a gallon duty.

Senator JOHNSON. Olive oil in bottles, specific duty 30 cents per gallon, and olive oil not otherwise specially provided for, 20 per cent. That is olive oil in bulk, and what is the price of that per gallon?

Mr. WEIGERT. It fluctuates.

Senator JOHNSON. It is given here at \$1.05.

Mr. WEIGERT. We have paid this year as high as \$1.20, and we are the biggest importers there are in this country.

Senator JOHNSON. The olive oil in packages ought to bear a higher rate of duty than that in bulk.

Mr. WEIGERT. Most assuredly.

Senator JOHNSON. It does here.

Mr. WEIGERT. Apparently.

Senator JOHNSON. Really, does it not? Not only apparently, but in fact?

Mr. WEIGERT. No, sir.

Senator SMITH. The average price per gallon in bulk is a little over a dollar?

Mr. WEIGERT. Some years.

Senator SMITH. The usual price?

Mr. WEIGERT. The price of olive oil is governed, like all other raw materials, by the supply. We have paid on an average this year \$1.20 per gallon.

Senator SMITH. This year?

Mr. WEIGERT. Yes, sir.

Senator SMITH. That would be 24 cents a gallon instead of 30 cents?

Mr. WEIGERT. Yes, sir.

Senator SMITH. So that at a very high price it would be 24 cents, and at an ordinary price it would be about 20 cents a gallon?

Mr. WEIGERT. Yes.

Senator SMITH. And it is 30 cents a gallon when in packages?

Mr. WEIGERT. Yes, sir. That is not enough of a differential, because that 30 cents does not cover the duty on tins.

Senator JOHNSON. Now, about the duty; those tins, under this provision, you can return for filling again without having to pay again the duty when they are reimported?

Mr. WEIGERT. But those are consumers' packages that are sold. We are not interested at all in the duty on the package goods, because we are packing.

Senator SMITH. He is asking for a broader discrimination between olive oil in packages and olive oil in bulk.

Mr. WEIGERT. Yes, sir; something definite.

Senator JOHNSON. Do you want the olive oil in bulk reduced or the olive oil in packages raised?

Mr. WEIGERT. As a matter of fact, there is no real good reason why there should be any duty at all on olive oil in bulk.

Senator SMITH. We do not agree with you at all.

Mr. WEIGERT. It is not a luxury; it is an every-day food. It is recommended by doctors of all schools, it is recommended by everybody, and it is being used more every day.

Senator SMITH. Then, you think we ought to make it free when in packages, and gallons, and in every shape?

Mr. WEIGERT. No.

Senator SMITH. Then you do think there ought to be a duty?

Mr. WEIGERT. There ought to be a duty to protect the packer.

Senator JOHNSON. I see.

Senator SMITH. I knew what he was coming to. If it is a necessity, why should it not come in free for everybody in any shape?

Mr. WEIGERT. That would satisfy us.

Senator SMITH. In packages, gallons, and every other shape?

Mr. WEIGERT. Yes; it would be just as well, because we would get our share of the business on account of the superiority of American packing methods, and we could get a little more for our goods.

Senator SMITH. If you get a little more for your goods with this discrimination, you can take care of yourself.

Mr. WEIGERT. We can not, because we can not pack our goods as cheaply as they can abroad. We are supervised by the United States Government, and by the States.

Senator SMITH. I thought you just said you got a better price because your packing methods were better?

Mr. WEIGERT. The difference, if the duty were the same, would be too much of a handicap.

Senator HUGHES. What you want is an ad valorem on both of them?

Mr. WEIGERT. What we want is something definite. We are not asking for an advantage, but we want to know where we are. We do not want it so that one year our packing plant will be put out of business.

Senator HUGHES. You want an ad valorem on both?

Mr. WEIGERT. Either an ad valorem on both, or a specific on both. We do not want much of a difference.

Senator HUGHES. You probably will not get any. But, anyhow, you would like to have the same duty on both. You can pack against them?

Mr. WEIGERT. We can pack against them. But what we want is something specific.

Senator SMITH. We might say, "Olive oil not specifically provided for in this section, 30 cents per gallon."

Mr. WEIGERT. Here is another very important point. Pure olive oil does not mean anything at all. Pure olive oil means as much as pure wine or pure apples, or anything that is grown, and this puts a penalty on the importer who imports the highest quality of olive oil. He not only must pay more for his olive oil, he must pay more duty because it is a better grade.

Senator HUGHES. You say this language does that?

Mr. WEIGERT. Yes, sir; and it opens the way for fraud.

Senator HUGHES. What does that?

Mr. WEIGERT. Having an ad valorem duty.

Senator HUGHES. You said it ought to be specific on both?

Mr. WEIGERT. Absolutely; yes, sir; because then if the importer wanted to import low grade he would have to pay just as much duty, and he would take care.

Senator SMITH. That is the reason the distinction is made. The olive oil in the jars and in the packages of 5 gallons and less is a higher refined olive oil, and that is charged 30 cents per gallon. The other varies so much in character that they did not put a specific on it, but put an ad valorem on it. That is the explanation of it.

Mr. WEIGERT. I beg your pardon, Senator. Here are the facts about olive oil: The French Government and the Italian Government have big public warehouses, as we have public stores here. The French and the Italian importers import from other countries to these warehouses all grades of olive oil. These warehouses are not of the cleanest. The olive oil may be stored next to a big pile of hides or spices or anything that might affect the olive oil. The importers who have imported this olive oil into Italy or into France have the privilege of going right into those warehouses and repacking the goods there without any process of filtration, without any precautions as to sanitation, with no Government inspection, and they ship those goods to America, and because they have beautiful Italian or French labels the American public fool themselves into believing that the olive oils are better than American goods, which are put up much better, which are put up in plants into which anybody can come at any time and see the process. Our olive oil comes in clean, and after it comes in we put it through 500 thicknesses of Gruggist's filter paper, which is not done in any European plant; and there is not an olive oil put up in any European package—you used the expression that they are refined. There is a big Italian importer who refines his olive oil by a chemical process.

Senator SMITH. Does not the olive oil which comes in in bulk vary very substantially in quality?

Mr. WEIGERT. Yes; and so does the olive oil that comes in in packages; more so. The olive oil that comes in in packages varies more in quality.

Senator SMITH. It does not vary largely in value, though, does it? It sells at the same price per gallon?

Mr. WEIGERT. At all prices.

Senator HUGHES. There is some chemically pure olive oil that comes in for use in the dyeing establishments, is there not?

Mr. WEIGERT. All olive oil that comes in is chemically pure. Olive oil comes in 100 per cent olive oil, and since the pure food and drugs act all the olive oil that is sold is pure.

Senator JOHNSON. Have you a brief?

Mr. WEIGERT. No, sir.

Senator JOHNSON. File a brief.

Senator SMITH. What is your suggestion as to rates?

Mr. WEIGERT. My suggestion is that there should be a differential.

Senator SMITH. Just state your suggestion in figures.

Mr. WEIGERT. My suggestion is, if there must be a duty on olive oil, it should be a duty of 20 cents a gallon in bulk and 30 cents in packages.

Senator SMITH. You want the 20 per cent ad valorem in bulk changed to 20 cents per gallon?

Mr. WEIGERT. Yes; or make it 20 per cent ad valorem in bulk and 30 per cent ad valorem in packages.

Senator SMITH. You want them both ad valorem or both specific?

Mr. WEIGERT. That is the idea.

Senator SMITH. Your suggestion is that that is the fair way to treat it?

Mr. WEIGERT. Absolutely.

Senator JOHNSON. As big a differential as possible?

Mr. WEIGERT. Of course, that goes without saying.

Senator JOHNSON. Because it can be packed in this country?

Mr. WEIGERT. Absolutely. This company I represent is selling 10 per cent of the olive oil that is sold in this country.

Senator JOHNSON. I think we understand your position. We will have to go on. I do not want to shut you off, but I think we see what you want. File a brief with us stating those facts so that we will not lose sight of it when we come to that schedule.

Mr. WEIGERT. I hope you will not lose sight of it.

Senator JOHNSON. We will not if you put your brief in here!

STATEMENT OF MR. CLAYTON ROCKHILL, OF NEW YORK CITY, REPRESENTING THE FIRM OF ROCKHILL & VIETOR.

PARAGRAPH 46.—*Olive oil.*

Mr. ROCKHILL. Mr. Chairman, we have been for about 30 years one of the largest importers of olive oil in this country. I did not come here to speak on olive oil at all, but having overheard the conversation, and having been in the business all my life, and one of the largest importers in it, I want to say that I do not agree with the gentleman who spoke just now in several important particulars.

He states that they can pack olive oil better and more handsomely in this country than we can do it abroad. We take the opposite side. I think it is a recognized fact that the French are experts in the question of beauty of labels and bottles and tins and packages of all description, as well as pictures, and that our factories are as clean and as good as any in the world. We have the most modern filtering processes that have been put in there lately.

Senator SMITH. You say "our"; you mean the French?

Mr. ROCKHILL. I say "our." It is in France. There is no domestic olive oil, except that which grows in California. I know a great many of these products, because I manage fourteen millions of business, which are, many of them, the largest in the world. I am familiar with these products, as I think these various gentlemen here will substantiate if you care to interrogate them.

I want just to point out to you distinguished Senators one point. I think you are fundamentally inclined toward ad valorem duties, which are exceedingly difficult for your appraisers. I import in the millions of dollars of goods, and I know what I am talking about. It is very difficult to make the appraisements correctly, and in olive oil there are as many different grades as you have fingers and toes, and a great many more. The Italian olive oil is lower priced, and it is not considered quite the equal of the French oil, because the French have big plantations in the south of France, where they are certainly the kings on the question of quality. In Piedmont, in northern Italy,

they certainly have some fine oil, but it is not the same quality as the French. It is very bland, and the Italian oil is stronger. The Italian oil is used more for cooking than the French, and the French is taken more for medicine and for salad uses.

If you wish to collect revenue on olive oil, it is a very good article to collect it on. You will get a lot of money out of it, which you do. You are now getting 50 cents a gallon on olive oil in less than 5-gallon tins, and in bottles; and in over 5-gallon tins, which we will call bulk packages, or barrels, you are getting 40 cents. I agree with the gentleman before me that it is well to have a difference in the duty between bulk and smaller packages. You are now, as I said, getting 50 and 40. If you still want to get a revenue on that, if you should make it 40 and 30, the country can very well afford to pay it, and it will yield you a large revenue, because the trade is increasing. This gentleman said his trade is 10 per cent of the country. I have no doubt it is very, very large. So is ours. It is all practically pure.

Senator SMITH. Do you think the specific better than the ad valorem?

Mr. ROCKHILL. Absolutely. It cuts out the man who will undervalue, the man who says he did this and did that, and he gets it from Milan, and Sicily, and God knows where he gets it from, but he is always bringing invoices to your appraisers, showing why he gets it cheaper. If you put a specific on this you will get as much money as you got before.

Senator JOHNSON. Have you any idea what influenced the committee to change from a specific to an ad valorem?

Mr. ROCKHILL. Yes, I have an idea, because I have read this through, and I am interested in any number of schedules, iron, steel, and rails, because I represent the Samuels, which firm is connected with many of these articles, especially the soda. The point of it is this: I can see all through here a tendency to cut out specific duties and put ad valorems, and I am a very firm friend of specific duties, because the man who buys something and the man who collects the duties know where they stand.

Senator JOHNSON. You would put a higher duty, then, on a cheaper article?

Mr. ROCKHILL, Senator Johnson, I think you are a little deceived in the cheaper article.

Senator JOHNSON. Is not that the tendency of all specific duties, to put the highest duties on the cheaper article? Take a specific duty upon woolen cloth and upon cotton; it makes the duties upon the cheaper article highest when you put on a specific duty. That is true, is it not?

Mr. ROCKHILL. Yes. But in this case there is a differential. Remember, you have denatured olive oil, which allows it to come in free. There is no duty when it is used in denatured form. The collectors of the port have the right to put in so much rosemary and olein, which we manufacture, and denaturize, and therefore they can get it in without paying duty.

This olive oil is for eating purposes. Let me point out one important thing about olive oil. We are the largest importers of cod-liver oil in the United States, and I am sorry to say our trade is falling off very rapidly. We are the agents of a large firm in Norway. The trade is falling off because the doctors are now prescribing olive oil

in place of cod-liver oil for the building up of fat tissues, and so great is the increase in the sales of olive oil, as the former gentleman testified, and he is entirely correct, that the cod-liver oil is falling off, and I think you are helping the poor people to buy something to build up their systems. If you let them have olive oil at a more reasonable price they will eat a great deal more of it. Three or four teaspoonfuls a day is splendid for anybody who is a bit thin. So it is really a medicinal product, after all, as well as a salad dressing. The lobster palaces do not consume all by a large majority.

As I stated before, you can get just as much duty at 40 cents for a small package and 30 cents a gallon for the bulk, and that will leave our friend here, who has a factory in Washington, 10 cents a gallon, with which he can bring the stuff over in bulk and put it in his tins, and he has that much protection, which I think is all he asks.

Senator SMITH. Why do you say 30 and 40 instead of 20 and 30?

Mr. ROCKHILL. I think it can stand 30 and 40, because I understand you gentlemen want revenue, and I am willing to pay revenue on anything I have anything to do with. I want certain raw materials, as will be shown in other lines of business during the day, but in this instance it is a big industry, it is a big thing, big all over the world, and growing.

Senator SMITH. And you think we are unnecessarily giving up our revenue if we take that down from 50 to 30?

Mr. ROCKHILL. You come down to 30 cents a gallon in bulk. Of course, most of the olive oil is imported in bulk.

Senator SMITH. The bill as drawn provides for 30 cents in bulk, 50 to 30, and you think that is giving up more revenue than is necessary.

Mr. ROCKHILL. It is absolutely arbitrary on your part, because it is not grown in the United States. It is just a question of how much you want to take out of the olive-oil business. I will sell just the same. I sell my olive oil for \$2.40 a gallon. It costs us about \$1.90 to \$2 to import it, and we sell it for \$2.25 to \$2.40, and it is a very fine French oil. Then I do import large quantities of Italian oil, which we sell to such people as the silk men and those who make soap.

Senator HUGHES. The specific would be less than 10 per cent ad valorem on your oil, would it not?

Mr. ROCKHILL. Yes; we are getting it pretty cheap.

Senator HUGHES. The specific would cause them to drop down the high-priced oil?

Mr. ROCKHILL. Olive oil is something that will sell; it is just as important as shoes.

Senator JOHNSON. The Italian oil is much cheaper, is it not?

Mr. ROCKHILL. It depends on the time of the year. The French crops have not been good. For the last 10 years about every third crop might be a pretty good one. Last year it was poor, and this year it is going to be better, we understand. But the Italian olive crop is larger than the French.

Senator JOHNSON. What is the value of the Italian olive oil?

Mr. ROCKHILL. The value of the Italian product is somewhere, in bond, without the duty, from \$1 to \$1.20 a gallon; and the French oil is anywhere in the neighborhood of from \$1.50 to \$1.80—along in there—\$1.40 to \$1.80. It is higher priced, as a general thing.

Senator JOHNSON. And the specific duty makes a much higher rate of duty, then, upon the Italian oil than upon your oil?

Mr. ROCKHILL. Yes. But I think the duty is low enough for purposes of revenue at 40 and 30. Remember, we have been paying 50 and 40, and no one in this country has objected. I have no interest in the thing personally, because I do not own the factories. I am the commission agent who sells the goods in this country.

I do not feel that it is best for the Government to have to dispute all the time the question of valuation. I think our friends here will agree with me on that point; and sometimes the oil is sold cheaper than we have stated, when the crops are very good. But they have not been so good in late years.

**STATEMENT OF MR. N. MUSHER, OF WASHINGTON, D. C.,
REPRESENTING THE POMPEIIAN OLIVE OIL CO.**

PARAGRAPH 46.—*Olive oil.*

Mr. MUSHER. Mr. Chairman and gentlemen, I did not intend to say anything to you until my friend, Mr. Rockhill, began talking about olive oil. I am interested in olive oil, whether it comes from France, Italy, Spain, Tunis, Smyrna, or any part of the world, interested in its being a high-grade oil, because it passes through the stomachs of the American public. They need it just as much as they do bread. It is a daily food. There is absolutely no reason why there should be one cent of duty on olive oil.

I started out 12 years ago with an idea that I wanted to become an olive oil man. My idea developed to such an extent that I am to-day the largest packer and handler of olive oil in the United States and throughout the world. I have organized and control the Pompeian Co., which my friend will admit are the biggest people in their line, as far as package goods are concerned. We pack every drop of our goods in the United States, because we can pack it cleaner, we can pack it better, we know exactly what we are putting into every can. What brought me to commence packing goods on this side was that when I imported a lot of goods from the other side, in 500 cases of goods it was almost necessary for me to go through and pick out a can here and there to see if the oil ran well, because 75 cans in every case did not run a good oil. There was a sediment in every case, the solder was not right, and I had to perfect a method of making my own sanitary cans, which I do. I pack the olive oil in the finest way possible. I have the most up-to-date olive-oil plant in the world.

If there has to be a duty, there ought to be a difference. There should be at least 20 cents, because we are looking out for those who live in the United States, pay their taxes, and pay their duties in the United States. I am not looking out for the French packer. France is not a producing country. France simply imports oil from other sections, and we find it in the fine bottles, with the fine colors, with that fine lithographic work on them. But, believe me, I do not touch a drop of French oil because I know what French oil is. It does not come from France; it comes from Italy.

Senator SMITH. Do you advocate a part ad valorem and part specific?

Mr. MUSHER. All specific or all ad valorem.

Senator SMITH. You agree with the other gentlemen that it should be all ad valorem or all specific?

Mr. MUSHIER. It should be all specific, because there is so much room for fraud. I maintain my own buying agencies and men abroad. It is all billed through my own foreign office. Suppose I wanted to defraud the Government? My men in Europe, instead of billing it at \$1.20 a gallon, would bill it at \$1.10. The specific duty is the only thing. We all know what we are paying. The inspector has to put his gauge in the barrel, and I could pay 20 cents a gallon. I do not have to watch out.

Senator SMITH. You think the ad valorem opens a road for the man who is not honest to get an advantage over the man who is honest?

Mr. MUSHIER. Absolutely.

Senator SMITH. And you therefore advocate specific for both, and at the same time more of a differential?

Mr. MUSHIER. Yes, sir; and at the same time a differential between the raw material and the package goods.

Senator SMITH. There is only 10 cents a gallon now.

Mr. MUSHIER. It is not enough.

Senator SMITH. If we reduce the tax to 30 and 20, it would make the difference that much larger. It would make the difference nearly twice as large.

Mr. MUSHIER. Why not encourage American industry by having a duty of 20 cents on the bulk and 30 cents on the package industry?

Senator HUGHES. You do not need much encouragement. You have the biggest concern in the United States, have you not?

Mr. MUSHIER. Yes, sir.

Senator HUGHES. You will be a trust after a while.

Mr. MUSHIER. No, sir. We want to encourage other American packers to pack their goods here, to import their olive oil in bulk and pack here, and employ American labor, instead of paying Italians and Frenchmen and Spaniards for packing goods for the American public. I am not talking here for the Pompeian Co., because, as far as they are concerned, we have gotten along in the face of every competition. We can get along, but it is the American public who need more oil at better prices, finer oils, packed under more sanitary conditions than they are packed abroad.

Senator SMITH. Fifty and forty makes a 50 per cent differential; 30 and 20 make a 33 $\frac{1}{3}$ per cent differential. So that if we reduce it to 30 and 20, you will have 13 $\frac{1}{3}$ per cent more differential than you have now, and you have prospered under what you have now.

Senator JOHNSON. Make the business so attractive there will be others come into it and compete with you.

Mr. MUSHIER. We have made it. My friend Mr. Rockhill will admit we have made it such.

Senator SMITH. You join with this gentleman in the view that the duty ought to be specific?

Mr. MUSHIER. Absolutely.

ADDITIONAL STATEMENT OF MR. CLAYTON ROCKHILL.**PARAGRAPH 46.—*Olive oil.***

Mr. ROCKHILL. Mr. Chairman, there is one point I do not want to leave unargued, and that is that the olive oil that is imported from the factories of France is not as good as that put up here. Many of our competitors are worth millions and millions of dollars, have been in the business hundreds of years, and we claim to have just as fine and clean and neat and beautiful factories, and our girls are lovely, and dress well, and clean. You go over there and see them and you will be delighted.

Senator JOHNSON. How about your girls, Mr. Musher? [Laughter.]

Mr. MUSHER. You come in and see what they look like. You will not have to cross the ocean.

Mr. ROCKHILL. I think these gentlemen will admit that 10 per cent is a very ample protection.

Senator SMITH. We are not going to undertake to decide the issue between Italy and France. The whole question is between specific and ad valorem.

Mr. WEIGERT. Much more olive oil will be consumed, and if the tariff is 20 cents a gallon the Government will get just as much revenue in two years as they are getting to-day at 40 per cent.

Senator SMITH. On the points we are to pass on you gentleman agree. But you differ about the value of your assets and commodities in the trade. We are going to leave you to discuss those questions before the consumers.

STATEMENT OF MR. THEODORE RICKSECKER, OF NEW YORK CITY.**PARAGRAPHS 47 AND 50.—*Perfumery oils and essences.***

(Mr. Ricksecker was accompanied by Mr. Clayton Rockhill and Mr. D. H. McConnell.)

Mr. RICKSECKER. Mr. Chairman, I am chairman of the Manufacturing Perfumers' Association of the United States.

Senator JOHNSON. I think we had the pleasure of hearing you before; did we not?

Mr. RICKSECKER. Yes, sir.

Senator JOHNSON. You were before us with a brief?

Mr. RICKSECKER. Yes, sir. One of our questions is that of free raw material. The proposed changes in our paragraphs 47 and 50 of the chemical schedule are not for tariff revision downward, but for increasing the revenue by taxing all our raw materials 20 per cent, which are now free and have been for over 25 years. It is based on a misapprehension.

Senator SMITH. If you have your statement in writing, can you not just file it with us? We heard from you once pretty fully.

Mr. RICKSECKER. No, Senators; it was only a short time.

Senator SMITH. We only have half an hour left. If you have a statement there in writing, we can read it and we should be glad to have you tell us something besides that.

Mr. RICKSECKER. The points made here would probably bring out some other inquiries that I should like to be able to answer.

Senator JOHNSON. The Senator's suggestion is that we will read the brief; you will not have to read that to us, and you can explain to us what you have not put in the brief.

Senator SMITH. If you start to read your brief we will have to tell you what the Supreme Court tells a lawyer under such circumstances. If he gets up there to make an argument and commences reading from a book or a brief they will tell him they can read it, but to tell them something other than that.

Mr. RICKSECKER. I submit a plea in behalf of the Association of Perfumers of the United States embracing 200 names. Their signatures are verified by postal cards which I can produce here—a postal from each one.

(The paper above referred to is filed with the committee.)

Mr. RICKSECKER. The questions that have been disturbing the minds of our friends in the House have called for an extended statement, which is embraced in this plea, and I must ask you please to allow me to go over the points that are most seriously involved in their minds.

Senator JOHNSON. Just a moment. I should like to get before you what I would like to know. I do not know about the others, but I speak for myself. The House has put upon the dutiable list, with the idea of getting a revenue from them, a lot of these oils which have always been upon the free list.

Mr. RICKSECKER. Yes, sir.

Senator JOHNSON. The perfumery manufacturers use these oils as their raw materials, but the House say they have left you plenty of manufacturing margin above this duty upon your raw materials, because they have given you a pretty high duty upon perfumeries, and that you are not going to be hurt, because, taking this added duty upon raw materials, your duty is so high that you will have a large manufacturing profit there which will sufficiently protect you. I should like to hear you upon the point as to how you are left with the duties on your raw materials and the duty on your finished product.

Mr. RICKSECKER. In answer to that, I will state, first, that we are forced to import these raw materials. They are not available in this country.

Senator HUGHES. That is the reason the House put a duty on them.

Senator JOHNSON. Yes; for revenue.

Mr. RICKSECKER. It is not a case where the materials can possibly be produced here, because the Bureau of Plant Industry here has determined that it is not possible.

The reasons we are handicapped under this proposed law are, first, that we are treated disadvantageously and discriminated against in raw materials. For instance, take the silk industry; they have raw silk free, and they have ample protection on the manufactured article.

Senator JOHNSON. Paragraph 49 provides a duty for perfumery, including cologne and other toilet water, etc., containing alcohol of 40 cents per pound and 60 per cent ad valorem, and on perfumery not containing alcohol it is 60 per cent ad valorem.

Mr. RICKSECKER. Yes.

Senator JOHNSON. That is a pretty high rate of duty. The duty upon all of these small articles that you use, these oils, without going through all of them in detail, is 10, 12, and 15 per cent, is it not?

Mr. RICKSECKER. Twenty per cent.

Senator JOHNSON. And your average duty is from 60 to 70 per cent, with a margin of 40 or 50 per cent to cover your cost of manufacturing.

Mr. RICKSECKER. That is not correct.

Senator HUGHES. It is not so much as that. That is only on perfumery containing alcohol.

Mr. RICKSECKER. It is about balanced when you come down to it.

Mr. ROCKHILL. It ought to be explained that there is a tax of \$1.90 on alcohol, which balances it.

Senator HUGHES. The language is:

If containing alcohol, 40 cents per pound and 60 per centum ad valorem; if not containing alcohol, 60 per centum ad valorem.

Mr. ROCKHILL. But it all does contain alcohol.

Senator HUGHES. Oh, I see.

Mr. RICKSECKER. We pay a revenue tax to the Government of one and a half million dollars, at the least calculation, in an industry which has an output of five millions. At the best calculation we can make that means 30 per cent on our raw material in revenue that the Government gets out of us in the alcohol tax, because we must use refined alcohol. Now, the plea has been made—

Senator HUGHES. Pardon me; the only change that has been made from your language in the proposed bill is the imposition of these new duties on all those raw materials.

Senator JOHNSON. The perfumery duties are changed, too.

Senator HUGHES. I see the change—60 per cent ad valorem.

Senator JOHNSON. The old one was 60 cents per pound and 50 per cent. The new one is 40 cents per pound and 60 per cent.

Senator HUGHES. I presume both of these specifics were to take care of the alcohol.

Mr. HERSTEIN. The specific duty under the old law is very much too high to compensate for the duty on the alcohol. Forty cents per pound would come very much closer to the right duty on alcohol than the old 50-cent rate.

Senator JOHNSON. And the ad valorem duty has been increased from 50 per cent to 60?

Mr. HERSTEIN. From 50 to 60. The net effect of it would be that perfumery which carried under the old law an average ad valorem rate of about 71 per cent is actually increased to 74 per cent under the proposed law.

Mr. RICKSECKER. The calculations of the total rate of duty on imported perfumes have varied from 66 to 71 per cent. The proposed bill will make a very slight difference. The calculations that I have made personally by weighing the goods and making an honest calculation of cost would amount to probably an increase of 2 per cent. The alcoholic tax being 30 per cent on the product, if you put 20 per cent more duty on our raw materials, which have been free for 25 years under all kinds of administrations, we will have to contend with a total tax of about 50 per cent on our cost of manufacture. I

know of no other industry that is so taxed. I know of no other industry that has a duplication of taxes.

The plea has been made to me personally that there are certain ones of these oils that do not go much into perfumery, and consequently they are not subject to the alcoholic tax. That is true; and we have prepared, if we may be allowed to offer it, a suggested compromise upon that basis, whereby we would cut down the oils and materials which we must have in the perfumery business, and which we can not get anywhere but by importing them, from a matter of 30 down to about 8, and would give you a good share of additional revenue, because the other oils that go into soaps, and so on, do not contend with the alcohol tax as our goods do.

I have been in business a great many years, and I am the confidante of a great many manufacturers. I know, gentlemen, as between men, right here, that the average perfumer of this country will be satisfied with 10 per cent, and give 90 per cent of his profits to his work people, salesmen, and promotions. I am not speaking here for buncombe, but from cold facts. I know about these things from the balance sheets of a good many houses. The misapprehension is that everything pertaining to our business is very profitable. But the records of the agencies show that there are very few houses that have made money out of those that I present to you. Their incomes are very modest; they are very energetic in their work; the houses are scattered all over the Union; and they are contending against a great deal of prejudice in favor of foreign goods. The foreign goods for 1911 increased in consumption in this country 28 per cent in spite of that duty. We pray for consideration of the salient facts which are made in this brief, and which have been lightly touched on here. I do not think it was fair to single out our industry for a new sacrifice.

Senator SMITH. It has not been done. Your duty is left higher than it was before, and they have only put a small duty on some of your raw materials.

Mr. RICKSECKER. Senator, the calculations of cost show that the importations will cost but a very trifling amount more—hardly more than 2 per cent, according to calculations that we have made in New York—while the cheaper goods will be allowed to come in because of the lower rate of the specific duty.

Senator SMITH. We leave over 70 per cent tax on foreign products coming in here.

Mr. RICKSECKER. Seventy or seventy-one; it just depends on what they are.

Senator SMITH. Seventy-four and one-half.

Mr. RICKSECKER. But the misapprehension is that our industry is unduly protected, when in reality—

Senator HUGHES. Nobody is looking at your industry from a protective standpoint. They are looking at it purely from a revenue standpoint. If it were not for revenue they would have made a much more drastic cut than that, in my judgment. It was for revenue purposes that they laid such a high duty on it.

Mr. RICKSECKER. In 1893 the House passed a bill of the same character, and the Senate changed it when they learned the facts.

Senator SMITH. If we were not looking at it from the revenue standpoint, we would take the tax off the raw material and put your tax on the manufactured product at about 25 per cent, probably.

Senator HUGHES. Twenty-five or thirty per cent; that is what we would do.

Senator SMITH. A 74 per cent revenue tax is enormous.

Mr. ROCKHILL. We have not got it. It only appears so to you. It will be proven that it is not there.

Mr. RICKSECKER. It is a phantom in the minds of some people.

Mr. ROCKHILL. It is not there. You charge it right back again. They pay it all back to you on the alcohol and in the adding of the 20 per cent to the free-raw materials which they originally had and in the difference in the labor in France and the United States.

Senator HUGHES. That is the usual argument, but it is there; they get 60 per cent ad valorem in plain language.

Senator SMITH. They get 60 per cent ad valorem, and then they get an allowance for the alcohol.

Senator HUGHES. Yes. Now, if there is anything unjust about the alcohol allowance—

Mr. ROCKHILL. We do not get an allowance for the alcohol.

Senator SMITH. They get an allowance on the alcohol equal to our internal-revenue tax on it.

Senator HUGHES. Yes.

Senator SMITH. We tax the alcohol coming in—

Senator HUGHES. They have to pay for all the alcohol they put into it, and that tax they are allowed for coming in, so as to put the foreigner who brings in alcohol on the same basis as the domestic manufacturer.

Senator SMITH. So as to tax the alcohol coming in exactly the same as they pay as an internal-revenue tax.

Senator HUGHES. They get a rebate.

Mr. RICKSECKER. No; we do not get a rebate.

Senator SMITH. The foreigner coming in has got to pay as much as you had to pay into the United States Treasury; at least, that is the theory.

Senator JOHNSON. The 40 cents per pound is to cover that.

Senator SMITH. Forty cents per pound?

Senator JOHNSON. Yes. "A pint is a pound the world around."

Senator JOHNSON. It used to be 60, but they reduced it to 40, and the doctor here says that more nearly equals it.

Senator HUGHES. Of course I do not say that is equitable. I do not know.

Mr. HERSTEIN. Does Mr. Ricksecker mean to contend that the countervailing duty of 40 cents is not sufficient to cover the alcohol tax?

Mr. RICKSECKER. I say that the proposed bill, with 20 per cent additional tax on our raw materials, will raise our taxes 50 per cent on our costs. You have, then, 70 per cent duty and we have 20 per cent to make up the difference in our cost of labor, which is nowhere near what the difference is. I have tables of labor which show that the difference is the difference between \$2.50 a week for girls over there and \$8 a week here.

Senator SMITH. It is 40 cents per pound for the preparations containing alcohol and 60 per cent ad valorem; so that, dropping out the alcohol, you have left a 60 per cent duty.

Senator HUGHES. And he has duties upon his raw material of 20 per cent.

Senator SMITH. Yes.

Mr. RICKSECKER. But the total costs of goods imported and the rate charged under the present law have not exceeded 70 per cent all told.

Senator HUGHES. I do not understand the argument.

Senator SMITH. Of course the raw material you have to pay 20 per cent on is not anything like all of your substance; it is only a small part of it. If it were all of it, you would have 40 per cent still to your credit; and as it is only a small part of it, you have probably 55 per cent left to your credit.

Mr. McCONNELL. The 20 per cent on the raw materials is on practically all the material we use except the spirits.

Senator SMITH. Anyhow, you have over 40 per cent left.

Mr. McCONNELL. The way this tariff works out is that on the high-priced goods it figures out all right; but when we figure it on every dollar's worth of perfume or toilet water that we sell, it is a different thing. The American manufacturers do not sell, as a rule, the same grade of goods, or as much of the high-priced goods, as are sold here of the imported goods. It is only the high-priced goods that come in here. The cheaper goods that are used here are goods that are made here; so that when we sell a dollar's worth of goods here, perfumes or toilet waters of our own make, 30 cents of that goes to the Government; that is, 30 cents of the retail price or the wholesale price.

Senator SMITH. Or, rather, you have paid 30 cents more for the alcohol than it would have cost but for the internal-revenue tax on it?

Mr. McCONNELL. Yes.

Senator SMITH. Your alcohol costs you 30 cents more?

Mr. McCONNELL. Thirty per cent of our sales, not of our costs; 30 per cent of our sales. We sell in this country about \$5,000,000 worth of perfumes and toilet waters, and of that we pay into the Government for internal revenue about \$1,500,000.

Senator SMITH. Thirty cents of that dollar's worth is for alcohol?

Mr. McCONNELL. Thirty cents of that goes back to the Government; not for alcohol, however. We pay for the alcohol besides.

Senator SMITH. Well, it goes to the Government for the internal-revenue tax on alcohol?

Mr. McCONNELL. Yes.

Senator SMITH. Now, if anybody else brings in a dollar's worth that has the alcohol in it, there is a 30-cent duty on it, and then, in addition to that, there is 60 per cent duty ad valorem.

Senator HUGHES. Every consumer of alcohol labors under the same disadvantage.

Senator SMITH. Yes.

Senator JOHNSON. You say the production in this country is about \$5,000,000?

Mr. McCONNELL. That is what we estimate it is, as nearly as we can get at it.

Senator JOHNSON. Our importations in 1912 of perfumery, etc., containing alcohol, were \$738,000.

Mr. ROCKHILL. It is increasing very rapidly.

Senator JOHNSON. Let me see. It was \$582,000 in 1910, and \$534,000 in 1905, and \$337,000 in 1906.

Senator SMITH. What amount of labor do you pay for in this dollar's worth of perfumery? About how much labor is there?

Mr. McCONNELL. Mr. Ricksecker has figured that out; I have not.

Senator SMITH. I should be glad to have either of you tell us.

Mr. RICKSECKER. I can not say that there is any specific amount. I can not give the amount.

Senator HUGHES. It is pretty hard to get at, is it not?

Mr. McCONNELL. Yes, it is, because some goods cost more than others.

Mr. RICKSECKER. There are such a variety of goods.

Senator SMITH. Would you say the labor is about 30 per cent?

Mr. RICKSECKER. There is 30 per cent, anyway, in labor, is there not?

Mr. McCONNELL. Yes; I should say so.

Senator SMITH. If your labor is 30 per cent, we have put a tariff duty on it which is twice as much as all your labor.

Mr. ROCKHILL. You have not taken into consideration advertising and things of that kind.

Mr. RICKSECKER. There is one disadvantage—the tariff has not anything to do with it; it is a condition that actually exists. For instance, one of our good perfumers from the West only a short while ago was in New York with his wife. He makes a good quality of goods—just as good as are made in this country. He and his wife were in a drug store in New York, and a lady came in there and walked up to the counter—a very nicely dressed lady, one of these stylish ladies—and asked the clerk for a certain brand of imported goods. This perfumer's wife stood right behind her; she could not just get the name, and when the lady stepped out she walked up to the clerk and said: "I want a bottle of that same perfumery that other lady bought." Now, they are French goods, and the trouble with our American people is that they will pay more money for the French goods; they will buy them in preference to the American goods, and will pay more money for French goods of the same value every time.

Senator SMITH. I suppose when they pay \$4 for about 10 drops, that is something that came from across the water?

Mr. RICKSECKER. That is "going some."

Senator JOHNSON. We export some perfumes, do we not?

Mr. RICKSECKER. Yes; but there is very little exported from this country.

Senator JOHNSON. About as much as we import—just about the same.

Mr. RICKSECKER. Yes; but the perfumery that is exported is largely Florida water.

Mr. ROCKHILL. It goes to South America.

Mr. RICKSECKER. It is largely Florida water and goods of that kind; not what we call perfumes.

Senator SMITH. What is Florida water made of?

Mr. ROCKHILL. It is made from essential oils and alcohol. There is a concern in San Francisco which has a big trade with China in Florida water. They ship lots of Florida water to China.

Mr. RICKSECKER. I have analyzed the Government statistics and I find they are composed of everything bearing upon the toilet. It is not perfumery; it is soap. Tar soap, even, is included in the statistics, and talc powder. The statistics are misleading for that reason.

Senator JOHNSON. The investigations made by the Tariff Board, which we have here in their glossary, when they were considering the chemical schedule show that they found, according to the census figures in 1905, that the amount of production in this country was \$11,000,000; the total capital invested in the industry was \$4,843,000; the value of products \$11,132,000. In these figures New York contributed 54.8 per cent of the capital invested and 49.2 per cent of the value of products. This gives the number of employees, wage earners, etc., and shows that the amount paid in wages was \$768,000, with a value of products of \$11,132,000.

Mr. RICKSECKER. Yes; I have that glossary and have analyzed it and found that it embraced a whole series of articles such as I have named that are not practically perfumery at all, such as tooth paste and talc powders. I went to see them before the board was dissolved.

Mr. McCONNELL. I was going to say that if you take our own concern, we sell perfumery, but in our regular line there is not 25 per cent of our sales that are perfumery. They are toilet articles that go along with it, toilet soaps, etc. When it comes to the alcoholic perfumes, they do not represent 25 per cent of our gross sales.

Mr. RICKSECKER. And yet, gentlemen, they contain these oils which are taxed in the proposed bill.

Mr. McCONNELL. There is one point that I think a great many of us stumble over—the general idea that there are immense profits in the perfume business. I was talking this morning to a lady who has been with me two years, and she said: “Mr. McConnell, those goods do not cost very much, do they?” I said: “Where in the world have you been for two years that you do not know that these goods cost something?” The general impression is that there is a tremendous margin in the perfumery business. Now, there is a good margin.

Senator JOHNSON. I am glad to know it. I hope you do make money. I am sure you ought to.

Mr. McCONNELL. Well, just one minute. There is a good margin, but there is hardly a line of goods sold in the country to-day that is so expensive to sell and distribute as the perfumes.

Senator JOHNSON. But take the general structure of this bill: The average of the duties allowed there is very much lower than in this schedule. Take the woolen manufacturer, with only 35 per cent. We give you 60 per cent.

Senator SMITH. You have one of the very biggest duties carried in the bill.

Mr. McCONNELL. It looks rather misleading.

Senator SMITH. Any industry that can not get along on a 60 per cent duty ought to move across, ought it not?

Mr. ROCKHILL. I told Mr. Ricksecker, Senator, that that was one of the things some of you would bring up; but you are utterly deceived on the basis that they have a 60 per cent duty. I am not in the business, but I have observed it for 30 years and do the largest business in the country in supplying these gentlemen with raw materials. As far as I am concerned, they will pay me 20 per cent more, and I will get one-fifth more commission to put in my pocket; but I am coming here to support their argument. I speak rapidly, and I think I am as well posted as anyone in this country on this subject, as I think

Mr. Ricksecker will testify. They have not got 60 per cent protection and they have always had these raw materials on the free list.

Senator SMITH. But why have they not got it? The bill expressly provides for 60 per cent ad valorem duty on all of these products when they are imported. They have got to pay 60 per cent on the value of the foreign product when it enters the harbor.

Mr. McCONNELL. They can not import these cheap goods.

Mr. RICKSECKER. Our own competition between ourselves is very severe. The net profits made by our firms are not the rewards equivalent to the labor, and a great many changes have occurred in houses selling out and failing, and so on, since I have been in the business. I have been through vicissitudes in it myself, and one of the misleading features is the very one which disturbs your mind on that question. When it comes to the balance sheet, it is not there. We are up against as stiff a proposition to-day as any manufacturers can be. It is certainly discriminating against us to put an additional tariff on our goods after we pay a revenue tax. I should like to have any gentleman cite another industry where there are two taxes put on by the General Government.

Senator SMITH. There is but one tax put on—the tariff tax. Everybody that uses liquor pays the internal-revenue tax, and you do it just like anybody else does.

Mr. McCONNELL. The perfumers certainly are not hard drinkers.

Mr. RICKSECKER. Our goods are not pernicious; they are healthful, and they give pleasure and satisfaction to the great mass of the working people.

Mr. McCONNELL. I doubt if there are over a dozen concerns manufacturing this line of goods to day in this country that are making anything more than simply a good living out of their business. I think that is right.

Mr. RICKSECKER. I know definitely that it is true, gentlemen.

Senator JOHNSON. The tariff is not the trouble, then; it is your competition between yourselves. You do not have any foreign competition.

Mr. McCONNELL. But if our goods are going to cost us just so much more it makes an additional hardship.

Mr. RICKSECKER. There is very little foreign competition with our cheap goods.

Senator JOHNSON. The cheap perfumes you make in this country have not any foreign competition here, have they?

Mr. RICKSECKER. No.

Senator JOHNSON. They do bring in high priced perfumes from abroad, and people will buy those.

Mr. RICKSECKER. And they can get any price they want to for them.

Senator SMITH. I expect the truth about it is that you have got your prices pretty well established here, and if this 20 per cent tax is put on your raw material you can not raise your prices.

Mr. RICKSECKER. We simply can not do it.

Senator SMITH. And where it will really hit you is not so much as a tariff proposition applied to the 60 per cent on foreign manufactured goods that will compete with you as it is the necessity of putting up this 20 per cent and going home and selling your goods at the same price.

Mr. RICKSECKER. That 20 per cent will have to be paid by the manufacturers. They can not distribute it. It is impossible to distribute it.

STATEMENT OF MR. CLAYTON ROCKHILL, OF NEW YORK CITY.

PARAGRAPHS 47 AND 50.—*Perfumery oils and essences.*

Mr. ROCKHILL. Our firm is one of the largest suppliers of these goods to perfumers, and we are fully conversant with the whole situation. I am satisfied from an observation of 30 years that the perfumer does not have very much protection with this 60 per cent duty as it appears here. As a matter of compromise on the raw materials, I suggested that certain raw materials, a few of them, be left on the free list, because I felt that perhaps you gentlemen, when you were looking at paragraph so-and-so, carrying a 60 per cent duty, could not understand that that was not enough unless you were perfumers and in the business; and of course you have not the time or inclination to go into the business and learn all about it. If they can have the half dozen raw materials free which are the principal raw materials in the perfume business, it leaves you about 200 other articles at 20 per cent, which will bring you in a large revenue. I think then you would be reasonable and right in your treatment of the perfumery industry, which is not very prosperous except in the hands of a few who have other lines of business in connection with it—soap making, for instance, where there are numbers of millionaires who make a little or considerable perfumery. But the man strictly in the perfumery business has really a hard row to hoe against the expert French manufacturer, who has all his crude materials and his cheap labor right on the spot. He grows them in France, and that is practically the only country where they are grown. There he has not that great competition, and they have the advantage of skill and great age and the power of their name and the fact that they make a French perfumery, which some people will have no matter what it costs.

I think if you will give them those raw materials free, of which there are only half a dozen mentioned there, it will allow the perfumers to keep on. Some of them will not keep on if you do not. You will find that to be so when you meet again. Some will keep on that are backed by outside capital invested in their plants. I could name them as fast as I can talk, but I do not think you would want me to do that; but I know what I am talking about, all right.

Here is a list of 200 articles used in the manufacture of perfumery. They have selected about six or seven which are their primary floral products. If you give them those, I think they will get along and still make a living; and I understand privately from a good many perfumers that they are not doing very much better than that.

I know the statistics as to the importations of all these things, what they cost in all the countries of the world, how much is imported, who gets them, what they pay for them, how fast they pay their bills, and I can tell from that whether the perfumers are very strong or not. Under those circumstances, Mr. Ricksecker asked me if I would not come down here and testify before you rather in support of the argument that they needed all the protection which you could give them.

I said to Mr. Ricksecker: "If you perfumers go down before those distinguished Senators and argue for it all, if you want it all put back on the free list, they will turn you down as sure as fate, because they are putting on this duty for the sake of getting a revenue, and they are going to get it, because they think your perfumery is a luxury." It is not altogether a luxury. The raw materials are not. But I said to him: "If you ask for something to help you convince those gentlemen that you need it in the face of the fact that you have apparently 60 per cent protection against the Frenchman"—for the French industry is the only one we have to compete with: all the other countries in the world supply no perfumery to amount to anything—those Senators will study the matter, and, with their level heads, they must know what they are talking about. Now, they will give you a fair share of the articles asked for," although I imagine you gentlemen are opposed to it, from the outlook. But I assure you there is not the 60 per cent protection in there that there appears to be. I could sit down and prove it for you if I had the time.

Senator SMITH. If you will put it in writing, I should like to read it. If you can show me why 60 per cent is not 60 per cent, I should like to have you do it.

Mr. ROCKHILL. I can not show you why 60 per cent is not 60 per cent, but I can show you that that will not shut out French perfumery.

Senator JOHNSON. It shuts out all those that make the cheap goods.

Mr. ROCKHILL. Oh, no; take Hudnut & Co. They make fine goods, just as fine as the Frenchman.

(After an informal discussion, which the stenographer was directed not to report:)

Mr. ROCKHILL. It does not operate in the way you have supposed it does as a protection to the business of these gentlemen.

Senator SMITH. It operates as a protection to the extent of 60 per cent.

Mr. ROCKHILL. To that extent; but it does not operate effectively.

Senator SMITH. You mean it is not as high a protective duty as you think it ought to be?

Mr. ROCKHILL. I mean they can not compete with the French manufacturer at the rate you have put in there. The importations here will increase tremendously as soon as you pass this bill, and instead of being what it is now it will be a million and a half dollars. I will be the gainer myself, as far as I am concerned, for we supply both France and America, so it is nothing to me, except that I come here as a matter of friendship for the perfumery interests.

Mr. RICKSECKER. Thousands of people who are employed in our industry in this country are bound to get a setback, because the output does not allow the present rates and the present time of work if we are going to have an increased duty on our raw materials. We had this experience, Senator. We had attar of rose five years ago at \$5. It has jumped up in price in the market to \$12 or \$15, as the case may be. If you put 20 per cent on that you have got \$3 more, which, at \$15, makes \$18. That is prohibitive. We put up our price on rose goods, and the result was that the sales dropped down; and that is just the tendency of the increased cost of this type of goods.

Mr. McCONNELL. I appreciate the fact that it is a business where a man who does not know it and has not been through it can hardly believe that 60 per cent duty is not all the protection that the business needs.

Senator SMITH. That is more than the labor gets, according to your own statement.

Mr. McCONNELL. I can see that you do look at it that way; but if you had been through the mill, as Mr. Ricksecker has, you would realize that while the 60 per cent is there, you never could find it.

Mr. RICKSECKER. No other nation treats this industry so.

Senator SMITH. I will read anything you gentlemen will put in writing for me, and read it carefully, because you seem to be so intense about it, and, to my mind, so unreasonable about it that I want to read what you have to say and see if I am mistaken about it. I will read it with perfect freedom of mind to be shown why it is. It seems to me your case is very weak, and yet you seem to think it is strong.

Mr. McCONNELL. It is going to affect 200 perfumers, and it is going to affect those people tremendously.

Senator SMITH. Just put in writing everything you want to say on the subject, and let me have it by Monday or Tuesday, and I will read every line of it.

**STATEMENT OF MR. J. SEAVER PAGE, OF NEW YORK CITY,
REPRESENTING C. T. REYNOLDS CO.**

PARAGRAPH 64.—Paints, colors, and pigments.

Mr. PAGE. Mr. Chairman, referring to Schedule A, paragraph 64, H. R. 3321, we beg to call your attention to an apparent inconsistency in fixing the rate on paints, colors, and pigments not otherwise designated, reducing the duty from 30 per cent ad valorem to 15 per cent ad valorem. This would affect the entire paint manufacturing industry in this country, in which large sums of capital are employed by a great number of manufacturers throughout the length and breadth of the country, giving employment to thousands of American workmen.

We note as a general thing that in framing this bill there has been an effort to arrive at such correlated assessment of duties both on finished products and on raw materials as will afford the American manufacturer a fair opportunity to compete with the foreign manufacturer, but we beg to point out that in this particular instance the American manufacturer of these products has been singled out for an exceptionally drastic cut in the protective duties accorded the finished product of this industry as compared with the duties on the materials from which he must manufacture his products.

We submit that the principal raw material in the manufacture of prepared paint is the item of linseed oil, a gallon of ready-mixed paint, for example, containing on the average about two-thirds of a gallon of linseed oil. The duty on linseed oil proposed by H. R. 3321 is 12 cents per gallon, which on the present European price of 38 cents per gallon is equivalent to about 32 per cent ad valorem.

In other words, the linseed-oil industry is accorded a duty of 32 per cent on importations of linseed oil, which duty we consider

entirely justified in view of the great need of fostering the domestic production of flaxseed and linseed oil in this country.

Senator JOHNSON. That is a reduction from what it was. It was 15 cents a gallon, and it is reduced to 12 cents?

Mr. PAGE. It was 15 cents, and you now make it 12.

Senator SMITH. And this rate we make 15 per cent on linseed oil was what?

Mr. PAGE. That was formerly 30.

Senator SMITH. We reduced that one-half!

Mr. PAGE. Yes, sir.

Senator SMITH. And reduced the other from 15 to 12?

Mr. PAGE. Yes, sir.

Senator SMITH. We reduced the other one-fifth; that is your point?

Mr. PAGE. Yes.

Senator JOHNSON. But there are other things, of course, that you use beside linseed oil, on which there has been a reduction; the other ingredients of paint have been reduced?

Mr. PAGE. But this section in the bill conflicts with this duty on linseed oil by providing a means of importing the linseed oil in paint form at a duty less than one-half of that provided for linseed oil as a raw material.

Now, Mr. Chairman, allow me to say that there are 65,000,000 gallons of oil produced in America, and of that the paint and varnish people use 60 per cent. If we who use that as a raw material are satisfied with this 30 per cent on oil, you ought at least to give us the equivalent in the compound article, and our duty is 30 per cent to-day. We are perfectly willing if you reduce it to 25 per cent.

Senator HUGHES. What have they reduced it to?

Mr. PAGE. To 15.

Senator HUGHES. Linseed oil?

Mr. PAGE. No; paints.

Senator JOHNSON. Take the market here at home. You have not had any invasion of your domestic market here by paints?

Mr. PAGE. But we will have if you let this go in.

Senator JOHNSON. Up to date you have not. You have the market. We export paints in large quantities.

Mr. PAGE. Yes, sir.

Senator JOHNSON. Do you feel that there is any danger of the foreign manufacturer coming over here with paints?

Mr. PAGE. I am awfully sorry to say yes. I am a consumer of seven carloads of oil per day, and I buy it all in America.

Senator JOHNSON. The importer has not come over into our market thus far?

Mr. PAGE. He has not.

Senator SMITH. It was 30 per cent.

Mr. PAGE. It was 30 per cent before you cut it to 15.

Senator HUGHES. He fell off \$50,000.

Mr. PAGE. In the importation?

Senator HUGHES. Yes.

Senator SMITH. How much linseed oil comes in by importation?

Mr. PAGE. Very little.

Senator SMITH. The real criticism you make is that the duty on linseed oil ought to be reduced?

Mr. PAGE. I do say that very modestly.

Senator JOHNSON. You make the ad valorem much higher than they give it here in our book. You make it 30 per cent. They give it here as 18 per cent.

Mr. PAGE. I assure you to-day the market abroad is 40 cents for linseed oil.

Mr. HERSTEIN. If you will permit me, I would just like to say a word with reference to the linseed-oil situation that might throw some light upon that question.

Senator JOHNSON. Dr. Herstein wants to make a statement about the linseed-oil situation.

Mr. HERSTEIN. I want to say that the duty on linseed oil actually enters as a very, very small factor into the consideration of the duty on the paints, for this reason, that while the duty on linseed oil, as the gentleman has stated, at present amounts to really something like 30 per cent, as a matter of fact, within the last three years linseed oil has been fluctuating to a tremendous extent, owing to a certain shortage which we have had here in this country, so that a little more than a year ago linseed oil was actually selling at about a dollar, and even above that.

Mr. PAGE. \$1.05.

Mr. HERSTEIN. In the making of the duty on linseed oil a good many other factors have to be considered, primarily the duty on linseed, which is a very important item. What we import into this country very largely is linseed, not the oil, and then we are allowing a drawback on what he exports. As a matter of fact, the linseed in this market is actually sold at almost the same price at which it is sold in England, with a very small differential. So, to all intents and purposes, while the duty on linseed oil is 12 cents, it plays little part, and they get it practically at what they get it for in London, with just the freight differential incidental to shipping those things.

Senator HUGHES. This reduction did not affect them in any way?

Mr. HERSTEIN. Not at all. As a matter of fact, that duty on linseed oil, if you took it off entirely, would not affect the market at all.

Senator SMITH. Your point is that the duty on linseed oil does not affect the price?

Mr. HERSTEIN. It does not. They actually have a free-trade market in linseed oil.

Mr. PAGE. Allow me to demur to the doctor's statement when he says it would not affect me. When it comes in in the shape of prepared paint, and two-thirds of the paint is linseed oil, it will affect us.

Senator SMITH. His position was that the linseed oil sold as cheaply here as it did abroad.

Mr. PAGE. About.

Senator SMITH. Therefore, while the duty is left on linseed oil, it does not affect the price of the linseed.

Mr. PAGE. Because we have not had this 12-cent rate in effect yet, with that 15 per cent reduction.

Senator SMITH. What difference does the duty on linseed oil make if the oil sells as cheaply here as it does abroad?

Mr. PAGE. I grant you; but it does not. At the moment the difference is 5 cents. We buy a little in New York for 45 or 40 cents in London. But it varies very largely.

Senator SMITH. That is a little over 10 per cent, then?

Mr. PAGE. Yes, sir; but the point I make is this, that if you can bring two-thirds of the oil in in a paint at this 15 per cent duty, you will get lots of oil coming in as paint that we fellows can not stand. All we ask is this, if you will give us 25 per cent on our paints, we will be perfectly content to pay this duty on linseed oil.

Senator HUGHES. But you do not pay it, do you?

Senator SMITH. Suppose the duty on linseed oil were reduced to 10 per cent?

Mr. PAGE. I do not want to go against my manufacturers, the people I buy from. I do not want to appear to antagonize them. But I do think, for a manufacturer who requires no more wit than putting seed in between two stones, and out oozes the oil, it is kind of tough to put 30 per cent, while in my business, in which we have to have chemistry and expert talent, you give us only 15.

Senator SMITH. What explanation have you, Dr. Herstein, for putting 30 per cent on linseed oil and only 15 per cent on the paint?

Senator HUGHES. They gather seven or eight million dollars worth of revenue on the preliminary prices. Then they have to show it in this. It cuts no figure at all.

Senator SMITH. Then why ought it not show in paint, too?

Senator HUGHES. It can not show in paint.

Mr. PAGE. That is my contention.

Mr. HERSTEIN. I want to make this statement here, that linseed oil enters into the manufacture of varnish almost to the same extent that it enters into the manufacture of paints.

Mr. PAGE. Allow me to say, not quite.

Senator SMITH. Almost?

Mr. PAGE. Almost. But I was going to add that to my argument, that you give a duty on varnish of 10 per cent, a talented business of manufacture, and yet we consume the linseed oil in that and you make us pay 30.

Senator SMITH. One of the largest manufacturers of varnish was, last year, before the Senate Finance Committee and made a statement that if conditions were left as they were under the present Payne bill he would not care if the varnish should go on an entirely free-trade basis.

Senator JOHNSON. That was ex-Gov. Murphy.

Senator HUGHES. He has not made the slightest complaint to me about this bill.

Mr. PAGE. I had a telegram from him telling me that he regretted he could not go with me, but to present his views.

Senator JOHNSON. He was before the committee a little more than a year ago, and at that time he was complaining because we had taken the nut oil from the free list and put it on the dutiable list.

Mr. PAGE. That is right.

Senator JOHNSON. And he said if we would leave Chinese nut oil and shellac upon the free list, they did not need any protection.

Mr. PAGE. Then he did not expect you were going to reduce his varnish?

Senator JOHNSON. No; he said they did not need any duty upon the varnish; that the varnish trade could hold its own in this country, as I recollect his statement.

Mr. PAGE. I will tell you why it may be able to hold its own, because there is great brain power in the manufacture, but there is no brain power in linseed oil.

Senator SMITH. Do you sell the paint by the pound or by the gallon?

Mr. PAGE. By the pound and per gallon.

Senator SMITH. What part of its value is the linseed oil?

Mr. PAGE. Two-thirds of it in prepared paint.

Senator SMITH. The linseed oil comprises two-thirds of the cost of the prepared paint?

Mr. PAGE. There are two-thirds of a gallon of oil to a gallon of paint.

Senator SMITH. I understand; but in point of value?

Mr. PAGE. The linseed oil is the highest value.

Senator SMITH. What proportion of the value? What does a gallon of paint sell at?

Mr. PAGE. At about \$1.50.

Senator SMITH. What is the cost of the linseed oil that goes into that \$1.50 of paint?

Mr. PAGE. It will be two-thirds of a gallon. That would be, at the present rate, about 40 cents. But linseed oil varies.

Senator SMITH. It would be 28 cents, two-thirds of 40?

Mr. PAGE. Yes.

Senator SMITH. So that your 30 per cent on the linseed oil would be 8½ cents, and your 15 per cent on the paint would be 22½ cents, so that you would have, on that gallon, 14 cents more tariff on a gallon of paint than was on the linseed oil. You would pay 8 cents tariff on the linseed oil, if you brought it in, and anybody who brought paint in to compete with you would have to pay 22½ cents a gallon. But you would have a differential of 14 cents a gallon on the manufactured product of paint, as compared to the linseed oil, would you not?

Mr. PAGE. I have not figured it out practically that way, but you set me thinking on it. My impressions were that if they could bring in prepared paint with two-thirds of it linseed oil, that fact would be an advantage over us.

Senator SMITH. But the value of the prepared paint would be \$1.50, and the value of the linseed oil in it would be only 28 cents, and the tariff on the linseed oil in a gallon of paint would be only 8½ cents, and the tariff on the gallon of paint would be 22½ cents.

Mr. PAGE. Very well, then. Even at 22½ cents, you are bringing in paint at a much less duty than the linseed oil, are you not?

Senator SMITH. Not at all. We are getting 14 cents more on that gallon of paint than on the linseed oil that went into it.

Mr. HERSTEIN. Only two-thirds of a gallon of linseed oil.

Senator SMITH. Yes; I have figured that out. Two-thirds of a gallon of linseed oil.

Mr. PAGE. When I gave you the price of paint, I gave you the selling price. If you run me on the cost price, you have to put it a good deal lower than that.

Senator SMITH. I was taking the tariff on the English selling price of the oil.

Mr. PAGE. Yes, sir.

Senator SMITH. And also the tariff on the linseed oil that went into the gallon of paint. I was taking the selling prices all around, which show that 14 cents more of tariff would have to be paid to bring in

your gallon of paint than was paid to bring in the gallon of linseed oil that went into the gallon of paint.

Mr. PAGE. I have to go back and figure a little more.

Senator HUGHES. Suppose you figure that and submit your figures.

Mr. PAGE. I will; but allow me to ask you, do you not think a business that requires intelligence and talent of a high order should get at least as much duty as the material that goes in?

Senator SMITH. We have shown here that it gets 14 cents a gallon more duty; that the difference in the ad valorem value of the two makes the duty 14 cents a gallon more than the linseed oil that went into it.

Mr. PAGE. If you allow us, under this new tariff, we may bring in paint with a great deal more oil in it, with little pigment in it, and use it for oil. You would lay yourself liable to have it come in as oil.

Senator SMITH. Your idea is that they will really bring in oil at the 15 per cent?

Mr. PAGE. That is the point I am making. That is the danger I fear in my business.

Senator SMITH. They could not sell it as paint in competition with you if they have put only a little pigment in it.

Mr. PAGE. They will put in a little more and they will send it out as paint; put in a little more pigment and away it goes. You see, we do not want to antagonize the oil men in any sense. Their raw materials come to us. But they are manufacturers, and yet they get, according to your bill, 30 per cent duty, and we, with our high order of chemistry and talents, in a business that requires the greatest expert information in the world in the combination of colors, get only 15. It does not seem right.

Senator SMITH. And yet, when we work it out in figures, as I have done just now, it shows you get 14 cents a gallon more than the oil gets.

Senator HUGHES. Senator Smith is figuring on what would probably happen under the law as it stands. The suggestion you make is what might happen after the change.

Mr. PAGE. At this moment your proposition is sound. But I want to tell you we paid \$1.05 for linseed oil last year. It is now selling at \$1.45.

Senator SMITH. That would make a very substantial difference.

Mr. PAGE. You can see there is a pretty hard proposition.

Senator HUGHES. Have you a brief here you can leave with us?

Mr. PAGE. Yes; I will do so.

Senator SMITH. What other things go into that gallon of paint besides the oil which our proposed bill lessens the duty on and makes cheaper to you? Are there any?

Mr. PAGE. No, sir. The component parts of prepared paint are zinc, lead, ochre, venetian red, and such like.

Senator SMITH. Have we lessened the duties on them in any way under this bill?

Mr. PAGE. No, sir.

Senator JOHNSON. I thought we had on all of them.

Mr. PAGE. The lead is about the same.

Dr. HERSTEIN. The lead was reduced, the zinc was reduced, the ochers were reduced—practically every single item entering into the manufacture of paint and varnish had the duty cut very heavily,

with the exception of the item of lead, where the duties were not cut as heavily as we thought. All other duties have been cut very heavily. The gentleman has the bill right before him with reference to zinc.

Senator SMITH. You use white lead very largely?

Mr. PAGE. Yes, sir.

Senator SMITH. The duty on that is 25 per cent?

Mr. PAGE. Yes. And I want to say to you that you have covered in your bill the importation of goods that contain white lead. They must come with 25 per cent. It is other articles that govern the case. Under one of your paragraphs you have restricted the entrance of white lead in a paint to be charged at the rate of duty of 25 per cent.

Senator SMITH. Your idea is that if the linseed oil went up to a dollar again then the 30 per cent duty on it would be—

Mr. PAGE. We would have the devil to pay.

Senator HUGHES. Is it possible to take those pigments out of the linseed oil?

Mr. PAGE. Easily.

Senator HUGHES. After they got it in?

Mr. PAGE. Yes, sir; easily.

Senator HUGHES. It would be possible for them to bring in 98 per cent linseed oil and 2 per cent pigment, and then extract the pigment?

Mr. PAGE. Yes, sir.

Mr. HERSTEIN. From an administrative point of view that is absolutely excluded. No examiner would pass linseed oil containing over 5 per cent, or even 10 per cent, of pigment, as a paint. That would be classified as an oil, because the oil would be the material of chief value.

Senator HUGHES. That would be taken care of by the administrative features of the bill?

Mr. HERSTEIN. Absolutely. That is absolutely impossible.

Senator SMITH. But if that could be done you could bring your oil that way, too?

Mr. PAGE. Exactly.

Senator JOHNSON. It would have to bear the duty of the material of chief value on it.

Senator HUGHES. Submit your brief.

Mr. PAGE. Now, I close my story by saying that although we now get 30 per cent on paints and varnishes, we are perfectly content if you will reduce that to 25 per cent, and we will go along and do the best we can.

Senator JOHNSON. You can get along at 20 per cent?

Mr. PAGE. We will even stand that. But I think you will admit that if linseed oil, which requires nothing but a Chinaman to watch to see whether the thing comes out in good shape, gets 30 per cent, a fellow who is working hard, with the best talent in the world, should get more than 15 per cent.

Senator HUGHES. You understand he has to pay a duty on his flaxseed. That is the reason he gets 30 per cent.

Mr. PAGE. No. That is the nonsense of it. Here we are, 60 per cent consumer of that commodity, and yet we do not kick.

Senator SMITH. You think if 15 per cent is the duty on your paint, we certainly ought not to have more than 15 per cent on linseed oil?

Mr. PAGE. No; not more than 10. Anybody can make linseed oil.

Senator JOHNSON. You think that is catering a little to the farmer?

Mr. PAGE. Oh, my; it is all farmer. [Laughter.] Here is a paint association willing to pay that and not kick. But now, for heaven's sake, do not cut us down; that is all. We say, as a paint association, we are willing. We ought to tell you you are doing us a great wrong. You ought to make linseed oil 10 per cent. But we do not, because we are in love with the farmer, too. We sell the farmer lots of goods.

Senator JOHNSON. You do not want to attack the system?

Mr. PAGE. We sell them lots of goods. As I tell you, I consume two carloads of oil a day. I can not do that if you put that bill through. There is a factory in Chicago, another in New York, and a factory in Newark, and, by Jupiter, you will see some of my men quitting if you send that bill through. That is not a threat; that is only the plain truth. It will have to come.

Senator HUGHES. We get \$1,700,000 revenue.

Mr. PAGE. I know it. I am in love with the farmer. I sell him a great amount of goods. I put my advertisements all over and say "There is nothing like the Devoc paint," and he gets crazy and says "Give me Devoc."

Senator HUGHES. Are you the man who decorates the landscape with signs?

Mr. PAGE. I am that man; yes, sir. And, hear me, I am in love with the farmer. That is the reason I pine for his business.

Senator HUGHES. This is supposed to be a revenue measure, and under the present law we collect \$1,718,000 from that item. And, of course, we have to preserve that revenue.

Mr. PAGE. Preserve it, but do not kill us in the meantime. We will help you preserve it. That is the end of my story. I thank you for your courtesy, and I assure you Frank Murphy did his level best to come with me, and told me to be sure and say that he hoped you would correct this injustice. He is a great big manufacturer, you know. You get only 10 per cent on such an article as varnish, that requires the highest brains, and you have 30 per cent on the rottenest product in the world, linseed oil—I mean as a manufacture; no brain power; no expert information in it; the thing just oozes out.

Senator JOHNSON. He is partly responsible. He came down and said if he had his nut oils and his gum on the free list he could get along.

Mr. PAGE. But he had no idea you were going to reduce. You would have seriously crippled us if you had not taken that off, because I want to tell you something; those linseed-oil fellows are very smart. Did you notice they got that nut oil free in the earlier duty? Why? Because it ate into their market tremendously.

Senator JOHNSON. They got it on the dutiable list you mean?

Mr. PAGE. They got it on the dutiable list, yes. It was free, but they were smart enough to do that, and we rose up, and your House committee felt that was wrong, and they would not listen to us on this proposition, although it seems equally clear, they felt that sure, when it came to the Senate, they would never submit to this thing. I just left Senator O'Gorman, of New York, and I told him my case. He said "My goodness, Mr. Page, they will fix that for you. You go to them and talk to them." [Laughter.]

Senator SMITH. Every fellow is willing to fix it if somebody else will. It is always the fellow who has not the responsibility who is ready to fix it.

Mr. PAGE. I have in my pocket a card to your chairman saying, "My dear Mr. Simmons: Mr. Page is my friend, but he is a Republican." I was introduced as his friend, "Why?" Because I represent a great big business.

STATEMENT OF MR. WILLIAM H. BOWER, OF PHILADELPHIA, PA.

PARAGRAPH 65.—*Yellow prussiate of potash.*

Mr. BOWER. I wish to talk on paragraph 65, yellow prussiate of potash.

Mr. Harrison said in the House that we have been penalized, that is, that our process of manufacture here was obsolete, that it was not what it was abroad, and immediately after Mr. Harrison made those remarks in the House we wrote a letter to Mr. Harrison, a copy of which was sent to Mr. Simmons, telling him that our processes and raw materials were exactly the same as were used abroad, in Germany, in Belgium, and France, and asked him to please do something for us.

Senator SMITH. What is it worth a pound?

Mr. BOWER. Here it is worth, on contracts, about 15 cents a pound.

Senator JOHNSON. What is it worth abroad?

Mr. BOWER. 12.48 cents.

Senator HUGHES. Is that the bicarbonate?

Mr. BOWER. No, sir; this is yellow prussiate.

Senator SMITH. It makes an ad valorem of about 15 per cent.

Mr. BOWER. According to Mr. Harrison's calculation, it was about 10 per cent. We were penalized for obsolete methods. That is the point that I want to make, that we were penalized for obsolete methods when our processes were not obsolete, but were fully up to the foreign manufacture.

Senator JOHNSON. Let me get your idea. You say here that it costs you how much to manufacture at your factory?

Mr. BOWER. I have this here, Senator, if I might give it to you.

Senator JOHNSON. Just state to me, can you not, what it is?

Mr. BOWER. The excess cost in this country is 2.157.

Senator JOHNSON. What is it, about, at your factory?

Mr. BOWER. That is what it is.

Senator JOHNSON. You give me the excess, but what is it here, per pound?

Senator HUGHES. What do you sell it for?

Mr. BOWER. I sell it for 15 cents.

Senator JOHNSON. Fifteen cents, and it costs the foreign manufacturer to make it, 12½ cents?

Mr. BOWER. No; I think about 9 cents.

Senator HUGHES. It costs him nearly 10 cents.

Senator JOHNSON. The unit of value, according to the figures, is nearly 10 cents.

Mr. BOWER. We would like to have 2 cents a pound.

Senator HUGHES. How much?

Mr. BOWER. Two cents.

Senator JOHNSON. What does it cost, about, to manufacture? You have given us your selling price at 15 cents. What does it stand you at the factory after it is manufactured?

Mr. BOWER. At the factory?

Senator JOHNSON. Yes.

Mr. BOWER. About 11½ cents.

Senator HUGHES. Eleven and one-fourth cents puts you on a strictly competitive basis almost for the year 1912.

Mr. BOWER. You see, the drag-net clause in the chemical schedule is 15 per cent, and nearly all chemicals have 15 per cent; and as I am trying to make clear to you, we have been penalized for obsolete methods, which brought it down to less than 11 per cent ad valorem.

Senator HUGHES. Eleven per cent ad valorem on the present price?

Mr. BOWER. Yes.

Senator HUGHES. They figure it at 12½ per cent ad valorem. Has there been a change in the price?

Mr. BOWER. It is a varying article.

Senator HUGHES. Is the specific the proper duty to lay?

Mr. BOWER. Yes.

Senator HUGHES. You think it is better than an ad valorem, do you?

Mr. BOWER. Yes.

Senator HUGHES. Have you a brief?

Mr. BOWER. All of these communications have been handed in to your committee. I suppose they are on file.

Senator JOHNSON. Does this vary in price?

Mr. BOWER. Yes.

Senator JOHNSON. With different qualities?

Mr. BOWER. Yes.

Senator JOHNSON. How much?

Mr. BOWER. It varies in the year, I suppose, plus or minus a cent and a half.

Senator HUGHES. Senator Johnson asked you if there were different qualities.

Mr. BOWER. Oh, no, sir; one quality.

Senator JOHNSON. Have you anything more?

Mr. BOWER. Nothing more. I have already filed these briefs.

STATEMENT OF MR. W. H. WADHAMS, REPRESENTING THE D. T. BABBIT CO., NEW YORK.

PARAGRAPH 67.—Soaps.

Mr. WADHAMS. Mr. Chairman, we appear on behalf of the laundry-soap manufacturers, common soap, paragraph 67, representing over 75 per cent of the production of common laundry soap.

Senator HUGHES. You represent all other soaps not specifically mentioned in this section, 5 per cent ad valorem?

Mr. WADHAMS. Yes.

Senator HUGHES. What was the rate before?

Mr. WADHAMS. Twenty per cent ad valorem. The largest reduction is made on that article of any, except the borax, which is entirely produced in this country.

Senator JOHNSON. The importations given here for 1910 were \$118,043. The production was \$91,831,000.

Senator SMITH. And I suppose that tax really was raised from the high-grade soaps.

Senator JOHNSON. There was an export that year of \$3,670,000. That is all other soaps not specifically provided for.

Mr. WADHAMS. We represent the common laundry soap, which is the poor man's soap. He uses it for every purpose, for laundry and for hand soap. The consumption in the country is approximately 20,000,000 pounds.

Senator JOHNSON. \$91,000,000 worth is given here as the production for 1910.

Mr. WADHAMS. Those figures do not represent the entire consumption of common laundry soap as we figure it, because our experience shows that a family will use about 100 pounds of soap a year.

When we appeared before the Ways and Means Committee we made this statement, "No change of this item is requested or desired." That is to say, we were addressing ourselves to the bill which was before the House last year, which proposed a reduction from 20 per cent to 15 per cent ad valorem. "Provided, the raw materials used by soap manufacturers were allowed to remain on the free list, and should not be taxed." We find that in the House bill as passed the duty, instead of being reduced from 20 to 15 per cent, was reduced from 20 to 5 per cent, and that on the essential oils, including those used in the manufacture of common laundry soap, a duty of 20 per cent ad valorem was imposed, so that the 20 per cent ad valorem was added to our cost of production on these essential oils, and the manufactured articles reduced from 20 to 5 per cent.

Senator SMITH. What proportion of the cost of production do the oils represent?

Mr. WADHAMS. It is a very small proportion of the production. It amounts to a good deal in dollars and cents in the total volume of the manufacturing business, but the actual amount in any given box will vary somewhat in the grade of the common laundry soap.

Senator SMITH. What would be an average percentage?

Mr. WADHAMS. About 1 cent a box, we figure, would be the average.

Senator SMITH. What per cent of the cost of producing the soap is the oil?

Mr. WADHAMS. I think it is only about $1\frac{1}{2}$ per cent, as I remember it. There is a formula, which we prepared, which we put in, and which I think was about $1\frac{1}{2}$ per cent.

We think that the principle of putting a tax on this raw material and at the same time reducing the tax on the finished article is one that we should protest against and ask relief from.

Senator HUGHES. If the 5 per cent is enough, there is not any particular reason why you should protest. Fifteen per cent will more than equalize any duty they put on the raw material.

Senator SMITH. Twenty per cent of the $1\frac{1}{2}$ would be about three-tenths of 1 per cent.

Senator HUGHES. There is 5 per cent ad valorem on the soap.

Senator SMITH. It would be about three-tenths of 1 per cent tax put on what goes into the production and 5 per cent on the actual production.

Mr. WADHAMS. Yes. But you must realize the conditions under which this business is done. The proposed reduction is 45 cents on a \$3 box of soap, and you can readily see what that would mean in the advantage to the foreign competitor. He has at present in Germany and England an advantage over the American manufacturer in the alkalis.

All of our basic oils—that is to say, the vegetable oils which we import—we import through European markets. They come from the Orient, are bought by us through European markets, so that they have that advantage. Then they have, of course, the additional advantage of the condition of labor, with which you are familiar, and the only question in putting us on a competitive basis with the importers is whether or not the freight costs which they would have would equalize the import duty. This reduction of 45 cents a box is a practical invitation to invade our market, which we are already informed the foreign manufacturer is getting ready to do. It will show conspicuously in the insular possessions. For instance, before we took over the insular possessions, taking Porto Rico as an instance, it was entirely in the hands of English and Spanish soap manufacturers. We would like to file with you a table showing how we have increased our market in those islands, and in Hawaii and in the Philippine Islands, under the present conditions.

With this change——

Senator HUGHES. By "change," what do you mean?

Mr. WADHAMS. I am addressing myself particularly to the reduction of the manufactured article from 20 to 5 per cent. These insular markets would be invaded at once. There is another feature. This is not a large and concentrated industry, such an industry as has been called a trust in other lines. This is a highly competitive business. There are soap manufacturers in every State in the Union. They are competing for all the markets, and they are giving the best quality and the best quantity for a given price in order to keep their business in those markets. The margin of profit on common laundry soap has been very small indeed.

The greater number of these competitors are small manufacturers. The largest manufacturers of common laundry soap in the world are situated in England. When you get the overhead charges in the manufacture of goods of this kind spread over a large number of boxes, you can readily see that the larger the volume the more readily competition may be carried on in the sale of an article of this kind. The effect of this reduction, I think, would bear most heavily upon the smaller manufacturers, and this committee which appears before you represents not only the concern for whom we are speaking, but all these smaller manufacturers, who have asked us also to plead their cause here. Every little locality, pretty nearly, has its little soap factory, and the reduction, making the change all at once, from 20 to 5 per cent, we consider is too radical.

We have not added to the high cost of living. We appreciate that an effort has been made in this tariff to adjust trade abuses. We do not come under that class, because the business has not only been highly competitive, but, with the general upward tendency of prices, there has been no increase in the price to the consumer of common laundry soap. It has remained just the same as it has always been, and therefore there is no reason, from that point of view, for the

drastic reduction which has been proposed. Compare the reduction, for instance, on this, with the other soaps mentioned there. The largest reduction, the burden of it, is placed upon the common laundry soap.

Senator SMITH. I suppose that was upon the idea that that is the soap that the man of limited means used, and the fancy soaps were not necessary, and if they wanted to use these fancy toilet soaps, they could pay something for them.

Mr. WADHAMS. I think that is right. We are in sympathy with that point of view. But we think the thing has been carried too far. There is a 75 per cent reduction in that article.

In regard to the essential oils, I wish just to make this point: We think there should be a distinction made in the essential oils. We have prepared a list which we would like to file with the committee. You appreciate that a soap is made from a combination of alkali and some base. Animal fats or vegetable oils are used as a basis.

Senator JOHNSON. Before you go to that, as you are speaking of what it is made of, let us take the other ingredients that you use in making soap, and see what was done in this bill. Tallow had formerly a duty of half a cent a pound, did it not?

Mr. WADHAMS. Yes.

Senator JOHNSON. That is now put on the free list in this bill?

Mr. WADHAMS. Yes.

Senator JOHNSON. Soda ash was formerly protected; that is put on the free list. You use that. Silicate soda was protected. That is on the free list; and caustic soda was cut in half.

Mr. WADHAMS. From a half a cent to a quarter of a cent a pound.

Senator JOHNSON. All of which you use in the manufacture of soap, do you not?

Mr. WADHAMS. Yes; and none of them we import.

Senator JOHNSON. But, nevertheless, the duties were reduced upon them, and some of them put on the free list.

Senator SMITH. Which, if it acts upon those duties just as it is supposed to act on the others, will bring down the prices of those raw materials, if they could be considered raw materials.

Mr. WADHAMS. Yes; we appreciate that has been done.

Senator SMITH. I suppose the House thought that was worth 5 per cent of your duty to you or a quarter of it.

Mr. WADHAMS. We have not said that there should not be a reduction from the 20 per cent ad valorem. We are in sympathy with a reduction, but we think the reduction has been too radical, and we would be glad to state our views as to what we think would be fair and reasonable under all the circumstances.

Senator JOHNSON. Go ahead. I did not want to interrupt you in your discussion of the ingredients.

Mr. WADHAMS. Our position is this: We want to be reasonable about it, and we are trying to look at it in a reasonable way. We appreciate that some reduction may be made in the tariff on the manufactured article, but we contend that these oils, which have always been on the free list and are used as one of the ingredients of this article, should not be selected among the ingredients that are selected to bear the burden of the tax, just on the ground that Senator Smith suggested, that it is a poor man's soap, and that burden should not be put upon that article. If the essential oils are permitted to

remain on the free list, where they have always been—that is, those we particularly use—we think the duty should not be reduced below 10 per cent.

In regard to those essential oils, there is a great difference in them. They range all the way from attar of roses, which is selling at \$13 an ounce, down to the cheaper oils, which sell for 10 or 15 or 25 cents a pound. They are all classed together here in paragraph 47. The suggestion which we make is that the essential oils used in the manufacture of laundry soap should be differentiated from the others. The purpose of the use of these is not, as it is in perfumery, for a luxury. The purpose of the use of the essential oils in common laundry soap is to overcome the odor of the tallow, and make it so that the poor man or the laundry shall have something that is not disagreeable to use.

Senator HUGHES. Will you point out the particular products that you think would be affected?

Mr. WADHAMS. Citronella.

Senator HUGHES. Is that used for any other purpose?

Mr. WADHAMS. No: that is practically used, as I understand, entirely for this laundry soap business. And the same applies to the others. We have here Mr. Walke, who is an expert in these matters, who knows what these all come from, and where they come from, and the list that is used in common laundry soap practically entirely is as follows: Citronella, rosemary or anthoss, cassia, caraway, aspic or spike lavender, saffras, oil of champhor, and oil of cedar wood. Our petition is that these which I have named—and we will file a memorandum of them with the committee—should remain on the free list, where they are now, as they are the lower-priced oils. In that connection, it would not so materially affect the revenues.

Senator HUGHES. Are any of those used for any other purpose than to disguise the smell of common soap?

Mr. WADHAMS. I can not answer that absolutely, but I can say that they are practically used almost exclusively for this. They may be used in small quantities for other things, but that is the principal use to which they are put, to overcome the smell of the tallow in common laundry soaps.

Senator SMITH. These commodities that have been put on the free list that were taxed before, to what extent do they form a part of your material used in manufacture?

Mr. WADHAMS. Take, for instance, tallow. There are two kinds of soap, both of them common laundry soap. One is a tallow-base soap, the other is an oil-base soap. The tallow-base soap is, in some sections of the country, being supplanted by the oil-base soap, as it is better in hard water, makes a better lather, etc. All the floating soaps are oil-base soaps. When you use tallow, and you are making that kind of yellow or laundry soap, or tallow-base soap, the percentage will vary from 25 to 50 per cent for your base. The situation in regard to tallow is, that with the decrease in the production of animals in this country, the price of tallow has very rapidly advanced, and has been concentrated in the hands of those who had concentrated the meat business, with the result that the market has, during recent years, rapidly advanced. That, together with the scarcity of tallow, has led to the greater and greater use all the time of these oils as a substitute for tallow, and will in the future lead also to the

importation of tallow from foreign markets, as Argentine and Australia, and we appreciate that tallow should be on the free list more particularly in view of the future than in view of the present condition.

The oils had always been on the free list; they remain there.

Mr. BROWN. That is, the heavy oils.

Mr. WADHAMS. That is, the heavy oils, the basic oils, not the essential oils.

Senator SMITH. It is the perfume oils only that have been put on the taxed list?

Mr. WADHAMS. Yes. Potash was on the free list and has remained there. The essential oils have been taken from the free list, and 20 per cent ad valorem placed on them, regardless of whether they were perfumery essential oils or the laundry soap essential oils.

Senator HUGHES. These oils you have named are common soap essential oils?

Mr. WADHAMS. Yes, sir.

Senator SMITH. What do you mean by the term "essential oils?"

Mr. BROWN. Distilled oils.

Mr. WADHAMS. I think it refers to the method of production.

Mr. BROWN. They are volatile, distilled oils. They are not basic oils.

Mr. WADHAMS. Coming to another item, here is linseed oil. When linseed oil is used, it will be approximately 10 per cent of your total weight of raw material. This has been reduced from the present duty of 15 cents a gallon to 12 cents a gallon. The vegetable tallow and vegetable greases remain the same. Silicate, or soda, is from 1 to 2 per cent of total weight of the ingredients, and that has been reduced from three-eighths of a cent a pound and placed upon the free list. Caustic soda varies from 12 to 15 per cent of the total weight. That has been reduced from a half a cent to a quarter of a cent per pound. Soda ash has been taken from a quarter of a cent and placed upon the free list.

Senator JOHNSON. And borax.

Mr. WADHAMS. Borax has been reduced from 2 cents a pound and placed upon the free list. Borax is produced entirely in this country. In fact, all these articles I have mentioned are produced in this country. They are not imported articles. These essential oils we have to buy from abroad. Although I appreciate it has a certain leveling and steadying quality to take articles that bore a tax on them before and place them upon the free list, we appreciate, nevertheless, that effect may be or may not be immediate. It may not change the price at all, as long as the American market is the market for those goods; but as to the essential oils, there being no market, that is certain.

Senator JOHNSON. Take that in regard to tallow. As you say, it has a steadying influence. In the Wilson tariff it was on the free list, and we imported 8,260,000 pounds. The Dingley tariff of 1905 put a duty of three-quarters of a cent a pound upon tallow, and the importations fell from over 8,000,000 to 278,000 pounds. Do you not think the imposition of that tax had something to do with that?

Mr. WADHAMS. I think it will have more to do in the future.

Senator JOHNSON. It must have then, of course.

Mr. WADHAMS. I presume so.

Senator SMITH. Putting it on the free list then seemed to have an immediate effect.

Senator JOHNSON. Then the Payne tariff reduced it from three-quarters to a half a cent, and the importations rose from 278,000 pounds to 911,000 pounds. If we took the whole thing off, a half a cent a pound, you would look for larger importation, of course, and it would have some effect upon the price of tallow to your soap makers?

Mr. WADHAMS. I should think it ought to. I think that is a fair anticipation; yes.

Senator JOHNSON. I hope it will.

Mr. WADHAMS. We hope so. We are here merely to try to perfect, from our point of view, what we think is a very fair schedule in regard to our industry. But we think that the suggestions which we make are reasonable. We are willing to concede without protest a reduction on the manufactured article. But we think the proposed reduction is too severe to do all at one jump, certainly, and will invite an invasion of the market.

Senator SMITH. Do you not think that the reduction of the tax and the carrying to the free list of the commodities that you use so largely in your manufacture will be equivalent to at least 5 per cent of the duty which you have lost?

Mr. WADHAMS. I could not estimate it, but for the purpose of argument I would be willing to say yes to that, and that would bring us down to 15 per cent; from 20 per cent duty down to 15 per cent.

Senator SMITH. Or, added to the 5 per cent we leave, it would leave you a continuing duty of 10 per cent, or about half what you had before?

Mr. WADHAMS. Yes; perhaps so. But these things that have been placed upon the free list are more apparent than real. The tallow, I think, is the most substantial of those gains. The other things do not amount to much. Take, for instance, borax, practically produced entirely in this country.

Senator HUGHES. It would not give them more than 5 per cent if they were all free.

Senator SMITH. My suggestion was that the free raw material would give them 5 per cent, which would really leave their reduction not 75 per cent, but 50 per cent. It would be equivalent to a reduction of from 20 to 10, but with the additional help they get from their free raw material. That is what I was considering, as to whether the actual reduction, as far as their business was concerned, taking into consideration the commodities put upon the free list, amounted to more than the reduction of the 50 per cent.

Senator HUGHES. It is less than 5 per cent, obviously. He can not have more than 5, because 5 per cent is the rate given them, and some of the raw materials are taxed.

Senator SMITH. But a good many of his raw materials have been put on the free list that were before taxed.

Senator HUGHES. Exactly.

Senator SMITH. And I was inquiring as to whether that benefit was not equivalent to 5 per cent of the tariff that he lost, and whether he does not finally remain in the position, as to his past, practically the same as if his raw material had been left where it was, and his tax had been reduced from 20 to 10.

Senator HUGHES. That is probably so.

Mr. WADHAMS. We respectfully urge you to differentiate between these essential oils—to leave those we have named upon the free list, and not to reduce the duty upon the manufactured article below 10 per cent; and, in view of the nature and character of our industry, and the treatment which the public has received from us, we think we are entitled to urge that.

Senator SMITH. Are not all of our smaller manufacturers—and large ones—in the interior greatly helped by the freight rate from the coast?

Mr. WADHAMS. Yes; that is a very large element. At the same time you will find that Atlantic coast brands sell upon the Pacific coast, and vice versa. You will find, further, that with the combination of ocean rate plus the interior haul you can often lay down in the interior markets, strange to say, at a rate which, when you compare the land haul to the local land rate, is less for the through haul than it is for the local haul.

Senator SMITH. That would be, though, at points that were especially near to points of transportation reached by water?

Mr. WADHAMS. Yes; most of this, of course, that is imported would have to come by water, except that which came over the Canadian border.

Senator SMITH. What I meant was that they would not give a rate from Liverpool through New York to an interior point lower than your rate from New York to that interior point?

Mr. WADHAMS. No. Of course, the Interstate Commerce Commission, as you know, has held that they have no jurisdiction over the ocean carriers. But they will, for convenience, permit the filing of a combined ocean and land rate. The situation, as I understand it, is that we find that, taking the ocean rate and the land rate and dividing the through rate direct into its two parts, ocean and land, the land division of that through rate will be less than the land rate alone.

Senator SMITH. Yes; I have found that in a number of points.

Mr. WADHAMS. And that, of course, helps the foreign competitor.

Senator SMITH. It helps reduce his ocean rate.

STATEMENT OF MR. WILLIAM A. SCHLOBOHM, OF YONKERS, N. Y., REPRESENTING THE PEARS SOAP CO.

PARAGRAPH 67.—Soaps.

Mr. SCHLOBOHM. Mr. Chairman and Senators, I want to speak for the Pears Soap Co., to ask for a further reduction from what is in the Underwood bill, namely, 40 per cent on perfumed soap. The Pears soap people feel that, in order to compete with the American manufacturer, the tariff ought to be reduced to at least 25 per cent ad valorem. Under the Dingley bill the rate on perfumed toilet soap was fixed at 15 cents a pound, and in the Payne bill the rate was raised to 50 per cent ad valorem. Under the last year of the Dingley bill the import values were \$559,048, and last year the figures were \$324,050. There was a loss of \$235,000, and the duties decreased \$32,000. During the same period the exports of this soap had increased from \$1,130,000, to \$1,840,000. So there is five times as much fancy soap exported as there is imported.

The Pears Soap Co. import almost two-thirds of the perfumed soap that is brought into this country. Last year there were \$202,000 worth of soap imported here from Great Britain; and there was \$393,000 worth exported to Great Britain. So that twice the amount of perfumed toilet soap is sent into Great Britain by the American manufacturer as is sent by the British manufacturer into the United States. The American manufacturer has to sell to only 45,000,000 people, while the British soap manufacturer has to sell to 90,000,000, so that the ratio is two to one.

Here is Pears's glycerin soap, which sells in this country for 20 cents a bar. This cake has been manufactured in this shape for 50 years. Within the last few years Colgates have been making an imitation, and that soap [indicating another bar] can be bought anywhere for 10 cents. Ours is 20 cents; theirs is 10. Here is another cake of soap, Kirk's transparent glycerin soap. That is 6 cents a cake.

Senator HUGHES. In this country?

Mr. SCHLOBOHM. Yes, sir; an American soap. These are two American soaps. There is the British soap [indicating].

Senator HUGHES. This says "London" [indicating Kirk's soap].

Mr. SCHLOBOHM. But made in Chicago. I ask you not to change the phraseology of the bill at all. Keep the word "fancy" out of the bill.

When the Payne-Aldrich bill passed the Senate that bill read "perfumed toilet soaps, 50 per cent ad valorem." They took it into conference and added the words "fancy or."

Senator HUGHES. That was not passed in either body?

Mr. SCHLOBOHM. No, sir; it was added by conference. As a result, Pears's unscented toilet soap was fixed at 50 per cent ad valorem, put into competition with soap of that kind [indicating fancy soap].

Senator HUGHES. What rate do you suggest?

Mr. SCHLOBOHM. To fix a rate on perfumed toilet soap at 25 per cent. The American manufacturer does not need that much protection.

Senator HUGHES. I presume the object of the House committee in fixing this rate was to get some revenue from perfumed soap.

Mr. SCHLOBOHM. But they will get a greater revenue if they fix it at 25 per cent than if they fix it at 40. Ten per cent reduction will not make much difference to the purchaser.

Senator HUGHES. You say the duty has decreased?

Mr. SCHLOBOHM. Yes, sir; the duties have decreased.

Senator HUGHES. What was the duty imposed in 1909?

Mr. SCHLOBOHM. Fifteen cents a pound.

Senator HUGHES. What is that equivalent to in ad valorem?

Mr. SCHLOBOHM. The average rate was 34 per cent ad valorem—34.70.

Senator HUGHES. And they put it up to 50?

Mr. SCHLOBOHM. Yes, sir.

Senator HUGHES. Then the duties fell off?

Mr. SCHLOBOHM. Fell off \$80,000 the first year. Our import values fell off \$320,000.

Senator HUGHES. The duties collected fell off about \$80,000?

Mr. SCHLOBOHM. \$80,000 in the first year. We are \$32,000 under, but that is because our unscented soap has been declared a fancy soap by a Treasury decision. If you look at the report on the Under-

wood bill, page 519, you will see that the Pears unscented soap was declared a fancy soap. There is no perfume in it at all. Glycerin soap is a perfumed soap. That is why we are making our great fight on this soap. It is a perfumed soap.

Senator HUGHES. Those facts are set out here?

Mr. SCHLOBOHM. Yes, sir; those facts are taken from the Bureau of Commerce.

Senator HUGHES. And they are set out in your brief?

Mr. SCHLOBOHM. Yes, sir.

**STATEMENT OF MR. HERMAN D. RUHM, OF NASHVILLE, TENN.,
VICE PRESIDENT AND GENERAL MANAGER OF THE NIAGARA
ALKALI CO., NIAGARA FALLS, N. Y.**

PARAGRAPH 68.—*Caustic potash.*

Mr. RUHM. Mr. Chairman, in the original Underwood bill, which was passed by the House last year, H. R. 2182, my product, which is caustic potash, under paragraph 69 of that bill was placed under the term "hydrate of potash," six-tenths of 1 cent per pound, and in the present bill the hydrate of potash is put on the free list. The caustic potash has been manufactured in this country in a small way until 1910, and was always on the free list since 1890, or somewhere back there.

Senator JOHNSON. You spoke of caustic potash?

Mr. RUHM. Caustic potash, or hydrate of potash. The terms are synonymous.

Senator JOHNSON. Caustic potash under 65 has a duty, has it not?

Mr. RUHM. Under 69 in last year's bill.

Senator JOHNSON. It is 585, caustic potash, page 372.

Senator HUGHES. That has been free, has it not?

Mr. RUHM. It is free under the Payne bill, yes. It is placed on the dutiable list by the Underwood bill of last year.

Senator JOHNSON. That has always been on the free list, has it not?

Mr. RUHM. Yes, sir. I say it was placed on the dutiable list under the Underwood bill last year.

Senator JOHNSON. In the present law, the Payne law, it is on the free list, and it is left on the free list in the proposed bill.

Mr. RUHM. In this proposed bill it is changed back to the free list again.

Senator JOHNSON. It is on the free list.

Senator SMITH. It has always been on the free list.

Mr. RUHM. I say it was, under this House bill 2182, last year placed on the dutiable list.

Senator HUGHES. It is not now?

Mr. RUHM. Now it is not, and that is the reason.

Senator SMITH. You want us to do what they did not do?

Mr. RUHM. Yes, sir.

Senator SMITH. What they started to do?

Mr. RUHM. I believe I can tell you in a few minutes why you should either do that or enough of that so as to give me the benefit of the dumping-clause duty, which would give me all the protection I need.

Senator JOHNSON. Is not this what we told the soap manufacturer that we would help him out of?

Mr. HERSTEIN. Yes.

Senator JOHNSON. We told him we had helped him very much by keeping this on the free list, and then we had cut down on some other things.

Mr. RUHM. The soap manufacturers use a very small amount of caustic potash. Caustic soda is the big thing they use.

Senator JOHNSON. What is this used largely for?

Mr. RUHM. Caustic potash is used in the soap trade, largely in the high-class toilet soaps and in the soft green oil soaps.

Senator JOHNSON. We import a great deal of it?

Mr. RUHM. We import only 4,600 tons.

Senator JOHNSON. It gives it here, \$358,000.

Senator SMITH. What do you manufacture here?

Mr. RUHM. I manufacture caustic potash.

Senator SMITH. How much?

Mr. RUHM. My production during 1912 was nearly 3,000 tons. That was in addition to this 4,600 tons which was imported. At the time I began manufacturing, in 1910, the importation then was about 4,500 tons, so that my production has practically been absorbed by the increased business. That increased business has been, to some extent at least, brought about by the fact that the price has been very materially reduced by my entrance into the manufacture in this country. That reduction has been partly on account of the increased production and partly on account of the desire on the part of the foreign manufacturer to put me out of business.

Senator SMITH. He has not succeeded at all?

Mr. RUHM. Not so far.

Senator SMITH. Has he not your raw material?

Mr. RUHM. No, sir; my raw material is the muriate of potash, which is the same material that is used in the fertilizer.

Senator HUGHES. Where do you get that?

Mr. RUHM. That all comes from Germany. At the time I went into business, however, I had made a contract with an independent German mine for my muriate of potash on the basis of \$21 a ton.

The German Government then proceeded to pass this potash law through the Reichstag, and levied an export tax on all material which was shipped out of Germany under certain conditions, the main one being that any miner who shipped more than half of his production out of Germany should pay this export tax, and anyone who shipped more than the quota allowed by the Government syndicate should pay this export tax. Our contracts provided that any Government charge which should be imposed, either by the United States or by the German Government, should be paid by the consumer. Consequently we had that tax to pay, and so our raw material price was doubled.

Naturally, as we were unable to get any relief from the State Department in the general potash embroglio, which you probably remember to have taken place at that time, we were forced to compromise with the syndicate and take the best price we could get. This representation was made by me to the Senate Finance Committee last year, asking an increase over the 60 per cent duty which had been allowed, but the chemical schedule failed altogether, and nothing was done. This year the importers had a hearing before the Ways and Means Committee, and left them with the impression

that I was the representative of the German potash trust, and therefore any duty which they gave me on my product would be for the benefit of the German potash trust, which is an absolute misrepresentation, because these importers are the agents of the actual German potash trust. My people, who are interested with me in my company, from whom I got the money to put up this factory here in the United States, were these independent miners who were tempted to give the United States cheap raw material.

Senator JOHNSON. Do you now pay the same for your raw material as the German pays?

Mr. RUHM. Ostensibly all pay the same price.

Senator JOHNSON. Mariate of potash?

Mr. RUHM. Yes, sir.

Senator JOHNSON. Do you not pay the same? Is not that provided for by the German Government?

Mr. RUHM. All of the German potash miners who have potash factories get a rebate, and they have that advantage. I do not mind that competition. I have advantages over them. It has been stated by the importers that my business is an exotic, and that I have no business manufacturing caustic potash in this country 4,000 miles from the source of the material. But that is an ex parte statement. I have demonstrated, from the fact that I have stood a cut from 6 cents a pound down to practically 4 cents a pound in the price of the manufactured product, and from the fact that when I went into business I had a contract to get my product on the basis of \$21, and I have to pay nearly \$35—I have demonstrated it can be produced in this country at a profit. I can beat the Germans without any trouble. I have the best process that existed over there, I have some of their best men, I am working under American conditions, and I can sell my products at higher prices than they can sell theirs.

But they have an advantage over me, that four-fifths of their business is sold in Germany, and continues to be sold at the same old high prices. That fact is proved by the fact that I have been able to sell about seven or eight carloads of caustic potash in Germany, have paid the freight from Niagara Falls to New York, from New York to Hamburg, 10 per cent commission to the Hamburg agent who sold the material, 50 cents a hundred pounds duty into Germany, and got a good price over there, as good as I can get for it in this country in competition with the German manufacturer. If they can continue to sell their four-fifths at their undisturbed home price on account of their having an import duty into Germany on the material, they can cut the price on this one-fifth to whatever figure is necessary to put me out of business. Whenever they do it, the price goes back up, and the American consumer pays for it.

Senator HUGHES. They could do that, no matter what duty we laid on it, practically, could they not?

Mr. RUHM. In what way?

Senator HUGHES. By simply putting the price low enough.

Senator SMITH. What is the dumping clause in this bill?

Mr. RUHM. The dumping clause provides that any article of a similar kind—

Senator JOHNSON. Must be sold here at the same price as in the foreign market.

Senator SMITH. If we extended that to the free list, that is all you would want?

Mr RUHM. That would absolutely cover the situation.

Senator SMITH. All you are afraid of, as I understand it, is that they may conclude to dump a great big supply over here on you for a year or two just to crush you?

Mr. RUHM. They are doing it. The only reason they have not done it is because they did not think they had to do it. They are selling under their cost of production to-day.

Senator HUGHES. Their cost of production is higher than yours?

Mr. RUHM. It is considerably higher than mine, when you take into consideration that I receive a higher price for the by-product which I make at the same time.

Senator HUGHES. He says one-tenth of 1 cent a pound is not important as a duty, but is important because it gives them the advantage of the dumping clause.

Mr. RUHM. I am not asking any protection.

Senator SMITH. You want just as low a duty—

Mr. RUHM. To take me out of the free list—I had expressed my satisfaction with the Underwood bill because I thought the dumping clause did apply to the free list, and so far as the English of it goes I do not see why it does not except that it is interpreted as not applying to the free list.

Senator SMITH. The impression is that it does not; but I do not see anything in the language on which to base such an impression.

Senator JOHNSON. Dr. Herstein, you are familiar with the administrative features. What do you say about it?

Mr. HERSTEIN. The whole thing would eventually have to go to the courts, but under no circumstances do I believe, from past experience, that it could possibly be construed that the dumping clause would apply to the free-list materials, because it actually would amount to the regulation of the prices, which is entirely beyond the province of the Treasury Department.

Mr. RUHM. I would like to say just a word about the feature that has been alleged by the importers as to the German ownership of my company. Dr. Herstein probably heard that if he was with the Ways and Means Committee. They say that this is merely a fight between two bands of Germans, and that the levying of the duty, the protecting of the one who has put the money over in this country, would only help that German, and would make the American consumer pay the additional price. I have offered every customer I have to make a contract of any duration they want, from 1 to 10 years, to give them the present prices. I am ready to guarantee them against any reduction in price, to guarantee against any reduced price, and to guarantee not to reduce the price on account of any duty that is imposed. So that is an answer to that.

I believe by selling an increased amount of caustic potash at a greater price I can make a great deal more money than by sticking to the small tonnage at a high price. That has been how I have been able to make money.

As to the German ownership, there is about 85 per cent of our stock owned in Germany by the large bank which issued the money to go into it. We, of course, could not get anybody in America to go into the manufacture of caustic potash, because the only manu-

facturer in this country came to grief by losing a large amount of money. It was on'y by getting the people who knew about the business that I was able to get money. My interest in the business is less than \$10,000. The German has invested over here nearly \$750,000, or will have between the 1st of July and the 1st of August. Mr. Klipstein and other importers say that is merely a flash in the pan, but if they come up there and look at the factory they will see it is quite a substantial flash. It does not seem to me that that is a valid argument. But if it should be accepted as a valid argument, it certainly would seem better to favor the German who has put the \$750,000 here—

Senator SMITH. If a young man can go to Germany and come here and establish a big plant on a free trade basis, we ought to welcome him.

Mr. RUHM. You ought to afford to him the same protection against the discriminating dumping of the foreign material that we afford to a manufacturer who has already got protection, and that is all I ask. I will be thoroughly satisfied with that, and if they finally put the price down to where my people will not stand a loss, where we begin to have a loss, and they will not stand it, the result will be that my German people will sell out their interest to the other German people, they will sell this factory to the Caustic Soda Trust, they will continue to export the caustic potash, they will kick me out, and the American consumer will pay the old 6 cents a pound. If you keep me in the business I guarantee he will not pay over four or four and a half. That is all I ask of you, gentlemen, and I think it is strict, common justice. I would hate to have to go back down South and tell them I had to give up on account of the Democratic Party.

Senator SMITH. What is it used for?

Mr. RUHM. It is used in the manufacture of high grade soaps, the soft soaps of all kinds, and it is used in the manufacture of oxalic acid. It is the principal raw material of the oxalic acid manufacture. He was able to get his duty retained.

Senator JOHNSON. We would hear from him right off.

Mr. RUHM. When he started buying from me he was paying 6 cents a pound for it. Now he gets it for 4, and he still gets 2 cents a pound duty on his manufactured product.

Mr. HERSTEIN. Do not the textile people use it?

Mr. RUHM. Yes; to wash the woolen goods. There is a very considerable use now coming about in the laundry trade. That I introduced almost entirely. When I began talking to them about it, they laughed at it.

Senator SMITH. Is it some of the stuff that eats up the clothes?

Mr. RUHM. It is some of the stuff that, when they use it, keeps the clothes from being eaten up. If they were to put a handful of caustic potash on a shirt, there would not be any shirt left. Also, if you took a pound of calomel, you might get through with it, but it would not do you very much good. That bids fair to be one of the largest uses that we will have in this country, in the laundry trade. All the importers are advertising and selling to the laundry trade very extensively, and that accounts for almost the entire increase in the business.

I thank you gentlemen very much for the opportunity of presenting my views, and hope you will be able to do something for me.

STATEMENT OF MR. M. L. BERNSTEIN, REPRESENTING LACKER & BERNSTEIN, 161 WILLIAM STREET, NEW YORK.

PARAGRAPH 69.—Sponges.

The CHAIRMAN. You appear with reference to paragraph 69, sponges:

Trimmed or untrimmed but not advanced in value by chemical processes, 10 per centum ad valorem; bleached sponges and sponges advanced in value by processes involving chemical operations, manufactures of sponges, or of which sponge is the component material of chief value, not specially provided for in this section, 15 per centum ad valorem.

Mr. BERNSTEIN. That is the way it was first reported:

Trimmed or untrimmed but not advanced in value by chemical processes, 10 per centum.

The CHAIRMAN. There has been a change, has there not?

Mr. BERNSTEIN. I do not believe there has been a change.

Senator HUGHES. The way it reads now is:

Trimmed or untrimmed but not advanced in value by chemical processes, 10 per centum ad valorem; bleached sponges and sponges advanced in value by processes involving chemical operations, manufactures of sponges, or of which sponge is the component material of chief value, not specially provided for in this section, 15 per centum ad valorem.

Mr. BERNSTEIN. From "manufactures of sponges, or of which sponge is the component material," can be absolutely disregarded. I believe there has been \$100 to \$200 a year brought in of that kind. That refers to a figure made of sponges which is used for show purposes. That was the only manufacture of sponges that came in, I believe. There was a question as to whether bleached sponges were manufactured sponges. The former schedule was 20 per cent and covered everything. It is now made 15 per cent.

Our reason for appearing before this committee is to suggest a correction of the inequalities existing in section II, paragraph 69, of the tariff bill. As to the first clause, "Sponges, trimmed or untrimmed, but not advanced in value by chemical processes," that practically covers what is known as raw sponges, or sponges that are simply cleaned, assorted, and packed in bales.

You will notice that it mentions "trimmed." We not only trim the sponges, but we assort them by size and pack them. That is all covered in "trimmed or untrimmed," and that is what is known as the raw sponge.

Under the first clause, the sponge is trimmed, assorted, and packed and entered at 10 per cent duty. Under the second clause, exactly the same processes occur with the single addition of the actual bleaching, which is extremely cheap. For this a duty of 15 per cent, or 5 per cent additional, is exacted. No special skill is required in this bleaching. Anyone is competent to handle the sponges in this process.

Senator HUGHES. Are you an importer of sponges?

Mr. BERNSTEIN. Yes.

The CHAIRMAN. Before this there was a difference of 10 per cent. Under the present law sponges pay 20 per cent ad valorem and manufactures of sponges or of which sponge is a component material, etc., paid 30 per cent?

Mr. BERNSTEIN. Yes. The manufactures of sponges are 30 per cent. But they amounted to nothing at all. It referred to figures made out of sponge for show purposes.

Senator HUGHES. That was a freak manufacture?

Mr. BERNSTEIN. Yes. As I say, this part here, "Manufactures of sponges of which sponge is a component material," etc., can be absolutely disregarded.

The CHAIRMAN. What is the reason for making this distinction here?

Mr. BERNSTEIN. I presume that was because bleached sponges were considered manufactures. But, as I say, no skill is required in that.

Senator SMITH. The people buy them in Europe and bring them over here and bleach them and put them in shape for actual use. That process involved a chemical operation.

The CHAIRMAN. How are they imported, bleached or unbleached?

Mr. BERNSTEIN. Some bleached and some unbleached.

The CHAIRMAN. The most of them unbleached?

Mr. BERNSTEIN. I should say that nine-tenths of the sponges which we bring to this country are unbleached; that is, from Nassau and Cuba. I think I will make that point clear a little later.

No special skill is required for bleaching. Anyone is competent to handle the sponges in this process, which consists solely of putting the sponges in a few different chemical solutions; that is all. The only degree of knowledge required is to know the necessary chemicals, their properties, and the length of time required in the various solutions. A few days' employment makes the unskilled laborer a competent bleacher. That is an absolute fact. The chemicals required are weak solutions; they are of a low cost; and it is this inexpensive process for which 5 per cent additional is being asked.

Senator SMITH. That is probably a revenue duty. What portion of the sponges come in now unbleached?

Mr. BERNSTEIN. All sponges from Nassau and Cuba at the present time are brought up unbleached. I have never known a sponge to come from that section bleached. We do bleach quite a good many of them ourselves here. The sponges that we bleach here range in price from 30 cents to \$1.50 a pound, I should say.

Senator SMITH. Where do you ship bleached sponges from?

Mr. BERNSTEIN. From Europe. The same sponge is brought here bleached and unbleached.

Senator SMITH. What proportion come from Europe bleached?

Mr. BERNSTEIN. I should say more than half.

Senator SMITH. Now?

Mr. BERNSTEIN. Yes.

Senator SMITH. And there is a difference of 5 per cent between the two. That is a revenue proposition; that is all.

Senator HUGHES. That would not affect you at all as an importer of raw sponges?

Mr. BERNSTEIN. We are not arguing it. We have no personal ax to grind. We simply say there is no basis for a difference of 5 per cent duty between the two.

Senator SMITH. Then you think we should raise the duty on the unbleached sponges?

Mr. BERNSTEIN. Yes. We want the duty the same. Either raise it from 10 to 15 or reduce this 15 to 10, simply to make it equal. The cost of bleaching, I should judge, is about 1.5 per cent.

Senator HUGHES. The ad valorem would cover it, perhaps. The ad valorem would cover the additional duty that will attach to a bleached sponge. I presume that is a revenue proposition.

Mr. BERNSTEIN. If it is a real revenue proposition, it ought to be all 10 or all 15 per cent.

Senator HUGHES. One or 2 per cent would cover the cost of bleaching. Why do any bleached sponges come in when there is a 5 per cent difference?

Mr. BERNSTEIN. There are none. That is something we have absolutely nothing to do with.

The CHAIRMAN. This law for the first time makes the distinction?

Mr. BERNSTEIN. It makes a difference of 5 per cent where there is no distinction.

Senator SMITH. Why was it reduced at all?

Mr. HERSTEIN. I think the paragraph speaks for itself. The question was not merely one of revenue. The understanding was that the bleaching of sponges involved a great deal of manufacture. I do not know the relative value of labor put into it, as that would depend on the man, but as a matter of fact, it takes a good deal of labor to bleach a sponge. It takes quite an amount of chemicals on which duties have been paid. It was felt that if this had to be paid on the chemicals and the labor that there should be some differential made. As a matter of fact, two-thirds of the sponges coming into this country at present from Europe are in a bleached condition.

Senator SMITH. What is the difference in the market value or the selling price between an unbleached sponge and a bleached sponge of the same size?

Mr. HERSTEIN. Sponges are an article which vary enormously in value. They are brought in here in a bale, and a bale will contain good, bad, and indifferent sponges. It is absolutely impossible to say what the value would be.

Mr. BERNSTEIN. I understood the doctor to say that in bales they are good, bad, and indifferent?

Mr. HERSTEIN. Yes.

Mr. BERNSTEIN. Are you referring to Nassau and Cuba sponges? Nassau and Cuba sponges are all assorted in first, seconds, and thirds.

Mr. HERSTEIN. I am speaking of European sponges. I am speaking of sponges that come in in a bleached condition from Europe.

Mr. BERNSTEIN. Those, I imagine, are brought in not as well assorted as they should be.

Mr. HERSTEIN. The fact that it involves a great deal of operation of chemicals upon which the duty has been paid prompted the committee to put the various duties on these sponges.

Senator SMITH. What is the relative market price of the bleached and unbleached sponge of the same quality?

Mr. BERNSTEIN. There would be very little difference between the two outside of the actual labor that was involved.

Senator SMITH. What is the difference in the selling price? Suppose you had a dozen sponges of exactly the same quality, the first bunch unbleached, as covered by the first part of this paragraph,

and the other bunch bleached. What would be the relative market price of the two piles?

Mr. BERNSTEIN. Practically the same, with a difference of actual cost.

Senator HUGHES. Senator Smith wants you to say what the market price would be, if you wanted to sell a dozen unbleached sponges and a dozen bleached sponges.

Senator SMITH. If the unbleached were worth 50 cents, what would the bleached cost?

Mr. BERNSTEIN. Roughly speaking, it might be 51 cents. I do not want to be pinned down to that. As I say, it is a very slight difference. As a matter of fact, the trimming, assorting, and packing is all covered in this 10 per cent. It is the same process involved under the 15 per cent duty, with the addition of the bleaching. We can take a man off the street, and all he needs is strength enough to lift the sponges in and out of the tubs. That is all that is necessary. The only man that requires any knowledge at all is the man who must know the solutions.

Senator SMITH. Do you import bleached sponges as well as unbleached sponges?

Mr. BERNSTEIN. Yes. From Europe they are practically all bleached. From Nassau and Cuba they are all unbleached.

Senator SMITH. You import both classes?

Mr. BERNSTEIN. Yes.

Senator HUGHES. Some people, I presume, prefer the naturally colored sponge to the bleached sponge?

Mr. BERNSTEIN. Some people have to have it. Bleaching weakens the sponge considerably. It is only bleached for appearance, to supply the people who want the light yellow color.

Senator HUGHES. But the sponge is better when it is unbleached than it is bleached?

Mr. BERNSTEIN. Yes.

Senator HUGHES. They bleach it in order to give it a better appearance?

Mr. BERNSTEIN. Yes. There are some sponges that are washed in lime simply to change them from the dirty dark brown to the lighter brown. There was a question as to whether that was a chemical operation. I presume under a strict interpretation that it would be. Was that the intention, Doctor?

Mr. BERNSTEIN. You would have to go before the courts to decide that.

Mr. BERNSTEIN. I do not believe there is a difference of over 1 or 2 per cent in the bleaching, and yet there is a differential of 5 per cent made. I think it is just to either make it all 15 or all 10 per cent. It is not a question of reduction in duty, whether it is a revenue proposition or a protection proposition, it is simply an equalization; that is all.

Senator HUGHES. You think there is too wide a gap?

Mr. BERNSTEIN. Yes.

Senator SMITH. Are there a large number of firms engaged in bleaching?

Mr. BERNSTEIN. No; I think there are only about half a dozen altogether that do bleaching.

Mr. HERSTEIN. There is no incentive to bleach them here if they can bring them in from Europe at the same rate of duty that they pay on the crude article.

Senator SMITH. How do the majority of sponges sell, bleached or unbleached?

Mr. BERNSTEIN. Do you mean European sponges, or sponges in general?

Senator SMITH. The consumed sponge.

Mr. BERNSTEIN. By all means the unbleached. The Florida sponges are practically all sold unbleached. By far the largest percentage of sponges from Nassau and Cuba are unbleached.

Senator SMITH. You sell them unbleached?

Mr. BERNSTEIN. Absolutely. Sponges that are used for manufacturing purposes are always unbleached. There is no question about their being bleached, because the bleaching naturally weakens the sponge. The only sponges bleached are sponges used for bathing purposes in general.

Senator SMITH. Are they always bleached?

Senator HUGHES. He says that they are bleached to give them a better appearance, but it does not do them any good.

Mr. BERNSTEIN. Yes. But the better qualities are not weakened considerably.

Senator SMITH. What is the difference between the price of the sponge you buy from Europe and the sponge you buy from Nassau?

Mr. BERNSTEIN. There is no comparison, Senator. There are four distinct fields in the world. They are the Florida fisheries, the Nassau fisheries, the Cuba fisheries, and then the European fisheries. I am classifying all of the European fisheries as one. The Mediterranean Sea is one. There are several in this hemisphere. There are several grades of sponges which roughly correspond with those found in Florida, Cuba, and Nassau. There is the Florida sponge, the grass, and the yellow. Those grades are found in all three sections. They differ in quality. The Florida sponge is altogether different from the Nassau and Cuba sponge.

Senator SMITH. Which is the more valuable sponge?

Mr. BERNSTEIN. The Florida sponge.

Senator SMITH. Including the Mediterranean sponges?

Mr. BERNSTEIN. Certain Mediterranean sponges, I believe, are more valuable than the Florida sponge, but I consider the Florida sponge as the strongest sponge in the world. It is a sponge used on all automobiles, where there must be strength and endurance.

You can not compare the European sponge in general with the American sponge. I was just noticing the sponge in the cup on the table. In appearance it resembles one of the toilet sponges, and to some people it might look the same; but it is not the same. We have a few grades which look alike, but there is no comparison. That sponge would tear. You can take it in your fingers and tear it to pieces.

Our whole contention has been that the cost of bleaching is very, very small, and we do not think there should be a differential.

Senator HUGHES. You think there is too big a gap between the unbleached and the bleached sponge?

Mr. BERNSTEIN. I do; yes, sir.

Senator HUGHES. That there is no reason or necessity for it even as a revenue requirement?

Mr. BERNSTEIN. No.

Senator SMITH. From a revenue standpoint they should both be 15 per cent.

Mr. BERNSTEIN. What would really happen, if it were purely a revenue matter, would be that they would bring the sponges here and dry and bleach them here to save that extra 5 per cent, and there would be no revenue. If they were all made alike there would undoubtedly be more revenue. At the same time I do not think it would affect the laboring man, because we could take a man right off the street and he can work in the tubs.

Senator HUGHES. Where you bleach sponges?

Mr. BERNSTEIN. In New York.

Senator SMITH. What is the difference in cost in Europe between the bleached and unbleached sponge?

Mr. BERNSTEIN. I do not believe there is any greater difference than there would be in this country.

Senator SMITH. Can you buy a bleached sponge abroad just about as cheap as you can buy an unbleached sponge?

Mr. BERNSTEIN. Yes; the bleaching over there must be as cheap as it is here.

Senator HUGHES. Have you any knowledge of the market price of the unbleached and bleached sponge?

Mr. BERNSTEIN. The price will fluctuate from time to time.

Senator HUGHES. Is that a general proposition?

Mr. BERNSTEIN. They are approximately the same, bleached and unbleached.

Senator SMITH. Abroad?

Mr. BERNSTEIN. Yes.

Senator HUGHES. They sometimes bleach the dark sponges to make them attractive in order to sell to people that like them?

Mr. BERNSTEIN. Do you mean for bathing purposes?

Senator SMITH. For selling purposes.

Mr. BERNSTEIN. Yes. Most of the people do not want this dirty, dark brown sponge. The sponge is almost as dark as that woodwork [indicating]. They would rather have them a little lighter.

Senator HUGHES. Do they at times sell bleached sponges and unbleached sponges together?

Mr. BERNSTEIN. Not unless a man wants it; and then they would probably be about the same price. They would simply figure out roughly about what the difference would be in the bleaching. As a general rule there is very little difference.

Senator HUGHES. The question is whether bleaching is an advance in manufacture that is recognized or whether a man simply bleaches the sponges so as to make them salable.

Mr. BERNSTEIN. It is not a question of making them salable.

Senator SMITH. Do you buy all of your European sponges bleached?

Mr. BERNSTEIN. Mostly. Some sponges are simply thrown in water that has lime in it in order to get them from the very dark brown color to a little lighter color.

Senator HUGHES. That is done by the seller in order to make them sell?

Mr. BERNSTEIN. Not to make them sell, but simply because the people prefer them that way.

Senator HUGHES. It gives them a better color; the people prefer it, and it makes them sell?

Mr. BERNSTEIN. Yes. In Europe they would prefer to have them the other way. The people in this country won't buy the yellow sponge, but people who know anything about it will take the natural sponge.

Senator HUGHES. With reference to automobile sponges. Is dark brown the natural color of all sponges?

Mr. BERNSTEIN. Well, approximately. Some are a little lighter than that and some darker. They run from brown to gray. It depends on the place where they come from.

The CHAIRMAN. What would you prefer, that there should be a change making them both 15 per cent?

Mr. BERNSTEIN. I do not care about that, Senator.

Senator SMITH. I think that would be a question of revenue.

Mr. BERNSTEIN. We will be satisfied on that point. As I say, we are not arguing so as to make more money. If it is to be a revenue proposition I would suggest 15 per cent. If you feel that sponges should be put in the class of articles from which we should obtain revenue, I should say 15 per cent. But if you feel that they should not, I should say 10 per cent.

Senator HUGHES. That duty might affect the importations and cause us to use more domestic sponges.

Mr. BERNSTEIN. I think 10 per cent would tend to shut off the sale of certain American sponges.

Senator HUGHES. A 15 per cent duty would cause us to use domestic sponges more extensively than would the 10 per cent duty?

Mr. BERNSTEIN. Yes.

Senator SMITH. Do we not use all of the American production?

Mr. BERNSTEIN. In general; yes, sir. But there are certain sponges from Nassau which are just a little higher. If the duty were reduced or were taken off altogether, the chances are that it would drive out this one class of American sponge. Under the 10 per cent duty there would still be the tendency, but not quite so strong.

STATEMENT OF MR. A. C. TETZEN, REPRESENTING TETZEN & CO., SAN FRANCISCO, CAL.

PARAGRAPH 71.—*Vanilla beans.*

The CHAIRMAN. This gentleman wants to speak upon the question of vanilla beans. They were free, and a duty of 30 cents per pound has been placed upon them.

Mr. TETZEN. We are simply merchants in this line handling American products of all kinds and shipping to the south seas. In return we receive the products of the south seas, and from Tahiti we receive the Tahiti vanilla bean.

Under the bill here it is classified just as "vanilla bean." The principal outlet for Tahiti vanilla is in Europe, for the reason that it is a cheap article and is within the reach of the poor classes of Europe.

Senator HUGHES. What is this [indicating sample]?

Mr. TETZEN. This is a Mexican bean. The Americans do not consume much of the Tahiti vanilla for the reason that they make an

extract here and do not use the bean. In Europe they use the bean itself; they cut it up into little pieces.

In order to retain the trade of the south seas for the American goods, it is necessary that Tahiti vanilla remain on the free list, because it can not be handled in bond. All of the Tahiti vanilla has to be rehandled. It is a perishable article.

Senator HUGHES. Where is the market for vanilla beans?

Mr. TETZEN. The world over.

Senator SMITH. What is that bean [indicating sample]?

Mr. TETZEN. That is a Bourbon bean. This bean crystallizes and the Tahiti bean, as you see, does not crystallize.

Senator SMITH. Are these Mexican beans?

Mr. TETZEN. Yes; those are Mexican. The Americans use most entirely the Mexican bean. They use very little of the Tahiti bean.

Senator SMITH. Is this the same kind of bean?

Mr. TETZEN. No; that is the Bourbon bean.

Senator SMITH. Are they practically the same thing?

Mr. TETZEN. No. This [indicating] is the Tahiti bean. The price in this country cuts no figure.

Senator SMITH. They are all of the same class, are they not?

Mr. TETZEN. Yes.

We contend that the Tahiti vanilla should come into this country free in order to allow us to handle the bean here. The consumption of the bean is in Europe. America cuts a very small figure. The Europeans are very much after this trade in the south seas, and by this trade reverting to Europe we lose the trade entirely and the American goods can not be sold there any more.

Senator SMITH. What do you trade to them for that?

Mr. TETZEN. We ship all classes of American merchandise there.

Senator HUGHES. Clothing, etc.?

Mr. TETZEN. Yes; clothing, cotton goods, prints, flour, lumber, and machinery.

Senator SMITH. And heretofore they have been free?

Mr. TETZEN. Yes; for the last 40 years.

Senator SMITH. You have been exchanging American products for them on that basis?

Mr. TETZEN. Yes.

Senator HUGHES. Do you trade with Africa?

Mr. TETZEN. No.

Senator HUGHES. You do not handle ivory tusks, then?

Mr. TETZEN. No. It is necessary that Tahiti vanilla should come in free, or we will not be able to handle the trade any more. The trade will revert to Europe, which is the outlet for the Tahiti bean.

Senator HUGHES. What is the amount of your trade with Tahiti?

Mr. TETZEN. In general merchandise it is about five hundred to six hundred thousand dollars a year, and we import about four hundred or five hundred thousand dollars a year.

The CHAIRMAN. Dr. Herstein, what can you tell us with reference to this?

Mr. HERSTEIN. The duty on vanilla beans is of course purely one of revenue. The consumption of the vanilla beans in this country is practically entirely for the purpose of flavoring extracts upon which there is a duty. It was therefore decided to put a duty on the vanilla beans, so as to derive the proper revenue.

Senator SMITH. What do you know about this proposition of the trade coming to this country, either by purchase or by exchange?

Mr. HERSTEIN. We imported last year 850,000 pounds of vanilla beans altogether. We exported 240,000 pounds, and so it happens as a gentleman has truly said that the exports represent the Tahiti beans which are not used in this country for manufacturing purposes. They prefer the other kind of bean, which is richer. The difficulty is how to differentiate and make a duty applicable to this bean [indicating] and at the same time not hurt this Tahiti bean.

Senator HUGHES. Have they not a different appearance?

Mr. HERSTEIN. Yes; entirely so.

Senator HUGHES. Would there be any difficulty in classifying them under the name of "Tahiti beans"?

Mr. HERSTEIN. I believe that would be considered discrimination. This is not a trade distinction, but it is just merely one, I should say, of country of origin.

We have proposed to the gentleman that he should take advantage of the drawback clause, which would practically give him 99 per cent of the duty back. But he claims that that would be absolutely impossible. We have not looked into this. But I will say that the drawback clause works in a good many cases more difficult than this, and I do not see how it could not be applied in this instance. It would be a hardship for the Tahiti bean to have to pay a duty of 30 cents, but I do not see how they can get around it unless you make the other beans free or unless you make all beans dutiable. Unless you want to put them in under the name of "Tahiti beans" and unless you make a maximum value and a minimum value.

Senator HUGHES. What is the trouble with the drawback clause?

Mr. TETZEN. With a duty, and being compelled to handle them in bond—that is a fence for beans coming into America. The Europeans have a better way of handling the beans than we have. It is an article that is used by Europe and it only comes through San Francisco through the energy of the merchants.

Senator HUGHES. In other words, you are handicapped enough in that trade now without being additionally handicapped by having an administrative clause as to the way of handling the bean when you get it over here?

Mr. TETZEN. Exactly.

We are trying to save the American trade in the south seas in general merchandise for the American people. Europe is very much after this trade, and when they once get the trade it is lost for good, because the Americans do not take to the Tahiti beans while the Europeans want them.

To demonstrate, this bean here [indicating] is for the rich, and this bean [indicating] is for the poor. The Bourbon bean crystallizes and the Tahiti bean does not. In order to draw trade, you might say, they artificially crystallize this bean [indicating] and make it appear similar to this [indicating].

Senator SMITH. And sell it in Europe?

Mr. TETZEN. Sir?

Senator SMITH. And sell it where?

Mr. TETZEN. In Europe. It is sold throughout Europe and particularly in the Balkan States. We desire to have Tahiti beans free in order to handle it as it should be handled.

Senator HUGHES. You can not suggest any way? It does not make any difference to you about the revenue on the Tahiti bean, if you can get away from it—

Mr. HERSTEIN. There would be no revenue, anyway, under the drawback clause.

Mr. TETZEN. That is one point against us and one point in favor of the European. When they once get this trade we will lose it. We have had this trade for 40 years in San Francisco, but they now have in the south seas as good facilities for shipping abroad as we have.

The CHAIRMAN. Under the drawback clause the Government only receives 1 per cent, I believe?

Mr. TETZEN. Yes; but that is 1 per cent against us, and little by little the trade drifts away and we can not get it back again because the Europeans are after it and want it.

Senator HUGHES. You started to say something in reference to whether this is a trade name or is descriptive of a certain character of bean.

Mr. TETZEN. This bean is sold throughout Europe as Tahiti vanilla. It is sold in America the same way. It is quoted in all the trade papers as the Tahiti vanilla bean.

Senator HUGHES. If this Tahiti bean in terms was excepted from the operation of this duty, so that it could come in free—

The CHAIRMAN. But we could not do that.

Senator SMITH. Where does this come from [indicating]?

Mr. TETZEN. They are Mexican beans which we use very much in America. These are from Bourbon and Madagascar, off the coast of Africa.

Senator SMITH. Have we no treaty relations with the Government—

Senator HUGHES. I am not talking about beans coming in from Tahiti. He says that "Tahiti bean" is a descriptive trade term, and refers to the character of bean. It could come from Tahiti, but it might possibly come from anywhere. I was wondering if that could be worked.

Senator SMITH. They are raised in Tahiti?

Mr. TETZEN. On the island of Tahiti in the South Pacific.

Senator HUGHES. If it is a descriptive trade name it could come in from England or France or anywhere, free.

The CHAIRMAN. That is an administrative feature and we can take it up later.

Mr. HERSTEIN. I think it could be gotten at better possibly if we put a specific minimum value on these beans. The vanilla bean has no market value actually and it is great trouble to overcome that. You can not get any kind of an established market value, the margin between the values is so great.

Mr. TETZEN. What we want, gentlemen, is to keep the American trade in American goods.

SCHEDULE G.—AGRICULTURAL PRODUCTS AND PROVISIONS.

STATEMENT OF MR. WILLIAM J. GIBSON, OF NEW YORK.

PARAGRAPH 240.—*Spices.*

Mr. GIBSON. Mr. Chairman, I appear before the committee thoroughly upon the principles of the bill; that is, that we are seeking to get revenue at least from noncompetitive articles and luxuries, and spices are luxuries. I refer to the spices of cassia, cinnamon, nutmegs, pimento, and such as that.

Senator JOHNSON. Those are carried now from the chemical schedule into the agricultural schedule.

Mr. GIBSON. I know they had been under the chemical and were carried over in the bill as it left the House to the agricultural schedule.

Senator JOHNSON. It would not fall under our jurisdiction:

Mr. GIBSON. I will not take your time.

Senator JOHNSON. As long as you are here, we will hear a short statement from you.

Mr. GIBSON. I will not take seven minutes.

Senator JOHNSON. Go ahead. But you really ought to present that to the committee that has the agricultural schedule. I think it is the committee composed of Senators Williams, Shively, and Gore.

Mr. GIBSON. From the beginning of this Government down to 1883 whole or unground spices were dutiable. None of them are produced in this country; none can be produced; none can even be hot-housed. They are all luxuries. As we developed, some of you gentlemen remember that these spices were ground in the home, generally, the same as coffee was. But as society developed there came in grinders of spices, and in 1883 they took the unground spices off the dutiable list, and they had always been dutiable at quite a large rate of duty, running as high as \$1 a pound, sometimes. In the tariff of 1846 they were classified along with tobacco, wines, and cigars, at next to the highest rate of duty on the list.

These spices are all imported in the whole condition, and unless a duty is put on them in the whole condition, no revenue for the Government is derived at all. In 1883 the grinders and the grocers had a duty put on the ground spices, and the whole spices, or the unground spices, put on the free list, and they have been there ever since.

I represented to Mr. Payne in 1909 that the spices ought to be put on the dutiable list—the whole spices; they derive no revenue from putting the ground spices on, and he saw with me, and he put them on I said, "You will get some revenue." But when they came over to the Senate, the great interests, the grocers who are interested in these spices being on the free list, because they sell them from 5 to 10 times what their wholesale price is at retail, had it changed.

Senator HUGHES. Did they not put the duty on them in the Underwood bill?

Mr. GIBSON. Yes; and I understand great efforts have been made before your committee to have this go back, the whole or the unground spices to go back on the free list, and that is why I am here. You might as well put a duty on jack-o'-lanterns. No revenue at all comes from putting the duty on ground spices.

Senator SMITH. We import no ground spices?

Mr. GIBSON. No.

Senator SMITH. You do not buy your coffee unground now. Just like the nutmeg, you buy it ground.

Mr. GIBSON. Take the nutmeg: There are over 100 in a pound, and they would sell for under 20 cents. But you will go to a grocery and they will charge you 5 cents for one or two. The others are all sold. You go to a grocery store; you want an ounce of spices. They are bought in such small quantities you are charged 5 or 10 cents for an ounce. It sells only at wholesale from 5 to 17 or 18 cents a pound. Taking them all, the average price wholesale, I figured out in a book you have there before you, to be 11 cents a pound. But the grinders, who are also dealers in them, supply the grocers, and they write to the grocers all over and tell them to write to the committees here, and set up a terrible hurrah about the duty on unground or whole spices, and convince the gentlemen here—have done it. They did it in 1909.

There are about sixty millions of spices that are imported here, and at 5 cents a pound unground or whole they would yield a revenue of three million. We do not get a cent of revenue, because they have a duty of 3 cents a pound on the ground spices, absolutely futile, silly, because there is none imported, none would be, just as Senator Smith said about coffee. Ground coffee is free. No ground coffee comes in. But, of course, there ought to be a high duty on spices. They are luxuries. They are of no necessary use.

Senator JOHNSON. The pepper comes in that class, and cassia and cinnamon.

Mr. GIBSON. I think the peppers might have a duty. They are not necessities. They might have a lower duty.

Senator JOHNSON. You will not find anything more common than the pepperbox. It is on every man's table.

Senator SMITH. You take the average farmer, and the farmer's wife, and they regard pepper as essential as salt.

Mr. GIBSON. Very little of it is used. You take that kind of spices; there is not half a pound to a family used.

Senator JOHNSON. Cassia is a poor man's spice.

Mr. GIBSON. I know; but putting a duty on that would not reduce the spice.

Senator HUGHES. There is no variation between what they are worth and what they are sold for?

Mr. GIBSON. The present bill puts a duty on spices—whole spices.

Senator SMITH. We do not reach it by a duty on the ground spice.

Mr. GIBSON. Not at all. It only enables the grinders and makers of perfumery—and I should say that about 30 per cent of these spices are used in the ground condition through families; probably 10 or 15 per cent are used in barrooms. If you go into a first-class barroom you see a dish of cloves and cinnamon and pimenta, generally. Another use is in essential oils, making fancy soaps, etc. But it seems that the grocers, or the grinders through the grocers all over the country, through druggists, have induced Congress to put the unground or the whole spices on the free list and put the ground on the dutiable. I concede that the ground spices ought to have a little more duty than the unground, because there is a little loss, probably in the fact of grinding and perhaps in the drying process. But there is not a loss of more than probably 5 or 10 per cent.

SCHEDULE I.—COTTON MANUFACTURES.

STATEMENT OF MR. WILLIAM H. HALL.

PARAGRAPH 255.—*Cotton thread.*

Senator SMITH. State your business.

Mr. HALL. William H. Hall, thread manufacturer.

Senator SMITH. Located where?

Mr. HALL. Willington, Conn.

Senator SMITH. What connection has your thread manufactory with the American Thread Co.?

Mr. HALL. None.

Senator SMITH. It is an independent concern?

Mr. HALL. Absolutely, and has been for 60 years. There may be one man in these United States who has been in the thread business longer than my father has, but I do not think there is more than one.

Senator SMITH. What number of independent thread manufactories are there in the United States?

Mr. HALL. I have 48 here. Aside from the American Thread Co. and the Spool Cotton Co. there are 46 others.

My contention is this, Senator: The present schedule on yarn is a graduated ad valorem duty ranging from 5 per cent to 25 per cent. The average number, meaning the average number of thread, the average number of Gardner, Hall, Jr. & Co., is a 60; that is, there is some a good deal finer and some a good deal coarser; but our average number is about 60. For 60 on the yarn schedule the tariff is 17½ per cent—17½ per cent on the yarn.

Senator SMITH. Twenty per cent, 60 to 99?

Mr. HALL. If you went above 59 you would get from 60 to 99. That would be 20 per cent.

Senator SMITH. Seventeen and a half or twenty?

Mr. HALL. Seventeen and a half or twenty. This present schedule gives 17½ cents on this gray yarn. That gray yarn is practically one-third, and the labor involved in bringing it to this process is not to be compared with the labor involved in bringing that to this process, which we take from this.

Senator SMITH. The two to which you refer are the gray yarn, No. 60—

Mr. HALL. Yes, sir.

Senator SMITH. The other being made from that gray yarn?

Mr. HALL. Yes, sir; we get 15 per cent under this rate on the manufactured thread, and the gray yarn, from which this is manufactured, gets 17½, which is a third of our profit. There is more of a tariff on the gray yarn than there is on the manufactured thread. I do not know how I could illustrate this any better than in this way. Any man can take this gray yarn as a basis and start. When we take that and convert it, see what we have to do. We take the yarn. We have to convert that into a thousand and one colors, depending altogether on what the trade wants. We have to put it up in yardage bearing from 2, 5, 12, 24, 48, 72, 96, or 12,000, as the trade demands.

Here is what one class of trade calls for. There is 9,600 yards, the same number of thread as that, and that has to be carried on stock from 200 yards to 12,000 yards.

Senator SMITH. What is the cost of conversion per pound of the gray yarn into the thread which you produce?

Mr. HALL. That would depend, Senator, when you say by the pound, altogether on the number.

Senator SMITH. If that is not the proper way to designate it select a designation that would be known to the trade, and give me the cost of conversion.

Mr. HALL. When you ask for the cost, you want the average cost, as near as we can get at it?

Senator SMITH. Yes.

Mr. HALL. Per pound?

Senator SMITH. Or whatever term the trade handles.

Mr. HALL. Per dozen would get at it better. I should say on the dozen, 8 cents. Gentlemen, have I made a fair statement there?

Mr. WARREN. I should say that is a fair statement.

Mr. HALL. I should say 8 cents. A pound of that gray yarn, Senator, would bring us two dozen here, but a pound of this, which is finer, would bring us more dozen in the finer yarn. There is more labor. We have to carry the spool, we have to carry 8's, 10's, 12's, 16's, 24's, 30's, 40's, 50's, 70's, 80's, 90's. We have to carry different kinds of spools.

Senator SMITH. What is the present ad valorem tax on the thread, under the Payne-Aldrich bill?

Mr. HALL. Twelve cents a dozen.

Senator SMITH. What would that be ad valorem?

Mr. HALL. Eighty per cent on that [referring to large spool of black thread]. It is based on the dozen. It is 6 cents per dozen of spools of 100 yards. But the spools are not put up in 100 yards very often.

Senator SMITH. What does that thread sell for per dozen in the United States?

Mr. HALL. This sells for 40 cents per dozen.

Senator SMITH. What is the market value of that thread in England per dozen?

Mr. HALL. I do not know that I could answer that as compared with this particular brand.

Mr. ARMITAGE. You are speaking of that particular grade?

Mr. HALL. Yes.

Mr. ARMITAGE. The average price in England and Germany, taking it as an average, would be 25 per cent less for the labor. Speaking of the selling price, it would be 50 per cent less on that particular grade. It varies for different grades. There are so many grades in cotton. It would average about a third less on all grades.

Mr. HALL. What we want to bring out is this; we are not arguing the yarn schedule. This is my raw material. I buy quite a lot of my coarse yarns from the Southern spinner. It comes right from the Southern spinner to me. I convert it. If 15 per cent is a fair tariff on yarn, I ask, how much more should the thread manufacturer have, who has the extra expense of taking this and putting it into this shape for the market, which means that he must take it and put it up in any quantity of yards, from 2 to 12,000, and any color that the trade

may ask for, and carry a stock of different spools and things of that kind? If 15 per cent is a fair tariff on the yarn, and the cost of labor in putting that from the bale into the yarn, the cost of taking it from this and putting it into the thread is a greater percentage of the whole than the percentage of putting the cotton into the yarn, then we ask for a fair advance from the yarn schedule, which, it seems to me, must appeal to anybody.

Senator SMITH. You sell this at 40 cents a dozen?

Mr. HALL. Yes, sir.

Mr. SMITH. You said, I believe, that 8 cents a dozen is about the labor that enters into it?

Mr. HALL. I think about 8 cents.

Senator SMITH. Is there anything further you want to say?

Mr. HALL. Not unless somebody can think of something that ought to be touched upon, or some question you would like to ask. What we think would be a fair proposition, Senators, would be this: If 15 per cent—and when I say 15 per cent I am taking the average, and when I say 17½ per cent I took the average of 60, which was my average number—if 15 per cent is right on the yarn, then I say that for the additional cost which the converter is put to in converting this yarn into this thread, which carries with it a whole lot of detail, we ought to have at least an additional 10 per cent.

Senator HUGHES. You will not get it; that is all. The cotton fellows told us that they were perfectly satisfied to get the same rate on thread that they have on yarn. Ten per cent is absolutely absurd. Nobody has made any claim of any such cost for mercerizing cotton, not half that, who has come before this committee. I do not think you are trying to be fair with us.

Mr. HALL. If we are not, I certainly am not trying to be anything but fair. That yarn is like a piece of leather. Everybody starts with the raw material. The man who retails the shoes converts that leather into a thousand and one different lasts and he has to carry all those to meet the trade. Everybody can start with this gray yarn. If 15 per cent is fair on the gray yarn, tell me what a man ought to have when there is more labor in bringing that to this than there is in bringing that from the raw cotton. They have 15 per cent protection on that.

Senator HUGHES. They should not have 15 per cent on that. Of course, everybody knows that is too high for that yarn.

Mr. HALL. We are obliged to carry this in a thousand and one different colors, a thousand and one different finishes, and 15 or 20 different yardages.

Senator SMITH. You say the rate on that is now 15 per cent?

Mr. HALL. Yes. Do not get me wrong. This particular thread here is what we call manufacturers' length. That would retail for about 20 cents a dozen.

Senator SMITH. Twenty cents a dozen?

Mr. HALL. Yes; and some of the 12,000 yards retails for 15 cents a dozen, and with a 12 cent duty on it it would be four-fifths of 15 cents, the selling price, or 80 per cent.

Senator SMITH. Do these large rolls of thread retail cheaper than these smaller ones?

Mr. HALL. Oh, yes. There is as much on that as there is on 48 of these little spools. That is where your detail comes in.

Senator SMITH. You said that the labor of conversion to this thread from gray yarn, which thread you sell at 40 cents a dozen, costs 8 cents?

Mr. HALL. About 8 cents.

Senator SMITH. That average would run through practically all the threads in proportion to the value of the thread?

Mr. HALL. I think so.

Senator SMITH. That is, 20 per cent of the selling price would be labor?

Mr. HALL. Yes. The retail price for this is 40 cents. A man who buys in quantities would get from that a discount of 20 per cent, or 32 cents would be the net price.

Senator SMITH. The manufacturer's price?

Mr. HALL. Yes.

Senator SMITH. Thirty-two is the American manufacturer's selling price per dozen?

Mr. HALL. Yes, sir.

Senator SMITH. Of a thread, you say, which costs 8 cents to convert from the gray yarn?

Mr. HALL. Yes, sir.

Senator SMITH. And that percentage would run practically through all the threads?

Mr. HALL. I think so.

Senator HUGHES. This is mercerized thread, of course, is it not?

Mr. HALL. No.

Senator HUGHES. Is that nothing but cotton?

Mr. HALL. Yes.

Senator HUGHES. What gives it the shine?

Mr. HALL. What we call our finishing process.

The CHAIRMAN. That is to say, 25 per cent of the selling price consists of labor?

Mr. HALL. Yes.

Senator HUGHES. Is that cotton, like the white thread, finished and prepared in the same way?

Mr. HALL. Yes, sir. We are competitors of the O. N. T. To state it just as it is, the O. N. T. have a market and you could not get it away from them. It is the manufacturing end we are looking after to protect ourselves here. The American manufacturer to-day sells probably 80 or 90 per cent of his manufactured thread to the manufacturer. The household thread to-day that is used—the 200-yard goods that is put up by J. N. T. Coates—they have practically the control of the market, and I can not go in to-day and sell to the housewife a spool of my thread, because they have never known anything but Coates, and they will have Coates at any price. It is the manufacturing end. The same thread put up in this style would reduce the cost of it, and some of it we get down so we sell it for 15 cents a dozen to the manufacturer or 75 cents a tube for 12,000 yards, and that has been protected at the rate of 12 cents a dozen. They have the market to-day. They have the control of the market for the 200-yard goods, practically. What we want to do is to protect ourselves on the class of business we are doing to-day, and not to be driven out of the market on the manufacturers' end of it. You can not drive them out of the market, it does not make any difference what you do, because they have mills in both countries.

STATEMENT OF MR. E. MARTIN PHILIPPI.

PARAGRAPH 255.—*Cotton thread.*

Senator SMITH. Where is your plant located?

Mr. PHILIPPI. Willimansett and Holyoke.

Senator SMITH. Is yours a branch of the big thread company, Coates?

Mr. PHILIPPI. No; we have nothing to do with them whatever.

Senator SMITH. They are not stockholders in your company?

Mr. PHILIPPI. They own a little of our preferred stock, which has no voting power. They own 10 per cent of our preferred stock, which has no voting power.

Senator SMITH. Is yours the Willimansett company?

Mr. PHILIPPI. We own the Willimansett, and the American, and some of the others that belong to it. We were an amalgamation of the small American concerns in 1898.

Senator SMITH. You have no connection with the Coates Co., except that they own 10 per cent of your preferred stock?

Mr. PHILIPPI. Not at all.

Senator SMITH. They do not control your company at all?

Mr. PHILIPPI. They do not.

Senator SMITH. You have no plant in England or abroad?

Mr. PHILIPPI. We have not.

Senator SMITH. You only manufacture in the United States?

Mr. PHILIPPI. We only manufacture in the United States.

Senator SMITH. What is the amount of your output?

Mr. PHILIPPI. Our output all told is about eight millions of dollars. We had careful estimates made only recently, according to which the total thread business of this country is approximately \$35,000,000, of which about a million and a half is being imported, so that I will say \$33,000,000 is the net amount that is manufactured in this country.

We made inquiry abroad as to the selling prices there, and that inquiry showed that a fine line over there averaged about 16½ cents a dozen—16.85 being the exact amount. We made a comparison of these same items with the United States prices, and the United States prices show an average of 24.35 for these same items.

Senator SMITH. 24.35 selling price?

Mr. PHILIPPI. The selling prices in the United States.

Senator SMITH. That is, the manufacturer's selling price?

Mr. PHILIPPI. Yes, sir.

Senator SMITH. Per dozen?

Mr. PHILIPPI. That is per dozen of 200 yards. Two thousand four hundred yards would be the better way of putting it. That covers almost 300 items.

Senator SMITH. Three hundred different classes of thread?

Mr. PHILIPPI. Three hundred different classes of threads.

Senator SMITH. But this was the average price?

Mr. PHILIPPI. The average price, and we think it is a fair average, as near as we can get it. There is a difference there, roughly speaking, of one-third less abroad than here.

Senator SMITH. You mean the selling price is one-third less?

Mr. PHILIPPI. The selling price abroad, roughly speaking, is one-third less—not quite that much.

Senator SMITH. Take your average thread, selling at 24.35 a dozen. What is the average per dozen of the cost of conversion from the gray yarn?

Mr. PHILIPPI. Is not that what Mr. Hall gave you as 8 cents?

Senator SMITH. He gave 8 cents for a 32 thread, which would be above the average. You give the average as 24.35. He puts the cost of thread that goes wholesale at 32 cents a dozen at 8 cents. When you bring the average down to 24.35 of the selling price, I take it for granted that the average cost of conversion would be reduced in the same proportion.

Mr. PHILIPPI. No; it would not necessarily follow. I want to try to be correct in my answer and I may explain, if you will allow me, my difficulty in answering. The coarser the thread is the greater the cost per yard. It takes more dyestuff and takes bigger spools, and you can not run a coarse thread as fast as you can a finer thread. As you go down into the cheaper grades, you get a greater average number, and for that reason I do not think it follows that the average cost would be materially lower. In fact, it might be just the same, or even a trifle higher. If you take a very coarse southern yarn and you want to dye it and glaze it and put it up in this shape on spools, that would be quite an expensive thing, and it would be more expensive than a finer Sea Island thread that would sell for a higher price. Is not that right, Mr. Hall?

Mr. HALL. Yes. If I might interpose, Senator, when I said the cost of converting was 8 cents, I meant in this shape, 8 cents a dozen for 12 spools of 200 yards each.

Senator SMITH. That is what I understood; which sold at 32 cents by the manufacturer?

Mr. HALL. Yes.

Mr. PHILIPPI. I am afraid I would not dare to give offhand the average cost.

Mr. HALL. On the other hand, it does not cost as much per dozen to put thread up in that big spool as it does in the other.

Senator SMITH. When you put it in the big roll it does not cost as much for the same length of thread in the other way?

Mr. HALL. No.

Senator SMITH. That would appear from looking at it, I should say.

Now, if this average estimate of 8 cents per dozen is proportionate to the value of the thread, starting with 8 cents on a 32-cent thread, that would reduce the cost of that conversion of a 24.35 thread down to about 6 cents a dozen. That would make 24-cent thread about 6 cents cost of conversion.

Mr. PHILIPPI. If you wish us to, we could easily figure that and mail it to you. I think that would be better than to guess at it.

Senator SMITH. I would be glad to have it.

Mr. PHILIPPI. I thank you very much. We will do that.

Senator SMITH. How long do these threads run per dozen, manufacturer's selling price?

Mr. PHILIPPI. They run down in some cases to 10, and even below 10 cents, for 2,400 yards in the 2-cord.

Senator SMITH. And they run how high?

Mr. PHILIPPI. They run up to about 45 cents.

Senator SMITH. They run from 10 to 45, then?

Mr. PHILIPPI. Really less than 10, because we sell as low as 9; in some cases even a little lower than that.

Senator SMITH. What kind of thread is that?

Mr. PHILIPPI. That is the cheap 2-cord in fine sizes. But in that respect, while we do a small amount—while the American Thread Co. does a small amount—

Senator SMITH. Is yours the American Thread Co.?

Mr. PHILIPPI. Yes. While we do a small amount of the 6-cord and household business, our big business is the manufacturing business, in conjunction with all these gentlemen, and that is where our interests are alike. The J. N. T. Coates people did not come to these meetings we called, where we invited all the thread manufacturers of the country to take counsel, and to elect a committee to appear before you, apparently because they are protected anyway, and another thing is, that really while they have been protected, the tariff on the 6-cord 200 yards, even the present high tariff, has never been prohibitive. Some of these 6-cord 200 yards, the cheaper threads, that sell abroad, could always have been brought in, even under the present Payne-Aldrich tariff. At the same time, figuring the specific duty of 12 cents, you see what a variable percentage it will give. If you figure 12 cents on an article that is sold abroad at 30 cents, it brings it down to 18 cents. That is one thing. But some of these manufacturing threads that we sell on these big spools, and on big cubes and cones, are sold abroad for as cheap as 5 cents. Twelve cents duty on 5 cents and 12 cents on 18 or 30 cents presents an enormous difference.

Senator HUGHES. That is the specific rate you are speaking of?

Mr. PHILIPPI. Exactly. That is where the specific rate brings about anomalies.

Senator HUGHES. That is where they make this error in the House bill?

Mr. PHILIPPI. Exactly.

Senator HUGHES. They averaged that, and struck what they thought was an average, and they raised you on some part of it?

Mr. PHILIPPI. I beg your pardon, Senator. I think the way they got the main figure, 22.93, is this, that they took the duty on the actual importations of thread—

Senator SMITH. The duty being specific, when the high importations came in, high-priced goods, it reduced the ad valorem very greatly.

Mr. PHILIPPI. Very.

Senator SMITH. And, as to the cheaper goods, they did not come in at all, so that the effect of an ad valorem on them would be was not contained in the statement in any way?

Mr. PHILIPPI. No; that is exactly so.

Senator SMITH. That is just the difficulty of getting rid of these specific duties.

Mr. PHILIPPI. Quite so; and the trouble is that the bulk of our business is not in the 400 goods that Mr. Hall explains, but in the very cheap end.

Senator SMITH. Yours are in the very cheap goods, which now you will compete with?

Mr. PHILIPPI. And where we already have cut for competition. These gentlemen, every one of them, will tell you that there is very,

very little money to-day in the cheap end of the thread business, where we do our big volume of it.

Senator HUGHES. What number of yarn do you use to make this thread?

Mr. PHILIPPI. Of course, we use all the numbers.

Mr. ARMITAGE. What is the ticket number of that?

Mr. HALL. Sixty.

Mr. ARMITAGE. The number of yarn of 60 would range from 54 to 60.

Senator SMITH. The duty really has been over 100 per cent?

Mr. PHILIPPI. Exactly.

Senator SMITH. And it has been prohibitive?

Mr. PHILIPPI. Exactly; and we are absolutely certain—I dare say I can say that without offense. You know that a manufacturer has his money locked up in the plant and would not, for the sake of his political creed or anything of that kind, close his mill or do anything of the kind, what some of the papers have stated.

Senator SMITH. I take it for granted you are coming here as business men to tell us the truth.

Mr. PHILIPPI. Exactly.

Senator SMITH. That has been my impression of the men I have talked with. I have not agreed with them frequently, but still I have thought they were telling me the truth as they saw it.

Mr. ARMITAGE. I think each one of us, Senator, is willing to go under oath and testify and bear all the penalties for untruthful statements.

Mr. PHILIPPI. We would keep running, no matter what the tariff is, just as long as we could; but we honestly believe and, as Mr. Armitage says, we would be willing to swear to it, that if we get a 15 per cent tariff we will be driven out of a considerable volume of our business.

Senator SMITH. What is your suggestion; that part of it be made ad valorem and part of it be made specific? How could you reach these very cheap-grade goods?

Mr. PHILIPPI. The only way would be to bear in mind that the tariff on the thread has not been 22.93, as stated in the Ways and Means Committee report, but really has been 70 to 80 per cent on a large part of the business, and, in fact, that would be the average, as we figure. It has been a good deal higher than 70 or 80 per cent on the very cheap end.

Senator SMITH. Over a hundred?

Mr. PHILIPPI. It has been up to 200. The point is that instead of 200 per cent keeping up the price and giving us a profit, there has been some of the business that we have not been able to touch even with that very high rate, because of the extreme competition. So that the public has not suffered on that.

Senator HUGHES. Inside competition?

Mr. PHILIPPI. American competition. For instance, there are some lines that we have that we have been for a year and more studying how we could get a share of them, and we finally found a way. They had extreme protection, but the home competition was so keen that it was very difficult for us to get in at all.

Mr. ARMITAGE. I would like to give an example, if you do not object, of Mr. Philippi's last remarks, simply confirming his last statement. The United States Government put out invitations for

bids a little time ago for mail-bag twine. The American Thread Co. bid 80 cents. It was as low as we thought we could go and make a reasonable profit. We lost the bid, because it was taken by Hooper & Sons, of Baltimore, at 64½ cents.

Senator SMITH. What was that?

Mr. ARMITAGE. Mail-bag twine. There were a number of bids made. They have just again put out an advertisement for a bid, and we have been forced—we have decided to make the bid 64, simply to keep our mills running, although last Friday it was reported by my superior officer it would be less than our mill charges. But we need work; we need to run our mills, and we will try to see if we can produce an article as good as the United States Government requires at 64 cents, which will not pay us, at our present calculation, any profit. That is simply speaking of the competition. That competition that I speak of was among ourselves. By "ourselves" I mean the independent thread manufacturers, of which we are one.

Mr. ARMITAGE. There was one other thing I was going to say: Between that little spool and that big spool that you have there I had a list taken off by one of my clerks, and in my company we have a million and a half different items that we make, all of thread; that is, if you count the thread, different weights twisted, different weights colored and dyed, and different weights put up on yardage, it amounts to about a million and a half items. It is as bad as the drug store business. That large spool contains 9,600 yards. Under the law of the State of New York, if we vary 5 per cent from that yardage, as it is marked, we are subjected to a penalty. That particular spool is a pulp spool compressed. We make them of wood.

Senator JOHNSON. You use the wood largely for the small spools?

Mr. ARMITAGE. Yes, sir.

Mr. KALEY. Senator Johnson, we have two large plants in your State. We have 300 or 400 people there employed in the manufacture of those wooden spools.

STATEMENT OF MR. FLOYD CRANSKA, OF MOOSUP, CONN.

PARAGRAPH 255.—*Cotton thread.*

Mr. CRANSKA. I am not a very large manufacturer of thread, gentlemen. We have a spinning mill in connection with our finishing mill. We do a business of perhaps about \$400,000 a year in thread. We have been in business for a number of years, and it is practically a close concern. There is nobody interested in it except myself and my family. The change that is contemplated by the Underwood bill in the tariff rate, from 70 per cent to 80 per cent under the present tariff bill to 15 per cent under the Underwood bill, is so extreme and so great it seems to us that it can only result in demoralization in our business.

Senator SMITH. Why do you say it is between 70 and 80 per cent at the present time?

Mr. CRANSKA. Of course, that is something that we get at by the specific duty now in force, as we are able to figure it. We estimate that under the specific duty the present rate is about 60 or 70 per cent.

Senator SMITH. The specific duty is 12 cents, is it not, a dozen?

Mr. CRANSKA. Yes; I think it is; 12 cents for 200 yards.

Now, of course, we have ascertained by careful inquiry that the selling price of thread abroad, such as we make, is about 46 per cent less than our selling price here in the United States.

Senator SMITH. What is your selling price?

Mr. CRANSKA. Our selling price for thread, of course, varies according to the quality and size of the thread.

Senator SMITH. Well, your cheapest thread.

Mr. CRANSKA. Taking the thread as a whole, and making comparison with similar thread on the other side, our selling price here is about 46 per cent higher than it is on the other side. We estimate that the manufacturers on the other side who are selling their thread for 46 per cent lower than it is selling for here are not doing business at a loss, and if they can do this over there on a basis of 46 per cent less than what we are doing it for here, it would seem to me that 15 per cent protection, as proposed by the Underwood bill, would hardly be sufficient to allow us to market our goods here in the United States; so we hope and trust that the committee will see fit to change the rate of duty from 15, as proposed by the Underwood bill, to at least one-half of the present duty under the Payne-Aldrich bill.

Senator SMITH. What do you sell your lowest thread at a dozen? I am taking a dozen as a unit.

Mr. CRANSKA. I think the lowest that we sell for is about 12 cents a dozen. Of course, I know it is sold for much less by other concerns, but I do not think we do.

Senator SMITH. And there is a 12 cents specific duty on that?

Mr. CRANSKA. I think so. There is no importation of that class of thread and has not been.

Senator SMITH. That is not a thread that is used in ordinary sewing, is it?

Mr. CRANSKA. No; it is manufacturers' thread entirely. We make no thread for domestic use.

Senator SMITH. What is the lowest price thread you sell for ordinary sewing?

Mr. CRANSKA. We make no thread at all for domestic use; we make it entirely for manufacturers. Over three-quarters of the thread manufactured is used for boots, shoes, clothing, etc. Under the present duty of 70 or 80 per cent there has been very little thread imported of the class that we make, but under the proposed duty it must result in a wholesale importation. I do not see how it is possible for us to compete under that low rate of duty.

Senator JOHNSON. You say the present rate is 70 or 80 per cent?

Mr. CRANSKA. I think as near as we can get at it, it is 70 or 80 per cent.

Senator SMITH. Of course, if it is 12 cents specific that would be 100 per cent on the 12-cent thread.

Mr. HALL. It is more than that in some instances, where the thread sells for 9 and 10 cents per dozen.

Senator JOHNSON. Are there any other gentlemen to be heard on this subject?

Mr. ARMITAGE. Mr. Warren, I believe, wishes to make a statement.

STATEMENT OF MR. CHARLES B. WARREN, OF THE W.
WARREN THREAD WORKS, WESTFIELD, MASS.

PARAGRAPH 255.—*Cotton thread.*

MR. WARREN. I sent you a copy of this letter, Senator Johnson, that has been sent to the other members of the committee. It mentions the average selling price abroad and the selling price in this country. I might explain that by saying that we took all the different brands and qualities of thread that we were able to get information about and then took our brands that compared with them. We took that to get us nearly a comprehensive view as we could. Of course, that is not a complete list of the lines abroad, nor a complete list of the lines here. Mr. Hughes made some remark in regard to the Coates Co. not being interested in this change in the tariff, and I might explain that their position is radically different from ours. We handle almost entirely manufacturers' thread. The Coates Co. have almost entirely the six-cord; that is domestic. They do handle some of the manufacturing thread, but mostly the domestic, which we are unable to touch, not on account of the fact that we can not produce it, but on account of the fact that the name is so well known that they are absolutely protected on that.

Another point that is interesting to note: We have a list of all these 295 brands, and on the domestic lines the price abroad is much nearer the price in this country than on the other lines. In other words, if we should eliminate from those 295 different brands the domestic lines, we would show that the selling price in this country is much more than 40 per cent on the other goods, the goods such as we handle. It only seems imperative to me, as I look at it from our standpoint, that we should have at least the difference between the two costs to protect us, because if they reduce that 10 per cent it makes a very close proposition for us. It seems to me that we should at least have 35 per cent ad valorem based on that, or if we should take it on the other hand, and base the actual duties that had ranged with the Payne-Aldrich bill from 60 to 80 per cent, we would be satisfied with half of what we had on that.

Senator SMITH. Now, the threads that you have been discussing are nearly all manufacturers' thread, and not domestic thread?

MR. WARREN. Almost entirely. You see, the J. & P. Coats Co. is the large manufacturer that dominates entirely the domestic line, as we call it. The rest of us practically have to be satisfied with the manufacturing lines. As an example of that: I put our goods into a dry-goods store conducted by very good friends of mine. They said they would try to sell the goods, which I guaranteed to be equal to the goods made by the trust, and just before I came down here I had a letter from them stating that they could not dispose of the goods on account of the brand; the name. They had no criticism to make of the quality.

Senator JOHNSON. What class of manufacturers use your threads?

MR. WARREN. Skirt, shirt waists, overall, shoes, and clothing manufacturers.

MR. HALL. All the ready-made clothing manufacturers throughout the country, such as Hart, Schaffner & Marx, use the manufacturer's thread. It is also used in the manufacture of shirts and collars and straw hats, etc.

Senator SMITH. What is the production in the United States of the manufacturers' thread? I find the entire production in the United States of thread in 1910, cotton thread, put at \$111,000,000.

Senator JOHNSON. No, Senator Smith, I think you are mistaken about that; I think it is about \$23,000,000.-

Senator SMITH. Yes; I was looking in the wrong place. It is \$20,516,000; that is for drawing and embroidering, etc., and that showed only \$136,000 imported; \$511,000 duty.

Senator JOHNSON. What has been imported? What kinds of thread, the sewing thread or manufacturers' thread?

Mr. PHILLIP. Fancy articles for art embroidery.

Senator JOHNSON. It seems that about one twenty-fourth of the whole consumption in the country comes in.

Mr. PHILLIP. Last year the imports were a million and a half.

Senator JOHNSON. That is almost negligible, is it not?

Mr. PHILLIP. Yes.

Senator JOHNSON. When you come to talk about one twenty-fourth or one twenty-fifth of the domestic consumption, it would be almost negligible, unless it were something of a particular kind of thread.

Mr. PHILLIP. It was a particular kind.

Senator JOHNSON. It would be distributed all over the country, and the competition would not be felt much.

Mr. PHILLIP. No; but it was of a particular kind, and we do not make it, and it is practically the great bulk of this art-embroidery thread that is brought in from abroad. The value of it is so great that the specific duty, in many cases, fell below the minimum rate of 20 per cent ad valorem of the Aldrich bill, and that explains why the Ways and Means Committee fell into the error of saying that the specific duty expressed on an ad valorem basis figured at 29.93.

Senator SMITH. Now, the Aldrich bill provides for 6 cents where the spool does not exceed 100 yards of thread; in the tubes containing less than 600 yards each, one-half of 1 cent for each 100 yards. That again would be 6 cents for a dozen of 100 yards each.

Mr. PHILLIP. Yes, sir.

Mr. ARMITAGE. We have made our figures on 120-yard lengths.

Senator SMITH. That would be 12 cents to the 200-yard spool.

Senator JOHNSON. I can understand the inconsistencies that have been pointed out to me between the difference here and the proposed bill on the cotton thread and the spool thread. Yours is much finer and the duty is not in proportion here at all.

Senator SMITH. And yet your manufacturers' thread is largely made out of a lower grade.

Mr. WARREN. No; I beg your pardon, Senator.

Mr. HALL. That is sea-island cotton, the best grown, Senator.

Mr. WARREN. We have both grades.

Senator SMITH. Now take your cheapest manufacturers' thread; what kind of thread is that made out of?

Mr. WARREN. It is made out of sea-island cotton.

Senator SMITH. About what number?

Mr. WARREN. About a 24.

Senator SMITH. That is a low grade thread.

Mr. WARREN. Yes; that is low-grade; I am giving you the lowest grade.

Senator SMITH. Is it not true that your very cheap manufacturers' thread is made out of a very low grade of yarn?

Mr. WARREN. Yes, sir; I did not understand your question at first.

Mr. HALL. I do not think it is.

Senator SMITH. That would be 10 per cent ad valorem for that yarn, and the tax on your thread would be 15 per cent ad valorem. The tax on the gray yarn would be 10 and the tariff on your thread would be 15, according to the bill as it comes from the House: so you would get 5 per cent more than the thread—

Mr. WARREN. You would for that one item, but that is very limited. I gave you the cheapest grade, which is used for nothing but basting. Mr. Hall has just called my attention to the handkerchief trade.

Mr. HALL. I want to call your attention to this: There is a yarn that we sold for 40 cents less 20 cents. That yarn comes to me in the grade just as you see it there, 56 cents per pound, with a little over two dozen to the pound.

Senator SMITH. Fifty-six cents, you say?

Mr. HALL. Fifty-six and one-fourth cents. Now, the manufacturer to-day is selling his coarse yarn for less than it costs him. Fifty-six and one-fourth cents is what I pay for that yarn in the gray.

Senator SMITH. And yet you say that is less than it costs the manufacturer?

Mr. HALL. If a man were to come in and want to buy all coarse yarn, we would not sell him. Where we lose on the coarse end we more than make up on the fine end. We can not sell the same as the yarn man does. He has a price for every kind of yarn. We sell at so much a dozen. If a man were going to buy all coarse yarn, none of us could stay in business.

Now, another matter, in answer to your question regarding the low-price thread: that which the handkerchief makers and the shirt makers and manufacturers of the collars and cuffs sell for 15 cents per dozen is made out of sea-island cotton, but it is two-ply. It is a soft thread, with no finish, and may be manufactured very much cheaper.

Senator SMITH. Have you gentlemen made any written brief that you wish to submit? Have you prepared a written brief on this matter?

Mr. WARREN. Yes; we have one prepared.

Mr. HALL. We are not only competing with foreign importation, but the people who control the thread industry of the world are manufacturing here under our noses in large quantities. They are manufacturing in Japan and Russia, and practically every foreign country.

Senator SMITH. Do you mean the Coates?

Mr. HALL. Yes; the Coates. They are manufacturing to-day in Pawtucket. We have not only to compete with them under American conditions, but if it becomes impossible to manufacture here they can still go abroad and get the benefit of all this reduction, and they are the only people that can get it. We can not get any of it. They can manufacture over there and then dismantle their plant and come into the manufacturing lengths and make competition all the worse for us.

Senator JOHNSON. What proportion do they now control of the business of this country—that is, the business of all kinds?

Mr. HALL. This is practically all they make now [indicating]; they make very little in the long lengths.

Senator JOHNSON. You said the domestic production is now \$35,000,000. They were given here for 1910 as \$23,000,000. Of the \$35,000,000 production in this country what part is made by the Coates Co. and what outside; of all kinds?

Senator LIPPETT. About \$8,000,000. Senator Johnson, by the American Thread Co.

Mr. ARMITAGE. But the Coates Co. is not the American Thread Co.

Senator JOHNSON. Do you know about the Coates Co., Mr. Armitage?

Mr. PHILIPPI. We can only estimate it. We would say about \$14,000,000 to \$15,000,000.

Mr. ARMITAGE. There is a concern that is called the American Thread Co., but there are some 45 other companies represented by Mr. Hall and Mr. Warren.

Senator JOHNSON. That is what I am trying to get at; how many companies, independent companies, outside of these large companies there are.

Mr. ARMITAGE. I should say about 45 or 46 outside of the Coates and their interests.

Mr. HALL. I have them all here.

Senator JOHNSON. That may all appear on the brief that is filed, but I have not seen that brief yet.

Senator SMITH. Copies of the brief have been furnished to us, Senator Johnson. Do you gentlemen in your brief undertake to suggest a plan for handling this matter?

Mr. PHILIPPI. In the first place we suggested a specific duty, and, realizing that a reduction ought to be made, suggested a 25 per cent reduction.

Senator SMITH. On the specific duty?

Mr. PHILIPPI. On the specific duty. Then Mr. Underwood told me that that was useless; that it would have to be put on an ad valorem basis. Then we suggested that we should get an extra 10 per cent over the ad valorem rate. It has occurred to us since this morning that possibly it might be better instead of doing that to suggest that inasmuch as the present tariff is about 70 per cent on an ad valorem basis that that be cut in two.

Senator SMITH. You see, the difficulty about figuring it on an ad valorem basis is that your ad valorem is so very high on the low grade, while not so very high on the high grade, and you gentlemen are arguing that the place that you need protection and which is your danger point is in the low grade.

Mr. PHILIPPI. That is right, Senator Smith.

Senator SMITH. And that the high grades do not exceed the danger point.

Mr. WARREN. We have a high grade that is not controlled by the Coates interests.

Senator SMITH. But the stress has been laid upon the trouble that will come from the low grades.

Mr. WARREN. The manufacturing lines are cheap compared to the domestic.

Senator SMITH. When you suggest a higher rate than 20 per cent, you suggest an increase on the rate.

Mr. PHILIPPI. Would it not be right to say that the present tariff really represents 70 per cent ad valorem?

Senator SMITH. I understand that you figure that that is the average; but what I was pointing out was that when the value of your thread was 60 cents a dozen or over for 200 yards to the spool, the tariff now is only 20 per cent; and when you suggest a rate above 20 per cent you suggest a rate that increases the duty on the thread when they are worth 60 cents a dozen or more.

Mr. HALL. But we are not putting out any of that kind of thread.

Mr. WARREN. The highest-price thread made is something like 45 cents, and we do not even make that.

Senator SMITH. Well, at 45 cents the present rate would be about 25.

Mr. HALL. What would be the average selling price of all our thread to manufacture? It would not be 20 cents, would it?

Mr. ARMITAGE. It would be about 22 cents.

Mr. HALL. Our average selling price per dozen would be about 22 cents.

Senator SMITH. The tariff on that would be about 36.

Mr. HALL. On 22 per cent ad valorem that would be 3½ protection. What we sell for 22 cents we would be protected on a 15 per cent basis.

Senator SMITH. The tariff is now about 36 per cent, and this proposed tariff would be 15 per cent. It is a little over half on the 22 cents.

Mr. HALL. It is a little more than 50 per cent; it is nearer 60 per cent.

Senator SMITH. If you sell at 22, what would the foreign goods be worth?

Mr. PHILIPPI. About a third less.

Mr. HALL. Yes; that is as near as you can get it.

Senator SMITH. Then the tariff would be about 50 per cent on the foreign goods, making the difference in the two.

Of course, we are not going to increase the tariff anywhere on these goods. You have not shown any reason why it should be higher anywhere than the old tariff bill, and yet if we made any modification of the ad valorem we would get it directly to where we would be increasing the rate on something. When we took the recess a few minutes ago, Mr. Philippi was stating what your suggestion had been to the committee about a specific duty. You said that Mr. Underwood told you that it was useless to talk about a specific duty.

Mr. PHILIPPI. Yes; that is so, and it was at his suggestion that we put in an amendment to the first memorial, and in that amendment we suggested an additional 10 per cent ad valorem over the yarn schedule.

Senator SMITH. If you put an additional 10 per cent over the yarn schedule, when you get up in the higher class of yarns you would run the tariff rate there up to over 20.

Mr. PHILIPPI. Thirty-five.

Senator SMITH. And when you come along down into the neighborhood of the sixties you would have a tariff of more than 20 per cent, which is all they get now.

Mr. PHILIPPI. In all those sizes.

Senator SMITH. Those at 12 per cent specific and not less than 20 per cent.

Mr. HALL. Not 12 per cent, but 12 cents.

Senator SMITH. Yes; I understand that. And the value of the goods was so great that the 12 cents per dozen specific was not 30 per cent of the value. The value of the dozens in a number of those instances was so high that the 12 cents per dozen was not 30 per cent ad valorem.

Mr. PHILIPPI. But, Senator, in that case we had to come back and make a distinction between the goods that had been imported and between the goods that we are manufacturing and that we are really endeavoring to protect, to an extent. The goods that had been imported are practically not manufactured in this country; in fact, you might say they are not manufactured in this country without qualification. There is so very little of it manufactured that it is a fair thing to say that they are not manufactured at all here, and it is because of the very high value of these coarse threads. You probably know about these heavy threads that are used in art embroidery. They are absolutely different from anything that is used on power sewing machines for the making of shirts or collars or cuffs, corsets, clothing, etc.; entirely a different article. Now, it is on these very high-priced goods that the specific duty is figured at so low a percentage. All the rest of their industry has been protected in the past to such an extent that there has been no importation.

Senator SMITH. That sample on the table is not made out of a very low grade, is it?

Mr. PHILIPPI. It is a very high grade.

Senator SMITH. That is why I said if we took the rate on the cotton yarn and added 10 per cent we would put the rate of importation on those goods higher than it is now, because the specific duty of 12 cents a dozen would not have amounted to much over the 20 per cent, and this 20 per cent ad valorem was intended to reach those high-grade goods. That was practically all that they paid.

Mr. PHILIPPI. I do not think it quite follows that that would be so. Of course, this a new viewpoint that you gave us and I am trying to look at it from the way you wish us to.

Senator SMITH. Mine was more of an inquiry than a statement.

Mr. PHILIPPI. I think the situation is that this embroidery yarn is all coarse. The great bulk of it is very coarse, and, if I am right as to the average size of this thread, it would all come in under the very lowest rate for the yarn, because of its coarse size, so it would not necessarily follow, I believe, that we would be in any difficulty by giving us an additional 10 per cent.

Senator LIPPITT. I would like to ask, Senator Smith, if your trouble is not that you are looking at the 20 per cent ad valorem?

Senator SMITH. No; my suggestion was this: If the yarns are high and the threads were worth 60 cents a dozen, then your 12 cents specific duty would be only about 20 per cent.

Senator LIPPITT. I do not think that is the situation, is it? It would be a great deal more than 20 per cent now on the specific duty.

Senator SMITH. It depends upon the value of the goods. If you come to the very low-priced threads, then the specific runs up in the neighborhood of about 100 per cent. When you get to the high-grade goods, it would run down to 20 per cent in some places. How-

ever, the figures of the average percentage collected are misleading because, it being a specific duty, the low goods, upon which the highest taxes are put, do not come in at all.

Mr. PHILIPPI. That is true; but on the other hand, with the proposed schedule for yarns we would have to look at it from a different viewpoint again, for where you have a sliding scale with a low rate on the coarse end and the highest rate on the fine end, these same high-priced articles would be considered purely from the point of coarseness or fineness of size, not of their money value; so, therefore, being considered simply from being coarse or fine, and being coarse, they will come in under the low ad valorem rate. Therefore it would not follow that if we had an additional 10 per cent on thread over the yarn that necessarily we would be really advancing the rate.

Senator JOHNSON. From what number of yarn, according to the schedule in the proposed bill, is the great bulk of the spool thread made in this country?

Mr. PHILIPPI. There are so many different kinds of thread, we have to look upon them all, so it is a little difficult to get an average.

Senator JOHNSON. I said the great bulk of it.

Mr. PHILIPPI. The great bulk of it would be No. 50.

Senator SMITH. No. 50 yarn?

Mr. PHILIPPI. No. 50 yarn would be about the average number.

Senator LIPPETT. Is that single?

Mr. PHILIPPI. Well, it is the same ply. The average number would vary. It would be surprising if it happened to be the same. In New England the manufacturer who go into the shoe business, of course, would have a higher average number.

Senator JOHNSON. Between what limits is the great bulk in this country?

Mr. PHILIPPI. Between 40 and 60.

Senator LIPPETT. Is not a great deal of the thread made from 100 and above?

Mr. PHILIPPI. Yes; but that is mostly 6-cord.

Senator LIPPETT. Senator Johnson wanted to know what the total range of numbers was. Then, I understood that it run up into the fine numbers to 150, and there are a large number made in the neighborhood of 100?

Mr. PHILIPPI. Yes; but that comes in the 6-cord, 200 yards.

Senator SMITH. What do the thread sell for per dozen made out of 100 yarn?

Mr. HALL. It would make a difference as to how it was put up, Senator Smith.

Senator SMITH. Well, the highest class, the best of the thread sold out of the 100 yarn?

Mr. PHILIPPI. It would sell at 43 or 44 cents, Coates's price; our price would be as low as 39 for that.

Senator SMITH. And what would be the foreign price?

Mr. PHILIPPI. The foreign price would be—I understand we are talking now of 6-cord, 200 yards, for home consumption?

Senator SMITH. Well, I do not know about that, but I want the highest price there is made out of the 100 yarn.

Mr. PHILIPPI. The American Thread Co.'s highest priced thread sell for 39½ cent for 2,400 yarn.

Senator SMITH. And the foreign price on those same goods would be what?

Mr. PHILLIPPI. The foreign price varies from 24½ to 33.80. That is the foreign price without any duty added.

Senator SMITH. That is what I wanted to know. At 24 per cent it could come in now.

Mr. PHILLIPPI. Oh, yes; at 24 per cent it could come in now. And particularly it could come in because J. & P. Coates, who do by far the largest part of that business, probably nine or ten times as much as we do, have a selling price between 42 and 43 cents. They get more money for their goods than we do, because their goods are better known.

Senator SMITH. The tariff rate, then, now would be about 40 per cent on those goods.

Mr. PHILLIPPI. Yes; that is quite right.

Senator LIPPITT. In every case in making their thread an additional expense is put upon the product as compared with the yarn out of which it is made, is there not?

Mr. PHILLIPPI. A very great extra expense.

Senator LIPPITT. And that expense consists largely of labor?

Mr. PHILLIPPI. Very largely.

Senator LIPPITT. The only supplies that you would buy would be oils, power, and dyeing materials and things of that sort?

Mr. PHILLIPPI. And spools. We have large plants in Maine for making spools.

Senator LIPPITT. But the great bulk of the additional cost that comes into making the thread over the cost of the yarn of which it is composed is largely labor?

Mr. PHILLIPPI. Very largely labor; yes, sir.

Senator LIPPITT. So that in any case, if an additional duty is put upon thread over the number of the yarn of which it is composed, that will be a protection upon any additional labor that goes into making the thread?

Mr. PHILLIPPI. That is right.

Senator LIPPITT. There is always in every piece of thread a very large additional amount of labor as compared with the yarn out of which it is made?

Mr. PHILLIPPI. That is quite right.

Senator LIPPITT. So in any event, for all forms of thread, if there is a duty of 10 per cent on the yarn out of which it is composed and a like duty of 10 per cent on the thread itself, there will be less protection on the labor in the thread than the yarn out of which it is composed?

Mr. PHILLIPPI. Yes, sir.

Senator LIPPITT. So that the request that you are making of this committee is that they shall give you some additional duty on thread as compared with the yarn out of which it is made, so as to bring the duty upon the labor cost of your article to equivalent with the labor cost of the yarn of which it is composed? That is the broad proposition?

Mr. PHILLIPPI. That is the broad proposition.

Senator SMITH. What is the labor cost in your 39 cents? What percentage is the labor cost?

Mr. PHILLIPPI. Our 39 cents is our United States selling price; that is not our cost.

Senator SMITH. I know, but in the thread that you sell at 39 cents a dozen, what is a fair percentage of that 39 cents that would be estimated for the cost of the conversion?

Mr. PHILIPPI. We figure, broadly, that one-third of our cost is the raw material, one third is labor, and one-third is overhead charges. That is substantially correct.

Senator SMITH. One-third is raw material, one-third labor, and one-third overhead charges.

Mr. PHILIPPI. Yes; and the overhead charges in turn include a very large percentage of labor. When we say labor, we only mean the direct labor. We do not include power or any of the additional departments. For instance, take spools and paper boxes; things of that kind are figured in by themselves.

Senator SMITH. What is your profit on that 39 cents, as you sell it?

Mr. PHILIPPI. I have not the figures with me.

Senator SMITH. About what percentage is your profit?

Mr. PHILIPPI. That end of it is very profitable. I should say that there would be 25 per cent profit.

Senator SMITH. And one-third of the balance is the cost of raw material, one-third labor, and one-third overhead charges?

Mr. PHILIPPI. Yes; that is correct.

Senator LIPPITT. What do you mean by "raw material," cotton or yarn?

Mr. PHILIPPI. In our particular case our raw material would be cotton.

Senator LIPPITT. I am talking about the figures that you gave when you spoke of figuring one-third of your cost as raw material, one-third as labor, and one-third as overhead charges.

Mr. PHILIPPI. It is quite correct to say yarn.

Senator SMITH. I thought you meant that your raw material was the yarn that you bought.

Mr. PHILIPPI. That applies to the majority of the thread makers. I asked Mr. Hall this morning and he told me that they figured that that was one-third.

Senator LIPPITT. When you gave those figures to Senator Smith, what did you mean when you said the cost of your raw material was one-third? Were you talking about cotton or were you speaking about yarn?

Senator SMITH. I thought he meant yarn. Does it mean yarn or lint cotton?

Mr. PHILIPPI. It depends a little upon how you put it. Where you do your own spinning, at times when there is a profit in the spinning it would mean the cost of the cotton. At other times it may be the other way about, because if you had to pay a higher price for your yarn, then, of course, it would give you a different starting point.

Senator LIPPITT. But in the particulars you have referred to, if you mean cotton as raw material, your raw material would bear a different relation in your other expenses than if you used yarn. You told Senator Smith that one-third was raw material, one-third labor, and one-third overhead charges. I was just wondering whether you meant that that was yarn in those particular figures. Do you mean that that was yarn or cotton?

Senator SMITH. When you use that proportion of one-third raw material, one-third labor, and one-third overhead charges, do you refer to lint cotton or yarn?

Mr. PHILLIPPI. It must be yarn.

Senator SMITH. You say that you do not simply mean yarn, but sometimes yarn and sometimes cotton.

Mr. PHILLIPPI. It is a little difficult to have all these figures in my mind, and I really do not want to say very much more, because I might get all "balled up" on the thing. I do not remember the figures back of these things. I think it would be very much better to take Mr. Hall's figures as he has it in his statement.

Senator JONSSON. Why not have Mr. Hall's statement go into the record?

Mr. HALL. The yarn is one-third of the cost with me. I take my average number, which is 60, and which cost me 72 25 cents a pound. I divide that by 6, because there are 6 dozen to the pound, and I get 12 cents a dozen. I sell my thread at 32 cents. That yarn costs me 12 cents out of the 32 before I have touched it at all.

Senator SMITH. That is a little over a third.

Mr. HALL. Yes.

Senator SMITH. What would be your labor cost and what would be your overhead charges?

Mr. HALL. The labor, Senator, would be about a third of it and the overhead charges would be about another third.

Senator SMITH. What profit would you make out of the 32 cents-- what percentage?

Mr. HALL. I did \$556,128 01 worth of business, and I figure that my profits were about \$60,000 last year.

Senator LIPPITT. Was that a good or a bad year?

Mr. HALL. That was an average year.

Senator SMITH. That was about a 10 per cent profit that you made?

Mr. HALL. A little better than that; about 12 per cent.

Senator LIPPITT. What is the cost of your plant? How much money have you got in your plant?

Mr. HALL. I have just taken an inventory, the third one that we have taken in 50 years, and I have not figured it up yet. I do not know what I have got locked up.

Senator SMITH. Does this statement of about 12 per cent profit cover any allowance for the value of your plant, or does the value of your investment come out of that 12 per cent, too?

Mr. HALL. Yes, sir; surely; that is my gross profit. We are a partnership. If we want to do anything, we go ahead and do it.

Senator LIPPITT. When you say 12 per cent, you mean without any allowance for depreciation?

Mr. HALL. Yes, sir.

Senator LIPPITT. Are all your salaries included in that?

Mr. HALL. Yes, sir.

Senator SMITH. Your salaries are included in the 12 per cent? They are included in the overhead charges, are they not?

Mr. HALL. Yes; in the overhead charges.

Senator SMITH. It is 12 per cent in addition to the salaries?

Mr. HALL. Yes; the salaries are three salaries of \$200 per month each.

Senator LIPPITT. Have you got \$500,000 invested in your business; that is, for plant and everything else?

Mr. HALL. I do not think so.

Senator LIPPITT. I am not asking you for personal information; I want to find out about your profits.

Senator SMITH. What would you say your investment amounted to, if you do not object to stating it?

Mr. HALL. I would not want to give that under oath. I hardly know what it is. We are a little village; we own every tenement there is in it and there are so many things that go into the expense. There are about 400 or 500 people there, and everything hinges on the business. There are 60 or 70 tenements, a store, a boarding house, and a farm.

Senator SMITH. And this 12 per cent was your profit from the whole enterprise?

Mr. HALL. Yes, sir.

Mr. ARMITAGE. Does that cover your loss from depreciation of stock that you carry on hand? You know how much we lose in the thread business by depreciation and the change in styles. Have you covered that?

Mr. HALL. No; my statement does not cover that.

Mr. ARMITAGE. We burn up tons of stuff that we can not sell.

Mr. HALL. We do also.

Mr. ARMITAGE. And that has got to come out of your 12 per cent.

Mr. HALL. I do not think so. Of course, there is some depreciation. We mean to keep the plant up to date.

Senator SMITH. What would you say would have been the wholesale market price of these threads that you sold at 32 cents?

Mr. HALL. A very, very small proportion of my sales are at 32 cents. I can give you the average.

Senator SMITH. You took the 32 cents yourself as a basis.

Mr. HALL. For this particular case, but we sell some as high as 11. My average sales the last year per dozen were 18.43. I can show you that for 20 years. I have here a memorandum showing the total dozens and the total amount of money, and that is the average per dozen. My thread averaged me 18.43.

Senator SMITH. What was the average cotton yarn that you used?

Mr. HALL. The average number?

Senator SMITH. Yes.

Mr. HALL. About a 60.

Senator SMITH. So your threads then run up to about 100?

Mr. HALL. We go above 100. We are what you might call a fine mill.

Senator SMITH. And yet your average sales were 18.43?

Mr. HALL. Yes, sir.

Mr. PHILLIPS. The finer it is the lower is the price per dozen; the finer the count the finer the size.

Senator SMITH. The finer the thread, the cheaper?

Mr. HALL. To the customer.

Senator SMITH. Therefore, if we took this cotton yarn schedule as a basis, we would be putting the highest tariff on the cheapest goods, would we not?

Senator LIPPITT. The cotton yarn rate is lowest on the low numbers.

Senator SMITH. And highest on the high numbers.

Mr. HALL. When you get up to 100, 140, or 180 it sells for 15 cents. The proposed Underwood tariff of a 15 per cent ad valorem on these fine yarns that we sell for 75 cents for 12,000 yards, which is 5 dozen, we would get 24 cents protection on a 15-cent per dozen article.

Senator SMITH. Your lowest priced threads are made out of the highest priced yarns?

Mr. HALL. Yes, sir; they sell for the least.

Senator SMITH. And out of the highest numbered yarns?

Mr. HALL. Yes, sir.

Senator SMITH. That is due to the fact that they are drawn out?

Mr. HALL. That is due to the fact that it does not cost any more to bleach and color a pound of 90 that turns out 10 dozen to the pound.

Senator LIPPITT. Is it not true that what the Senator called your lowest priced yarns are the highest price per pound?

Mr. HALL. The highest grade yarns; the highest price per pound that we buy.

Senator SMITH. But the lowest price per dozen?

Mr. HALL. The lowest price per dozen.

Senator SMITH. We have been accepting the dozen as the unit of discussion.

Mr. HALL. That is the unit.

Senator LIPPITT. When you come to the unit of cost, it is always the pound.

Senator SMITH. Yes. We have been discussing the market value on the basis of a dozen spools, 200 yards each, as the unit.

Senator JOHNSON. Now, taking these different yarns and starting with the raw material and converting it into spool threads, the one-third of the cost of that conversion is labor; the other two-thirds include your overhead charges and your profit?

Mr. HALL. Yes, sir.

Senator JOHNSON. Does that apply to all the grades?

Mr. HALL. If you average it, yes. While No. 24 and No. 60 sell for the same price per dozen, it would not hold true upon this particular number that one-third was yarn, one-third labor, and one-third overhead charges. In No. 24 the yarn itself, which sells for 32 cents, costs me 22 cents in the gray before I touch it. The yarn in No. 24 costs me 22 cents a dozen, while my average cost per dozen for yarn in the gray is 12 cents, because there are only two and a half dozen to the pound in No. 24.

Senator SMITH. And the finer the thread the less it costs you?

Mr. HALL. In the 90 it would only cost me 9 cents a dozen in the gray, whereas it costs me 22 cents a dozen there.

Senator JOHNSON. You said that the bulk of your manufactured thread included the 60?

Mr. HALL. I said that that was my average number.

Senator JOHNSON. Would this statement that you have made apply to the bulk of the thread that you manufacture?

Mr. HALL. I think so.

Senator JOHNSON. That is, the division of labor, material, and overhead charges, and profits?

Mr. HALL. I think it would.

Senator JOHNSON. Do you know anything about the cost elsewhere; that is, the cost in other countries with regard to that conversion?

Mr. HALL. No, Senator; only inasmuch as I know the comparative cost of the different operations in this country and in other countries. I know, for instance, what is paid for a spinner and a twister and a carder.

Senator JOHNSON. But leaving out the daily or weekly wages, the whole labor cost would be what?

Mr. HALL. That differs, Senator, in different countries where thread is manufactured. It costs us four times as much to manufacture as it does in Belgium. It costs us perhaps twice or three times as much as it does in Germany.

Mr. PHILIPPI. About half way between the two, I think.

Mr. HALL. Yes; not quite twice as much, but as 300 is to 480; in other words, if it costs \$3 in England it would cost \$4.80 here.

Senator SMITH. Now, does Belgium export her thread into England?

Mr. HALL. It is not necessary, because the concern that controls the thread industry of the world is making thread in Belgium, Japan, and England.

If I could leave but one thing in your minds it would be this: That whatever the reduced tariff rates takes out of the American thread manufacturer it puts into the pockets of the men who control the thread industry of the world, and those men are the J. P. Coates Co. After you have done all and said all, if you will remember that you will get the situation just exactly as it is.

Senator SMITH. If you can show us that.

Mr. HALL. It is because they control the thread industry of the world.

Senator SMITH. Outside of what you do here.

Mr. HALL. Outside of what we do here. We are not exporters. We are just trying to manufacture and sell to the people who use thread in the United States. I do not know whether or not there is anybody here who does export thread.

Mr. ARMSTRONG. We export a little, but it is so small it is not worth considering.

Mr. PHILIPPI. Our wages are so high that it makes it impossible.

Senator JOHNSON. Is the United Shoe Machinery Co. in any way connected with the Coates Co.?

Mr. HALL. I do not know.

Senator JOHNSON. They provide in their contract for machinery that the shoe manufacturer shall buy all his thread of them.

Mr. HALL. There may be something in that.

Senator JOHNSON. Do they not compel a man who leases a machine to buy thread of them and everything else?

Mr. HALL. Under the adverse conditions in which J. & P. Coates are working to-day their statement shows that they made thirteen and a half million dollars last year. If we are obliged to curtail so that they will reap the benefits, the Lord only knows how much they will make next year. They will make more than we lose, because their profits will be greater, and they will take the trade that we lose.

Senator SMITH. Is there anything else you gentlemen wish to submit?

Mr. KALEY. The profits of the American Thread Co. have been published. The average dividends were nine and a fraction per cent. We consider that our plants are as efficient—I would not say as efficient as it is possible to get them, because we are making for greater efficiency, but we consider that they are efficient. We cut our own timber and make our own spools. We have the most economical way of getting all these things out, and yet the profits in our business have been but a trifle over 9 per cent.

Senator JOHNSON. You speak of dividends. Let me know about that. What kind of stock are you paying dividends on?

Mr. KALEY. Common stock.

Senator JOHNSON. Only the common stock?

Mr. KALEY. Only the common stock.

Senator JOHNSON. You represent the American Thread Co., and that company has quite a number of plants?

Mr. KALEY. Yes.

Senator JOHNSON. They were formerly independent plants?

Mr. KALEY. Yes, sir.

Senator JOHNSON. And they were consolidated at a price and entered upon your books and the stock issued upon that book value. How near the actual value does that book value come?

Mr. KALEY. I was not connected with the concern at that time, but the general impression was—I suppose you want to know if there was any water in the stock?

Senator JOHNSON. That is it. I want to know how these plants were put in.

Mr. KALEY. Mr. Philippi can answer that question perhaps a little better than I. I know, however, the understanding was that they were at actual cost, and there was no water.

Senator SMITH. There was no water in the common stock?

Mr. KALEY. No water in the common stock. Am I right, Mr. Philippi?

Mr. PHILIPPI. The only profit that was made out of the thing was a very moderate profit for promotion, and that was not done by a banking house, because their ideas are not always moderate, but it was done by a lawyer. The way it happened was this: Quite a number of concerns, in fact, all the concerns that were taken in afterwards, were in a very unsatisfactory state. They had been losing money and some of the biggest ones were on the verge of bankruptcy. They had meetings from time to time to discuss how they could pull out of the difficulty, and this lawyer, who was a friend of one of the thread people, suggested that if they were in such dire need for different conditions if they would deposit their stock and give him an option he would see what he could do. They all agreed and these businesses were taken over at exactly what was paid to the vendors.

Mr. HALL. When this combination, so to speak, was formed, this lawyer approached my father to buy out his plant. He didn't set a price that we thought the plant was worth, and we did not sell. We have been an independent concern ever since. That is just an illustration. I know that one feature of it.

Senator JOHNSON. That is all I wanted to know. You said, Mr. KALEY, that it was 9 per cent, I believe?

Mr. KALEY. On the actual value that we paid for the stock.

Mr. PHILLIPS. I think it is perfectly fair to say that there wasn't any water at all in the stock.

Mr. KALEY. Any reduction of this tariff that affects the profit on our goods can only come out of the profits of our business, and our profits do not show that they are large enough for us to stand a great deal of reduction.

Senator JOHNSON. Does this conclude what you gentlemen have to say upon the spool thread, or do you have any other gentlemen present who wish to make any remarks?

Mr. PHILLIPS. In the letter which Mr. Warren wrote to you gentlemen he shows that the excess of the average selling price in the States over the corresponding items in foreign countries—England, and so forth—is 46 per cent, and I think it is a correct argument to say that any ad valorem duty which is less than 46 per cent, to whatever extent it will be less, will come out of the American manufacturer. It was on that basis that we felt that if we should get a 15 per cent ad valorem duty it would mean 30 per cent out of our receipts. We felt that if we had 35 per cent ad valorem duty it would be 10 per cent out of our profits, and it would be a very, very serious thing for most of us. If you go beyond that, it is obvious what will result. I think that is a correct view of the situation.

Mr. KALEY. It is a very difficult thing for a man who is not in the business to divide the spool-cotton business, so-called, from the manufacturing. In the spool-cotton business—200 yards—that only makes about 10 per cent of the business that is done in this country, and of all domestic business it does not amount to more than 20 per cent of our business.

Senator JOHNSON. We have pretty full briefs covering this matter, I believe.

Mr. ARMITAGE. I think you have briefs that cover the details of the arguments that have been made, but if there is any other information that you gentlemen wish, we would be glad to give it to you.

**STATEMENT OF MR. SIMEON B. CHASE, OF FALL RIVER, MASS.,
ON BEHALF OF THE INDEPENDENT MANUFACTURERS OF
COTTON YARNS AND CLOTH OF THE NEW ENGLAND STATES.**

PARAGRAPHS 255-271.—*Cotton manufactures.*

Mr. CHASE. Mr. Chairman and gentlemen, I am speaking for the independent manufacturers of New England, as we style ourselves, who are interested in the medium and fine goods manufacture. That is to say, we represent different sections of New England. Primarily we are cloth manufacturers. We are, of course, interested in yarns in their relation to cloth primarily.

I should like to run over, as rapidly as may be, the points in our brief with the committee, with the idea that we may search out the truth regarding the points we make as we go along.

We recognize that in House bill 3321 a basis has been established by the House of Representatives for tariff rates on cotton yarns and cloths on an ad valorem principle. I may say that we do not believe in the ad valorem principle as being equitable, mainly on account of the inequitable way that the tariff will figure out from time to time as the prices of raw material fluctuate. I think it is self-evident to almost anyone who will give the matter a moment's attention that with cotton at a high price a rate of duty which might be competitive otherwise might become protective, while a low-priced cotton would have just the contrary effect. Nevertheless, we understand that if inequalities are shown to exist, this method—that is, the ad valorem method—must be used, as that is the policy of the bill that is presented, to point them out.

Realizing that most serious faults do exist, we undertake to indicate a method of possible correction that will not involve a change of this principle, but a fair exaction of justice, to the end that various manufacturers of yarns and cloths, with especial reference to finer (combed) yarn productions, can be more equitably treated. Rates that will bear more evenly on various divisions of trade according to increased ratio of labor and actual costs are, therefore, respectfully suggested.

Then we quote from the Democratic platform, which it is not necessary to read, but which is before your eyes, where the declaration is made that the intention is not to injure or destroy legitimate industry.

Senator SMITH. We are very familiar with that. I would not waste any time on that. We want something we do not know.

Mr. CHASE. Certainly.

Exhibit B, which is attached to the brief at the latter end, gives a comparison of the Payne-Aldrich rates on cloth, the rates proposed under House bill 3321, and what we consider competitive rates, based upon known facts established not only by the report of the Tariff Board, but by the difference in prices on yarns here and abroad. Particular attention should be given to the point that if the competitive rates referred to are adopted, great reductions will still be made in accordance with the pledges of the Democratic platform. In fact, the reductions on approximately 70 per cent of goods used will produce a basis of about one-third the rates under the Payne-Aldrich law. The remaining 30 per cent will produce a basis of about one-half the rates under the Payne-Aldrich law.

In suggesting amendments we have confined ourselves to goods that will be dutiable under paragraphs 255, 257, 258, 263, 268, 269, and 271, which affect productions of \$500,000,000 annual output at mill cost.

The gentlemen whom I represent are not interested in the coarser numbers under 20. Therefore we suggest no rates for those numbers. On the finer numbers we suggest changes, and the changes in the bill that we suggest are outlined here in this brief.

On page 65, line 13, we ask to have stricken out the words "combed yarn." As combed yarns are an advance in process we feel that they should be dutiable under a different rate from the common carded yarns.

Senator SMITH. How much of an advance are combed yarns?

Mr. CHASE. It is quite an advance. I should say it is 4 or 5 per cent in labor alone, and of course a corresponding advance applies in other costs.

Senator SMITH. How does the price of combed yarns compare to mercerized or ordinary dyed yarns?

Mr. CHASE. Most mercerized yarns are previously combed, so it is difficult to say what the price of the two separated would be.

Senator SMITH. Which is the principal cost—mercerization or the combing?

Mr. CHASE. I should say the mercerization was more than the combing, if anything. I have not booked myself up on that point, but that would be my judgment.

In line 17, after the word "for," we would insert:

Not bleached, dyed, colored, or advanced beyond condition of singles.

There is another advance in manufacture which should be provided for:

By grouping or twisting two or more single yarns together.

The idea being to separate, in the dutiable list, those which are advanced in manufacture by a considerable additional cost.

In line 17, on the same page, after the word "numbers," strike out the succeeding lines down to and including the numeral "25," in line 24, and insert the following—

I do not suppose you care to have me read that through, as you have the briefs before you. If you wish, I will read the rates we suggest.

Senator SMITH. Just state them; give an indication of them without going into detail.

Mr. CHASE. That comes in Exhibit A, showing comparisons of duties and excessive reduction as compared to proper competitive rates under proposed amendments. We suggest rates that we call competitive rates in Exhibit A. That is over in the rear part, Senator Smith. Probably you have seen it.

Senator SMITH. Yes. You go up to 15 per cent between 19's and 20's, while the House bill only provides for 10 per cent from 20's to 30's.

Mr. CHASE. The reason for that you will see in Exhibit C, which we think is conclusive. I called your attention to that, Senator Hughes, when we were down here before. You asked me to give you that memorandum at the time, and I told you when we had corrected it and made it all right we would do so.

You will observe that between numbers 20 and 39 there is a very large advance in cost, and that on the conversion cost the duty that you named gives, on 20's, for instance, 50 per cent on the conversion cost of those goods, whereas on No. 39's, which are dutiable under the House bill at the same rate, we get only 18 per cent. We think that is manifestly a glaring irregularity in this bill—more so perhaps than any one item in the whole bill. These are the cost figures, and they are also substantiated by the figures of the Tariff Board, so that you can very easily refer to them and look them up. That is the reason for making that split there, Senator Smith, if you will observe, and it is a thing we wanted to emphasize and call particular attention to in this discussion.

Senator SMITH. Suppose you go a little more into detail in your discussion of the reasons that you urge for that change, so that we can grasp them.

Mr. CHASE. The reason is this: We ask that whatever rates you may eventually decide upon shall bear uniformly on different productions of yarns. Between 20's and 39's, which I have figured out here—and that applies all the way up—you drop from a protective duty, if I may use that term, from a duty that amounts to 50 per cent on conversion cost of No. 20's, to 18 per cent on No. 39's. I do not know that we can elaborate the matter any more than simply to stand on that fact.

Senator SMITH. You undertake to make a division from 20's to 29's?

Mr. CHASE. Yes, sir; that is to cover that point.

Senator SMITH. And you ask for 15 per cent from 20's to 29's?

Mr. CHASE. Yes, sir. It requires that to equalize the duties and make them conform to the schedule that we have made out.

Senator SMITH. This schedule, Exhibit C, goes from 20's to 39's.

Senator HUGHES. They have taken the Underwood bill.

Mr. CHASE. In Exhibit C we have taken the rates of the Underwood bill, the schedule of the Underwood bill, and have shown by the figures how it works out?

Senator HUGHES. I understand that.

Mr. CHASE. Then we have corrected that in the rates that we offer here in the paragraph as we have drawn it.

Senator SMITH. You say it amounts to only 18 per cent?

Mr. CHASE. Yes, sir.

Senator SMITH. The duty is 18 per cent?

Mr. CHASE. Yes, sir, on the conversion cost. Of course we eliminate raw material in all these computations, as raw material the world over is generally free.

Senator SMITH. You make the duty under the House bill a smaller per cent from 20's to 29's than anywhere else in the whole list?

Mr. CHASE. Yes, sir; that is unquestionably so. There is no doubt about that.

Senator SMITH. You make the 40's to the 49's 27 per cent?

Mr. CHASE. Yes, sir. You see, the duty rises at 40's, and that lifts that up. You see, the difference between the cost of 39's and 40's is very slight, while the difference—

Senator SMITH. How much greater is the cost of conversion of yarns from 30's to 39's than it is from 20's to 29's?

Mr. CHASE. It is more than double, I should say, taking an average.

Senator SMITH. So that if you are limited in this rate to the 20's to 29's the percentage would be a good deal larger?

Mr. CHASE. Yes, sir.

Senator SMITH. Have you worked it out to see what the House bill percentage is from 20's to 29's?

Mr. CHASE. I have not worked out each number; no, sir. I could work it out for you in a very short period.

Senator SMITH. If we are going to make a division at 30's to 39's, to intelligently comprehend the two sets of figures we ought to have the House rate applied to 20's to 29's.

Mr. CHASE. There is a variation, you know, in the cost of every number, Senator. Every number higher costs more; but we have assumed that you do not want to split this up on every number.

Senator SMITH. Smaller than 10's?

Mr. CHASE. Smaller than 10's, perhaps; and therefore we have confined ourselves to that theory.

Senator SMITH. But you suggested that we cut it up from 20's to 20's and 30's to 30's, and you did not work out the percentage under the Underwood bill from 20's to 20's.

Mr. CHASE. We will work it out and leave it with you, if you like. It is very easily done. It can be done in a few minutes if I can get the cost figures here, which I think I can approximate, at any rate.

On page 66, line 1, after the word "valorem," insert the following:

If combed or advanced by one or more processes beyond a condition of carded single yarn in the gray, shall be subject to a duty of 2½ per centum ad valorem in addition to the rates otherwise chargeable thereon.

That is to cover the additional cost, as before stated, on combed yarns.

Senator SMITH. Is there as much reason for making a differential in yarns advanced in that way as there is in cloths? The House bill gives an advance of 2½ per cent for cloths dyed, jacquarded, etc.

Mr. CHASE. The advance in cloths is most essential. We have tried to arrange this schedule to get yarns up to cloths. If we could not get the advance required on yarns which would make them uniform, we should need to put a very much larger differential on cloth in order to save the cloth; but if we can work up the different processes of yarn to cloth a less differential on cloth would do. In other words, we should want 7½ per cent instead of 2½ per cent on cloth to equalize it.

Senator SMITH. The House gives a differential on cloths dyed, jacquarded, etc. What I asked was, is there equally a reason why yarns dyed, combed, twisted, mercerized, etc., should have an advanced ad valorem over the plain yarns?

Mr. CHASE. I think there is an equal reason; not so large an amount.

Senator HUGHES. When those mercerized dyed and bleached yarns go into cloth, the cloth takes on that additional ad valorem, does it not?

Mr. CHASE. When it goes into cloth?

Senator HUGHES. Yes; the cloth then takes on the additional ad valorem?

Mr. CHASE. Yes; if you can get sufficient ad valorem on cloth when they are in cloth, of course it is covered; but these yarns would not be covered at all in cloth.

Senator SMITH. Except that the yarns are sold dyed, mercerized, combed, etc., and the party handling them in that state would wish the differential just as much as anybody else did in the other states of them.

Mr. CHASE. Most certainly. We suggest in what is headed here "Object of the foregoing changes" that as a matter of simplicity, which would work out fairly equitably, these different processes of advance in manufacture be grouped under such heads as bleaching, dyeing, coloring, mercerizing, twisting, etc., with a differential of the rate we have proposed. An advance of 2½ per cent in duty is very small on the poundage price of landed foreign goods, and is from the point of view of administering the law as small a subdivision, we think, as seems practicable.

Senator JOHNSON. That 2½ per cent is the differential for any or all of the processes?

Mr. CHASE. Of these processes; yes, sir. While it might be worked out, these processes vary somewhat in the cost; there are numberless processes that we apply to yarns, and a rate that would cover the whole would make the matter very simple and would be substantially equitable. I do not say it would be absolutely so on each of these processes. Of course, they vary somewhat.

Inasmuch as the poundage production of yarns above No. 40s is established by the Tariff Board report, Table 19, page 43, as less than 8 per cent of the total, and as a digest of the imports of merchandise entered for consumption in 1912 (or in 1910) shows that such importations are almost entirely above No. 40, the 4½ per cent of such importations referred to in the Tariff Board report is really about 20 per cent of the total yarns used above No. 40s, and when importations reach over 10 per cent of an article used the rates should be held as truly competitive.

That is to say, we hold that the importations of yarns, of the finer numbers especially, show that even the rates that have been in force are not over protective in many quarters.

We call your attention simply to what perhaps you have observed, that in the phraseology of the bill we have made a change the force of which you will undoubtedly see. That is to say, the Underwood bill reads, "Duties on 1's to 9's, so-and-so; on 10's to 19's, so-and-so." But suppose that the number becomes 9½—what are you going to do about it? So we say "not exceeding No. 9"; "exceeding No. 9 and not exceeding No. 19."

Senator SMITH. You say that the halves between the 19's and the 20's and the 39's and the 40's are left out?

Mr. CHASE. They are left out. There is a technical matter that might make trouble in the administration of this bill. We simply suggest that as curing a defect in the bill.

Senator SMITH. The Government representative in charge of the administration agrees with that view, and he is going to suggest the change.

Mr. CHASE. We thought you would certainly see the force of that.

Coming to the cloth schedule as stated before, we make no suggestion on the cloths as to rates below No. 20, but we do suggest amendments in the cloth schedule as follows:

On page 66, line 7 in the House bill, we suggest after the word "cloth" inserting "of plain weave." We also think it would be a good plan to define "plain weave." Trouble has occurred in times gone by as to what "plain weave" was. It is very simple to define it as a cloth in which each warp and filling thread passes alternately over and under each other. That is absolutely plain cloth.

Senator HUGHES. Is that what you would call a twill?

Mr. CHASE. No; that is a plain weave. Twill is where the warp or filling thread passes over two or more and then one or more, alternately. With the plain cloth, each warp thread and each filling thread passes over and under, alternately.

Senator HUGHES. What do you call it--chambray?

Mr. CHASE. The mill men call it just "plain weave," as the courts have decided that a grouped cord is a plain weave.

Mr. PATTEN. Grouped cord is still one thread. This is in the flax schedule, as I understand.

Mr. CHASE. That is the point. If you are going to cover dimities and such weaves as that, the definition of a plain weave, it seems to me, would be very desirable. It certainly would obviate any question hereafter in the administration of the bill to have it defined. However, that is a matter that is up to the committee, whether they think that is desirable or not. We think it would be from every point of view—not particularly that it affects us, but as a matter of administration.

On page 66, line 7, we would strike out the words "not bleached, dyed, colored, stained, painted, printed, Jacquard figured, or mercerized," and insert "of single yarns," so that the cloth as well as the yarns may be clearly differentiated as between a plain weave and a weave or a cloth which is an advanced process.

Then we would suggest a change of rates corresponding to the yarn rates on page 66, line 12, to strike out the word "thirty-nine" and insert the word "twenty-nine," splitting the schedule there for the same reasons that we have given already in Exhibit C for the yarn schedule. There most certainly should be a break there in the rate of duty. That applies just the same to cloth as it does to yarn, as already explained.

Page 66, line 13, strike out "12½" and insert "17½," so as to cover that point.

For those rates, without taking up your time to go all through that wording, we refer you to Exhibit B. The lower rates are marked "proper competitive rates." You will see them set out there.

Senator SMITH. This table is not made up with reference to cloths as Exhibit C is with reference to yarns, is it?

Mr. CHASE. Yes, sir; the cloth rate is made up in exactly the same divisions in the schedule as the yarns—20 to 29—

Senator SMITH. And 30 to 39?

Mr. CHASE. And 40 to 49.

Senator SMITH. Wait a moment, now; let us stay with 20 to 29 and 30 to 39 a minute. What do those figures just below "20-29" and "30-39" mean?

Mr. CHASE. Where—in Exhibit B?

Senator SMITH. In Exhibit B.

Mr. CHASE. Those are the importations under the Payne-Aldrich rates; the various rates at which cloths were imported under the Payne-Aldrich bill. Where we have got "20-29" and "30-39," importations were made from an ad valorem rate of 23 per cent to 97 per cent.

Senator SMITH. From 20 to 39 the ad valorem for the cloths varied from 23 per cent to 97 per cent under the Payne-Aldrich bill?

Mr. CHASE. That is it exactly. Therefore we suggest that 17½ and 20 per cent must be competitive rates; and so you will follow those. Those are very interesting schedules, and you can easily pick out the facts from the Tariff Board report.

Senator SMITH. You say from 40s to 59s the rate varied from 30 to 143 per cent under the Payne-Aldrich bill?

Mr. CHASE. Yes, sir; and according to our suggested rates from 22½ to 25 per cent. From 60's to 79's under the Payne-Aldrich bill they were from 30 to 49.62 per cent.

Senator SMITH. There is nothing in that table showing the cost of conversion?

Mr. CHASE. Not in this table; no, sir. In table C we have that.

Senator SMITH. Yes; but that is applied only to thread yarns, is it?

Mr. CHASE. No; it applies equally in proportion to cloth, because cloth has to be made of yarn, and, of course, at the same ratio it is borne out.

Senator SMITH. Therefore, taking yarns as a basis, and adding 2½, as the House bill does, for cloths, there would be the relative variation which is shown in Exhibit C; and you would then claim that the cloths from 20's to 30's would be away below the average, just as the yarns are?

Mr. CHASE. Certainly; they are bound to be, you see. They could not be otherwise, because cloth is made of yarn.

Senator SMITH. There might be a difference. The spinning might be very much more expensive in the higher grades, 30's to 49's.

Mr. CHASE. Yes; but this relative expense of making the yarn has already been borne, you know, before you go to the weaving, and in the plain fabric it would work out in just about the same proportion.

Senator SMITH. There, again, you have not worked out the difference between 20's to 29's and 30's to 39's?

Mr. CHASE. No, sir; we did not do that simply because we probably did not think of it. That is, we went into it in order to show the inequality.

Senator SMITH. When you leave for some one else to take the chair, I want to ask you to work out for us the change that would result from making a break at 30 and adding 2½ per cent. The House bill gives a rise from 20's to 39's of 5 per cent. Suppose we should break that in the middle, and, at 30, give a rise of 2½ per cent, and then 2½ per cent at the next step, breaking that 5 per cent in the middle; let us see what effect that would have on more nearly equalizing the rate.

Mr. CHASE. I think we can figure approximately how that will work out. I do not know that we can give you exact figures here.

We have gone on here in our brief to say that the object of the foregoing changes is to slightly split up some of the rates made, obviously in error, in framing the bill that made, for instance, only one rate on cloths containing yarns from 20's to 39's, a spread of 20 numbers, while the preceding and following changes up to 60's are 10 numbers each, thus making all numbers evenly rated from No. 1 to 60 take proportionate rates. Such change will do away with rates that do not tax the higher numbers proportionately to the duties fixed on No. 20, for instance, and we refer you to Exhibit C.

It will be observed if you will study Exhibit C, which no doubt you have, that there are the same inequalities, although not so marked, following in the higher numbers. For instance, while 40's figure 27 per cent, 49's fall to 21; 50's figure 25 per cent, while 59's fall to 23; 60's figure 27 per cent, and 99's fall to 23.

Senator SMITH. I wish you would figure that also, with a break in the middle of 2½ per cent.

Mr. CHASE. We think that ought to be broken a good deal more than in the middle.

Senator SMITH. Still, I should like to have you figure it for me with a break in the middle.

Mr. CHASE. You see, we need a much higher percentage. You need a progressive percentage as you go to the higher numbers, as we have demonstrated here in the progressive ratio of the cost of conversion. You see, it does not progress relatively to the number of yarn; it progresses out of relation to the number. For instance, you see, that in the cost of production No. 100's figure much more than twice 60's, although the number is not nearly twice as fine. Any fine-goods manufacturer will demonstrate that to you—that as you grow finer in numbers there is a progressive ratio of cost of production, and so a relatively higher percentage is needed in the finer yarns than in the coarse yarns according to number.

Senator SMITH. Yes; you make 99's very much higher, more than twice as high as 60's.

Mr. CHASE. Yes, sir.

Senator SMITH. Or, rather, you make the American excess more than twice as high.

Mr. CHASE. Yes, sir. The reason for that is, if you are familiar with cotton mills, that in making finer numbers more twist has to be put into the yarn. The spindles of a machine that spins cotton go at practically the same speed whatever number you may spin. The twist is regulated by the delivery of sliver, as we call it, from the front roll, the spindles turning so many turns per minute all the time; and the less thread you deliver from the roll to the spindle, of course, the more turns of twist are put in. Do you catch the idea?

Senator SMITH. You make the same length?

Mr. CHASE. No; you are making less lengths. That is just what I am coming to. When you put in more twist to make a finer number, you slow the roll; that is, the roll delivers the length through which the roping passes in the process of spinning; and when you are spinning the finer numbers you slow your rolls, consequently you are delivering less length. Otherwise the cost would be proportionate per number, because the product would be proportionate per number; but as you have to slow the delivery, of course, that decreases the product as you advance in number.

Senator SMITH. You deliver not only a lessened weight on account of the higher number, but a lessened length on account of the rate of delivery?

Mr. CHASE. The more twist you have, yes, sir, you deliver less skeins of yarn, and that accounts for this progressive increase in cost in proportion to the number spun.

If there are any features that you do not understand, I shall be glad to try to explain them.

Senator HUGHES. You do not give us any mercerization costs, do you?

Mr. CHASE. We do not give any costs of it; no, sir. We do not do mercerizing ourselves, and we do not know what it costs.

Senator HUGHES. I see the tariff report puts the cost at a figure varying from fifty-three one-hundredths of a cent to seventy-two one-hundredths of a cent per square yard. Is that about fair, do you think?

Mr. CHASE. My impression is that we pay a good deal more than that when we have cloth mercerized. We have it mercerized. We

do not do it ourselves. I should think it was more than double that, as I recollect. What the cost is I have no means of knowing, because the man who does it, I presume, makes a profit out of us when we have it done.

Senator JOHNSON. You have not any table showing the cost of colored goods here?

Mr. CHASE. No, sir; I am unable to give the cost of colored goods except in a very limited way, because we do not make them. Most of our fabrics are uncolored. We have made some. We are introducing stripes of colored yarns, but only a limited amount.

Senator SMITH. You do not make the higher class of Jacquarded goods and damasks?

Mr. CHASE. We do not make Jacquard goods; but one of my friends who is with me does. We make high-class fancy goods; that is, we distinguish. The jacquard, of course, is different from a dobby. We make a great deal of dobby work—a high class of fancy goods.

Senator HUGHES. On the basis of 2½ per cent extra for mercerizing, Mr. Chase, how would that figure out as the cost of mercerized goods?

Mr. CHASE. On a piece of cloth, do you mean, or yarn?

Senator HUGHES. A piece of cloth or yarn either.

Mr. CHASE. Of course it depends a good deal on the value of the yarn, to start with.

Senator HUGHES. Take an ordinary piece of cloth—an average piece—and describe it, and take an average yarn and describe that.

Mr. CHASE. Take a piece of cloth that costs 5 cents a yard: Two and a half per cent makes an eighth of a cent.

Senator HUGHES. And the yarn about the same—the average yarn. I am not familiar with those yarns.

Mr. CHASE. For a 10-cent piece of yarn, of course it would be a quarter of a cent. You can see that easily.

Senator HUGHES. How do the yarn prices go?

Mr. CHASE. On 20-cent yarn, of course, it would be a half cent. On 40-cent yarn it would be a cent, taking round numbers.

Senator HUGHES. Mercerized cloths, as a rule, are higher than that, are they not?

Mr. CHASE. Oh, yes; very much; very much.

Senator HUGHES. And of course the high-priced cloth—

Mr. CHASE. Oh, you mean the higher priced cloth?

Senator HUGHES. I mean the cloth which is generally mercerized; the higher priced cloth.

Mr. CHASE. They mercerize cloth of all prices, from less than 5 cents up.

Senator HUGHES. On high-priced cloth, 2½ per cent added for mercerization might increase the value more than two or three times the cost of the mercerization, might it not?

Mr. CHASE. I do not think so. I do not think there is a cloth that is made and sold in the market above 10 cents a yard, mill cost. That is plain cloth, I mean. Fancy goods, of course, run up to 12½ and 15 cents.

Senator HUGHES. The price at which the imports are entered would seem to indicate that.

Mr. CHASE. I will show you a piece of mercerized goods here, when I come to it, which is high-priced goods.

Senator HUGHES. On a 12-cent cloth, 2½ per cent would give you 2 cents; is that it?

Mr. CHASE. Oh, no.

A GENTLEMAN. Two mills.

ANOTHER GENTLEMAN. Two-tenths of a cent.

Senator HUGHES. Two and a half mills on 12-cent cloth. Is that 12 cents a square yard?

Mr. CHASE. Three-tenths of a cent.

Senator HUGHES. How does that compare with the cost of mercerization? Can you tell?

Mr. CHASE. Mr. Purse is more familiar with that matter than I am. I have just asked him, and he tells me that the mercerization, depending on the fabric, runs from a cent and a half a yard to 4 cents. That is the price they charge. What they make out of it, Senator, I do not know. I do not know what their profit is. We do not do it ourselves.

Senator HUGHES. The Tariff Board reports that, as will be seen from the table, the labor cost of mercerizing cotton fabrics varies from less than eight-tenths of 1 cent to less than eleven-tenths of 1 cent per square yard, and the total cost of mercerizing varies from 0.53 to 0.72.

Mr. CHASE. That does not seem to gibe.

Senator HUGHES. No.

Senator SMITH. That is mercerizing yarns. You do not mercerize cloth, do you?

Senator HUGHES. Oh, yes; certainly.

Mr. CHASE. Oh, yes. I have a piece here which I will show you in a minute.

Senator HUGHES. He is speaking of cotton fabrics. I do not understand this language myself.

Mr. Chase and Senator Hughes thereupon conferred informally over the language referred to.

Mr. CHASE. Mr. Purse says the cost of mercerizing yarn runs from 6 to 10 cents.

Senator HUGHES. Per what?

Mr. CHASE. Per pound, and of cloths from 1½ to 4 cents, according to the fabric.

Senator HUGHES. Has Mr. Purse read this cotton report?

Mr. CHASE. Do you mean this Tariff Board report?

Senator HUGHES. Yes.

Mr. CHASE. I do not know; have you?

Mr. PURSE. Yes, I have. I have not it in mind.

Senator HUGHES. Just glance at it, then.

Mr. CHASE. All either of us knows about this is what we pay for mercerizing. When it comes to the cost of it, not doing it ourselves, we do not know.

Senator HUGHES. You see, they say here:

As will be seen from the table, the labor cost of mercerizing cotton fabrics varies from less than 0.03 of 1 cent to less than 0.11 of 1 cent per square yard, while the total cost of mercerizing varies from more than 0.53 of 1 cent to over 0.72 of 1 cent per square yard.

The extra duty on account of mercerization is 1 cent per square yard. That is to say, the duty is from 9 to 12.5 times the total labor cost of mercerizing, and from 1.4 to nearly 2 times the total cost of mercerizing.

That does not seem to square with your statement.

Mr. CHASE. This is what we pay. We do not do it, Senator. A great deal depends on the character of the work you have done.

Senator JOHNSON. Where are your mills, Mr. Chase?

Mr. CHASE. In Fall River, Mass.

Senator JOHNSON. What mills are you interested in?

Mr. CHASE. The King Philip mills. I will show you some of their product in a moment. I want to make a little illustration of it.

In regard to the cotton industry, we want to take exception publicly to the statement accompanying the report on House bill 3321 that—

Information in the hands of the Ways and Means Committee strongly confirms the belief that there is rarely a highly protected industry in which a considerable percentage of the plants and machinery are not hopelessly behind the times.

I think the Tariff Board then state somewhere that they found some looms somewhere that were 60 years old, which is probably true.

Senator HUGHES. They ought to be retired on a pension.

Mr. CHASE. But any person who has the least familiarity with the cotton industry knows that that is not characteristic of our industry. Nine-tenths of the cotton mills, so far as I am able to say, are kept modern and up to date.

Senator SMITH. I was called out for a moment. Was your attention directed to the fact that the tariff report shows that the extra duty on account of mercerization of 1 cent per square yard is from 9 to 12½ times the total labor cost of mercerizing?

Senator HUGHES. Yes; I was trying to call his attention to it, but he says he does not know anything about the cost. All he knows is what he pays.

Senator SMITH. I was called away for a moment.

Mr. CHASE. We know, as a matter of fact, that when we have cloths or yarns mercerized we have to pay a pretty smart advance for our cost of manufacture. We know that in the market when we buy them we have to pay a considerable advance. We assume, therefore, in providing for mercerized yarns, that there is a considerable expense, a considerable actual cost. Otherwise the people who do mercerizing must get pretty nearly all profit in the process. That is all the information I have about it. I could not tell you what it costs, for I do not know.

We believe that on careful examination of the rates that we propose here they will be found to be competitive rates; and in making these rates or in figuring the costs that we have exhibited here we have not figured anything for interest on the cost of plant or any return upon the capital. We are simply figuring the absolute cost.

Without taking up too much of your time, I will simply call your attention to some suggestions about administration which, if you will do us the kindness to read them, may commend themselves to your judgment.

Yarns above 60's, as used in cloth, are largely combed yarns. The Tariff Board gave details, but did not mention the application in the table of 100 representative cloths, or in Table 215, pages 744 to 759 which table covered all cloth investigated.

Compare the facts as established in the Tariff Board report on cloths of plain weave, 6 to 9 square yards, per pound.

Carded yarn cloths, as represented by samples 26 to 117 (yarn number from 4 to 37), pages 744-746, 92 samples: Labor cost aver-

ages 14.97 per cent; conversion cost averages 26.82 per cent. Combed yarn cloths, as represented by samples 615 to 693 (yarn number from 42 to 120), pages 764-766, 79 samples: Labor cost averages 29.4 per cent (double); conversion cost averages 46.4 per cent.

I should like to call your attention especially to those figures.

Senator SMITH. What page in the brief is that?

Mr. CHASE. This is Exhibit D. I want to call your especial attention to those figures as taken from the Tariff Board report, showing the difference between the conversion cost carded yarns and combed yarns. This is from the Tariff Board report. You will notice that the carded yarns cost on an average 14.97 per cent and the conversion cost averages 26.82, whereas on the combed yarns the average labor cost is 29.4 per cent and the conversion cost 46.4. You see how rapidly it rises in the per cents of labor and conversion cost when you get into the finer numbers of combed yarns. Those are the Tariff Board figures, and not our own. On finer than No. 50 yarns, as I have already explained, the cost of production and the labor increases in a progressive ratio.

We also have a table following Exhibit D, showing the operation of the conversion cost as the numbers of the yarn grow finer. It is not necessary for me to read them, as they are before you, and you can study them at your leisure.

One other thing I wish to call your attention to, gentlemen, is at the last end of this brief; and I do not want you to forget it if you will be kind enough to remember it.

Finally, do not overlook the fact—this refers to all these figures you are going over in the Tariff Board report—that wages, since the publication of the Tariff Board report, have increased from 10 per cent to 15 per cent (this is a matter of record of March 25, 1912) in practically all the mills in New England; the hours of labor have decreased 3½ per cent, going into effect July 1, 1912, by legislation. These facts, if applied to labor and conversion costs on yarns and cloths, as shown in said report, will very materially change them to show still higher labor costs; and these facts demand greater consideration for appreciation of these required competitive rates. So that if you are figuring at all upon the labor rates of the Tariff Board, remember that from 10 to 15 per cent higher wages are being paid in the mills of New England to-day than when the Tariff Board report was made up.

Senator SMITH. And the whole trend is to require better wages for labor in England, too. There is a substantial movement in behalf of higher pay for labor in England.

Mr. CHASE. That may be; but if you are going by the figures, it is but fair to remember that the present conditions are changed. If you are going by a conversion cost figured in 1911, you should make an addition of 10 to 15 per cent in labor, and an increased cost by reason of shorter hours and having to make up partially in the price of labor also, thus increasing very materially the labor and conversion costs as figured by the Tariff Board in 1911.

Gentlemen, as far as Fall River is concerned, we have some forty-odd corporations, if I remember rightly. I represent a mill that I think makes the most expensive, finest goods in that city. For 20 years our profits per yard of all the goods we have made, all the products we have made for that time, have averaged less than two-

thirds of a cent. As I say, we make the most expensive goods of any mill in our town. The other mills, what we call the print-cloth mills, the mills making medium goods—I meant to have had all the figures, but I was unable to get them because I hurried down here, understanding that to-day was the last day we could be heard. I meant to have given you absolute figures on the profits of each mill so far as I could get them for a period of 20 years and also for the last 5 years; but I can say to you with all confidence that those profits do not exceed one-quarter of a cent per yard.

Those may be startling figures to gentlemen who are not acquainted with the cotton industry; but when we are fought on the question of tariff rates with the idea that there have been large margins coming out of the consumer to the cotton mill, you can see that it is not so.

Senator SMITH. What do you sell those goods at upon which you make two-thirds of a cent per yard?

Mr. CHASE. Those goods, we will say in a general way, without giving you exact figures, would run from 4 cents per yard to 18 and even 20 in exceptional cases. I took every yard of goods we made, of all kinds, and they range all the way—

Senator SMITH. It averages two-thirds of cent a yard profit?

Mr. CHASE. Yes, sir; it averages sixty-six and one-half one-hundredths, which is near enough to call it two-thirds. It is just under two-thirds of a cent.

Senator SMITH. What proportion of your goods are goods that you sell at 4 cents a yard, and what proportion at 20?

Mr. CHASE. The proportion at 20 is very small, sir. Otherwise you could see that our profit would be very small.

Senator SMITH. In order to determine what your profit is, really, how to estimate your profit, we would need to have, in addition to the fact that it is two-thirds of a cent per yard on cloths running from 4 cents to 20 cents, some knowledge of the proportion of the cloths that you sell in the neighborhood of 4 cents.

Mr. CHASE. Yes, sir; but the point I want to make there is this, Senator Smith: The major part of the goods made in our town in our mill as well as others, but more especially in the other mills than ours, perhaps, would come under the old tariff schedule of a cent and a half a square yard duty; and it has been proclaimed on the part of many people, probably very honestly so, that we "milked" the consumer (to use the common expression) to the extent of the duty. We can demonstrate that while the duty has protected us as against foreign competition so that we have not had to sell our goods at less than cost, we have not been able to absorb more than a mere fraction of what the duty gives us.

Senator SMITH. In other words, you have not sold at the English price plus the duty, or anything like it?

Mr. CHASE. Nothing like it; not a "sou marquee," hardly, of it.

Senator SMITH. So that from any possible standpoint the present duty is unreasonably high?

Mr. CHASE. It is unnecessarily high. [Producing sample waist.] There are our goods. If you will look at the price marked on that waist you will oblige me. I bought that waist in New York.

Senator SMITH. Is that one of your manufacture?

Mr. CHASE. No, sir; we did not manufacture the waist; we manufactured the goods in it. We paid the price marked on that ticket

for that waist. I sold the goods in that waist for less than 22 cents. There is another waist, the goods in which we sold for less than 17 cents.

Senator SMITH. What is the price on the waist?

Senator JOHNSON. 88, is it not?

Mr. CHASE. 88.

Senator SMITH. You did not sell this lacework?

Mr. CHASE. No, sir; but how much does the tariff cost the consumer there in my hands?

Senator SMITH. The tariff will cost the consumer more when they do not have all this fancywork on it, when they are willing to wear simple, neat goods without so many useless frills.

Senator JOHNSON. What was the price of the cloth in this waist, Mr. Chase?

Mr. CHASE. The cheaper waist [referring to second sample produced]?

Senator JOHNSON. Yes.

Mr. CHASE. About 17 cents.

Senator JOHNSON. \$2.50 is the price marked on it.

Senator SMITH. Do they not make a great many of these waists out of the plain goods without all this stuff in them?

Mr. CHASE. Oh, yes; I think so, more or less.

Senator SMITH. That is what ruins people.

Mr. CHASE. Yes; but in the case of the waist made out of the plain goods we get only a few cents more to take the place of the frills that are in that one; and what does the waist sell for?

Senator SMITH. How much would be in that piece of goods, how many yards, if it had nothing but the cloth?

Mr. CHASE. Oh, I think that would take about two yards and a half, I guess—the width that is made out of. As far as the cloth was concerned, it might cost a quarter or a little less.

Senator SMITH. Two yards and a half. You said the cloth was 20 cents, did you not?

Mr. CHASE. No; but I say if you left this out it would take a little more cloth. That is what I mean.

Senator SMITH. The cloth is 20 cents a yard, and there 2½ yards?

Mr. CHASE. Oh, no; not 20 cents a yard. I say all the material in that waist costs less than 22 cents, as far as the cloth goes. I mean that is what we get. We sold that cloth for less than 22 cents, and it is nice cloth. It is a high-grade cloth, and it is mercerized cloth. I will come under a contract to make cloth for shirts equal to the one I have on for 3 cents a shirt profit. If any shirt maker wants to make a contract with me, I will agree to make that shirt for 3 cents a shirt for my profit.

Senator SMITH. Is that printed or woven?

Mr. CHASE. That is printed.

Senator SIMMONS. Is this fancywork handwork or machine work?

Mr. CHASE. I think the embroidery is machine embroidery, to the best of my knowledge and belief.

Senator SIMMONS. I ask with reference to these figures here [indicating].

Senator HUGHES. They are not put in by Mr. Chase.

Senator SIMMONS. I understand that, but that adds greatly to the cost of that garment. Some of it looks as though it might be hand sewn, hand embroidered.

Mr. CHASE. I do not know as to that. I am simply giving a little object lesson to show that the cotton industry, as I say, has been unjustly or unduly maligned in public, not intentionally so in all cases, but the prices that such things as these and the lesser things sell for in stores are laid to our door, and the impression has gone abroad that the high tariff—

Senator SMITH. Are there not a great many waists like these sold that do not have all this lacework?

Mr. CHASE. Certainly there are.

Senator SMITH. The great bulk of them are sold just in the plain. You have not got one of them along with you, have you?

Mr. CHASE. No; I have not. Most of our goods, the nicer goods, they manufacture in this nice way. I have not any of the common waists, and did not know where to find any if there were such. I happened to trace these out. The manufacturer we sold the goods to made up the waists and sold them to a retailer, and we bought them back from the retailer just to see what the difference was. I know what the manufacturer got for the waists, and I know what the retailer got for them.

Senator SIMMONS. Do you know what the manufacturer got for those waists? Could you give that? You have not given that, I think.

Mr. CHASE. I do.

Senator SIMMONS. You might give that, if you will.

Mr. CHASE. He sold that best waist for about \$5.

Senator SMITH. What kind of cotton are those fine goods made of?

Mr. CHASE. This nicer piece of goods is made of Egyptian cotton, I think.

Senator SMITH. That comes in free?

Mr. CHASE. Yes, sir. We are not complaining about the tariff on cotton.

Senator SMITH. The man who raises the cotton, though, might complain of the tariff on what he buys.

Mr. CHASE. The rates we have asked for on yarns lead up, as I said in the first place, to the manufacture of cloth with us. If we are not to get the rates on yarns, our differential on cloth is not sufficient. We should have from 5 to 7½ per cent at least to cover the cloth schedule.

I do not know that I have anything more to say.

Senator SMITH. Would the long-staple cotton raised in the United States make those goods?

Mr. CHASE. Yes, sir.

Senator SMITH. Why do you buy the Egyptian cotton, then?

Mr. CHASE. We buy the Egyptian cotton when it is cheaper, and in some cases we have customers who buy goods who demand the Egyptian cotton on account of its making a smoother yarn; it mercerizes a little better than the ordinary long-staple American cotton.

Senator JOHNSON. Is that the only suggestion you wish to make?

Mr. CHASE. I think that is all. There is one other thing, however.

Senator JOHNSON. Your brief covers very fully what you have stated here.

Mr. CHASE. Yes, sir. One of these gentlemen just spoke to me and reminded me that we were asking more rate than Mr. Parker asked in his bill.

Senator HUGHES. The highest rate you are asking here is 40 per cent?

Mr. CHASE. Yes, sir; and we ask just in proportion to our cost of production.

Senator HUGHES. What is it that Mr. Parker asked? What is his high rate?

Mr. CHASE. I have not his bill; I have forgotten; but I know our rates run a little bit more than his. Do you know how much higher we are, Mr. Cramer?

Mr. CRAMER. Will you let Mr. McLean answer this for just a minute? He has the figures right here in front of him.

Mr. McLEAN. On cloths Mr. Parker's highest rate was 35 per cent.

Mr. CHASE. While we do not know exactly the difference in the cost of production, we have every reason to believe, and we are very sure, and I think Mr. Parker admits, that our cost of production in New England is considerably higher than his.

Senator SMITH. In the case of your fine goods, what proportion do you use of American long-staple cotton and what proportion of Egyptian cotton?

Mr. CHASE. We use by far and away more American long-staple cotton; ordinarily five or six to one, I should say. It shifts considerably from time to time according to the trade demands.

Senator HUGHES. And according to crop conditions, I suppose?

Mr. CHASE. Yes, sir; crop conditions and price. I have known Egyptian cotton to be less than American cotton, and vice versa, for the cotton that would do the same work. At the present moment we are using very little indeed of Egyptian cotton; probably not 5 per cent.

Senator SMITH. Long-staple cotton is cheap?

Mr. CHASE. No; it is not so cheap; but it is cheaper than the Egyptian cotton, and for the numbers that we are running now it does better work. We would rather run American cotton than Egyptian cotton; it makes a stronger yarn and weaves better and takes twist better. We only use the Egyptian cotton when we feel that we are obliged to; that is all.

Senator JOHNSON. Is there any other gentleman in your delegation that wants to speak to us, or do you speak representing the views of all?

Mr. CHASE. I do not know that there is anyone else who wishes to say anything. There is one other observation that I would like to make. I have the dividends of 21 mills figured out for 20 years. If you would like to know it, I can give you what that dividend is.

Senator SMITH. I would like to have that.

Senator JOHNSON. Please put that in the record.

Mr. CHASE. Five and a quarter per cent.

Senator SMITH. On cost of construction?

Mr. CHASE. Five and a quarter per cent on their capital stock—just the capital which the stockholders invested—which is much less than the cost of construction—50 per cent less than the cost of construction. The mills in Fall River are capitalized on a basis of less than \$10 a spindle.

Senator SMITH. Can you give the surplus that each mill has?

Mr. CHASE. I can give it, but most of the stocks are selling below par, so you can imagine they have not a very heavy surplus.

Senator SMITH. Is it not customary in the cotton-milling business to carry a considerable surplus; and what is your estimate of a necessary amount?

Mr. CHASE. We charge off in the mill I am connected with 4 per cent per annum. I want to say that my experience in that is that 4 per cent is not quite enough to meet depreciation. That is to say, at the present moment we have some balance in the depreciation account, but periodically we draw on that to renew our machinery and we had to make an extra charge some years ago to meet the renewals we made in machinery, out of the profit and loss account, because the depreciation account was not sufficient to meet that. So I think 4 per cent is a scant amount.

Senator SMITH. For depreciation and renewals?

Mr. CHASE. Yes, sir.

Senator SMITH. The renewal account is quite a big thing—

Mr. CHASE. There is something that the Tariff Board did that they had no business doing. If any of them are here I think they will understand what I mean. They say they have added depreciation less repairs. Now, that is not a proper way to figure. The depreciation of a machine means that that machine is wearing its life out gradually, year after year. If the machine breaks down some part of it has to be repaired, and that has nothing to do with its depreciation. The depreciation goes right along, and in 10 or 15 or 20 years, according to the average life of a machine, that machine goes outdoors and another one comes in in its place.

Senator SMITH. Twenty years would be a good average life, would it not?

Mr. CHASE. Yes, sir.

Senator SMITH. So that would be 5 per cent of the death of the machine, besides the 4 per cent for repairs?

Mr. CHASE. Yes, sir. The repairs is an item in itself. If the machine breaks down you repair it. They should not deduct the cost of repairs from depreciation because repairs is simply repairs, independent of depreciation; that is to say, that is what I supposed they meant.

Senator SMITH. You mean the depreciation would be 5 per cent in addition to what was spent in repairs?

Mr. CHASE. Certainly it would. With us—and I suppose it is the same with other mills—repairs mean what we spend for fixing up break downs and things of that kind.

That is all I have to say, Mr. Chairman, and I thank you.

STATEMENT OF FREDERICK B. GORDON, PRESIDENT COLUMBUS MANUFACTURING CO. AND PRESIDENT OF THE COTTON MANUFACTURERS' ASSOCIATION OF GEORGIA.

PARAGRAPHS 255-271.—*Cotton manufactures.*

Mr. GORDON. Mr. Chairman and gentlemen of the committee—
Senator JOHNSON. Whom do you represent, Mr. Gordon?

Mr. GORDON. I am here representing the cotton manufacturers of the State of Georgia. We have a State organization, and it was the purpose of myself and other manufacturers of Georgia not to go into an elaborate discussion of any particular rates as affecting any numbers of yarn or any grades of cloth, as that matter is before you in detail through the national association to which we are auxiliary, the American Cotton Manufacturers' Association. It is our purpose, if agreeable to the committee, to submit short statements of opinion representing certain goods made in the South.

We are prepared to admit, to begin with, that the effect of the rates as proposed in the pending bill will not be as immediate and as direct upon us as upon the makers of the finer counts of yarn and the finer grades of cloth.

Senator HUGHES. The finer numbers?

Mr. GORDON. Yes; the finer numbers. We call them "counts."

Senator JOHNSON. Beginning with what numbers?

Mr. GORDON. Beginning with 13, from 13 up to 30 is the range of goods to which I refer, made in our State. We do believe, though, that anything that hurts the industry as a whole will in a very short time react upon the southern manufacturers.

To save time, I will refer to a short brief which I have prepared, covering the points which I wish to bring to the special attention of the committee.

This is a brief of F. B. Gordon, of Columbus, Ga., president of the Cotton Manufacturers' Association of Georgia, representing 160 cloth, yarn, and knitting mills, capitalized at \$36,915,000; and also president of the Columbus Manufacturing Co., representing 65,000 spindles and 1,720 looms, making 4-yard sheetings.

This brief is addressed to the committee in the usual form.

There are at the present time actively at work in the State of Georgia the following textile plants: One hundred and thirty cloth and yarn mills, capitalized at \$34,621,000; 26 knit-goods manufacturers, capitalized at \$1,794,000; 4 woolen mills, capitalized at \$500,000—a total capitalization of \$36,915,000; total number of textile plants, 160.

The only brief I wish to submit for the Cotton Manufacturers' Association of Georgia is embodied in the following resolution, unanimously passed by the association in annual convention assembled at Columbus, Ga., May 9, 1913, as follows:

Whereas this association has always favored a proper revision of the tariff on cotton yarns and fabrics,

Resolved, That in our judgment the reduction of duties on cotton yarns and fabrics proposed by the Underwood tariff bill, now before Congress, if passed, is too drastic, and will cripple our industry, particularly on plied, combed, or finished yarns; also fabrics bleached, dyed, mercerized, and fancy weaves, and those composed of plied yarns, which should have an additional duty over plain cloths in the gray. We believe the duties proposed by the American Cotton Manufacturers' Association are

the lowest that will properly sustain our mills and maintain reasonable rates of labor, for the reason that the items mentioned above are practically all labor and machinery propositions, and the finding of the Tariff Board is that labor and machinery are over 40 per cent higher in America than in England and the Continent. Considering these facts, we earnestly request the President of the United States, the United States Senate, and the House of Representatives to see that the Underwood bill is amended along these lines, so that justice will be done our stockholders, our laborers, and our country.

That is what I wish to offer for the State association. Representing the mill of which I am at the present time the head, I wish to carry this brief a little further under this heading, and to speak of the effect of the Underwood tariff bill on southern export sheetings:

A number of the most important cotton mills in Georgia and the Carolinas make gray goods which are largely exported to China and other foreign countries. These are known to the trade as brown sheetings and drills, the sheetings weighing 2.857 yards to the pound.

I will state, gentlemen, that those sheetings are what you would otherwise know as unbleached domestic. They are not used largely at all by people in well to do circumstances, but it is the substance for the sheetings and underwear for the large majority of the people of the country.

In the tariff discussions and hearings little has been said as to the effect of pending legislation on the export business of southern mills. Granted that the effect of the proposed duties on these goods will not be felt as quickly and directly as will the rates proposed on cloths made of higher count yarns, yet the fact that it is supposed that this export business on coarse sheetings will be immune from the generally disastrous effects of the proposed rates will be the very reason why many mills on finer goods will turn to the manufacture of the heavier goods as a possible solution of unprofitable business from European competition on the higher classes of cloth.

This will surely lead to overproduction, the most deadly blight that can afflict any manufacturing industry. It is of the utmost importance in this connection to realize that in the cotton-mill business there is absolutely no control of prices in any way, shape, or form. Whenever overproduction occurs the price is made and the market is fixed by the weak mill or the timid holder, and it is then a scramble to get rid of goods without a loss if possible. No mill center in the South has rejoiced over the building of the Panama Canal more than has Columbus, Ga., situated at the head of navigation of the Chattahoochee River, with direct water connections via the canal to the Orient.

The Columbia Manufacturing Co. is a typical southern mill on brown sheetings and has been shipping these goods to China for the last 10 years. At present they are routed to Shanghai, via Vancouver, B. C., at a rate of \$1.20 per hundredweight, of which rate the railroads get \$1 and the steamship for a haul of greater distance gets 20 cents. On this basis it is estimated that sheetings loaded at the wharf in Columbus can be routed to Shanghai for a rate of not over 50 cents per hundredweight, all water route. Is there a resident of Columbus or a resident of Georgia or a representative in Congress from Georgia whose patriotic blood will not be stirred when he realizes the significance of this important business possibility to a Georgia city? Columbus, Ga., with her 12 cotton mills and knitting mills, will thus be put on the International Cotton Mill map. But of what avail will

be the Panama Canal to Georgia mills if its great benefit is to be nullified by such tariff rates as will prevent those mills from prospering and thus using the canal to advantage? Cripple the Columbus mills and you cripple Muscogee County and every farmer located therein. Cripple Muscogee County and you cripple the State of Georgia, reduce her revenue from taxes and cut down her appropriation for schools and every other beneficent cause. Cripple Georgia, and you cripple the South, the "Nation's greatest asset."

I have always been and am now an advocate for "tariff for revenue only." I have believed the assurances of the Baltimore platform and the statements of the leaders of the present administration that the reduction in duties would be gradually brought about without injury to any legitimate industry, and I appeal to the Democratic Senators of the South to make glorious history by safeguarding at this critical moment the very heart, soul, and body of the commercial South. Don't listen to political sentiment, listen to common sense everyday facts. Who appeals to you? Every southern lad with a cotton hoe in his hand, every southern boy attending an agricultural college, every cross-roads cotton gin, every southern community, which by popular subscription has built a 5,000 or 10,000 spindle yarn mill, to which has been subscribed the hard earnings of the neighboring farmers and the widows of the county looking for a safe investment.

Will you, blinded by the glare of a magnificent political victory, give your own God-favored section a commercial death blow?

The commercial papers are quoting editorial opinions as to the attitude of the cotton manufacturers of England and the Continent. They are gloating over the prospect. Cotton can be shipped from Houston, Tex., to Liverpool as cheaply as to the Carolinas. In England, with a superabundance of low-priced Anglo-Saxon labor and centuries of specializing in cotton manufacturing, where immense mills are being run on one number of yarn only, they will light bonfires to the pending tariff bill unless same is modified to a competitive basis.

I will be glad to answer any questions as to the cost, as to the capital, and as to the selling price, or any detail connected with the manufacture of these goods in Columbus.

Senator SMITH: The gentleman who preceded you thought that the rate on cotton thread from 20's to 29's was so low that it was below the competitive basis, or, rather, he gave us from 20's to 39's; he did not separate them at 30; and so I could not tell from the statement how the rate affected from 20's to 39's, and how much of the difference was due to the rate applying also from 30 to 39's.

Mr. GORDON. Well, we would come in the class from 20's to 39's, in order to come as nearly as possible to a group class. That rate that we ask for in the cloth is 15 per cent. The proposed rate is 12½ per cent.

Senator SMITH. And that would go even as high as 39's?

Mr. GORDON. As high as 39's.

Senator SMITH. And the rate I suggested was to break at 29 and go up from 12½ to 15 on 30's to 39's?

Mr. GORDON. That would come nearer grouping the Georgia mills in one class—from 15 up to 29's.

Senator JOHNSON. What proportion of your product do you export?

Mr. GORDON. It depends on the export demand. The year preceding the Chinese-Russian War, when China overbought American sheetings, out of 12,000 bales of goods we produced, we shipped 7,000 bales to Shanghai. Since that time the China trade has not been as active. We do ship at the present time, I suppose, 5 per cent of our products to China.

Senator JOHNSON. Do you ship to other countries besides China?

Mr. GORDON. We ship some to what is known as the Red Sea trade, and small amounts to South America.

Senator JOHNSON. What per cent?

Mr. GORDON. Possibly 5 per cent, to China—

Senator JOHNSON. So 5 per cent of your production went to China and what per cent went to other countries?

Mr. GORDON. I would say in the last three or four years 10 per cent of our entire product has gone abroad, but there are mills in the Carolinas making certain kinds of sheetings for which there is a demand in China.

Senator SMITH. Have you any definite knowledge that you could give us of the difference in the cost of conversion between 20's and 29's and 30's to 39's into yarns or cloths?

Mr. GORDON. I could answer that, but I would not be sure of my figures without a chance to look them up. I know about what it is but would rather not be quoted. There is a marked increase in the cost of 30 yarns over 20 yarns.

STATEMENT OF J. D. MASSEY, OF COLUMBUS, GA.

PARAGRAPHS 255-271.—*Cotton manufactures.*

Mr. MASSEY. Mr. Chairman and gentlemen of the committee, I am the treasurer of the Eagle and Phenix Mills, of Columbus, Ga. Our mills, like most others in the city, make coarse, heavy colored cotton fabrics. About 95 per cent of those fabrics are woven from yarns ranging between Nos. 9 and 19, on which the present duty is 35 per cent ad valorem.

The proposed duty on the same fabrics is 10 per cent on the gray goods basis, plus 2½ per cent for dyeing, or a total of 12½ per cent ad valorem.

This is a reduction at one stroke of over 64 per cent below the present rate; a cut so drastic in our opinion that serious injury will result to all manufacturers in our class unless the proposed rate be greatly modified.

Senator JOHNSON. Let me ask you a question right there.

Mr. MASSEY. Certainly.

Senator JOHNSON. Why do you say that threatens a destruction? Those goods are exported, are they not?

Mr. MASSEY. No; they are sold in the domestic market altogether; that is to say, 95 per cent—

Senator JOHNSON. Do you not export?

Mr. MASSEY. We export a very small amount to Cuba and the West Indies—almost none.

Senator JOHNSON. Can you give us the conversion cost in those numbers, in your mills and in mills abroad?

Mr. MASSEY. I do not know the cost of conversion abroad, but our conversion cost is somewhere near 6 per cent.

Senator JOHNSON. You do not know what it is abroad?

Mr. MASSEY. No, sir; I do not.

Senator HUGHES. The duty is 15 per cent.

Senator SMITH. Twelve and a half per cent.

Mr. MASSEY. Twelve and a half per cent is proposed now. As an example, take an 8-ounce cottonade; the cost is about 24 cents a pound, or 12 cents a yard, and the dyeing would be at least $1\frac{1}{2}$ cents per pound, or the percentage would be, I believe, $6\frac{1}{2}$ per cent. You might say that 5 per cent would be the actual cost of dyeing over and above the gray. That is particularly so in our class of goods because they are very heavy and the price is very low, and the proportion between a low-priced goods per yard is very much higher than would apply on a fine thin goods per pound.

Senator JOHNSON. If your conversion cost is 6 per cent, the proposed tariff here is $12\frac{1}{2}$ per cent, is it not?

Mr. MASSEY. The proposed conversion cost is $2\frac{1}{2}$ per cent added to 10 per cent.

Senator JOHNSON. I understand; and that makes $12\frac{1}{2}$ per cent.

Mr. MASSEY. Yes, sir.

Senator JOHNSON. And your whole conversion cost is 6 per cent?

Mr. MASSEY. Yes, sir.

Senator JOHNSON. Then the tariff of $12\frac{1}{2}$ per cent more than covers your whole conversion cost?

Mr. MASSEY. I was speaking simply of the $2\frac{1}{2}$ per cent that is allowed for conversion.

Senator SMITH. Do you mean that 6 per cent of the value of your goods covers the entire cost of converting into the manufactured product?

Mr. MASSEY. Not at all; just dyeing. That is what we understand by conversion cost, the same as mercerizing of another yarn.

Senator JOHNSON. Do you know what it costs to take the cotton through the different processes into the finished cloth—that conversion cost?

Mr. MASSEY. I am not prepared to give you figures in detail. I will be glad to get them in detail and send them to you. But on an 8-ounce goods it is 24 cents per pound or 12 cents per yard for an 8-ounce goods.

Senator JOHNSON. Leaving the cost of cotton out and simply giving us the labor cost, or the conversion cost, the overhead charges, etc., added, can you give us those figures?

Mr. MASSEY. I could not do so from memory accurately.

Senator SMITH. If 24 cents is the cost up to the finished state, and the cotton was 12 cents, that would make 12 cents the cost of conversion per pound?

Mr. MASSEY. The cost of everything else.

Senator SMITH. That would be 50 per cent?

Mr. MASSEY. Fifty per cent.

Senator SMITH. That would be the cost of conversion?

Mr. MASSEY. Of manufacture, you might say.

Senator SMITH. That is what I mean, conversion from lint cotton into finished product.

Mr. MASSEY. Yes, sir.

Senator HUGHES. Have you personally shipped any of your goods to Cuba?

Mr. MASSEY. No, sir; we do not directly; we sell to people—

Senator HUGHES. To people who do ship to Cuba?

Mr. MASSEY. Yes; exporters, and at their direction we do shipping; we ship for their account.

Senator HUGHES. Do you ship for the same price as domestic consumption?

Mr. MASSEY. No, sir; we get a little more for export. We get about a half a cent more on export goods. We will not accept an export order at the domestic price.

Senator HUGHES. Whose goods do you meet in competition in Cuba?

Mr. MASSEY. We are told that they are mainly from England; some are from Spain, but mainly from England. There is some trade that the Spaniards control, through sentimental reasons, but their main supply comes from England. We do not push the export end of it at all. Our goods are not well adapted to the export business. They are used mainly in the eastern and western sections of this country. For instance, in Maine and Massachusetts a good deal of our goods are consumed. We ship a great deal of the heavier white stuff to those States.

Senator HUGHES. That is carrying coals to Newcastle, is it not?

Mr. MASSEY. Somewhat.

Senator SMITH. It is a warm underwear that you manufacture?

Mr. MASSEY. Yes.

Senator SMITH. You manufacture the warmest kind of cotton underwear?

Mr. MASSEY. Yes, sir.

Senator SMITH. Good, but cheap and warm?

Mr. MASSEY. Yes, sir; our goods being heavy, necessarily find a market in the North more than in the South.

Senator SMITH. But your American sale price must be a little lower than the English price or else you could not export to Cuba and the West Indies in competition?

Mr. MASSEY. That is why, as I say, our business is very limited abroad—almost negligible, in fact. We do not even consider ourselves exporters. While these Georgia-made goods are threatened with a 64 per cent cut, the dyestuffs that are used in making them are not reduced at all, for they are nearly all dyed with what are known as sulphur and direct colors, and not with the more expensive colors, such as indanthrene, helindone, and other vat colors. Of course, I am not talking about the dyestuff scale, but simply calling attention to the fact that while our goods are reduced 64 per cent from the old rate the rate of duty on the dyestuff that we use exclusively, or at least very largely, in making those goods is left at the old rate.

Senator SMITH. What kind of dyestuffs are they?

Mr. MASSEY. What are known as sulphur colors and direct colors, mainly. We use some little indigo, but very little. Right here I will call attention to this: Our goods being heavy, weighing half a pound a yard in many cases, the dyestuffs form an important item to us, with this 30 per cent duty. It is 30 per cent of 6 per cent, you might say.

Senator SMITH. State a little more fully what the dyestuffs are that you use.

Mr. MASSEY. Sulphur blacks, sulphur blues, sulphur browns, and direct reds. Of course, there are a great many different shades.

Senator SMITH. And the proposed House bill leaves the duty of 30 per cent?

Mr. MASSEY. It leaves a duty of 30 per cent on them; yes, sir. I also wish to call attention to the fact that while it is proposed to put indanthrene and other vat colors on the free list, those dyes are not available for dyeing cheap coarse goods. They are used in making fine goods.

Senator HUGHES. You are now speaking of the alizarin colors?

Mr. MASSEY. Yes.

Senator HUGHES. And the colors used are the cheaper dyes?

Mr. MASSEY. Yes, sir. We can not afford to use the expensive colors.

Senator SMITH. Suppose colors were put on the free list, what effect would that have on your ability to do an export trade?

Mr. MASSEY. It would help very much indeed.

Senator SMITH. You say that they amount to 30 per cent of your 6 per cent? That would make it 2 per cent of the entire cost of conversion?

Mr. MASSEY. Of course, that 6 per cent includes the labor of dyeing; it is not all dyestuffs.

Senator SMITH. You said 30 per cent of that, which would make it 2 per cent.

Mr. MASSEY. The 6 per cent includes the labor cost of dyeing; but it would be of material assistance, because we use great quantities of this dyestuff in dyeing goods that will weigh as much as a half pound to a yard or 12 ounces, some of them.

Senator HUGHES. What does your stuff sell for?

Mr. MASSEY. It varies; but take an 8-ounce cottonade; that is a half pound, and it will cost us at least 12 cents a yard.

Senator HUGHES. What is your conversion cost in the gray?

Mr. MASSEY. We dye that—

Senator HUGHES. You do not manufacture it in the gray?

Mr. MASSEY. No, sir; we dye the raw cotton just as it comes from the bale.

Senator HUGHES. That report gives you a total cost of 10 cents?

Mr. MASSEY. Twelve cents is our cost—

Senator HUGHES. You figure it as 12 cents?

Mr. MASSEY. Yes, sir. Of course that varies in different mills.

Referring to these dyestuffs, the margin as proposed for conversion is entirely too small. This advance of only 2½ per cent over the contemplated duty on gray goods would hardly cover the cost of dyestuffs, chemicals, labor, and so forth, involved, and it must be borne in mind that in a plant making colored goods a large sum of money is invested in land, dyehouse, buildings, machinery, and supplies; and, further, that, owing to strong chemicals used and the fumes therefrom, the machinery and buildings used for dyeing depreciate with painful rapidity, requiring constant and expensive repairs, aside from interest on the extra money invested, in that part of the mill making colored goods as distinguished from a gray-goods mill. And, furthermore, in making cheap colored goods, as we do, it is necessary to dye the stuff in the raw cotton mainly. Afterwards we card it and spin it and go

through the processes that are gone through with in the case of white cotton, and there is a waste which amounts to about 15 per cent—

Senator HUGHES. What do you do with that waste?

Mr. MASSEY. We sell it the best we can; for about 5 or 6 cents a pound.

Senator HUGHES. What do they use it for? Do they work it up again?

Mr. MASSEY. I think they ship it away and card it up. They ship away a great deal of it to Germany.

Senator HUGHES. You do not get half as much for it as your raw cotton costs?

Mr. MASSEY. No; because after it has been carded and passed through those processes once it is not very valuable except to use in a waste mill. It could be mixed back to some extent, and we do mix it back to a slight extent—the best of it—but the colors do not match often.

Senator HUGHES. Would you use those colors which now carry a duty of 30 per cent if you could get them as cheap?

Mr. MASSEY. You mean the indanthrene and the other stuff?

Senator HUGHES. Yes; the colors that are carrying a duty of 30 per cent, if you could get them as cheap as you get the others.

Mr. MASSEY. We would not unless we were equipped to use them. It would take a good deal of expensive machinery to use those expensive vat colors. We are already equipped, in a mechanical way, for handling the colors we use; but we would go, in time, to the better colors if we had anything like the same price on those colors, so as to enable us to reduce our goods within reasonable cost.

I will not tire you with details about the cheaper cost of mills, labor, etc., in foreign countries, but I do want to emphasize this point. It is a widespread and mistaken idea that the foreign mill labors under a heavy disadvantage in having to get its cotton from America. That is not the fact in many cases. The truth is that mills, even in Georgia, at some points, pay nearly as much freight per bale on cotton as it costs to ship the same quantity of cotton to Liverpool. It is simply the old story of high local railroad rates as compared with almost nominal water rates on tramp steamers, as you doubtless know, and as Senator Smith can testify from his work as governor of Georgia, against the evils of railroad rates in our State.

More largely true is this in the South where population is sparse and rates are high.

Senator HUGHES. When they get to Liverpool they have to pay railroad freight, do they not?

Mr. MASSEY. I should say that that is entirely a nominal rate, because of the canal competition. While little may be hauled by way of the canal, still the canal rates fix the rate, and the mills are located near Liverpool. The Manchester Ship Canal gives them a rate of only 2 cents more to Manchester than to Liverpool, I understand.

Another peculiar reason why every man, woman, and child in Georgia and the South would be injured by a duty which would permit the crippling of southern mills is that most southern mills make coarse goods, using large amounts of cotton per yard of goods. Foreign mill make mostly lighter goods, where labor and skill predominates in the cost of making a yard of cloth. Hence, the importation

of lighter weight goods that would serve the same purpose as heavy goods would mean very largely the importation of foreign skill and labor instead of cotton, thereby decreasing the demand for cotton, and hence the price of cotton; for to compete at all the southern mills would be compelled to reduce their costs by reducing the weight of their goods per yard; and if heavier goods were imported from abroad they would be more than apt to be made very largely of India cotton mixed with shoddies and waste, newly spun, which, by the way, make a very attractive goods, although not so good.

Senator SMITH. I was going to say they are not so good.

Mr. MASSEY. They are not so good. They fall apart quickly.

Senator SMITH. They have not the same stability?

Mr. MASSEY. No. We use cotton of the best stability. While the goods do not look at all fancy, they last the workman as long as he is willing to wear one suit.

The correctness of this point is proved by the fact that cotton at Columbus, where these heavy goods are made, commands from an eighth to a quarter of a cent pound higher price than similar grades bring in towns where no such mills are located. The farmer at such nonmill towns must pocket this loss, and his loss oftentimes goes to help pay the freight on his cotton to a foreign mill. Hence the importance to Georgia and other cotton States of having a duty that will by no means discourage the free building and constant operation of these cotton-goods mills, that will use large quantities of cotton and bid against each other for it, as they now do in Columbus and doubtless in other southern mill towns, can be seen.

We are all Democrats down there; we are for tariff revision, and are willing to take our medicine like true Democrats for the general good. We only urge that the dose be not so drastic and sudden to disable us. We want a duty that will be fair to the cotton farmers and the cotton mills, on the one hand, down in Georgia and equally fair, on the other hand, to the man who wears the goods in Maine or New Jersey.

I thank you.

STATEMENT OF EDWARD W. SWIFT, PRESIDENT OF THE MUSCOGEE MANUFACTURING CO., OF COLUMBUS, GA.

PARAGRAPHS 255-271.—*Cotton manufactures.*

Mr. SWIFT. Mr. Chairman and gentlemen of the committee, I represent the Textile Manufacturers' Association of Columbus, Ga., and am also president of the Muscogee Manufacturing Co., a mill of 27,000 spindles and 500 looms on colored goods and yarns. I am also president of the Swift Spinning Mill, of 14,000 spindles on colored cotton yarns, 5's to 12's, principally for the hosiery trade.

I have a very short brief here, because I only cover one phase of this coarse yarn, and Mr. Massey and Mr. Gordon having taken up the other features of the products we make in Columbus, namely, the white woven goods and the colored goods, it will not be necessary for me to consume much time.

I will only consume a few minutes of your valuable time, as you are already thoroughly posted regarding the cotton schedule, as others have gone into the matter thoroughly with you in all its phases.

I simply wish to say to you that, as a manufacturer of coarse yarns and coarse colored goods exclusively, I trust you will see your way clear to increase the present rates of the pending bill to the rates recommended by our committee from the American Cotton Manufacturers' Association, or at least to make such changes as will approximate closely to such rates.

If the present minimum rates on coarse cotton yarn are adopted, I greatly fear that the English spinner, using cheap Indian cotton, mixed with a low-grade American, and spun on mule spindles, with their cheaper labor, cheaper plant and machinery cost, cheaper working capital, will be enabled to ship coarse yarns into this country in sufficient quantities to make our business unprofitable. You propose, as I understand it, to safeguard the American knitters and manufacturers of hosiery by a fair and reasonable duty. This policy has my unqualified approval, as these are our customers, and their welfare and prosperity are ours; but in taking care of the American knitters, who are our customers and whose raw material consists of our finished product, we beg you to raise the present proposed minimum rates on our coarse yarn to such a reasonable extent that you will not bring about a condition whereby the American knitter, our only customer, will be enabled to import his coarse yarns from abroad and thus seriously cripple our business. We do not ask you to protect our profits, but simply to safeguard our investment. We are in favor of a fair, conservative, and reasonable revision of the tariff in all its phases, but to be accomplished in such a way as not to injure or destroy any legitimate American industry.

That is all I have to say, unless there are some questions. I will be very glad to answer any questions, to the best of my ability.

Senator SMITH. Your yarns are 10's and lower?

Mr. SWIFT. 12's and below.

Senator SMITH (referring to a document before him). He does not give that. He gives 10's, $7\frac{1}{2}$ per cent.

Mr. SWIFT. 10's to 19's, $7\frac{1}{2}$ per cent. The American Cotton Manufacturers' Association rate is $12\frac{1}{2}$ per cent. Our conversion cost does not seem to be covered by this minimum rate here of 1 to 9, which I believe is 5 per cent. On our basis of No. 8, the present price of which is about 20 cents, our conversion cost would be, including labor and all overhead charges, about $3\frac{1}{2}$ cents a pound. We fear that minimum rate is too low.

Senator SMITH. Your cost of conversion is $3\frac{1}{2}$ cents?

Mr. SWIFT. About $3\frac{1}{2}$ cents; yes. And in addition to that we have to pay the freight, which is about 55 cents to 60 cents a hundred. That would make about 4 cents a pound delivered.

Senator SMITH. Estimating the cost at 12 cents, at $3\frac{1}{2}$ cents a pound, that would carry it up to $15\frac{1}{2}$ cents; and $7\frac{1}{2}$ per cent duty gives you about 17 cents duty, or very nearly half the cost of conversion. The duty is nearly 50 per cent of the cost of conversion, when you pass 10's and upward?

Mr. SWIFT. Yes, sir.

Senator SMITH. On 10's and upward the duty would be nearly half the cost of conversion. What is the cost of conversion when you get below 10's?

Mr. SWIFT. It averages just about—I have given you a fair average of our numbers.

Senator SMITH. It would be about one-third the cost of conversion below 10's and one-half the cost of conversion from 10's to 19's.

Senator JOHNSON. Have you any further statement to make, Mr. Swift?

Mr. SWIFT. I believe not, sir. I thank you, gentlemen.

STATEMENT OF MR. C. E. HUTCHISON, REPRESENTING THE NORTH CAROLINA COTTON MANUFACTURERS ASSOCIATION.

PARAGRAPHS 255-271.—*Cotton manufactures.*

Mr. HUTCHISON. Mr. Chairman and gentlemen of the committee, we have more spindles on yarns than any State I know of south of Massachusetts. Also we have a lot of looms and knitting machinery.

Senator HUGHES. Do you use all your own yarn?

Mr. HUTCHISON. We sell it, sell it all. We make twine and yarns.

Senator HUGHES. You say you sell all of it?

Mr. HUTCHISON. Yes.

Senator HUGHES. What do you do with your knitting machines?

Mr. HUTCHISON. In the State, you mean? They consume a lot in the State for hosiery and underwear.

Senator HUGHES. I mean your own.

Mr. HUTCHISON. No; I operate three mills in North Carolina—yarn mills, but we sell all the products in yarns and twines.

I do not intend to take much of your time to talk about figures, but there are a few points I intend to bring out. I have prepared a short brief.

I wish to call your attention briefly to the yarn section of Schedule I. First, I wish to state that there is an impression with some that yarns are not exactly a finished article of manufacture inasmuch as they are mostly used for weaving and knitting fabrics, and also from the fact that many cotton mills in this country both spin and weave or knit, as the case may be.

Yarns of commerce, however, are just as much a finished article of manufacture as finished woven cloth, hosiery, underwear, etc., and as Mr. Cramer has pointed out to you in one of his briefs, yarns are subject to even more critical examination than woven fabrics and any slight imperfections are more easily observed than in the woven or knitted fabrics, and are therefore entitled to as much consideration in the framing of tariff laws.

Second, as to the cost of producing yarns in the United States, as compared with the cost in foreign countries, I will say that owing to the very nature of the policy of our Government which for so many years has fostered the high cost of living, it is almost impossible for us to manufacture goods in the United States as cheaply as they can be made in foreign countries.

I do not pretend to say what causes this high cost. I imagine, though, that a very high tariff has something to do with it at the present time.

One of the leading elements entering into this high cost is labor, and none of us begrudge the laborer his hire. As a matter of fact, this high-priced labor has produced in the United States a higher standard of citizenship among the working classes than in any other

country in the world, and any considerable reduction in the price of labor we would seriously deprecate. While on the labor subject I wish to bring out a point that I am not sure has been brought to your attention in connection with the textile industry, and that is the question of "efficiency," a subject that so many delight to dwell upon, and rightly, too. It has been charged that the way to meet the reduced cost of manufacturing cotton goods so that we can compete with Europe, Japan, etc., in making yarns is to teach our operatives greater efficiency. We do not doubt the sincerity of those making this statement for a moment, but when it is applied to the manufacture of cotton yarns it is not altogether tenable, but in some lines of manufacture where skill and physical endurance enter largely into the cost their contention is absolutely correct. In a mill spinning and twisting yarns in all their different processes this question of increased efficiency will not apply, from the reason that all the machinery in a cotton mill is regulated to run at uniform speeds to obtain the best results; that is, each machine is set to run so many revolutions and production is based on these speeds, and the operative having so many machines, owing to the process, to tend, can do just so much and no more, and necessarily can not turn off more work than the speed of the machines will produce; for instance, a spinning frame, the spindles of which make, say, 10,000 revolutions per minute, will produce so many ounces or pounds of yarn in a given number of hours. It may be said, why not let the operative become more efficient and tend more machines. I will answer this by saying that whenever a man, woman, boy, or girl working in a cotton mill becomes familiar with his work he soon finds the maximum limit of the machinery he can operate, and inasmuch as the speeds can not be increased or reduced at will their efficiency stops at that point. This is the situation in the textile industry, which makes it very different from other lines of labor where skill and physical endurance play an important part.

Now, as to the proposed duty on yarns, will say that as this is to be an ad valorem duty, which as applied to yarns, cloth, knit goods, etc., made from yarns, as a matter of fact, it works to a great extent automatically, the duty on yarns should be practically the same percentage as on cloth in which given numbers of yarn are used in the construction thereof, as the increased value of the cloth makes the actual duty on the cloth just so much more per pound. The schedule on yarns as proposed by the American Cotton Manufacturers' Association, which was 10 per cent on 1 to 9's, inclusive, 12½ per cent on 10's, inclusive, etc., is considered by all competent mill men to be as low as the mills can stand at the present time in competition with the foreign manufacturers, and we sincerely hope that you can see your way clear to adopt rates not lower than the schedule. Referring to the brief recently filed with you by Mr. L. W. Parker, asking that the duty on yarns named in the bill passed by the House be raised 2½ points, will say that Mr. Parker, who is primarily a cloth manufacturer, has repeatedly pointed out that the duty on yarns as named in the House bill is too low, particularly on the coarser counts, and when he made the recommendation to raise this 2½ points he no doubt had in mind that this was probably the best that could be obtained at this time. This, however, should be 5 points over the bill as passed by the House.

Senator SMITH. You say that it was too low on the coarser counts?

Mr. HUTCHISON. That was Mr. Parker's statement.

We all realize that this whole proposition is an experiment, as no one can foretell with any degree of accuracy just what the actual result to the manufacturers will be, but if we are to err at all as to what is the proper reduction to be made at this time it is better to err on the side of safety.

About that, we do not know just what the effect will be, and my idea is that if it could be gradually reduced we could stand it a good deal better than if there were a sudden reduction. It is a good deal like a man with the morphine habit. He has to cut down the quantity of morphine he takes gradually rather than all at once. So you could cut it down some now and see what the result will be, and then we can tell what we will do later on. Should you recommend the rates approximately as outlined above and the same should be enacted into law, if it is found later that we can safely stand a lower rate, a further reduction could then be made.

Senator SMITH. You said that Mr. Parker thought the rates, especially the lower rates, were too low. I think he thought the lower rates were nearer right than the rates on the finer goods.

Mr. HUTCHISON. I did not so understand. I heard Mr. Parker make a statement at the manufacturer's convention in April.

Senator SMITH. I understood him to point out that possibly between 20 and 40 the rates were too low, and then on the higher numbers, especially from the 60's on up, they were too low. Of course he asked for an increase all along the line of 2½ per cent, but, relatively, I thought he fixed the rates as too low between 20's and 40's, and up between 70's and 90's—

Mr. HUTCHISON. I did not so understand that.

Mr. MACLEA. May I make a statement in regard to what Mr. Parker said?

Senator JOHNSON. Yes.

Mr. MACLEA. I have it here. He stated that the coarse yarns are to a great extent made in North Carolina and Georgia, and that, "in my judgment the manufacture of these will be interfered with to a great extent by the Underwood bill."

Mr. HUTCHISON. I had reference to his statement of 2½ points.

Senator HUGHES. His position was, I think, that coarse yarns would not be materially interfered with.

Mr. HUTCHISON. Under the present tariff law, the tariff on yarns, up to 24, is practically prohibitory. As I say in the brief, it is guess-work what the result will be. If that is brought down, on, for instance, take No. 8, which sells to-day for about 20 cents, 5 per cent on that would be 1 cent per pound. I suppose the English market would bring it to about 17½ or 18 cents, say nine-tenths of a cent. We have never tried that, and I doubt very much whether that would be prohibitory. That is, a change from 6 cents per pound to nine-tenths of a cent. That is most too much of an experiment.

Senator SMITH. It is a reduction of about from 25 per cent to 5 per cent, is it not? The present rate is about 35 per cent below 10's, and this reduces it to 5 per cent.

Senator HUGHES. Do you export any of those yarns?

Mr. HUTCHISON. Very little. It does not cut any figure, hardly. We export a small quantity of twine, but it does not cut any figure at all.

Senator SMITH. It is a reduction of about 87½ per cent?

Mr. HUTCHINSON. That is more than I figured. I figured about 83 per cent.

Senator HUGHES. The ad valorem rate at present is figured here—this being for the fiscal year ending June 30, 1912—at 19 per cent. No imports at that rate.

Senator SMITH. Between what numbers?

Senator HUGHES. Up to and including No. 15.

Mr. HUTCHINSON. I believe the present tariff runs up to 15.

Senator SMITH. Then, that would be a reduction of about 60.

Mr. HUTCHINSON. I figure, with the reduction, that it would be about 83 per cent.

Senator SMITH. Yes; I was clearly wrong in my statement as to 35 per cent. The tariff is not on those yarns, 1 to 10's, 35 per cent; it is only 15 per cent.

Mr. HUTCHINSON. I was under the impression that there was a specific rate and that it would amount to not less than 15.

Senator SMITH. Two and one-half cents a pound, not less than 15 per cent. I was clearly wrong in my statement about 35 per cent.

Mr. HUTCHINSON. This would be about nine-tenths as against ply yarns. We have a singular condition about this tariff bill in North Carolina, and that is that the farmers and laborers and merchants and the bankers are really as much interested in the tariff as we are, and we sincerely hope that it will not be put down so low that it will demoralize and ruin the home industry.

Senator SMITH. If you have any figures showing the American selling price and the English selling price and the cost of conversion there and the cost of conversion here and will give them to us, I will be glad to have them.

Mr. HUTCHINSON. I can give you the English prices May 16. I have a paper at the hotel showing them.

Senator SMITH. You can give us the American prices, too, and the cost of conversion?

Mr. HUTCHINSON. Yes, sir.

There is one thing I would like to mention. You asked Mr. Gordon a while ago about the difference between 20's and 30's—the difference in labor cost. It would take about 4 to 5 per cent extra duty. It is about 2½ per cent from 30 to 36. I manufacture 30's and 36's both.

Senator SMITH. The labor cost of 36's is 2½ per cent?

Mr. HUTCHINSON. No; the labor cost of 30's is approximately 3½ cents, and on 36's approximately 1 cent a pound more.

Senator SMITH. That is just labor?

Mr. HUTCHINSON. That is just labor alone.

STATEMENT OF J. H. SEPARK, OF GASTONIA, N. C.

PARAGRAPHS 255-271.—*Cotton manufactures.*

Mr. SEPARK. Mr. Chairman and gentlemen of the committee, as other gentlemen will make what I presume to be quite an exhaustive presentation, I will only require a minute or two of your time.

I am treasurer of the Gray Manufacturing Co., representing 12,000 spindles on combed yarns, 40 two-ply to 80's two-ply. My principal number, however, is 60's two-ply.

Senator HUGHES. What is that yarn used for?

Mr. SEPAK. Most of my combed Egyptian is going into high-grade hosiery.

Senator HUGHES. Is the hosiery manufactured in your State?

Mr. SEPAK. No; nearly all of this goes to Pennsylvania and New York and Massachusetts. Most of it to Pennsylvania. Some of it goes west, and some of it goes out of the country.

Senator HUGHES. There is a good deal of hosiery manufactured in North Carolina, is there not?

Mr. SEPAK. Yes; but not the finest grade.

Senator HUGHES. What yarns do they use for cheap hosiery?

Mr. SEPAK. They use from 16's to 40's, with some little 60's.

Senator HUGHES. There is big export trade in that hosiery, is there not?

Mr. SEPAK. But that is made from the coarser counts, from 12 two-ply, 16 two-ply, and so on up to 30; and some 36 and a little 40's.

Senator HUGHES. That is almost exclusively an export trade, is it not—that cheap hosiery trade made from those numbers?

Mr. SEPAK. No; not from the State of North Carolina. Quite a good deal of it is consumed in this country.

Senator HUGHES. Have you any idea what percentage of it is consumed in the export trade?

Mr. SEPAK. Of this coarser grade hosiery?

Senator HUGHES. Yes.

Mr. SEPAK. No; I make no yarns for that class of trade. I only make for the finer grades.

Schedule 1 of the pending tariff bill has been so exhaustively discussed by the gentlemen who have preceded me, with briefs and argument, that I feel it unnecessary to deal with facts and figures in this short brief. So that I place this more as an appeal than as an argument for a line of duties a little less drastic than those laid down in the cotton-yarn schedule. We, the North Carolina spinners, in common with the nation-wide spinners, feel that the rates proposed are lower than the industry will bear. Particularly is this true, I think, of the medium and fine counts, say, 50/2 and above. We feel that these rates are in reality too low to be classed as of practical competitive basis. In the extreme low counts of yarn the labor cost of the finished product is inconsiderable as compared with the cost of the medium and fine counts, since in these counts the labor cost figures quite a considerable item of increase. And more largely is this true of ply yarns as compared with singles and combed yarns as compared with carded yarns.

You will note that there is no difference made.

It is noted that the pending bill fails to distinguish in duty between ply and single yarns, and also between combed and carded yarns.

Senator SMITH. What do you mean by ply yarns?

Mr. SEPAK. More than singles when it is twisted into two or three ply.

Senator SMITH. The term "twisted" would apply to it, then, as well as the term "ply"?

Mr. SEPAK. Yes; it is when two singles are twisted into a two-ply. There is twist in single yarn as well as in ply yarn.

Senator SMITH. If an increased rate was given for combed, twisted, mercerized, etc., it would include your ply yarn?

Mr. SEPAK. Yes: it would include our ply yarn. As a matter of fact, I do not make any single yarns. All my yarns are made in two and three ply.

This latter might not work an especial hardship upon the spinners of combed yarns during periods when, due to certain conditions, the market price of combed maintains the proper proportion of premium over carded yarns warranted by the difference in labor costs of the two classes of finished product, but, during periods when combed and carded yarns are nearer the same common market price basis, the greater will be the difficulty for the American spinners to compete with foreign-spun combed yarns. The superabundance of labor in European countries—and hence cheaper labor—together with lower construction cost of their textile plants, together also with cheaper operating capital, would necessarily give the European spinners the decided advantage over American spinners.

It is argued by the leading advocates of this bill that it is desirable that the American manufacturers seek other world markets for their merchandise. That may be and doubtless is desirable, for certain classes of large American manufacturers, but it must be recognized that there are teeming thousands of smaller plants in this country, particularly among southern spinners, that would find it quite difficult to operate their plants, unless they could freely compete in our own country with imports from foreign countries. I am not before you gentlemen as a pessimist nor yet as a calamity howler, far from it, but rather as one of common hope with yourselves that the entire tariff bill to be worked into shape for final enactment may be one under the operations of which may be conserved the value integrity of the manufacturing plants of the entire North, East, West, and South, one alike under the operations of which good standards of living may be made possible and at lower costs to the consuming millions of our countrymen, with continued and even increasing nation-wide prosperity.

To this end, permit me, gentlemen, in behalf of the fine-yarn spinners of Piedmont, N. C., in which section is produced more than 50 per cent of the fine yarns of the South, and in behalf of the spinners of the entire country, to enter the plea that you make the duties on the finer counts, and particularly the finer counts of combed yarns, a little less drastic than now appear drawn. If, however, you find that you can not at this late day make a new differential for plied and combed yarn to distinguish between single and carded yarn, we strongly urge the plea that you give the entire industry the benefit of slightly increased duties. Our feeling is that the rates proposed by the tariff committee of the American Cotton Manufacturing Association, submitted in January, furnish very substantial reductions, and is therefore a schedule that would amply satisfy all demands of the Baltimore platform. The manufacturers of this country recognize that certain rates of the cotton schedule under which we are now operating are entirely out of line, and we are not only willing that the rates be lowered, but we even welcome the readjustment of the said schedule to the basis of an entire revision downward. We, particularly of North Carolina and of the South, are loath to believe that it is the intent of the dominant party, under whose standard most of the people of our section have been and still are enlisted, to frame a tariff bill which will prove a disturbing element to the textile inter-

ests of our country. And I for one will not dare prophesy just what will be the immediate or ultimate effects of a schedule based upon such recognized low rates; but I, in common with the spinners of yarn, and particularly of the finer counts, very much fear that the cuts made will be found to be entirely too drastic. Out of the abundance, therefore, of wisdom and a willingness to safeguard, not the profits, but rather the property value of our plant investments, we would make a final plea that you give us the benefit of rates better at least by a few points than those scheduled in the bill now before you—in a word, rates or duties more nearly in line with those submitted by our tariff committee in January.

I will be glad to answer any questions you gentlemen would like to ask.

STATEMENT OF R. K. M'LEA, AGENT OF THE PARKER MILLS, NEW YORK.

PARAGRAPHS 255-271.—*Cotton manufactures.*

Mr. MACLEA. Mr. Chairman and gentlemen of the committee, I desire to point out to you places in the Tariff Board report to which you can readily refer and satisfy your mind that it is necessary to have very much higher rates as a matter of fact on combed yarn production or goods of the better grades, where the yarn content is the same as in goods of the lower grade.

As the first illustration of this, I would like to point to sample 44 of the Tariff Board report; the sample referred to is one of the 100 samples. It contains a 30's warp and a 32's filling. It is carded yarn production. The Tariff Board did not mention in its analysis of fact the difference between the carded yarn productions and the combed yarn or finer yarn productions. In comparison with this sample I should like to point out sample No. 68, which contains combed, dyed yarns of a coarse number in part. The finest yarn content is a No. 32 two-ply. The rate of duty under the Underwood bill on this latter fabric is fixed at 15 per cent, the same that it is on the first-mentioned fabric.

I then desire to go a little further in regard to facts established in the Tariff Board report and have you note the price at which sample No. 68 can be obtained in France—namely, 35.3 cents. Then compare that with what can be made in the mills of this country, add the duty thereto, and it will be found that it is necessary to double the proposed duty on such a production.

Senator SMITH. What do you call that production No. 68?

Mr. MACLEA. That is a plain fabric known as a cotton repp. A sample of it may be seen here [indicating]. If you had a duty of but 15 per cent on that piece of goods under the grouping of both ordinary and fine yarn productions it will necessarily throw that business to France. The price that the Tariff Board found that that could be purchased in open market abroad is such that adding the 15 per cent duty to it it will land in the United States at less than the American cost of production.

That is the most largely used material of that class made in this country in the mills that get the business. That is one illustration.

Senator SMITH. You gave us the French price at 35.30, did you not?

Mr. MACLEA. That is the Tariff Board's statement of facts, which can be obtained from tables therein.

Senator SMITH. What is the American price of those goods now?

Mr. MACLEA. They are sold here by the producers at 47½ cents a yard.

Senator SMITH. The tariff is 15 per cent?

Mr. MACLEA. Take from Tariff Board Table 138, on page 448, the fact that sample 44—

Senator SMITH. You have not followed that 68 far enough for us yet.

Mr. MACLEA. I will do so.

Senator SMITH. You say the European price is 35.30?

Mr. MACLEA. That is correct.

Senator SMITH. Do you know what the cost of conversion in the United State. is?

Mr. MACLEA. Yes, sir.

Senator SMITH. What is it—starting with the lint cotton?

Senator HUGHES. What is that made from?

Mr. MACLEA. Sample 68 is made in part from their coarse yarns, No. 5's in the filling, and 32 two-ply in the warp.

On page 711 of the Tariff Board report the labor cost amounts to 38½ per cent: the conversion cost to less than 50 per cent. But I call attention to the fact that that is the bare conversion cost without adding the selling expenses, which are provided for under a separate table.

Senator SMITH. The selling expenses would apply to the French goods too?

Mr. MACLEA. No; the only thing that the Tariff Board reports in regard to the French price referred to is the price at which they sell it. They do not tell you the cost. It may include a profit of 20 per cent, and probably I would say it does so include a profit of 20 per cent.

Senator HUGHES. Do you get 20 per cent on all yours?

Mr. MACLEA. I am speaking of this case of fine yarn goods in the case of 68.

Senator HUGHES. Do you figure 20 per cent when you sell it?

Mr. MACLEA. I do not sell it; and my mills do not make that class of goods at all.

Senator HUGHES. Then how do you figure 20 per cent on the foreign goods?

Mr. MACLEA. Because, from past experience, when they are looking for a market for their goods they have made an abnormally low price at times to get into different countries. They have cut their prices 5, 10, 15, and even 20 per cent to get in, particularly when there is a bona fide offer for goods from a foreign country.

Senator HUGHES. That is not what causes you to argue that he has a 20 per cent profit—the fact that he wants to dispose of a quantity of goods?

Mr. MACLEA. It is a well-known fact that the Frenchman does not give his goods away, and they do make profits on the class of goods they turn out.

Senator HUGHES. You say also that they make an abnormal price sometimes?

Mr. MacLEA. No; in a period of depression they make those prices when they are not having sufficient business at home. They will frequently make lower prices at such a time to keep them going, those prices being for export and not home prices.

Senator HUGHES. They do the same as our manufacturers do, I suppose?

Senator SMITH. They make a sacrifice to introduce the goods into a new place.

Mr. MacLEA. I do not know of any sacrifice on any such scale as that which has been practiced abroad.

Senator HUGHES. Is not that the same course that is pursued by the manufacturers of sewing machines, typewriters, etc.?

Mr. MacLEA. I do not profess to know the details of goods like sewing machines or typewriters, but on fabrics I do. I want to particularly call attention, in using the basis of conversion cost and as labor cost as set down by the Tariff Board, to the fact that the selling expenses are not added in Table 212, which is the basis of cost given; and as an illustration of such a point this same sample, No. 68, will be found to have an additional expense of 5.8 cents a yard for its legitimate distribution and the selling of such in this market, making a total cost under Table 169 of 40.97 cents a yard.

Now, as to conversion costs and labor costs in these two fabrics, sample 44 will show you—

Senator JOHNSON. The Tariff Board gives the cost of that sample, the cost per yard in grays, as 35 cents plus?

Mr. MacLEA. On page 711 they do—

Senator JOHNSON. Yes.

Mr. MacLEA. But in Table 169 they give the cost at 40.9 cents, with no explanation in there, which is a serious fault of omission.

Senator JOHNSON. I have read the figures they give on page 711, the total cost per yard of cloth in the gray, and then the total cost per pound, which is 42 cents, is it not?

Mr. MacLEA. That is per pound. Transferred to the square-yard basis is merely a basis to arrive at the other total cost, which is given under Table 169, wherein you get a total cost of a fraction under 41 cents a yard. The goods are then sold here at a price of 47½ cents a yard, which is the measure of return above. If a 15 per cent tariff applies on that foreign production at the ordinary market price of such, it will permit it to come in here at less money than the home manufacturer can make it.

As a further illustration of a similar point—

Senator HUGHES. You do not know anything about the price of that sample abroad, do you—268—but you have taken the Tariff Board's figures?

Mr. MacLEA. I happen to know personally about it; yes.

Senator HUGHES. What is it?

Mr. MacLEA. Thirty-five and a fraction abroad, and it is a largely made fabric abroad, nothing theoretical about it.

Senator HUGHES. None of it comes in here?

Mr. MacLEA. I beg your pardon; it is coming in slightly now, in spite of the differential.

Senator HUGHES. How much, do you know?

Mr. MacLEA. No; on account of the fault of the Government in not compiling the statistics of this class of goods so that you can

get that fact I can not give it to you. The customhouse records are very faulty in that respect.

Referring to the imports of 1912, it will be absolutely impossible to detect therefrom those goods; the width of goods that come in are not mentioned in our statistics, and you are not able to detect the difference between fine, coarse, and medium grades of goods, and it is liable to lead you astray if you try to use such averages as you have there.

Now, to show the enormous increase in conversion costs in yarns, a 40 single, Table 124, Tariff Board report, shows the lowest basis in this country, of $5\frac{1}{2}$ cents a pound; but if you take the detail of facts, Table 122, page 404 of the Tariff Board report, and take the various stages of 40 two-ply yarn, the conversion cost ranges from 8.4 cents to 25.5 cents per pound, showing conclusively that you have enormous ranges of conversion cost on similar yarns.

Senator JOHNSON. You have that there before you, and it is difficult for us to follow you. If you will have that in your brief which you file we can take it and examine it and probably understand it, but it is rather difficult to follow your figures.

Mr. MACLEA. I have no brief to file. I am practically through with this now. I have given the points.

I want to call attention to one other thing in the Tariff Board report, and ask you to turn to Table 132, page 124. It gives a comparison there on standard yarns, showing the conversion cost. Taking yarn No. 30 it shows a low conversion cost of 0.057823 and a high conversion cost of 0.096384. I wish to submit that that should not be taken as a mark of efficiency in any way; but if you will apply the rule of differentiating between combed yarns and carded yarns you will get an answer for that spread.

That also was not explained by the Tariff Board. The higher costs which apply to these numbers of yarns will be found to go against the combed or better grade of yarns that necessitate more labor, the doubling or even trebling of labor in the production thereof, while the lower cost will be found to go to that class of yarns where it is unnecessary to be so particular in their production.

Turning to No. 40, the same principle will be applied. The 8 cents a pound conversion as a low figure, and $11\frac{1}{2}$ cents as a high figure, can be accounted for in that way.

If we fix that in mind and then turn to Table 133, on page 135 of the Tariff Board, you will get an explanation of what some of the gentlemen have referred to this morning. There is a table of knitting yarns running from 6 to 100 two-ply as shown. The conversion cost of 60's, $1\frac{1}{2}$ cents a pound; the conversion cost of 100 two-plys is 59 cents a pound. You will find by an examination of that, as you increase in fineness and in kind, the conversion and labor cost increases very materially. Therefore, it is a very grave mistake not to provide for higher rates than you have done under the Underwood bill. It would work a great hardship in this country, much more so than any of the gentlemen who have appeared here and stated to the best of their belief thought it would do.

I want to say a word about Jacquard cloths as a matter of record, and ask you to note the sample referred to by the Tariff Board as the most representative of small Jacquard weaves, namely, sample 33; and I call attention to the fact that this sample represented the distri-

bution of that class of goods in this country at the time this Tariff Board's report was made. .

If you will follow it through under Table 137 you will find that those goods were sold here at a loss. The prices that are given in there will indicate clearly that they were distributed at 10½ cents.

That represents a large part of the cheap jacquard waistings and cloths, that a few who make them here have tried to successfully compete with foreigners on, and to my knowledge in the trade, although I do not make any of those goods, I do know that in the trade it has been very difficult to cope with the foreign imitations, or what I term the substitute that is used in the trade made of yarns perhaps coarser in number but permitting them to give a surface appearance of similarity. And, then, with the enormous facility of the foreigner in the great jacquard production to give great ranges of patterns, they get a preferential in business in some of that class of goods. Of course it is not very largely used, but it illustrates the fact that under the protective tariff of the Payne-Aldrich law, which amounted to in the neighborhood of above 40 per cent, those goods were sold throughout this country at a loss, and to my knowledge the different goods were sold in here at the same price of distribution, namely, a 19-cent retail fabric.

Another point that I desire to call attention to is a question on administration of the tariff law as compared to cotton fabric.

On the basis of yarn content applying to cloths a provision is made in the law that the duty shall be determined under regulations of the Secretary of the Treasury. That is all very good so far as it goes, but that leaves a situation where when any yarn content is disputed by an importer he can make it subject to appeal and determination by that long-drawn-out process of going before the Board of Appraisers, and so forth; and I think a provision should be put into the law that would obviate that situation in respect to cloths, so that the yarn content would be determined in a reasonable time, say, a couple of weeks, from which there would be no right of appeal on the part of the foreigner.

It gives the foreigner an opportunity to satisfy himself that no injustice is done, and that obviates all the trouble, with interpretation of it in the future, besides an extra expense to the Government.

I have made an examination of the rates that were proposed this morning by the gentleman from Fall River as compared with the rates suggested by Mr. Parker, and I find that there is a different basis of applying duties under the two systems that are not entirely dissimilar. The gentlemen from New England have made merely two subdivisions--that is, all cloths made of the coarse or cheaper grade of material; carded yarn, produced in plain weave. They have systematized a basis according to an advance of every 10 numbers up to 110, inclusive. Then they have made a rate covering all fancy cloths. They have made no rate in any way, shape, or manner adding differentials for bleaching, dyeing, finishing, and so forth. That is the material difference between their basis and the basis which Mr. Parker and the American Cotton Manufacturers' Association have laid down.

It strikes me in regard to such a system that it is something worked out to obviate the necessity of too many rates in any one given class of fabric, to apply for bleaching, dyeing, etc., and if any comparisons are made between the two systems that should be borne in mind.

Senator HUGHES. You think there is need for a differential for all processes and when they are combined in one cloth they should be added?

Mr. MACLEA. I have not examined it fully enough to state that in detail, but as a matter of fact in my mind the differential for bleaching, dyeing, and so forth, is automatically applied under an ad valorem tariff, and it is automatically applied on finer goods. That is, if there is a 40 per cent duty on a fancy cloth of a fine kind, the natural sort of finishing that would go on that cloth would involve a number of processes and it would carry such a differential automatically.

Senator HUGHES. And there would not be any need for any special differential, would there?

Mr. MACLEA. Under that system, there would not be. It is a very clever idea, somewhat different. I think it has considerable merit to it. I would be glad to examine it further and apply it----

Senator HUGHES. You are speaking now of the exhibit?

Mr. MACLEA. The brief filed this morning from Mr. Chase.

There is one other point I desire to clear up for future reference, namely, in the Tariff Board report, when they give a basis of cost for bleached goods, for instance such as—

Senator HUGHES. They simply advance 5 per cent from plain cloths to fancy cloths.

Mr. MACLEA. Yes, a very simplified method of applying the differential.

Senator HUGHES. You think that the various processes involved between plain cloths and fancy cloths are taken care of by the ad valorem on the increased value of the goods?

Mr. MACLEA. I do, provided that the rates are sufficiently above the lowest combination of these infinitesimal parts in finishing, in bleaching, etc.

In respect to the cost that is laid down by the Tariff Board in its representative samples--and this will cover all I want to point out--a sample such as No. 45, for illustration thereof, is given at a certain cost. They have taken the actual cost of the material in the mill, producing cost. They have, as elsewhere, the cost of finishing. They have added those two together and established that as the next cost.

The result of that situation is this: That on goods of the class above 50's yarn, known as fine yarn productions, which are a small part of our large distribution, there is a grave injustice done to the mills which have made those goods, in this respect: the converter comes in there, he purchases the goods at the market cost--and it costs something to do business, variously from 7½ to 15 per cent. Therefore, the impression that has gained ground, as to the exorbitant profits that have been attributed to foreign yarn goods, should be dispelled, because that profit must be again subdivided between the actual amount received by the mills and that which the converter received for handling it, in which case it will be found that the converter got his share in between.

That was not explained by the Tariff Board, and it has a bearing on the situation as regards fine goods and the impression that has gained ground.

I think that is all I have to say, Mr. Chairman and gentlemen.

Senator JONSSON. With what mill are you connected?

Mr. MACLEA. The Parker Cotton Mills. I am the New York representative. I make it my business to know what the distribution is in this country. A reminder of that comes to me very forcibly-----

Senator JOHNSON. You are the selling agent ?

Mr. MACLEA. No; I do not sell any goods. I want to show this committee something that will open their eyes.

I present here—and will be glad to furnish you with duplicates—a product of fine goods coming into this country from Japan at the present moment [producing goods]. These goods are landed in San Francisco. I obtained these from a retailer in Boston. These goods are being purchased at 15 cents and landed in Boston in preference to American crêpes, and these goods are superseding similar crêpes made in this country. Inasmuch as these goods are handled by an intermediate importer in San Francisco, who, of course, makes a profit, as he can afford to ship them to Boston or New York and sell them for this price, it is only a question of time when they will completely demoralize such a fabric as that produced by the Pacific mills known as serpentine crêpe; even though serpentine crêpe is sold at a less price the retailer buys these goods [indicating].

His position in a thing of that sort is similar to this idea: He wants to provide so many crêpes for his trade. It is immaterial with him from whom he gets them. If these give him satisfaction in his mind at the value, he buys these, and it is to the detriment of the home market. This I consider a very serious situation at the present moment. Not that it will interfere and take away the entire trade, but that it will cause a break in profits and prices of the similar products of this kind.

That is a description in my mind of what might be termed the competition of the substitute.

In respect to the fact that Japan is the mother of fine goods to-day, there is a sample which I shall leave you of one of the handsomest pieces of fine yarn goods. It is made in Japan. It is sold to the same people who are buying these crêpes at 45 cents a yard, 28 inches wide, and the better trade is buying these, waiting six to eight months to get delivery. It recalls to my mind the experience I had four years ago when a committee of Japanese cotton mills came to New York. I was on the committee that entertained them. We took them around in New York with the Merchants Association. They begged to go in some of our mills to see what was made in this country. They were not very successful in getting in the mills, but if I remember it rightly the Pacific mills kindly allowed them to go in. I have no doubt that their realization of the crêpes that were made over here pushed them along in the production of those goods.

Those are yarn dyed goods, and it is one of the most progressive productions I have seen in this country to-day.

One other point that may be of interest to you, while I have that package open, is a question of dyes entering into the construction of cotton cloth used in the shirting trade. I obtained a shirt made partly of material that has been colored with indanthrene; that is, the cotton yarns comprising one-half of that cloth have been dyed with that material. That is probably illustrative of about the lowest price shirtings that go out to the consumers in this country. This is a workman's shirt. The workman buys it at 50 cents. The price

the mill gets for these goods, to my knowledge, is 6½ cents a yard, or 19½ cents worth of material in that shirt.

To illustrate the trade distribution of it, and pointedly convey to your mind the seriousness of a situation of this sort, I would say that the cutter-up of this material does not care from whom he buys it as long as he gets it. If he can get a foreign cloth at a low rate of duty that satisfies his mind, and is sufficiently good as a substitute, he will purchase that; but his price will be so much per dozen, namely from \$3 to \$3.75 per dozen. The next stage of this distribution will be the jobber who has purchased that and who sells it to the retailer at prices of from \$1 to \$1.50 a dozen. Now, it makes no difference what you do as regards the cloth, those prices are going to remain the same for that shirt. If the tariff is made too low and the foreign production comes in it will interfere with the mills without helping the consumer one particle. The price is established, and until they revolutionize trade distribution, which is a remote thing at present, the only injury can come from making duties too low.

If, on the other hand, you increase the duty on the raw material that comprises the dye of this, which I understand has been done in the House bill, raising it from a free basis under the present law to 30 per cent, it may be but an infinitesimal amount in regard to a yard of cloth, but it might be just sufficient to prevent the successful handling of these goods at the limitation of price—namely, 6½ cents—thus depriving the workingman of getting American-made cloth and compelling the cutter-up to take a substitute which is not nearly as good and will not give him the wear.

There is no better illustration of the cheapening of a product to the consumer than the advance that has been made in materials of this sort in the last four years, whereby for shirtings it permits of a fabric that can be thrown not in the washtub and come out as it should but in a strong bleach that will take every particle of dirt and grit out of and still remain fast in color. That is the result of the use of indamine dyes.

Senator SMITH. These goods that you have been discussing are not goods that your company manufactures?

Mr. MACLEA. No; these are made by the Amoskeag Manufacturing Co., of New Hampshire.

Senator SMITH. And these goods generally—

Mr. MACLEA (interposing): Are not our goods; no. It is merely an illustration of facts that exist.

Senator HUGHES. The Amoskeag mills do a large export business, do they not?

Mr. MACLEA. Not to my knowledge. I do not believe the Amoskeag mills could sell their product abroad against England.

Senator HUGHES. They do a large export business.

Mr. MACLEA. I doubt it. You can not show it by the statistics of the United States Government. Again, that is where the Government is very much at fault, in not properly providing statistics as to imports and exports.

Senator JOHNSON. Have you anything further to say, Mr. MacLea?

Mr. MACLEA. No, sir; I have finished.

Senator JOHNSON. Are there any other gentlemen who desire to be heard?

Mr. GEORGE A. TENNEY. What I might say is covered in a brief that I have filed.

Senator JOHNSON. You do not desire to be heard, then?

Mr. TENNEY. No, sir; I wrote Senator Smith, and you have that letter.

Senator JOHNSON. If your brief will cover what you have to say, that will probably answer just as well.

Mr. TENNEY. Of course we are anxious to have our proposition considered. It is a small matter but important to us. We are interested in jacquard woven bedspreads.

Senator JOHNSON. That matter will be given attention.

STATEMENT OF MR. STUART W. CRAMER, OF CHARLOTTE, N. C., PRESIDENT AMERICAN COTTON MANUFACTURERS' ASSOCIATION, AND PRESIDENT MAYES MANUFACTURING CO. AND LORAY MILLS.

PARAGRAPHS 255-271.—*Cotton manufactures.*

Mr. CRAMER. Let me give you this printed brief [handing brief to the committee].

As I have already given the stenographer my name and business, I will not repeat it.

In the first place, I promised when I was here last to give your committee data about the prices of cotton to American and foreign mills, and that is done very completely in this brief, which I will not read. I will just submit that, and you can look it over at your leisure.

I will also only read excerpts from this brief, because it is not worth while to take up your time reading things that you can look over yourselves, but I will mention a few points that are material to this brief, and very material.

Heretofore, we have considered yarns too much as the steps in the manufacture of fabrics, and not enough as the finished products for sale and distribution. One of the principal points I wish to make in this brief deals with yarns considered in that light.

Senator SMITH. You do not propose to eliminate yarns manufactured by persons who manufactured them into cloth themselves?

Mr. CRAMER. As far as they come into competition with yarns shipped in from abroad; yes.

Senator SMITH. Why are they in competition? Those manufactured by a man for his own use are not in competition with those shipped from abroad.

Mr. CRAMER. They are not.

Senator SMITH. Because if he can buy them cheaper than he can manufacture them he will buy them.

Mr. CRAMER. He could not afford to, because two-thirds of his plant is invested in his spinning mill. Then, another question is the expense of sale and distribution, and those yarns enter into that. However, I have covered that very fully in this brief, and would like to have you give that some attention when you come to the consideration of the bill.

I would like to call your attention to the top of page 4, where the rates in House bill 3321 are tabulated in decimals of 10 numbers.

You will notice the breaks that have been referred to two or three times this morning and at other times.

Senator HUGHES. Are those Underwood breaks or your own?

Mr. CRAMER. Those are Underwood breaks at the top of page 1. In the first place, I would call your attention to this curve here, showing the Tariff Board cost of conversion of yarns, in which the cost is uniform, constantly raising, and to do which it would break away off like that, instead of coming up.

Senator HUGHES. It would be zigzag?

Mr. CRAMER. It would be zigzag, very much so at this end, whereas it rises uniformly. Taking that tabular exhibit of House bill on the top of page 4, is it not evident that groups 30 to 39 should have a rate of $12\frac{1}{2}$ per cent?

Senator SMITH. I think so. I think we can very well make the break in the bottom.

Mr. CRAMER. Exactly.

Senator SMITH. But I do not know what anybody else thinks about that. That had occurred to me that that break of $12\frac{1}{2}$ would be legitimate.

Mr. CRAMER. It hardly seems logical to leave it out, because if there are reasons for the other break, there is a reason for that one.

Senator SMITH. Because the indications are that the cost of conversion from 30 to 40 is considerably more than the cost of conversion from 20 to 30.

Mr. CRAMER. And in proportion.

Senator SMITH. The figures presented by the representative of the New England mills of from 20 to 40 to the ad valorem of the cost of conversion was due to the fact that it ran straight through from 20 to 40. Applied to from 30 to 40, it was much more reasonable, and if you put $12\frac{1}{2}$ to from 30 to 40, of course that eliminates these figures.

Mr. CRAMER. Again, is it not evident that the 70-79 group should take a rate of $22\frac{1}{2}$ per cent; the 80-89 group, 25 per cent; the 90-99 group, $27\frac{1}{2}$ per cent?

Senator SMITH. I think that is a very reasonable argument.

Mr. CRAMER. I think if you take this cost of conversion as shown by the Tariff Board's report and all the information gotten of prices or anything else, if you adopt the $2\frac{1}{2}$ per cent difference between the groups of the yarns up to the 70's, that those from 70 up should be entitled to the same consideration and the same step. This is more clearly shown in Tariff Board's report, volume 2, chart 6, page 416, in which it will be noted how the cost of conversion, both in England and America, increases in an ascending scale on the finer numbers, the difference in the conversion cost of each group not being a uniform advance but an increasing one. Yet we make no point of that to ask for increasing steps in the rates on the finer counts, as the rates throughout the range of 1-70 in H. R. 3321 are based upon uniform steps of $2\frac{1}{2}$ per cent between groups, and it is our purpose to accept both the rates and the grouping of that bill with trifling and obvious modifications that are too apparent to admit of contradiction.

Frankly we can not indorse those rates, as we think more importations will be made under them than Congress intends if they are

adopted, for we understand that only competitive rates are sought, and we believe these reductions go further than that; we only adopt them and are willing to try them cheerfully and in good faith, in the belief that corrective legislation will be forthcoming in case importations exceed what you expect.

So much for the rates as to the intent of the bill. You will notice that this is merely ironing out the inequalities in it, when they are obvious.

Senator HUGHES. The high rate is 30 per cent instead of 25?

Senator SMITH. At the lower end you have a 2½ by 10, and so up 5 points higher.

Mr. CRAMER. Exactly; and if there is any reason for those figures there is certainly a reason at the upper end, where the cost of conversion increases so much.

You undoubtedly intend those rates to actually operate exactly as adopted, both as to the revenue you estimate from them and as to limiting importations to the amounts you anticipate. The Ways and Means Committee have given unusual study and attention to the administration features of their bill looking toward that end.

We believe, however, that still a slight modification of the groupings is absolutely necessary to accomplish that result. Consult yarn price lists and any authorities you choose and you will at once be struck with the fact, especially above No. 30, that the demand is very largely for yarn numbers in multiples of 10, such as 30, 40, 50, 60, 70, 80, and the like. An examination of importations discloses at once that at whatever points rates change importations in large amounts are made just under the dividing line, importers obviously taking an un contemplated advantage by bringing in a trifle inferior substitute, thereby imposing upon American manufacturers more competition than was intended and at the same time depriving the Government of its rightful revenue.

Therefore, while groupings by 10 numbers are both close enough to suit the trade and not elaborate and complex of administration, evidently the line of division should not come just under the numbers most in demand, or there will be a repetition of the present situation as to bringing in 78's for 80's, and it will be on a much larger scale. So we suggest the dividing line for the groups at a point half way between those numbers most in demand; the groups will then divide at 5, 15, 25, 35, 45, 55, 65, 75, 85, etc. That will enforce the intent of the bill, for customers would not accept as substitutes yarns five or six numbers lower than their requirements.

The competition of the substitute is a perplexing and annoying thing in any schedule; in the case of cotton yarns for sale and distribution, unless guarded against, the effect will be absolutely to nullify the legal rates and to subject the major part of the whole production to an actual competition of the next lower rate. The proposed regrouping, as above, will solve the problem.

It is true that an apparent effect will be to raise the rates on the whole by 1½ per cent, or one-half part of each group by 2½ per cent; but that is apparent and not real, for bear in mind that the demand is for what may be termed the decimal numbers, on which this plan insures only the duty actually intended.

H. R. 3321, modified as thus outlined, would contain yarn rates as follows:

Rates on all yarns, per cent.....	Yarn Nos.										
	1 to 4	5 to 14	15 to 24	25 to 34	35 to 44	45 to 54	55 to 64	65 to 74	75 to 84	85 to 94	95 and above.
	5.0	7.5	10.0	12.5	15.0	17.5	20.0	22.5	25.0	27.5	30.0

Now, those rates are exactly the same as before, except they are split on 5's instead of on the 10's. They are still grouped in groups of 10, however.

We have previously appeared before your committee, asking that the H. R. 3321 yarn rates all be raised $2\frac{1}{2}$ per cent for single-carded yarns in the gray to bring them to a parity with yarns when woven into cloth, pointing out that in the large majority of plain goods the advantage our foreign competitor was in spinning and not in weaving; therefore, that single gray-yarn rates should certainly be as high as those on the cloth into which they are woven.

We have also shown you that yarns combed or advanced in manufacture by twisting, bleaching, dyeing, gassing, etc., should be accorded an additional rate of at least 5 per cent to the other rates on carded single gray yarns. Conversion costs, finishing risks, greater expense in every way entitle them to that extra rate.

A false impression exists as to the relative costs of finishing yarns in this country and abroad; because the Tariff Board's report stated that cloths could be as cheaply finished in this country as abroad, it has been erroneously assumed the same is true as to yarns. Such is certainly not the case; the foreigner has more of an advantage over us in finishing yarns when subjected to two or more processes than is compensated for by only the 5 per cent asked. I will not take up your time by further argument on this point, as I understand that your disposition is to make this change.

The advantage and equity of smoothing out the inequalities of the present groupings in H. R. 3321 by the method of regroupings which we now propose are such that if our suggestion is adopted and the 5 per cent extra allowed on yarns advanced in manufacture, we consider it equal in effect to the substance of our former request. By your so doing, we can adopt the H. R. 3321 rates for the basis on yarns, as we assure you that we are disposed to go to extremes in both yarn and cloth rates that we may approach your committee in the spirit of accepting the House rates as a basis.

Then I also call your attention to the reduction of from 10 to 5 per cent, and on the top of page 7 I put the thing in condensed form, which is merely a tabular exhibit of the amendments that we propose underneath.

Senator SMITH. Then below you put it in the form of an amendment?

Mr. CRAMER. In form to be used.

Now, I want to take the liberty of calling your attention to two or three things. First, by the way, I should like to put in this amendment showing a comparison of the tables in convenient form, so it

will be seen that we practically make no change in the House rates, except to straighten them out in a way that we believe is warranted, and we think you will agree with us.

(The statement referred to is as follows:)

Summary of tabular exhibits.

Yarn rates in H. R. 3321:

	Yarn Nos.										
	1 to 9.	10 to 19.	20 to 29.	30 to 39.	40 to 49.	50 to 59.	60 to 69.	70 to 79.	80 to 89.	90 to 99.	100 and above.
Rates on all yarns, per cent.....	5	7½	10	10	15	17½	20	20	20	20	25

Reclassified, H. R. 3321 becomes:

	Yarn Nos.										
	1 to 9.	10 to 19.	20 to 29.	30 to 39.	40 to 49.	50 to 59.	60 to 69.	70 to 79.	80 to 89.	90 to 99.	100 and above.
Rates on all yarns, per cent.....	5	7½	10	12½	15	17½	20	22½	2	27½	30

H. R. 3321 modified would contain yarn rates as follows:

	Yarn Nos.										
	1 to 4.	5 to 14.	15 to 24.	25 to 34.	35 to 44.	45 to 54.	55 to 64.	65 to 74.	75 to 84.	85 to 94.	95 and above.
Rates on all yarns, per cent.....	5	7½	10	12½	15	17½	20	22½	25	27½	30

The amendment which we offer to the yarn rates embraced in H. R. 3321 may be tabulated as follows:

	Yarn Nos.										
	1 to 4.	5 to 14.	15 to 24.	25 to 34.	35 to 44.	45 to 54.	55 to 64.	65 to 74.	75 to 84.	85 to 94.	95 and above.
Rates on single carded yarns in the gray..... per cent.	5	7½	10	12½	15	17½	20	22½	25	27½	30
Yarns combed or advanced in value over singles in the gray.....	5 per cent on all numbers extra and in addition to above rates.										

Mr. CRAMER. Now, a number of questions have been asked here about foreign prices and American prices on yarns. I promised to get you what I could. I will not read them, but I will give you copies of those, and you can look them over at your leisure. The statements speak for themselves.

(The statement referred to is as follows:)

[From Textile World Record, Boston, May, 1913.]

ENGLISH AND AMERICAN PRICES FOR COTTON YARN.

As this issue was about to go to press we received the following quotations on representative qualities of white cotton yarn, packed in cases f. o. b. Liverpool, from one of the leading spinners of Lancashire. We have reduced the prices to American money, and annexed the American prices for corresponding grades and size. The English terms are net cash 45 days. The American terms will average net cash 20 days:

Yarn.	English price.	Under-wood duty.	English total.	American price.
Warp cops:				
20's American.....	15}	10	20.3	23½
30's American.....	20}	10	22.3	26½
40's American.....	23}	15	27.3	33½
50's English.....	32½	17½	38.2	47
60's English.....	35	20	42.0	54
80's English.....	44½	20	53.4	70
Weft cops:				
20's American.....	18	10	19.8	24
30's American.....	19½	10	21.1	27
40's American.....	20½	15	23.6	36
50's English.....	23	17½	27.0	48
60's English.....	27½	20	32.7	55
80's English.....	35	20	42.0	72
Combed ring warp bundles:				
20's American.....	20	10	22.0	29
36's American.....	23½	10	25.6	39
40's American.....	25½	15	29.3	41
2/40's American.....	26½	15	30.5	41
2/40's English.....	32	15	36.8	50
2/50's English.....	34	17½	40.0	56
2/60's English.....	36	20	43.2	62

SAML. S. DALE,
Boston, Mass.

Mr. CRAMER. We talk a great deal about a contact of competitive point. We have shown that 36 per cent of all the 78's and 80's manufactured in this country are imported on an equivalent ad valorem basis of 35 per cent.

Senator SMITH. You do not give the yarns below 20. I suppose that is because the tariff, added to the English price, equalizes the American price?

Mr. CRAMER. No; to tell you frankly, I did not give them simply because I could not get them. That is all I have been able to get in that line; but I have some interesting figures here that I would like to give you on American prices. You asked this morning the difference in the prices on carded and combed yarns, single and ply yarns, and also mercerized.

Senator SMITH. What does that "weft cops" mean?

Mr. CRAMER. That is filling cops and twists there, referring to warp. That is their term for warp and filling; that is, twist and weft.

You asked me this morning the difference between the carded and combed prices of yarns for the knitting trade and I have them here. This is copied from the 'Textile Manufacturers' Journal of May 24:

Eastern peeler combs. carded. No. 40's. 33 to 35 cents per pound; combed, 39 to 41 cents per pound.

That is the difference between the prices for the single carded and single combed yarns.

Again, the prices for two-ply yarns, still the same cotton, peeler staple cotton, carded and combed, No. 40, from 37 to 38 cents per pound for carded and from 43 to 44 cents per pound for combed.

So you will see from that how much that combing and carding adds to the value of those yarns.

Combed peeler yarn No. 40, two ply, is from 54 to 60 cents per pound and gassed is from 54 to 65 cents per pound.

You might want to look that price list over later and I will just offer it. You can put it among your papers and it will give you an idea of the difference in the values of those yarns.

(The price list referred to is as follows:)

COTTON-YARN QUOTATIONS.

The following quotations have been compiled in Boston:

EASTERN PEELER CONES.

	Carded.	Combed.		Carded.	Combed.
6's.....	21-21½	25½-26	24's.....	25-25½	30½-31½
8's.....	21½	26	26's.....	26-26½	31½-32½
10's.....	21½-22	26-27	30's.....	27½-28	33½-35½
14's.....	22½-23	27½-28	32's.....	28-29	34-36
16's.....	23-23½	28-28½	34's.....	29-30	35-37
20's.....	24-24½	28½-29	36's.....	30-32	36-38
22's.....	24½-25	29½-30½	40's.....	33-35	39-41

EASTERN TWO-PLY SKEINS.

	Peeler.			Peeler.	
	Carded.	Combed.		Carded.	Combed.
12's.....	23½-24	28-29	30's.....	30-31	37-38
14's.....	24-24½	29-30	36's.....	33-34	40-41
16's.....	24½-25	30-30½	38's.....	34-35	41-42
18's.....	25-25½	30½-31	40's.....	37-38	43-44
20's.....	25½-26	31-31½	50's.....	.....	49-50
22's.....	26-26½	31½-32	60's.....	.....	55-58
24's.....	26½-27	32-33	70's.....	.....	63-67
26's.....	27-28	33-34	80's.....	.....	72-77
28's.....	28-29	34-35			

EASTERN TWO-PLY WARPS.

	Carded.	Combed.		Carded.	Combed.
2-30's.....	31-32	38-39	2-60's.....	.....	56-59
2-36's.....	34-35	41-42	2-70's.....	.....	63-68
2-40's.....	35-39	44-45	2-80's.....	.....	73-78
2-50's.....	.....	49-50			

EGYPTIAN (COMBED) WEAVING YARNS.

SINGLE SKEINS.

30's.....	38-39	55's.....	55-56
35's.....	42-43	60's.....	60-62
40's.....	46-47	70's.....	68-70
45's.....	48-49	80's.....	78-81
50's.....	51-52	90's.....	85-90

TWO AND THREE PLY SKEINS.

20's.....	39-40	65's.....	65-67
35's.....	43-44	70's.....	70-72
40's.....	47-48	75's.....	75-77
45's.....	49-50	80's.....	80-82
50's.....	52-54	90's.....	90-92
60's.....	61-63		

TWO-PLY WARPS.

2-30's.....	40-41	2-50's.....	53-54
2-35's.....	44-45	2-60's.....	62-64
2-40's.....	48-49	2-70's.....	71-73
2-45's.....	50-51	2-80's.....	81-83

EGYPTIAN COPS.

	Carded.	Combed.		Carded.	Combed.
6's and 8's.....	27-28	32-33	18's and 20's.....	31-32	36-37
10's and 12's.....	28-29	33-34	20's.....	32-33	37-38
14's.....	29-30	34-35	24's.....	33-34	38-39
15's and 16's.....	30-31	35-36	26's.....	34-35	39-40

COMBED SEA ISLAND.

	Single.	Reverse twist thread yarn.		Single.	Reverse twist thread yarn.
12's.....	40-41	41-42	30's.....	53-54	57-58
14's.....	41-42	43-44	40's.....	58-60	63-64
16's.....	42-43	44-45	60's.....	68-70	74-75
18's.....	43-46	47-48	70's.....	73-74	80-82
20's.....	47-48	49-50	80's.....	78-79	86-88
23's.....	48-49	51-52	90's.....	83-84	92-94
28's.....	52-53	55-56	100's.....	90-92	100-105

Sea-island warps and skeins for mercerizing are worth 2 to 3 cents less than thread yarn.

The following quotations have been compiled in Philadelphia, New York, and Providence:

SOUTHERN SINGLE SKEINS.

WARP TWIST.

6's and 8's.....	17 $\frac{1}{2}$ -19	24's.....	23-23 $\frac{1}{2}$
10's and 12's.....	18 $\frac{1}{2}$ -20	26's.....	23 $\frac{1}{2}$ -24
14's and 16's.....	21-21 $\frac{1}{2}$	30's.....	25
20's.....	21 $\frac{1}{2}$ -22		

SOUTHERN TWO-PLY SKEINS.

2-8's, 2-10's.....	17 $\frac{1}{2}$ -19 $\frac{1}{2}$	2-26's.....	24
2-12's.....	20	2-30's.....	25
2-14's.....	20-20 $\frac{1}{2}$	2-40's.....	31-32
2-16's.....	20-20 $\frac{1}{2}$	2-50's.....	42 $\frac{1}{2}$ -43
2-20's.....	22	2-60's.....	51-52
2-24's.....	23 $\frac{1}{2}$		

SOUTHERN SINGLE WARPS.

10's.....	19 $\frac{1}{2}$ -20	24's.....	22 $\frac{1}{2}$
12's and 14's.....	20	26's.....	23 $\frac{1}{2}$
16's and 18's.....	21	30's.....	25
20's.....	21-21 $\frac{1}{2}$		

SOUTHERN TWO-PLY WARPS.

2-8's, 2-10's.....	18-20	2-20's.....	25
2-12's.....	20-21	2-30's.....	25
2-14's.....	21-21½	2-40's.....	32-33
2-16's.....	21	2-50's.....	43
2-20's.....	22	2-60's.....	53
2-24's.....	24		

3-8's hard twist, on tubes, 17-17½ cents; 3-8's skeins and 4-8's skeins, 17-17½ cents; 2-10's and 2-12's slack, 21 cents.

SOUTHERN CONE (FRAME SPUN) YARNS.

6's.....	20½-20½	18's.....	22½-22½
8's.....	20-20	20's.....	22½
10's.....	20½-20½	22's.....	23½
12's.....	21-21½	24's.....	23½-24
14's.....	21½-21½	26's.....	24½
16's.....	22	30's.....	24½-26½

BLACK AND WHITE D. & T. SKEINS.

CARDED PEELERS.

2-20's.....	31½	2-30's.....	34
2-24's.....	32½	2-40's.....	41
2-26's.....	32½		

STAPLE COMBINATIONS.

8-30's.....	33	30-40's.....	42-43
10-30's.....	33	14-40's.....	45
14-30's.....	33	20-60's.....	45-46
16-80's.....	48	16-120's.....	55-58

Jack spools, 2 cents more; colors, 2½-4 cents more than black and white.

BLENDED BLACK AND WHITE SKEINS.

2-16's.....	34-35	2-26's.....	37½
2-20's.....	36½	2-30's.....	39
2-24's.....	37		

For 25 per cent blends, ½-1 cent less; for 75 per cent blends, 1-2 cents more.

EASTERN PEELERS AND EGYPTIANS.

Cones or tubes.

Combed peelers:		Combed Egyptian:	
2-20's.....	32-33	2-20's.....	33-34
2-24's.....	34-35	2-24's.....	35-36
2-25's.....	36-37	2-28's.....	37-38
2-30's.....	38-39	2-30's.....	39-40
2-34's.....	42-43	2-34's.....	43-44
2-36's.....	43-44	2-36's.....	44-45
2-38's.....	44-45	2-38's.....	45-46
2-40's.....	45-46	2-40's.....	46-47
2-50's.....	50-52	2-50's.....	52-54
2-60's.....	58-60	2-60's.....	60-61
2-70's.....	65-67	2-70's.....	68-70
2-80's.....	75-77	2-80's.....	79-81

CARDED PEELER CONES.

10's.....	21½-22	24's.....	24½-25
12's.....	22½	26's.....	25-25½
14's.....	22½-23	28's.....	26-26½
16's.....	23-23½	30's.....	27-27½
18's.....	23½	32's.....	28-28½
20's.....	23½-24	34's.....	29-29½
22's.....	24-24½		

CARDED SHUTTLE COFS.

8's.....	20	26's.....	25-25½
10's.....	20-20½	28's.....	25½-26
12's.....	20½-21	30's.....	27-28
14's.....	21-22	32's.....	28-29
16's.....	22-22½	34's.....	29-30
18's.....	22½	36's.....	30-31
20's.....	22½-23	38's.....	31-32
22's.....	23-23½	40's.....	32-33

TARIFF SCHEDULES.

MERCERIZED YARN.

	Combed Peeler.		Combed Egyptian.	
	Not gassed.	Gassed.	Not gassed.	Gassed.
2-8's.....			41-47	48- 51
2-10's.....	41-46	49- 51		
2-12's.....	45-48	49- 53	47-48	51- 53
2-14's.....	47-48	49- 53	47-48	51- 53
2-16's.....	47-48	49- 53	47-48	51- 53
2-20's.....	46-49	51- 54	49	50- 53
2-24's.....	47-51	53- 56	51-52	55- 56
2-28's.....	51-53	55- 57	52-53	57- 58
2-32's.....	48-54	53- 59	54-56	59- 62
2-36's.....	49-55	54- 60	54-55	59- 60
2-40's.....	50-56	55- 61	55-56	60- 61
2-45's.....	51-57	56- 62	56-58	61- 62
2-50's.....	52-58	57- 63	57-59	62- 63
2-60's.....	54-60	59- 65	59-64	64- 71
2-70's.....	57-64	62- 69	62	66- 69
2-80's.....	59-68	64- 72	64-68	69- 75
2-90's.....	70-79	74- 82	70-78	78- 84
2-100's.....	92-93	1.01-1.06	92-96	98-1.08
2-120's.....				1.40
				1.54-1.55

	Combed Sea Island.	
	Not gassed.	Gassed.
2-10's.....	56 - 60	60 - 65
2-20's.....	59 1/2 - 60	64 - 65 1/2
2-25's.....	61	65
2-30's.....	60 - 65	64 - 70
2-36's.....	63 1/2 - 69	67 1/2 - 74
2-40's.....	65 - 73	68 - 78
2-45's.....	74 - 77	77 - 82
2-50's.....	78 - 79	82 - 84
2-60's.....	86 - 87	92 - 95
2-70's.....	94 1/2 - 95	1.02 - 1.06
2-80's.....	96 - 1.02 1/2	1.05 - 1.13
2-100's.....	1.25 - 1.27	1.30 - 1.35
2-120's.....	1.42	1.44 - 1.55
2-140's.....		1.85

On domestic yarns prices are approximately the same on both skeins and cones. On imported yarns the prices of cones are more than skeins and are as follows: 2-60's, 8 cents more; 2-70's, 5 cents more; 2-80's, 10 cents more; 2-90's, 11 cents more; 2-100's, 12 cents more; 2-120's, 14 cents more.

Mr. CRAMER. Referring again to the cost of conversion—that being a question you have asked each man, and I will anticipate it—in the first place, I have here my cost sheet for a small yarn mill of 18,500 spindles on No. 80's, and our cost on those yarns, 80's, two-ply, conversion cost, is 36.84 cents per pound. Our cotton, including the loss through waste, is 31.16 cents per pound, making a total of 68 cents per pound. This rate that I have just given you from this schedule, with 5 per cent increase for combing and plying and those other processes, makes 30 per cent greater on those 80's, of two-ply, which cost us 68 cents per pound. We have a foreign price on those same yarns, delivered in New York. You will remember that it was mentioned at the last meeting that it was 54 cents per pound, duty not paid. Thirty per cent of that is 16.2 cents, which, added to the 54 cents, makes 70 cents per pound, which you see is practically the same as to the cost to us, which is 68 cents per pound.

Senator SMITH. Something more than 1 cent more than it actually costs you?

Mr. CRAMER. That answers that question about the cost of conversion of the contact point, and, after all, this whole schedule has to be passed on on some points, which is a competitive point. Now, that rate is only 30 per cent, whereas one-third of all the domestic consumption comes in on a 35 per cent rate.

Senator SMITH. On a 35 per cent rate, one-third of the American consumption is coming in?

Mr. CRAMER. Exactly. What staggers us about that is that the higher end of this scale is not in proportion to the lower end; but with those modifications, which seem so reasonable and so trifling, and which adopt the House rates on yarns in the gray—

Senator SMITH. What are these higher yarns used for—the 80's, say?

Mr. CRAMER. You mean for what purposes?

Senator SMITH. Yes.

Mr. CRAMER. They are used for the knit-goods trade.

Senator SMITH. What kind of knit-goods trade?

Mr. CRAMER. Well, stockings and underwear and all kinds of knit goods generally.

Senator SMITH. Common and ordinary stockings?

Mr. CRAMER. Well, I would not call them ordinary. They are a little better than that. Some of woolen worsteds also have the cotton warp, and they are used for a number of purposes of that sort. This only applies to 70's and upward, because it is practically adopting your rate up to 70's. They would not amount to more than 3 per cent of the whole consumption to make that change, and it would enable the mills who are making it to continue to make it. If that comes in at less than 68 cents, I will have to hunt something else, although there is no profit for me at all in that price. The foreigner has his profit when he quotes the 54 cents and figures everything in. That, of course, I do not care to put in evidence, but a man looking at the care with which we make up our costs will see that it is carried out to a very fine point.

Now, I would like to say this in connection with that Mayes mill: The oldest machinery in it is 5 years old, the newest is 1 year old, and the average is not over 2 years old, and if there is a mill in the country that is any better equipped, I do not know it.

Senator SMITH. You have in your own schedule here, No. 7, 25 per cent.

Mr. CRAMER. Plus 5 per cent, Senator.

Senator SMITH. Oh, yes; you figure on plus 5 per cent for dyeing?

Mr. CRAMER. No; for combing.

Senator SMITH. Combing?

Mr. CRAMER. And twisting.

Senator SMITH. I understand. Plus 5 per cent for the second process?

Mr. CRAMER. It will not be the second process. It will be generally the third or fourth.

Senator SMITH. Well, we call it the second process.

Mr. CRAMER. They call it that.

Senator SMITH. It is another process in addition to spinning?

Mr. CRAMER. Exactly. It is finishing.

Senator SMITH. What percentage of the yarns used in the United States are higher than 70's and under 200's?

Mr. CRAMER. I do not think there is over 3 per cent, and I will tell you why—because 40's and upward are only 7½ per cent.

Senator SMITH. Ninety-two and one-half per cent, then, are below 40's?

Mr. CRAMER. Yes, sir; as shown by the Tariff Board's report, the Underwood handbook of two years ago, and, in fact, all the Government documents on it.

So this applies to only about 3 per cent, but I was just making the difference between what would enable us to continue in that business or what would make it necessary for us to grow coarser.

There is only one other point, gentlemen, that I wish to call to your attention, and it may be in order and it may not. However, I would like to call your attention to it, and that is this: Up to 1910, inclusive, the importations of yarns were kept by numbers, individual numbers, and it was easy to see the value of the importations of each count, its ad valorem, its invoice value, and all about it. Since then, they have been kept by groups of 10's, which tells us nothing. If it is in order, I would suggest that some steps be taken to see that the practice up to 1910 be continued, because we could tell the values of those yarns then, but we can not do so now. It will only involve a little additional bookkeeping.

I think that is about all we have to ask, except that you give your careful consideration to those rates, for I do not see how we can do any better than that, and I think we have gone too far in suggesting it.

The CHAIRMAN. You might pray for us a little.

Mr. CRAMER. Well, we have been doing that for a long time.

STATEMENT OF MR. H. L. RANSOM, NIAGARA TEXTILE CO., LOCKPORT, N. Y.

PARAGRAPHS 255-271.—*Cotton manufactures.*

Mr. RANSOM. I merely want to call the committee's attention to paragraph 269, Schedule I, because it relates to union towels.

We are manufacturers of union towels, and by that I mean towels which are cotton warp and linen filling. There is a clause in there which says towels, the component material of which cotton is the chief value, take a rate of 25 per cent. This is a reduction of 20 per cent, and this means that all goods of that character will swing in to the foreigner, and it will take it away from the American manufacturer. We have been drifting along for some 14 years, and have made fairly good progress, but we are very anxious to continue it, and I think we ought to be allowed to make a certain proportion of the towels consumed in this country. If this clause is not thoroughly looked into and changed, it will result in taking a large proportion of our business away from us and diverting it to the foreigner.

The CHAIRMAN. What kind of towels do you make?

Mr. RANSOM. It is this character of goods [indicating]. Here is a towel which I picked up in this room, of a similar character. Those are the particular goods that we are vitally interested in.

Senator SMITH. Did you find that in this room, hung up for use?

Mr. RANSOM. Yes, sir; hung up in this room for use, made by domestic manufacturers. That is a part-linen towel, and that is what we are interested in. We are not interested in the all-cotton towels, and have nothing to say about that.

I do not think it is generally understood what effect that clause will have on the domestic manufacturer.

Senator SMITH. To what extent are towels made entirely of linen?

Mr. RANSOM. They are not made in this country at all at the present time. I have been in the towel business all my life, and I have had a chance to study it, not only in this country, but in other countries.

Senator SMITH. Your point is that towels that are made partly of cotton and partly of linen ought to have the recognition of the increased price of the linen, and therefore have a higher rate than the ordinary cotton toweling?

Mr. RANSOM. Well, on the ordinary cotton towel, we feel we can hold our own, and we make some of those; but it is on the towels that we have to put linen in. There is a duty on linen, and we pay to the Government a large revenue in our linen imports.

Gentlemen, as far as revenue is concerned——

The CHAIRMAN. What percentage of linen is in this towel, and what percentage of cotton?

Mr. RANSOM. There is about 48 per cent of linen in that towel, as near as can be figured.

The CHAIRMAN. Is the linen the component of chief value?

Mr. RANSOM. No, it is not. When it takes a duty of 40 per cent, it is perfectly satisfactory; but when they run a little more cotton in and bring it under this clause, 25 per cent, it hits us a side binder we can not recover from.

Senator SMITH. If it is 48 per cent linen, the linen ought to be worth more than the cotton.

Mr. RANSOM. But, you see, this depends somewhat on the prices of cotton. I asked about that this morning, and I was told that the price was fixed, of course, upon the price of yarns on the other side. I find that that article and some other articles have been passed upon, and they came in under this 25 per cent clause.

The CHAIRMAN. In quantity, what percentage is linen, if it is 48 per cent in value?

Mr. RANSOM. In that towel, it has to be less than half linen in order for the value of the cotton to predominate, which is a very easy thing to do in those towels. There are a great many of them in which the cotton predominates that are used in this country to-day, that are brought in, giving the foreigner this extra 20 per cent; and that is going to be a tremendous thing.

The reason that I have come down here on this visit is that I find that a great many of the dealers all through the country are watching this clause and are ready to place their orders for large quantities of goods. They will bring them in under that rate, and I think that any towel with any linen in it at all ought to be considered as a linen towel and take the 40 per cent rate.

The CHAIRMAN. If it has any in it?

Mr. RANSOM. Yes, sir.

Senator SMITH. You want a towel composed in part of linen brought in at the linen rate?

Mr. RANSOM. Yes. So far as the revenue is concerned in towels that do come in under that clause or take a higher rate of duty and bring the Government a better revenue, it will let us continue to make

those and bring in the linen yarn, and it will add a whole lot of revenue to the Government.

Senator HUGHES. Do you put the linen in these?

Mr. RANSOM. Yes, sir.

Senator HUGHES. How; by warp?

Mr. RANSOM. It is done in the web. You will find that none of these goods have linen in the warp, because the grade of yarn is so poor.

Senator SMITH. Do you suggest towels composed in part of linen and cotton, 40 per cent?

Mr. RANSOM. Yes, sir; composed in part of linen, to take 40 per cent.

Another feature of that clause which is going to confuse—

The CHAIRMAN. But they might have a very small percentage of linen in them?

Mr. RANSOM. Well, it would be very hard. It would be almost impossible to put in less than one-third.

Senator HUGHES. You can not mix the fillings?

Mr. RANSOM. They have been doing it, but it is not very successful.

Senator SMITH. If you put a 40 per cent duty on it, it puts the full amount of linen in the goods?

Mr. RANSOM. There would be no object in leaving it out.

Senator SMITH. If you put in 25 per cent, they might say "Well, we will just put 24 per cent in it"?

Mr. RANSOM. That is the idea.

Senator HUGHES. Do you know about how the imports range at present?

Mr. RANSOM. Of the union towels?

Senator HUGHES. Yes.

Mr. RANSOM. There is a very large importation of that in the higher qualities. We are figuring on the lower qualities, and those are all put in together, and there is no way of distinguishing them.

The CHAIRMAN. I think we understand that suggestion. If you will leave that with us, we will take it up.

Mr. RANSOM. I thank you very much. I will file a brief substantiating just what I have, so that you can have it in the record.

The CHAIRMAN. Yes; we would like to have it.

STATEMENT OF MR. OSCAR WAGNER, 92 WILLIAM STREET, NEW YORK CITY.

PARAGRAPHS 255-271.—*Cotton manufactures.*

Mr. WAGNER. I appear on behalf of the domestic manufacturers of jacquard figured cotton upholstery goods, and I have here a couple of samples to show you gentlemen just the kind of fabric we are interested in.

Senator SMITH. We know what they are; we have seen them.

Mr. WAGNER. Yes.

Senator SMITH. Where is your factory?

Mr. WAGNER. In Philadelphia.

Senator SMITH. Are there two in Philadelphia?

Mr. WAGNER. Two?

Senator SMITH. Yes.

Mr. WAGNER. There are more than two.

Senator SMITH. Several?

Mr. WAGNER. Several.

Senator SMITH. We had a Philadelphia factory represented here before.

Mr. WAGNER. We contend that the rate provided for in section 326 of the present act should be left alone. In support of that contention, I would call the committee's attention to the report of the Tariff Board, at page 460.

Senator SMITH. What paragraph did you say you are interested in?

Mr. WAGNER. Paragraph 263 under the proposed bill. It is paragraph 326 under the Payne-Aldrich bill.

Senator SMITH. Yes.

Mr. WAGNER. The rate was 50 per cent ad valorem in paragraph 326, and it is now a rate of 35 per cent ad valorem. We claim that that rate is too low, and in support of that argument we call your attention to the report of the Tariff Board, at page 460, in which they say:

It will be seen from the table that in a number of instances the total cost per yard, including selling expenses, exceeds the mill selling price, which shows that some of the tapestries are sold at so close a margin that the mills have to disregard a part of the selling expense to figure a profit on those cloths. Tapestries are usually turned out in small quantities, frequently on special orders. This necessitates the frequent resetting of the cards on the looms (this being jacquard work), which greatly enhances the weaving cost of the cloths.

The labor cost in producing these goods is high, about 60 per cent of the production cost. The rate of 50 per cent, we claim, is a competitive rate, but does not shut out the imports.

I wish to call your attention to a palpable error made by the chairman of the Ways and Means Committee, at page 3614 of the hearings on Schedule I, where he stated to the witness on the stand that the amount of the imports under section 326 was \$235,000 for the year 1912, and that the domestic production was \$4,700,000. The domestic production of \$4,700,000 included all sorts of upholstery goods. It did not pertain to this paragraph 326. That only covers a limited quality or kind of goods; that is, jacquard figured cotton upholstery goods weighing over 6 ounces to the yard, and the amount that came in under that section was \$235,000. Now, as a matter of fact, the quantity of upholstery goods of different sorts that came in is greatly in excess of that amount. If you take the consular reports you will find that in 1910 there were shipped to the United States from France, Belgium, and Germany tapestry and upholstery goods to the value of \$1,450,060.

The CHAIRMAN. Are those composed of cotton? This is only dealing with jacquard figured upholstery goods, composed wholly or in chief value of cotton.

Mr. WAGNER. Weighing over 6 ounces.

The CHAIRMAN. But no figures are given there for importations on cotton.

Mr. WAGNER. That is possible. I understood this meant cotton.

Senator SMITH. Do your goods weigh 6 ounces to the square yard?

Mr. WAGNER. They weigh over that, as a rule. This grade of goods comes in under that paragraph.

Senator SMITH. It was only 35 per cent before?

Mr. WAGNER. Fifty per cent.

Senator SMITH. Under paragraph 326?

Mr. WAGNER. Yes, sir.

Furthermore, gentlemen, I want to say that in preparing to produce these goods we import the sketch and design and the jacquard cards in almost every instance. A sketch pays a duty to the Government of 15 per cent and the design and cards pay a duty of 35 per cent. Under the proposed bill that is reduced to 25 per cent. There is a duty on the dies, and we have to use the best quality of dies. Under the proposed bill there is a duty on those dies, which came in free before.

For those various reasons we claim that the rate should not be interfered with.

We submitted a brief before the Ways and Means Committee, which was prepared with a great deal of care. We tried to make our statements of fact and figures entirely accurate, and we stand on them. I would like to ask the committee to give that brief careful consideration, as it goes into detail, and it shows in a good many instances that even with a 50 per cent duty these goods can be imported. They can be brought into this country cheaper than they can be made here. We cite the domestic figures in detail, and also give the cost of bringing the foreign article in.

This is a luxury; it is not necessary for anyone. It is bought by people who can afford to indulge their tastes in these things, and it is used for furniture covering and wall decorating.

I have a short supplemental brief that I would like to submit to the committee and you can peruse it at your leisure.

The CHAIRMAN. You may file your supplemental brief.

Mr. WAGNER. All right.

Senator SMITH. The statement as to 6 ounces to the yard and over reaches your goods?

Mr. WAGNER. That reaches our goods.

Senator SMITH. Will that reach those jacquard goods, fancy upholstery and tapestry?

Mr. WAGNER. Yes. That part of it is where it is covered. These goods are more than 6 ounces to the yard.

Senator HUGHES. What becomes of that?

Mr. WAGNER. What?

Senator HUGHES. What is the duty on them? Where are they carried, those that weigh more than 6 ounces per yard?

Mr. WAGNER. They come in under paragraph 326. That took the classifications with weight off and covered the whole thing.

Senator HUGHES. Where do they go in the present bill?

Mr. WAGNER. In the present bill they do not seem to be classified under the weight proposition.

Senator HUGHES. I mean under the Payne-Aldrich bill?

Mr. WAGNER. Paragraph 326.

(The brief referred to by Mr. Wagner is as follows:)

**BRIEF RELATING TO RATES ON COTTON YARNS AND SUGGESTED AMENDMENT ;
H. R. 3321.**

(Stuart W. Cramer, president the American Cotton Manufacturers Association.)

[May 20, 1913.]

TARIFF LEGISLATION—COTTON YARN RATES.

*Senator Charles F. Johnson, Chairman, Senators Hoke Smith and Hughes,
Sub-Finance Committee, Washington, D. C.*

DEAR SIR: On January 22, a committee from our association appeared before the Ways and Means Committee and submitted suggested reduced rates on cotton manu-

factures, Schedule I, that would, in our opinion, put those products on a competitive basis with foreign-made goods. We subsequently filed briefs substantiating our figures.

When we first appeared before the House committee, we based our cotton-yarn classifications upon the assumption that yarns were but steps in the manufacture of cotton fabrics. In the discussions and investigations that followed, we realized that for tariff purposes yarns should be regarded as finished products for sale and distribution to the yarn trade, as they come into competition with foreign yarns in the yarn markets.

We found that of the 2,037,653,722 pounds of yarns spun in the United States, only 470,370,995 pounds were made for sale; the others were manufactured in the same plants where spun. Of those yarns for sale, approximately 112,000,000 pounds were produced in the New England States; 51,000,000 pounds in the Middle and Western States, and 270,000,000 pounds in the Southern States.

See the following table:

Counts of yarns.	1910, all domestic yarns.	Per cent of production.	Yarns for sale.	Importations.	Per cent of importations.
	<i>Pounds.</i>		<i>Pounds.</i>		
Under No. 20 (coarse).....	1,014,069,688	50	235,185,495	1,060	.....
Nos. 21 to 49 (medium).....	866,328,605	42	199,907,674	2,068,736	1.0
Nos. 41 and over (fine).....	157,255,429	7	35,277,824	6,711,114	19.0
Total.....	2,037,653,722	100	470,370,995	8,800,174	1.9

In other words, the percentage of importations of yarns above No. 40 to the domestic production of the same counts for sale to the yarn trade is 19 per cent--a competitive amount.

We also found that the total domestic production of 78/2 and 80/2 amounted to 2,530,337 pounds, of which 1,361,210 pounds were made in the Northern States and 1,169,127 pounds in the South, and that the importations amounted to over 35 per cent of the American production. All this is set forth at length in our tariff bulletin No. 6, copy of which is herewith appended.

Hence our suggestions embodied rates based upon 78/2 as a competitive or contact point, and a proportionate reduction on the lower numbers. As already stated, the classifications were, however, adapted to yarns regarded as but steps in the manufacture of cotton fabrics, and not as finished products for sale and distribution with attendant expense, inspection, risk, etc.

When we approached your committee, after the introduction of the new tariff bill, H. R. 3321, which embodied similar grouping by numbers to those suggested by us, we did not sufficiently emphasize the importance of the distinction, although we did point it out.

And so in our several representations to you we have not treated the subject broadly, as we should have done, but contented ourselves with endeavoring to get such modifications of the rates and classifications as would smooth out their inequalities and bring them to a parity with the cloth rates.

The open-mindedness and keen insight into its contradictions shown by your committee during the several discussions has both brought out and brought home to us the fact that you would likely favor a clean-cut piece of work rather than patchwork, even though it requires new classifications--provided the basis is low enough to meet your views and the classifications are warranted by the facts.

We therefore wish to submit an amendment that will change the groupings, but which accepts as its basis the gray carded single-yarn rates of H. R. 3321, with trifling modifications that will not affect over 3 to 4 per cent of the production of these yarns--such modifications being so obviously in order as to be self-evident by an inspection of the rates in tabular form.

The acceptance of our proposed amendment reclassifying yarns by changing the group numbers does not change in the slightest the cloth rate situation; as already stated, the present grouping of numbers in the cloth rates is adapted to yarns considered as steps in the manufacture of cloth and never should have been suggested by us for rates on yarns for sale and distribution.

In explanation of what we propose, I herewith exhibit, first, in tabular form, the yarn rates embodied in H. R. 3321.

Yarn rates in H. R. 3321:

Rates on all yarns.

Yarn Nos.—	Per cent.	Yarn Nos.—Continued.	Per cent.
1 to 9.....	5	60 to 69.....	20
10 to 19.....	7½	70 to 79.....	20
20 to 29.....	10	80 to 89.....	20
30 to 39.....	10	90 to 99.....	20
40 to 49.....	15	100 and above.....	25
50 to 59.....	17½		

Now, is it not evident that the group 30 to 39 should take a rate of 12½ per cent? The schedule would then advance by steps of 2½ per cent for each group of 10 numbers up to No. 70. If there be good reason for the 2½ per cent steps in the other groups, there is equally good reason for the same step here, especially when it does not advance any of the other group rates.

Again, is it not evident that the 70-79 group should take a rate of 22½ per cent; the 80-89 group, 25 per cent; the 90-99 group, 27½ per cent; and the 100 and above group, 30 per cent? For an inspection of conversion costs, selling prices, invoice values, or any other data that may be accepted as a basis for fixing the rates below No. 70, constituting 95 to 96 per cent of the whole yarn production of the country, shows clearly that not only should there be equal and uniform increments of advance in the rates for each group of 10 numbers, but really that the increments should actually be greater as the yarn numbers become finer.

This is more clearly shown in the Tariff Board's report, volume 2, chart 6, page 416, in which it will be noted how the cost of conversion, both in England and America, increases in an ascending scale on the finer numbers, the difference in the conversion cost of each group not being a uniform advance, but an increasing one. Yet we make no point of that to ask for increasing steps in the rates on the finer counts, as the rates throughout the range of 1-70 in H. R. 3321 are based upon uniform steps of 2½ per cent between groups, and it is our purpose to accept both the rates and the grouping of that bill with trifling and obvious modifications that are too apparent to admit of contradiction.

It is true that there is a slight advance in the rates on the groups 70-79, 80-89, 90-99, and 100 and above; those rates are not only warranted by the scale of rates on the lower numbers, but the yarns in these higher groups are already on a thoroughly competitive basis, as shown by actual importations the ad valorem equivalents of which are higher than the rates we are suggesting. Quoting from my statement before the Ways and Means Committee:

"In explanation of our method of arriving at the basis for these rates, I beg to say that a careful examination of printed House Report No. 65, Sixty-second Congress, submitted by your committee, discloses the fact that, broadly speaking, yarns from No. 40 upward are fairly competitive at the present rates, as shown by actual importations. Of these yarns, No. 78/2 combed is the most conspicuous example of a competitive rate. The present specific duty of one-fourth cent per number per pound amounts to 19½ cents per pound. In 1910, 637,109 pounds were imported, on which a duty of \$124,236 was collected. The average foreign invoice value was 54.6 cents per pound, and the ad valorem rate of duty figured at 35.71 per cent.

"To this must be added an additional importation of the same number of yarn, mercerized, in amount 270,279 pounds, upon which a further duty of \$57,974 was collected, the ad valorem rate of duty amounting to 35.60 per cent.

"In short, over 900,000 pounds of that one particular number was imported in 1910, yielding a revenue of over \$180,000."

Reclassified as above, H. R. 3321 becomes:

Rates on all yarns.

Yarn Nos.—	Per cent.	Yarn Nos.—Continued.	Per cent.
1 to 9.....	5	60 to 69.....	20
10 to 19.....	7½	70 to 79.....	22½
20 to 29.....	10	80 to 89.....	25
30 to 39.....	12½	90 to 99.....	27½
40 to 49.....	15	100 and above.....	30
50 to 59.....	17½		

Frankly, we can not indorse those rates, as we think more importations will be made under them than Congress intends if they are adopted, for we understand that only competitive rates are sought, and we believe these reductions go further than that;

we only adopt them, and are willing to try them cheerfully and in good faith in the belief that correct legislation will be forthcoming in case importations exceed what you expect.

So much for the rates as to the intent of the bill. You undoubtedly intend these rates to actually operate exactly as adopted both as to the revenue you estimate from them and as to limiting importations to the amounts you anticipate. The Ways and Means Committee have given unusual study and attention to the administrative features of their bill looking toward that end.

We believe, however, that still a slight modification of the groupings is absolutely necessary to accomplish that result. Consult yarn price lists and any authorities you choose, and you will at once be struck with the fact, especially above No. 30, that the demand is very largely for yarn numbers in multiples of ten, such as 30, 40, 50, 60, 70, 80, and the like. An examination of importations discloses at once that at whatever points rates change, importations in large amounts are made just under the dividing line—importers obviously taking an unanticipated advantage by bringing in a trifle inferior substitute, thereby imposing upon American manufacturers more competition than was intended and, at the same time, depriving the Government of its rightful revenue.

Therefore, while groupings by ten numbers is both close enough to suit the trade and not elaborate and complex of administration, evidently the line of division should not come just under the numbers most in demand, or there will be a repetition of the present situation as to bringing in 78's for 80's, and it will be on a much larger scale. So we suggest the dividing line for the groups at a point halfway between these numbers most in demand; the groups will then divide at 5, 15, 25, 35, 45, 55, 65, 75, 85, etc. That will enforce the intent of the bill, for customers would not accept as substitutes yarns five or six numbers lower than their requirements.

The competition of the substitute is a perplexing and annoying thing in any schedule; in the case of cotton yarns for sale and distribution, unless guarded against, the effect will be absolutely to nullify the legal rates and to subject the major part of the whole production to an actual competition of the next lower rate. The proposed re-grouping, as above, will solve the problem.

It is true that an apparent effect will be to raise the rates on the whole by 14 per cent, or one-half part of each group by 24 per cent; but that is apparent and not real, for bear in mind that the demand is for what may be termed the decimal numbers, on which this plan insures only the duty actually intended.

H. R. 3321, modified as thus outlined, would contain yarn rates as follows:

Rates on all yarns.

Yarn Nos.—	Percent.	Yarn Nos.—Continued.	Percent.
1 to 4.....	5	55 to 64.....	20
5 to 14.....	7½	65 to 74.....	22½
15 to 24.....	10	75 to 84.....	25
25 to 34.....	12½	85 to 94.....	27½
35 to 44.....	15	95 and above.....	30
45 to 54.....	17½		

We have previously appeared before your committee asking that the H. R. 3321 yarn rates all be raised 24 per cent for single carded yarns in the gray to bring them to a parity with yarns when woven into cloth, pointing out that in the large majority of plain goods the advantage of our foreign competitor was in spinning and not in weaving and therefore that single gray yarn rates should certainly be as high as those on the cloth into which they are woven.

We have also shown you that yarns combed or advanced in manufacture by twisting, bleaching, dyeing, gassing, etc., should be accorded an additional rate of at least 5 per cent to the other rates on carded single gray yarns. Conversion costs, finishing risks, greater expense in every way, entitles them to that extra rate.

A false impression exists as to the relative costs of finishing yarns in this country and abroad; because the Tariff Board's report stated that cloths could be as cheaply finished in this country as abroad, it has been erroneously assumed the same is true as to yarns. Such is certainly not the case; the foreigner has more of an advantage over us in finishing yarns when subjected to two or more processes than is compensated for by only the 5 per cent asked. I will not take up your time by further argument on this point, as I understand that your disposition is to make this change.

The advantage and equity of smoothing out the inequalities of the present groupings in H. R. 3321 by the method of regroupings which we now propose are such that if our suggestion is adopted and the 5 per cent extra allowed on yarns advanced in manufacture, we consider it equal in effect to the substance of our former request. By

your so doing we can adopt the H. R. 3321 rates for the basis on yarns, as we assure you that we are disposed to go to extremes in both yarn and cloth rates that we may approach your committee in the spirit of accepting the House rates as a basis.

We also desire to call your attention to the reduction from 10 per cent to 5 per cent that we offer on cotton card laps, sliver, roving, etc., as they are but steps in manufacture and certainly not entitled to any more, if as much, duty as the products into which they enter.

The amendment which we offer to the yarn rates embraced in H. R. 3321 may be tabulated as follows:

Rates on single carded yarns in the gray.

Yarn numbers—		Yarn numbers—	
1 to 4.....	5 per cent	75 to 84.....	25 per cent
5 to 14.....	7½ per cent	85 to 94.....	27½ per cent
15 to 24.....	10 per cent	95 and above.....	30 per cent
25 to 34.....	12½ per cent		
35 to 44.....	15 per cent	Yarns combed or advanced in value	
45 to 54.....	17½ per cent	over singles in the gray, 5 per cent on all	
55 to 64.....	20 per cent	numbers extra and in addition to above	
65 to 74.....	22½ per cent	rates.	

PROPOSED AMENDMENT TO SCHEDULE I—COTTON MANUFACTURES, H. R. 3321.

Strike out all of paragraph 255, page 65, and insert in lieu thereof the following:

255. "Cotton thread and carded yarn, warps or warp yarn, in singles, whether on beams or in bundles, skeins or cops, or in other form except spooled thread of cotton, crochet, darning, and embroidery cottons hereinafter provided for, not colored, bleached, dyed, or advanced beyond the conditions of singles by grouping or twisting two or more single yarns together, shall be subject to the following rates of duty:

"Numbers not finer than 4, 5 per centum ad valorem; numbers finer than 4 and not finer than 14, 7½ per centum ad valorem; numbers finer than 14 and not finer than 24, 10 per centum ad valorem; numbers finer than 24 and not finer than 34, 12½ per centum ad valorem; numbers finer than 34 and not finer than 44, 15 per centum ad valorem; numbers finer than 44 and not finer than 54, 17½ per centum ad valorem; numbers finer than 54 and not finer than 64, 20 per centum ad valorem; numbers finer than 64 and not finer than 74, 22½ per centum ad valorem; numbers finer than 74 and not finer than 84, 25 per centum ad valorem; numbers finer than 84 and not finer than 94, 27½ per centum ad valorem; numbers finer than 95, 30 per centum ad valorem.

"If combed, bleached, dyed, colored, gassed, mercerized, or advanced beyond the condition of singles in the gray, by grouping or twisting two or more single yarns together, shall be subject to a duty of 5 per centum ad valorem in addition to the rates otherwise chargeable thereon.

"Cotton card laps, roping, sliver, or roving, cotton waste and flocks manufactured or otherwise advanced in value, 5 per centum ad valorem."

Respectfully submitted.

STUART W. CRAMER,
President American Cotton Manufacturers' Association.

STATEMENT OF MR. SAMUEL ROSS, OF NEW BEDFORD, MASS., REPRESENTING THE UNITED TEXTILE WORKERS OF AMERICA.

PARAGRAPHS 255-271.—Cotton manufactures.

Mr. Ross. Mr. Chairman and Senators, my message is from the people. I represent the textile workers. I am an officer of the mule spinners of New Bedford. Until a year ago I was international secretary and international president of the Mule Spinners of the United States for a period of 22 years and since I was a young man, and at the present time I am a member of the emergency committee, which is composed of five members of the United Textile Workers of America.

I have talked with all the leaders, and while I am sent directly by my local organization, who sent me here and are paying my expenses,

I have talked with the leaders, and the last man I talked with, whom I met in Boston just before I took the train, was the president of the United Textile Workers of America, which comprises all the textile workers who are organized and affiliated with the American Federation of Labor. I asked him that I might say for him that he believed with me that the reduction ought to be made less than is proposed, and he said to me, "You say this for me, that I believe no reduction should be made that will injure in any way our industries."

Now, Mr. Chairman, I want to say that I am in no way connected with the employers. I have had no talk with them whatever about this matter, and for that reason I am not prepared to go into the details of this matter. The thing that has aroused our people, without regard to party, the people employed in the mills, is the statements that have been made with regard to the effects of the proposed reduction on our industry, the cotton and woolen industry. The feeling is that in view of the statements made we are going to have some mighty hard times, and those in the near future.

I am not coming here with a statement, gentlemen, that it may mean lower wages. I think I can say to you that it will not mean lower wages. I think I can say to you that we are not going to stand for lower wages.

Senator HUGHES. You mean they are as low now as they can possibly be?

Mr. ROSS. They are as low as they ought to be; yes, and almost as low as they can possibly be.

Senator HUGHES. They are so low now that they are less than 21 per cent of the value of the product, and the rate on the goods that you are interested in is more than that.

Mr. ROSS. Mr. Chairman, let me say this, that we have increased the wages of our people from 30 to 50 per cent within the last 15 years, and we are not through yet. I worked as a mule spinner 20 years ago for \$20 a week, and the man on those same machines to-day is working for twenty-some dollars a week.

Senator HUGHES. Piecework?

Mr. ROSS. Piecework in both instances.

Senator HUGHES. How did his production compare with yours?

Mr. ROSS. His production is some greater—much greater. But the advance is not owing to the agitation, wholly, of the trade-union. It is owing to three causes—improved machinery, greater skill of the operative, and the trade-union. It has insisted on higher wages.

Senator SMITH. He has received that increase of pay, and yet, at the same time, the labor cost of production has not increased, but rather has decreased by reason of the improved machinery?

Mr. ROSS. True, the labor cost has decreased.

Now, Mr. Chairman, I was saying that we are not going to stand for lower wages. We have taken the stand in our conventions, the United Textile Workers and Mule Workers, that the period of reducing wages has passed, and in the future we are on the lowest schedule we are going to work on. So that what we are fearful of, and I think I have been a student of this to a more or less extent, is that it will not be lower wages, but no wages.

I know the cotton industry. I have seen so many things. I want to say, if you will pardon me, that we understand that you are going to reduce these duties, and you ought to. You have been elected

for that purpose. We understood that. We only ask, and we believe the feeling of the people who elected you—surely the people who elected my Congressman, who is a Democrat—is that the reduction should not be of such a nature as to injure our industries, as to put our people out of work, and put others out of business. You can not injure one part of it without injuring the other. If the duties on the fine numbers are not sufficiently great and you force the mills on to the coarser numbers, you are forcing them on with a terrible capitalization which makes it absolutely impossible to compete with any European labor, and you are putting them in direct competition with the other manufacturers of this country. You are hurting all the industries, and you can not hurt any part of it without hurting all.

Senator HUGHES. Do you think we ought to legislate with reference to their capitalization?

Mr. ROSS. My idea of that matter is that our mills are not overcapitalized. In my city I am sure of that fact. The great trouble in this city has been that they are undercapitalized. I know a plant in my city capitalized at \$500,000 worth a million and a half, paying 16 per cent. They have recently increased the capital to a million and cut the dividends down to one-half, because of the talk up here of the big dividends that have been made.

Senator SMITH. How much did they have invested in that mill?

Mr. ROSS. A million and a quarter. They built a mill for \$800,000. They built another mill and increased the capital to a million dollars. They did give part of the capital to the stockholders; that is, one-third of it was given them gratis, but the capital was a million and a half, and a million was paid in, or a million and one hundred thousand, in round numbers, was paid in. Then, they began to reduce the capital by paying it back—I am not going to hide anything—so that the capital got down to half a million with the plant worth a million and a quarter.

Senator HUGHES. They first declared a lot of stock dividends, did they not?

Mr. ROSS. No, sir; they could not declare them up to that time.

Senator HUGHES. They did declare stock dividends, gave additional stock, when they first built the mill. They sold the stock, and when it was paid, they declared stock dividends and increased their capitalization by stock dividends in one of your New Bedford mills.

Mr. ROSS. In the one I am speaking of this is how they did it: When they built the second mill they gave one share of stock to every two purchased by the stockholders. It was when the capital had been reduced to half a million that they paid the stock dividends, and they paid them two or three times since. Now the dividends, owing to the cry which has gone out all over the country about the big dividends, have been reduced.

And let me say to you that with all the cry about big dividends, in New Bedford there are only three or four corporations that have paid them, and there are three or four that have gone under. There are just four corporations that started under conditions that were exceptionally good—the making of specialties at a time when there was a great demand for them, and at a time when they were being imported from England. I want to say, gentlemen, that our industry in New Bedford is built on the protective theory almost wholly.

The mills that have been built within the last 20 years or so are built because of the protection given us. Up to that time we imported from England.

Senator JOHNSON. Excuse me just a minute. What are the fine numbers? Where do they commence?

Mr. Ross. That is pretty hard to say. I should say up to 30 were coarse, from 30 to 50 medium, and from 50 upward fine.

Senator HUGHES. Is there a good deal of the mule spinning in New Bedford?

Mr. Ross. More than in any State in the country.

Senator HUGHES. Any city in the country?

Mr. Ross. Any State in the country. New Bedford has more mule spinning than there is in any State.

Senator SMITH. Any other State?

Mr. Ross. No; New Bedford has more mule spinning than any State.

Senator SMITH. You mean any other State?

Mr. Ross. Yes; than in any other State in the country.

Senator JOHNSON. Why do they have the mule spinning? What is this trade of New Bedford?

Mr. Ross. Because we make finer products. Up to the time we made them, they were imported. The mule runs in and out, and the yarn has a chance to even up. The result is a smooth, soft yarn, which can not be made on the frame.

Senator HUGHES. In England they spin most of the yarn by that complex system?

Mr. Ross. Yes.

Senator JOHNSON. Practically altogether?

Mr. Ross. No; there is a great deal of ring spinning in England to-day. It has increased a great deal in the last 10 years or so. But there is no mule spinning here as compared with England, of course.

Senator HUGHES. Have you figured out what you think is the ad valorem rate on this cotton specialty?

Mr. Ross. I have got just the average rate.

Senator HUGHES. What do you think it is?

Mr. Ross. My understanding was that it was reduced from 40 ---

Senator HUGHES. What do you think it was left at?

Mr. Ross. As I understand, the average per cent was left at 16.

Senator HUGHES. The lowest estimate we have had from the manufacturers is 17, and I think our fellows make it 22.

Senator SMITH. The question depends entirely on whether you take the average rate for the different classes of goods spun, and divide it by the number, or whether you also go into the quantity of production. If you go into the quantity of production, then your low grades have the lowest rate, and your average rate becomes lower.

Senator HUGHES. I wanted to call your attention to this, that the Statistical Abstract, the census figures, show that the total wages paid in the cotton and cotton goods industry amount to less than 21 per cent of the value of the product.

Mr. Ross. Yes. There are a great many things entering into it.

Senator HUGHES. You are not interested in his dividends now; you are speaking from a strictly labor standpoint and the effect of this cut upon wages?

Mr. Ross. Yes.

Senator HUGHES. It is manifest, of course, that if the duty amounts to as much as the total labor cost, then wages would not enter into the calculation at all, would they? If it cost a man as much to bring his goods through this port as it would cost the American manufacturer in wages to have the same goods manufactured, wages would be eliminated, would they not?

Mr. Ross. I can not just follow that. The point I want to make is this, gentlemen, that there is a mill in my city where they had a little trouble, and they began to import yarns from England. They were fearful of a little difficulty and began to import yarns from England.

Senator JOHNSON. New Bedford is understood to be a city where the manufacture of fine woolens is carried on?

Mr. Ross. Yes, sir.

Senator JOHNSON. What are the numbers of the yarns there?

Mr. Ross. In our yarn mills we spin a very fine grade of yarns.

Senator JOHNSON. What are the numbers; do you know?

Mr. Ross. From 6's, from 4's in some instances, up to 30's and 40's, in our good quality yarns, to 100 and 150 in our fine cloth. We vary from the two extremes. We manufacture the finest yarns in the country, and some of the coarsest.

Senator JOHNSON. You make the fine cotton goods and the coarse?

Mr. Ross. Yes. In most cases ours are combed yarns. We have some carded yarns, which would be the cheaper grades. But we have a large quantity of combed yarns there of the higher grade of yarn made out of a better quality of cotton. As to the labor cost, the labor cost on, say, 10's, which is a very low number, it would be 10 times 800 pounds of cotton, from which 10's can be spun at 9 or 10 cents a pound, and the yarns would sell for 10 or 12 cents a pound. I should say I might be a little off on those figures, but not much. On the finer yarns, if you are spinning 150's, the cost of the cotton would be about 20 to 30 cents a pound, and the yarns would sell for \$1 or \$1.50 a pound. A man on 10's would turn off about 5,000 pounds a week, but the man on mule spinning, on 150's, would turn off about 200 to 250 pounds, as against 5,000 pounds.

Senator SMITH. So that the cost of the conversion of the finer yarns is much more, in proportion to the value of the goods, than it is of the cheap yarns?

Mr. Ross. The labor cost.

Senator JOHNSON. You have not got that yet. You have yarn mills, in New Bedford, and then, of course, you have cotton mills making cloth?

Mr. Ross. When I speak of the fine numbers, that yarn goes into the making of cloth.

Senator JOHNSON. I understand.

Mr. Ross. The products of New Bedford are high grade cloths. Our cloths will sell up to a dollar a yard.

Senator JOHNSON. Will they take the numbers above 60 or below it?

Mr. Ross. There is just one mill that would spin yarns of 60. That is not made for cloth. There may be some exceptions to that, but, generally speaking, outside of a few yarn mills, or outside of the yarn mills where the numbers are from 60 to 30 or 40, there has been a great change lately owing to the styles. Under ordinary conditions

the yarns would be from 60 to 150 for cloth. To-day they are down to 40 and 50.

Senator JOHNSON. You have read the schedule and know, of course, that the duty varies largely. When you get up to the 60 here on the cloth, it is 22½ per cent, and then above 100 it is 25 per cent.

Mr. Ross. Yes, sir. We are very sure, in view of the things we know about, that it is not sufficient.

Senator SMITH. You do not make any threads over 200, do you?

Mr. Ross. No; I do not know that they are made in this country. They are made on the other side; but we do not make them here; 160's and 170's are the highest made. There may be one or two mules which have made 200; but it is not worth consideration. We are rapidly climbing up there, however; we are getting up there. Under ordinary conditions—for the last five years they have been extraordinary—25 per cent of my men have been out of employment. For five years my little union has paid out sixty or seventy thousand dollars in starvage pay, and we pay only for three weeks.

Senator HUGHES. What rate were you getting on this particular product in which those mule spinners were interested?

Mr. Ross. Forty per cent, I understand, on those high numbers.

Senator HUGHES. Have you gotten wages as much as 40 per cent of the value of that product?

Mr. Ross. Judging from the dividends paid; yes.

Senator HUGHES. Do you think you have got in wages 40 per cent of the value of your product?

Mr. Ross. I can not follow that line of argument.

Senator HUGHES. Do you know what the stuff you are spinning is worth?

Mr. Ross. It varies. It might sell for 12 cents a yard and it might sell for a dollar a yard. They are specialties.

Senator SMITH. Do you know one you can give us the information about?

Mr. Ross. I can not give it to you.

Senator SMITH. Then you really do not know anything about the relative cost of labor?

Mr. Ross. No, sir.

Senator SMITH. Or the relative payment to labor and the relative sale of the goods?

Mr. Ross. No, sir.

Senator SMITH. Then you really do not know anything about the exact question that we are considering?

Mr. Ross. I do not. I simply want to bring the message of the workers to you gentlemen, and ask you, in view of the conditions that have arisen, in view of the things we know about—for instance, I have some trouble with a manufacturer within a month, and he calls my attention to a letter, and I see the letter, in which the man who has been buying yarns from him since his mill started told him he did not want any more of 60, 70, and 80 yarns because of the fact that he expected this bill to pass, and the orders that he had to fill up to August 1 were to be the 30's, 40's, and 50's.

Senator SMITH. Unless he lowered his prices?

Mr. Ross. The statement made by the man who bought the yarns was that "You can not possibly make them within several cents a pound as cheap as I can buy them from the other side."

Senator SMITH. That is so entirely hearsay and distant that it is not of much value.

Mr. Ross. This was the statement of the manufacturer, and I saw it in the letter.

Senator SMITH. I understand that, but it does not help us any; it is too far off.

Senator HUGHES. What did the yarn spinner himself say about it?

Mr. Ross. He simply said that if that thing was going to continue the mill would have to shut down or go on upholstery yarns, and in that case they would have to change the machinery and their capitalization would be so restricted that it would be difficult for them to compete with the coarse mills in this country, which is true. Our mills cost three times as much to build as they do in England, about.

Senator HUGHES. They ought not to.

Mr. Ross. Those are the conditions we are confronted with. You can not change that. They are built and running. Perhaps it is true they ought not to, but they are there and running.

Senator HUGHES. If they have cost a great deal more than they ought to, that is no reason why the balance of the people of the country should have to be taxed to pay it.

Mr. Ross. Owing to a condition which arose, I was left with a little business, a furnishing business, and I want to say to you, you can take all the duty off yarn and cheapen it to the extent of the entire profit of the employer, and, in my opinion, the consumers are not going to get the goods any cheaper. I buy shirts at \$4.50 a dozen, and they are going to be 50 cents, whether the manufacturer gets a profit or not.

Senator JOHNSON. They tell us that about every commodity. On the other hand, the fellow who wants the duty kept on wants it there to get a high price.

Senator SMITH. If the consumer is going to pay the same price, then the manufacturer ought to be able to get the same price, too.

Senator HUGHES. At least, you are benefited if you can get your goods a little cheaper.

Mr. Ross. What goods cheaper?

Senator HUGHES. I say, if you can buy your shirts cheaper, you will benefit.

Mr. Ross. I do not expect to buy them cheaper. Of course, I might benefit to the extent of a cent or two, but I want to say to you, if you go to the retailer at a profit of from 100 to 300 per cent on the goods, he ought to be willing to bear this burden. But I am not sure that he will.

Senator HUGHES. The cotton report does not seem to bear out your relative costs of mill construction here and abroad. There is not more than 50 per cent difference.

Mr. Ross. Perhaps I am stating the difference between the yarn of a fine mill and that of a coarse mill. I remember when I came out with my parents to this country as a boy, a mill near where I lived was built for 21 shillings a spindle, which is \$5. I do know to-day that you can not build our mills for less than \$24 a spindle. I made that statement to a man who came out later on, and he was asked by a man who disputed my statement what the cost of mill construction was in England, and he said 21 shillings a spindle.

Senator HUGHES. How long ago was it that he said that was the case?

Mr. ROSS. Three weeks ago. Yes; he said that was the case. I do not know to what period he referred; I suppose to the present time. I know there is possibly some change. Of course I am now speaking of a fine mill, such as we have in New Bedford, where the cost is high, with a good foreman and the best of machinery and mules and such other machinery as is necessary for a fine mill. That is not, perhaps, a fair statement to make, Mr. Chairman, as to the cost, but we know the cost is very much higher in our fine mills. It is quite considerably higher.

Senator JOHNSON. Is there any further statement you want to make about that?

Mr. ROSS. Only this, Mr. Chairman. We talked this over, and I know the feeling of the people in my neighborhood and in other sections because I meet with them continually, and I know what their feeling is. They feel, from all the information that is in our possession, that if this schedule goes through as proposed, it is going to injure our interests, and we beg of you to consider it.

Senator JOHNSON. That is your fear, your apprehension, about it; but it is not founded really upon any knowledge of your labor cost?

Mr. ROSS. No; it is only—

Senator JOHNSON. It is not founded upon your labor cost entering into the manufacture, or how much is due to your labor organizations, or what your fair share of the profits is.

Mr. ROSS. No, sir; it is not based on that.

Senator JOHNSON. It is not based on anything of that kind, but simply on what people say and what the newspapers say?

Mr. ROSS. It is based upon the statements of the men on the other side who are going to come in competition with us and are going to ship goods into this country as soon as this bill is passed, and on what importers on this side have said, who say that if this bill is passed it is going to shut out the finer goods and compel us to go into the coarser grades of goods. If it does that, it is going to injure the whole industry by putting it on to the coarser goods.

Senator SMITH. What you have done is simply to make a plea for the consideration of the finer goods: without giving us any accurate information to help us, and to make a plea that we should acquaint ourselves with the facts about the finer goods, you having no accurate information yourself.

Mr. ROSS. My reason for that is that we have no accurate information. I can get it for you.

Senator SMITH. We will get that.

Mr. ROSS. If you want me to get that, I will take it up.

Senator JOHNSON. We have been taking that up with the manufacturers of the finer goods and trying to give it careful consideration.

Mr. ROSS. I did not think you wanted that I should go into that part of it, but if you want my opinion as to that part of it I will give that to you.

Senator SMITH. We do not want opinions now.

Senator HUGHES. How would the wages of New Bedford compare with the wages that were paid in Lawrence?

Mr. ROSS. As a whole, I should say they were somewhat less.

Senator HUGHES. In New Bedford?

Mr. Ross. No; in Lawrence.

Senator HUGHES. Less than in New Bedford?

Mr. Ross. I should say so, although there are two industries there, one the woolen and the other cotton. New Bedford is the best-paid cotton center in the country; wages are higher in New Bedford.

Senator HUGHES. Do you know the Amoskeag people in New Hampshire?

Mr. Ross. Yes.

Senator HUGHES. Did you ever hear of a prospectus issued by them in which they stated that they were indifferent to action on the tariff; that they were in a position to manufacture all classes of cotton goods against any foreign competition?

Mr. Ross. Of course, I can understand that. They manufacture the coarser fabrics.

Senator HUGHES. No; they are not manufacturers of coarse fabrics. They have one of the finest cotton plants in the world.

Mr. Ross. They manufacture coarse fabrics.

Senator HUGHES. Do they not manufacture fine goods there?

Mr. Ross. They have not a mule in their place.

Senator SMITH. Do they not make fine goods?

Mr. Ross. No; not in competition with the fine cotton goods.

Senator HUGHES. Have they not a tremendous export trade?

Mr. Ross. I understand they have an export trade.

Senator HUGHES. One gentleman said that he had seen a factory shut down in Yokohama on account of the competition of New Bedford.

Mr. Ross. That was not export trade. Did you say Yokohama?

Senator HUGHES. Yes.

Mr. Ross. I thought you said Oklahoma.

Senator HUGHES. No; Yokohama. You never heard of that?

Mr. Ross. No; I have not heard of it. I did not know that we sent much goods, if any, there.

Senator HUGHES. You did not know that we had mills up in your section of the country that manufacture exclusively for export?

Mr. Ross. In New Bedford?

Senator HUGHES. I will not say in New Bedford, but in New England; mills that do not sell any goods in this country, but export their whole output?

Mr. Ross. I know the Hartford Mills make largely export goods.

Senator HUGHES. What is the character of those goods?

Mr. Ross. They are cheap gingham prints and cheap cloth.

Senator HUGHES. How do you think it is possible for them to compete with Japan, with their tremendously cheap labor over there?

Mr. Ross. Only because of the tremendous output of our employees; they are so expert.

Senator HUGHES. They are so expert, and make so much more than the Japs can make?

Mr. Ross. I do not know. They may possibly export into Japan.

Senator JOHNSON. The wage you gave us of the mule spinner was \$27.50 a week.

Mr. Ross. Oh, no, sir.

Senator JOHNSON. That is much higher than the other statements we have had here.

Mr. Ross. No; I said the average wages about 25 years ago would be \$10 a week for mule spinners.

Senator JOHNSON. But you said that those wages to-day were very much higher.

Mr. Ross. Yes.

Senator JOHNSON. You said they got something like \$27 a week.

Senator SMITH. We all understood you to say that.

Mr. Ross. What I said was twenty-some dollars a week.

Senator JOHNSON. Twenty-some dollars?

Mr. Ross. Yes; I ought to have said about \$20 a week.

Senator SMITH. I understood you to say \$27 a week, and what I have had in my mind was that you had forced your wages up until they were abnormally high as compared to wages for other similar work, and that if that was true the wages ought to come down. If you had forced them all up to \$27, and other men engaged in the same work did not get but about \$20, they ought to come down.

Mr. Ross. No, sir; ours are the highest, but they are only twenty-some dollars a week. Some earn \$21 to \$22, and some only earn \$16 or \$17.

Senator HUGHES. Do those mule spinners pay their own helpers?

Mr. Ross. The rule is that they do not. The pay of the helpers is taken out in the office and paid to them in the office.

Senator HUGHES. Does the mule spinner get his \$20, exclusive of what he pays his helper?

Mr. Ross. Yes, sir; that is, they are paid from \$16 to \$24 a week.

Senator HUGHES. From \$16 to \$24 a week, and then the pay of the helper is taken out of that?

Mr. Ross. I do not want to be——

Senator HUGHES. Is the pay of the helper taken out of that?

Mr. Ross. No, sir.

Senator HUGHES. The pay of the helper is taken out before that?

Mr. Ross. Yes, sir. It may average between \$18 and \$20. I may be putting it too high.

Senator HUGHES. It is a piece-work proposition?

Mr. Ross. Yes.

Senator HUGHES. Have you any idea what the average production is, in pounds?

Mr. Ross. From 5,000 pounds to 250 pounds, according to the number of spindles. If on 150's he would not turn out more than 250 pounds, and if he was on 10's he would turn out perhaps 5,000 pounds.

Senator HUGHES. On 10's what would he turn out?

Mr. Ross. The spinner that I worked for said that he was paid a dollar a corner for it, and he used to fill a corner of the elevator room twice a day. He got \$2 a day. Of course, that was excessively high, because of the forced work and the extra work.

Senator HUGHES. You do not know how much he produced?

Mr. Ross. Yes; he would produce about 4,000 pounds of 10's.

Senator HUGHES. What do they produce now; 5,000 pounds?

Mr. Ross. Five thousand pounds or more.

Senator JOHNSON. Take the average wages of spinners in New Bedford; what did you say was the average wage there?

Mr. Ross. I suppose I ought to say from \$18 to \$20 a week.

Senator JOHNSON. For weavers, how much?

Mr. Ross. That is \$10 or \$12. I am not so great an authority on that as on the spinner; \$10 or \$12 a week.

Senator HUGHES. How many looms do they run?

Mr. Ross. From four to eight.

Senator HUGHES. How many looms do they run in England, do you know?

Mr. Ross. Six looms.

Senator HUGHES. Do they run eight in New Bedford?

Mr. Ross. Some do. They will give them as many as they will run.

Senator HUGHES. On a piecework proposition they can take as many looms as they think they can handle?

Mr. Ross. Yes.

Senator HUGHES. What do they pay per-yard, on the average?

Mr. Ross. They will vary from 2 or 3 cents a cut to a dollar a cut for weaving.

Senator HUGHES. What is a cut?

Mr. Ross. Fifty yards, about; maybe a little more.

Senator HUGHES. Their weaving cost, then, would be about a half a cent a yard?

Mr. Ross. Yes; it might be more than that with some.

Senator HUGHES. It would not get up to a cent a yard at any time, would it?

Mr. Ross. A cent a yard. Yes; it might.

Senator HUGHES. Not higher than that? That would be about the top, would it not?

Mr. Ross. I would not want to say that. We manufacture such a vast variety of goods, and there is such a vast variety of prices.

Senator HUGHES. What is the smallest number of looms that they run?

Mr. Ross. Four.

Senator HUGHES. What is the smallest number of looms that they run in England?

Mr. Ross. Four, I guess.

Senator HUGHES. And the highest number they run here, so far as you know, is eight?

Mr. Ross. Yes.

Senator HUGHES. And the highest number they run in England, so far as you know, is six?

Mr. Ross. Yes; but they run them faster over there; they produce more cloth.

Senator HUGHES. They have six looms and a helper in England, and here they have eight looms and no helper?

Mr. Ross. That is not a fair statement.

Senator HUGHES. Well, I am just trying to make it fair. I want to get the facts.

Mr. Ross. Yes; but eight looms here in my opinion would be wrong as compared with six looms in England.

Senator HUGHES. Are there plenty of six-loom weavers?

Mr. Ross. I should say there were very many.

Senator HUGHES. That is about the average, is it—six?

Mr. Ross. I would not want to say it was six, but it might be five.

Senator HUGHES. And no helper?

Mr. Ross. No helper. That is, no helper in the sense of having some one there all the time. Everything that is done for a weaver

here is not done for him in England. In England the weaver will get up his filling and make up his loom and do a great many things that he does not do here. There are other things about a loom, oiling and cleaning, and things of that sort.

Senator HUGHES. Does the English weaver pay his own helper?

Mr. ROSS. Yes.

Senator HUGHES. Out of what he gets?

Mr. ROSS. Out of his earnings; yes, sir. The pay is very small for help; it might be 75 cents a week.

Senator HUGHES. That is for a boy?

Mr. ROSS. For a girl or a boy.

Senator HUGHES. That is all.

Mr. ROSS. If there are no more questions, Mr. Chairman, I am much obliged to you gentlemen for giving me this time.

Senator JOHNSON. Is there anyone else in your party who wants to be heard now?

Mr. ROSS. I do not understand that there is, Mr. Chairman.

Senator JOHNSON. We are much obliged to you.

STATEMENT OF FRANCIS H. CULLEN, REPRESENTING THE MINETTO-MERIDEN CO., MINETTO, N. Y.

PARAGRAPH 259.—*Cotton window hollands.*

Mr. CULLEN. I desire to take up, gentlemen, the tariff on window-shade cloth and cotton window hollands, under paragraph 259 of section 1. I am going to outline very briefly the points that are developed in the brief that has been submitted to you.

Senator JOHNSON. Somebody has been before us on the same thing.

Senator SMITH. A manufacturer from New York State.

Mr. CULLEN. This is from New York State. Mr. McChesny, the general manager of the Minetto-Meriden Co., which I am representing, is here present, and I think it was Mr. McChesny to whom you refer.

Senator JOHNSON. He was here and presented this matter very fully to us.

Mr. CULLEN. Not in the form of a brief.

Senator SMITH. No; this brief is a great improvement, but he presented it quite elaborately orally.

Mr. CULLEN. I think the thought that Mr. McChesny submitted to you is contained in this brief, but I think there are some other things which undoubtedly he could not have carried in his memory at that time, as, for instance, the imports and exports, so far as they can be ascertained from Government statistics.

Senator SMITH. The main thing he presented was as to the class of shades, to which he especially called our attention, which he said were luxuries and used only by people in very elegant houses.

Mr. CULLEN. Yes.

Senator SMITH. And it did not make any difference what they paid for them.

Mr. CULLEN. There is just one more point which is of great importance and which is set up in the brief along with several other points.

The chief commodity which this proposed tariff favors is an English-made window shade, or as the English call it, a window blind, called the Lancaster. It is manufactured by secret process. It must be patented, or protected by some other English legal right, because the sole manufacturer of it has recently enjoined another manufacturer from making it in England.

So that the proposed tariff, putting that class of goods into the same class and under the same tariff as the American-made goods, which are entirely different in their nature, does not give adequate protection to the American manufacturer, because this Lancaster is impervious to water, insoluble in water, as has been found by the United States Treasury Department in a decision which we cite you in our brief.

The American manufacturer can not make it. It does compete in price with American goods. The American manufacturer can not import the labor that manufactures it in England because he is forbidden by American law to do that. He can not discover the process by which it is made. And if this tariff as proposed goes into effect, that so-called Lancaster window blind will come into the American market at a price at which it can more than compete with the American shade, which is not impervious to water and not insoluble in water. We know of no process by which it can so be made, and as a result the American goods must be driven out of the American market.

Senator JOHNSON. You want to make our people use the inferior article. That is what you would like?

Mr. CULLEN. No; that is not the idea.

Senator JOHNSON. You say the other is superior.

Mr. CULLEN. We think if they get the other, the superior article, they ought to pay a fair price for its superiority, when the American product is made by the very best processes and in the very best manner that Americans can make it.

Senator JOHNSON. But not so good as the other.

Mr. CULLEN. No; it is not so good. It is not insoluble and it is not impervious. If we could discover how to do it we would like to do so; but it is impossible to do it.

We have not complained of the duties upon all other window shades. We have merely asked here that this Lancaster ought to pay an additional duty for the secret process by which it is made waterproof, and we have therefore asked that the language in section 259 be changed as shown on page 11 of our brief, under Exhibit A, whereby we have asked that window shades and window hollands may be segregated and taken away from the combination in which they now rest, with oilcloths, linoleums, and that class of goods, and put into a class of their own; and that the language be so changed that the rates on window shades and hollands shall be 25 per cent ad valorem, the rate provided by the House bill, but if waterproof 35 per cent ad valorem.

Senator HUGHES. You are not contending you make a waterproof shade?

Mr. CULLEN. It is absolutely impossible. We would like to know how; we would like to find out.

Senator HUGHES. You want us to shut them out by legislation, then?

Mr. CULLEN. Quite so. We are manufacturing a line of goods that are serving the purpose and which are not sold at an exorbitant

profit. The business is not controlled. This other is a monopoly absolutely, manufactured in England—

Senator HUGHES. A monopoly due to its superiority?

Mr. CULLEN. No; due to its secret process and its English patent.

Senator HUGHES. The process, then, makes it superior, does it not? You say it is a superior article.

Mr. CULLEN. I am inclined to think it would be a matter of opinion.

Senator SMITH. There is only one house that manufactures them?

Mr. CULLEN. Only one house—by James Williamson & Son, Lancaster, England.

Senator SMITH. I mean in the United States. Is there only one house manufacturing them?

Mr. CULLEN. Oh, no; there are many houses manufacturing them.

Senator SMITH. The other representative from New York, as I understood it, took the position that his product was entirely waterproof and just as good.

Senator HUGHES. Just as good, but not waterproof.

Senator SMITH. I thought he contended it was waterproof.

Senator HUGHES. I think not.

Mr. CULLEN. Mr. McChesny is here. He is the one who talked with you before.

Senator HUGHES. As I recollect Mr. McChesny's statement, it was that his product was as good but it was not waterproof, and that it was merely a delusion in the minds of the American people that a waterproof shade was better.

Mr. CULLEN. If this Lancaster can come in it is going to do away with the grades of American goods that are now occupying that portion of the market. When that is done away with, then all the overhead charges, the present fixed charges, must be shifted by the American manufacturer to the less expensive shade which is now being used by the common people, a shade which sells for from 20 to 25 cents, with shade, roller, and slat, all complete. The price of that shade must necessarily go up.

Senator HUGHES. Are the less expensive shades imported to any extent?

Mr. CULLEN. No, sir.

Senator HUGHES. The only thing being imported is this Lancaster shade?

Mr. CULLEN. The Lancaster and the Hollands, which are all set forth in this brief. The amount of the imports, as nearly as we can get at them, is about \$200,000, and the exports amount to about \$25,000.

Do you care to have me review this brief?

Senator JOHNSON. Oh, no; we have it before us.

STATEMENT OF T. D. M'CHESNY, REPRESENTING THE MINETTO-MERIDEN CO., MINETTO, N. Y.

PARAGRAPH 259.—*Cotton window hollands.*

Mr. M'CHESNY. I would like the opportunity to briefly correct a misapprehension as to what I said before.

There are two classes of goods imported from Europe, one of which is called the fancy grade. That is not the Lancaster. And the other

is this piece of Lancaster goods [referring to sample in brief of the Minetto-Meriden Co.]. You will notice that the last two samples in there are the fancy grade.

I seem to have given the impression before that only the fancy grades were imported, and that I did not intend to convey.

Senator JOHNSON. It is in the brief that there are two grades of hollands besides the Lancaster, known as Scotch and Florentine.

Mr. McCHESSY. Yes, sir; that is right. The other class is this Lancaster shade.

On that I do not admit a superiority, except that window shades are purchased by the ladies of the household and the word "imported" has a certain value. That is evidenced from the fact that two manufacturers in this country, who make those two better grades [indicating], what I call the fancy grades, have to sell their product at from 20 to 30 per cent less than the landed cost of the Scotch goods.

Understand, gentlemen, I do not admit to the superiority of the Lancaster goods. I simply admit to the superiority in the minds of the average lady buyer of the word "imported." It has a selling value separate and distinct from the quality of merchandise.

Senator HUGHES. Is this your shade [indicating]?

Mr. McCHESSY. Yes, sir.

Senator HUGHES. This is more pliable [indicating]. Is there any significance in that?

Mr. McCHESSY. No. It is the talking point of being imported and being waterproof. As a matter of fact, the waterproofing does not add any practical value to the goods.

Senator HUGHES. Yours is not waterproof?

Mr. McCHESSY. No, sir.

Senator HUGHES. Why is this so much more pliable?

Mr. McCHESSY. It is made in the nature, apparently, of a table oilcloth. It is not manufactured like any other shade goods in the world. It is possibly following some process similar to table oilcloth.

The Canadian experience is similar to the one that you want to hand to this country. Seven years ago the duty in Canada was 35 per cent. It still remains 35 per cent except on goods imported from Great Britain, where there is a differential of $33\frac{1}{2}$, making a net duty of $33\frac{1}{2}$ per cent. That change went into effect seven years ago. During the first year the increase of importations from Great Britain was between 400 and 500 per cent, and last year it was between 800 and 900 per cent.

You are asking us to place that piece of goods with 25 per cent against 33, and there is the trouble.

Neither the Lancaster nor the better-grade goods imported from Europe in any way affect the great big end of consumption. Sixty per cent of window shades used in this country retail at 20 and 25 cents. They have nothing in Europe made that can compete with that. But the finer goods carry an undue proportion of the overhead, and the result of any reduction in the volume of that business will be necessarily to increase the price of the cheaper grade.

As to the question of exports, the exports of window-shade cloth from this country are negligible. I do not think there are \$25,000 worth all told exported.

The two points that I wanted to straighten out were, first—as I rather gathered from your questions to Mr. Cullen—the feeling that

I had stated all of the goods imported were the fancy grade. I did not intend to state that. What I meant to say was that two of the classes were fancy, and those to-day constitute practically all the importations.

I do not admit to any superiority of the Lancaster shade; simply the superiority of the word "imported." I do call attention to the Canadian experience in which the cheap shade has gone up, and I am sure that we can do the same as the Canadians did, if we are compelled to.

Senator HUGHES. Do you ship into Canada?

Mr. McCHESSY. The total exports into Canada for a period of seven years was \$27,000, an average of less than \$4,000 a year, although one of the briefs submitted to the Ways and Means Committee of the House stated that \$100,000 worth was exported into Canada in one year.

**STATEMENT OF MR. JAMES L. GERRY, NO. 12 BROADWAY,
NEW YORK.**

PARAGRAPH 260.—*Cotton handkerchiefs.*

Mr. GERRY. Mr. Chairman, I represent practically all of the handkerchief manufacturers, certainly all of them who have their location in and around New York. A good many of them are manufacturing in New Jersey.

I call attention to the fact that this subject matter is provided for in paragraph 260 of the Underwood bill. The rate there specified is 30 per cent ad valorem, and what these manufacturers are here for the purpose of asking is that instead of a flat 30 per cent ad valorem the rate be changed to the rates specified with respect to cotton cloth and a 10 per cent differential added to that.

Senator SMITH. Based on the character of thread—the yarns?

Mr. GERRY. Upon the character of the thread.

Senator JOHNSON. The present provision is this, Senator Smith:

Handkerchiefs or mufflers composed of cotton, whether in the piece or otherwise, and whether finished or unfinished, if not hemmed, or hemmed only, shall pay the same rate of duty on the cloth contained therein as is imposed on cotton cloth of the same description, weight, and count of threads to the square inch; but such handkerchiefs or mufflers shall not pay a less rate of duty than 45 per cent ad valorem. If such handkerchiefs or mufflers are hemstitched, or imitation hemstitched, or reversed, or have drawn threads they shall pay a duty of 10 per cent ad valorem in addition to the duty hereinbefore prescribed.

Senator SMITH. What character of thread are your average handkerchiefs made of; of what numbers?

Mr. GERRY. They range up through various numbers, which I have given in this brief. The women's handkerchiefs run from 62½, average yarn, to 110, and in the men's handkerchiefs from 32 to 110. The result is that in regard to handkerchiefs that are not hemmed or hemmed only if you were to go back to the reading of the Payne-Aldrich Act and give us a differential of 10 per cent, applying that differential, however, to the rates that are specified in the Underwood bill, on a good many of these handkerchiefs we would be asking for a lesser rate of duty than is provided for in the Underwood bill.

Senator SMITH. Below 60's you would?

Mr. GERRY. Yes.

Senator HUGHES. What are these, linen?

Mr. GERRY. They are cotton.

Senator SMITH. What proportion of your trade is made out of cotton No. 60? What proportion of the handkerchiefs that are manufactured are made out of threads under the 60's?

Mr. GERRY. The larger proportion of handkerchiefs would be, I fancy, under 60. These handkerchiefs are sold as 5-cent handkerchiefs.

Senator SMITH. What threads would they be made of?

Mr. GERRY. The situation is that if the duty is placed, as I have asked it, on a 10 per cent proposition, on some of these handkerchiefs that specific goes up to as high as 40.

Senator JOHNSON. Do you need as much as that to do this hem-stitching—10 per cent in addition to the cloth? The process can not be a very complex one.

Mr. GERRY. That is bleached cloth.

Senator SMITH. The proposition is to take the ordinary grade.

Senator JOHNSON. But we provide in this bill additional for bleached cloth.

Mr. GERRY. Yes; 2½ per cent.

Senator JOHNSON. He will get the protection on that, then.

Mr. GERRY. For instance, on the low-grade cloths, in these 32's, if you add 10 per cent—

Senator SMITH. Do you want it on the gray cloth?

Mr. GERRY. All of these handkerchiefs are made from bleached cloth.

Senator JOHNSON. You have your bleached cloth. What is the work you do on that handkerchief? You simply hem it. What else?

Mr. GERRY. It is hemmed and boxed. The overhead in this country—

Senator JOHNSON. Leave out the overhead; just come to the real work. That handkerchief is taken and hemmed, and you box it afterwards; that is, prepare to send it out. But all the work there is the hemming. Do you think you need a 10 per cent duty to protect your work of hemming?

Mr. GERRY. On the ordinary handkerchief there would not be any protection at all, but I was coming to the statement of why that would be so. On the higher grade handkerchiefs the labor cost becomes very much greater. In applying your overhead, it is run over the whole situation, the high-grade handkerchief as well as the lower.

Senator SMITH. Show us one of the highest grades.

Mr. GERRY. That is a man's handkerchief. The average yarn there is 110, and the foreign cost, plus 2½ per cent profit, with 40 per cent, would be 74 cents, and the domestic cost would be 78 cents, so that, adding 40 per cent, the foreign cost of that handkerchief would still have the advantage.

Senator SMITH. What is the foreign cost for making a dozen of those?

Mr. GERRY. The foreign cost for making a dozen of those is 50.94 cents.

Senator SMITH. Yours is what?

Mr. GERRY. Ours is 78.66.

Senator JOHNSON. Just what does that include?

Mr. GERRY. That includes an overhead of 18 per cent and 2½ per cent profit.

Senator JOHNSON. And the labor?

Mr. GERRY. Yes, sir. The cost of the cloth, the overhead of 18 per cent, the labor, and the 2½ per cent profit, making a total cost of 78.66.

Senator SMITH. What is your labor? What part of that is labor?

Mr. GERRY. I could not tell you exactly what that is.

Senator JOHNSON. I would like to have your conversion cost of taking that bleached cloth and making your handkerchief, just your conversion cost. Start with the raw material, bleached cotton cloth.

Mr. GERRY. As far as we are concerned, we can buy the cloth here in this country—this is domestic cloth—and get just as good cloth as if it was imported.

Senator SMITH. We just want to know the labor cost per dozen. That is your unit, is it not?

Mr. GERRY. Yes, sir.

Senator SMITH. The labor cost per dozen of changing that cloth into handkerchiefs.

Mr. GERRY. I could not tell you. I can furnish it to you subsequently, but I could not answer the question now.

Senator SMITH. Then I would like to have the labor cost abroad; then I would like to have the market price abroad, and the market price here, at the factory.

Mr. GERRY. The figures I have here show the foreign cost of the handkerchief and the domestic cost of the handkerchief completed, in dozens. They also show what the duty would be on this merchandise if the 10 per cent differential was added. As a matter of fact, with a large proportion of this goods, if the rates specified in paragraph 257 were applied to the handkerchiefs not hemmed or hemmed only, which is the reading of the suggested paragraph, it would not be necessary to state what was the cost of the mere hemming. As far as I am asking, the handkerchief that is not hemmed or hemmed only would not have any differential added to it at all, but would pay merely the cotton rates. It is only when you come to the case of further-advancing hemstitching—

Senator SMITH. That would carry you to 37½ per cent.

Mr. GERRY. Quite right, on the higher grades; and, inasmuch as the cloth itself ranges from 7½ to 27½, it seems only reasonable that when you come to manufacture an article from that cloth, instead of having a flat ad valorem of 30 per cent, which does not give you any protection at all—

Senator SMITH. If you were going back to the cloth as a basis, it would seem that 10 per cent would be too big a differential for your work.

Mr. GERRY. Possibly true; but is it not a fact that at present you are giving me even more than 10 per cent?

Senator SMITH. This is 30 per cent.

Mr. GERRY. Certainly.

Senator SMITH. As to part of it.

Mr. GERRY. Do you not see if the handkerchiefs that are not hemmed or hemmed only on all grades have yarns below 59, the rate would be down to 15?

Senator SMITH. This is handkerchiefs, hemmed or unhemmed, is it not, 30 per cent?

Mr. GERRY. Yes, sir. If the 30 per cent applies to all of them, then on all those handkerchiefs below that kind of yarn 30 per cent would give me very much more than 10 per cent differential. What I am asking you is to give me 10 per cent differential all the way up the line. Cut it down on the low grades and raise it on the high grades. That would be the effect of it.

Senator SMITH. I think a 10 per cent differential would be a liberal differential.

Mr. GERRY. The only thing is to cut out the provision in regard to mercerization and staining and printing, and it would be just the same. Ten per cent differential on that would be quite right.

There are some handkerchiefs [exhibiting]. One of them pays 20 per cent.

Senator SMITH. Now?

Mr. GERRY. That would be under my suggestion. These handkerchiefs that are exhibited here pay varying rates.

Senator SMITH. The cheaper grade handkerchief would have a very much less duty on it?

Mr. GERRY. The cheaper grade handkerchief would have a very much less duty on it.

Senator SMITH. I suppose the truth about that is that they can not well compete with you on the cheap grade handkerchiefs?

Mr. GERRY. That is right, because the cotton cloth is purchasable here in this country at such rates that the very cheaper grades of handkerchiefs are not imported at all.

STATEMENT OF MR. A. V. VICTORIUS, 253 CHURCH STREET, NEW YORK, REPRESENTING THE FABRIC MANUFACTURING CO.

PARAGRAPH 265.—*Cotton gloves.*

Mr. VICTORIUS. Mr. Chairman, I am a manufacturer of men's cotton gloves, such as are used in parades and lodges.

Senator JOHNSON. Yes. A man was here the other day who brought a sample and showed us about those.

Mr. VICTORIUS. We are a different firm, and we have different ideas, unfortunately.

Senator SMITH. What paragraph is it?

Mr. VICTORIUS. Paragraph 265.

Senator JOHNSON. "Cotton gloves, knitted or woven, 35 per cent ad valorem."

Mr. VICTORIUS. Yes. The Payne rate was 40 per cent ad valorem and 50 cents a dozen specific. There has been nothing imported over 92 cents or a dollar, and the bulk of those imported cost about 40 to 43 cents in Germany.

Senator JOHNSON. That made the equivalent ad valorem very high, did it not, that old law?

Mr. VICTORIUS. Yes. It has been 160 per cent on the gloves imported.

Senator SMITH. So those cheaper goods were not imported at all?

Mr. VICTORIUS. Those cheaper goods were not imported at all.

Senator SMITH. And the ad valorem we collected indicated a much lower ad valorem than the rate really fixed on the trade?

Mr. VICTORIUS. Yes.

Senator SMITH. The gloves upon which we collected anything were very high-class gloves?

Mr. VICTORIUS. Yes; but there were not many imported at all. I do not know why that \$6 a dozen was put in there, because there was never anything heard of like \$6 a dozen on men's cotton gloves. But, at any rate, the popular glove costs in Germany 1 mark 90 to 1 mark 95, or 43 cents per dozen. The Payne-Aldrich rate is equivalent to 160 per cent. Now it is 35 per cent, and it is a terrific cut.

Senator JOHXSON. There have been no importations.

Mr. VICTORIUS. In other words, all those gloves have been made here. We created a new industry. They never had been made here before, and putting this down to a 35 per cent rate will put us out of business. The machinery installed with 2½ years service will be worthless. We have just put that machinery in, within the last 2½ years. The goods cost us 68 cents a dozen, actually, to make. We are willing to submit a sworn affidavit before a firm of certified accountants. This is being prepared, and will be submitted to you. The difference between our cost, 68 cents a dozen, and the German cost, 43 cents, is represented by the difference in the cost of labor. In Germany they pay \$3 or \$4 a week to a girl. A German manufacturer was in last week and told me so. He said that these gloves were made in farm houses by girls and women and little boys, who work on these goods.

Senator JOHXSON. They have to be made with a machine, of course?

Mr. VICTORIUS. On sewing machines, yes; just ordinary sewing machines. They are made in homes in that way and in farm houses. That is where the sewing is done. We are sewing them in regularly organized factories, and we are paying our girls from \$9 to \$12 and \$13 a week. In other words the German labor is one-third our labor. Of course, we can not expect to reduce our labor to a basis of anything near the German rate. So, if this rate of 35 per cent is enacted, we will have to close down our plant, and our people will be thrown out of employment. It has taken them 2½ years to perfect themselves in this industry. We had two instructors a whole year teaching them this business, and goods that sold at the start at \$1.10 a dozen cost \$1.60 to make while teaching them. We have gradually gotten our cost down to 68 cents a dozen. They cost the Germans 43 cents.

Senator JOHXSON. Our cloth is much cheaper and does not compare with that which is made over on the other side?

Mr. VICTORIUS. Oh, yes.

Senator JOHXSON. A gentleman brought us samples the other day. He may have brought a higher grade cloth.

Mr. VICTORIUS. Our cloth is just as good. I think, as the foreign cloth. There is no difference in the cloth.

Senator JOHXSON. That is a better grade of glove used for military parades, etc., that is made abroad, he said.

Mr. VICTORIUS. That is called a military glove; that is, the Government uses a glove called a military glove. That is made abroad. That cloth is made abroad because we have been afraid to make the cloth here. We did not want to put in any machinery to make it, because we did not know when we were going to be put out of business, and we went as far as we could.

Senator JOHXSON. You make your cloth, then?

Mr. VICTORIUS. No; we buy our cloth here in the United States.

Senator JOHNSON. How many manufacturers of that cloth are there in this country?

Mr. VICTORIUS. Any underwear mill makes the cloth. It is made out of the same quality as balbriggan underwear.

Senator SMITH. You say it costs you 68 cents a dozen to make it?

Mr. VICTORIUS. Yes.

Senator SMITH. What is your labor?

Mr. VICTORIUS. At least 75 per cent of that. What I am telling you are actual facts, because we have to have a certain rate; otherwise we will have to go out of business. There is only one thing we could do—reduce the labor. We started to do that this week. We reduced a certain item from 9 cents to 8 cents, and our help got up and walked out. We had to call them back. We thought we would experiment. We wanted to see what we could do, but they would not stand for it, and they can not. They have to earn \$9, can not live under the same conditions that they do in Germany, on \$3 or \$4 a week. It is an utter impossibility. So that, unless we can give them the same wages we will have to close down our plant and throw our machinery away; it is not fit for anything else.

Senator HUGHES. Where is your factory?

Mr. VICTORIUS. In New York City. On a 35 per cent rate, the landed cost, including expenses, would be 61½ cents a dozen. Our cost is 68. With a 50 per cent duty, the landed cost is 67½ cents a dozen; so that on a 50 per cent basis we would be practically upon a competing basis. We would have a hard road to go. At the same time, I do not want to ask any more than 50 per cent. I just want enough to encourage us to exist and fight the thing through.

Senator SMITH. If you make anything, you have to perfect your system?

Mr. VICTORIUS. We think we have every possible labor-saving device in our place now. This thing has been a sort of a pride of mine, and we have everything in the factory that we know of to bring down the cost of labor, but we will be up against a very hard proposition and we may reduce it a little more.

Senator SMITH. You say the present rate on your cheap glove makes 60 per cent?

Mr. VICTORIUS. Sixty per cent. I think the appraiser in New York will confirm the statement that the cost in Germany varies from 1.90 marks to 1.95 marks, or 43 cents a dozen, plus whatever the duty and expenses are. A 50 per cent duty will bring the cost up to 67½ cents, taking into consideration the expenses.

Senator JOHNSON. I understood the gentleman who was here the other day that we do not manufacture any of those fine goods at all; it is only the coarse glove of the cheaper grade: is that true?

Mr. VICTORIUS. That other gentleman makes some of the better goods, costing around \$1.25 per dozen.

Senator JOHNSON. He did not expect to continue that?

Mr. VICTORIUS. No.

Senator JOHNSON. Do you make any of the finer goods?

Mr. VICTORIUS. No; we do not.

Senator JOHNSON. You make the cheap class?

Mr. VICTORIUS. The cheap class.

Senator JOHNSON. And what do they retail for?

Mr. VICTORIUS. Ten cents a pair.

Senator SMITH. Yours retail now at 10 cents a pair?

Mr. VICTORIUS. Ours retail now at 10 cents a pair.

Senator JOHNSON. On that you have had 160 per cent duty?

Mr. VICTORIUS. It does not do us any good.

Senator JOHNSON. It has kept out many of them.

Mr. VICTORIUS. It has been a good thing if it has. It has encouraged a lot of us to go into the business.

Senator SMITH. What you mean is, it has done you good to keep them out, but you have not pretended to keep the price up to the foreign price, plus the tariff?

Mr. VICTORIUS. No; we would like to have done so, I will admit. I am not going to be a hypocrite about it at all. Our worst competitor is this gentleman who has been here this week, and we have been competing against each other. He has been talking to me during the past month, and wanted me to ask for a 60 per cent rate, because we should have 60 per cent. If we really want to compete against Germany we will have to sell the goods at cost. But I see the futility of asking for 60 per cent, so I ask for 50, and see if we can not stay in business.

Senator JOHNSON. What do you say it costs you to manufacture this cheap glove which sells for 10 cents a pair?

Mr. VICTORIUS. Sixty-eight cents a dozen.

Senator SMITH. Fifty-four cents, he says, is labor, the cost of converting the cloth into the glove.

Mr. VICTORIUS. Part of that is from the cotton into the cloth, and at least that much is labor.

Senator HUGHES. What is your labor? What are your wage costs on a dozen gloves? Can you not tell us? You have piecework rates there, have you not?

Mr. VICTORIUS. Oh, yes; it figures 16 cents a dozen for the cloth; that is, including the labor. So, take 16 cents off that, and 4 cents more for expenses is 20 cents.

Senator HUGHES. What do your laborers get the girls a dozen for making the gloves?

Mr. VICTORIUS. We have a piecework rate. There are 12 different processes, 12 different girls. Each glove goes through 12 different pairs of hands.

Senator HUGHES. What do your girls get a dozen? What will 12 girls get for a dozen gloves?

Mr. VICTORIUS. We will have to take off 16 cents and 4 cents. Of course, we will have to take all the labor.

Senator JOHNSON. Sixteen cents represents the material?

Mr. VICTORIUS. That will represent the finished cloth. There is some labor in that also; and 4 cents includes overhead expenses, and probably a cent for insurance and incidentals. There is 21 cents off of that.

Senator JOHNSON. Out of 68?

Mr. VICTORIUS. Out of 68.

Senator JOHNSON. And you say the rest is labor?

Mr. VICTORIUS. Yes, sir.

Senator SMITH. And you claim that the 47 cents that you pay to the labor that does this work constitutes 12 processes incident to changing the cloth into the glove?

Mr. VICTORIUS. It goes through 12 different hands.

Senator HUGHES. What do they get a dozen for the first price? Do you pay them on a dozen basis?

Mr. VICTORIUS. Yes; the cutter gets 2½ cents a dozen; the helper of the cutter gets a cent a dozen. Next is a hemmer, who gets 1½ cents a dozen. The next is the pointer, who gets 5 cents a dozen. Sewing up the thumbs is 1½ cents a dozen; inserting thumbs, 6 cents a dozen. Killing is 7 cents a dozen, sewing the little pieces in between the fingers; then closing, 9 cents a dozen; turning, a cent a dozen; steaming, 1½ cents a dozen; pairing, a cent, and for boxing, a cent a dozen; forewoman, 1½ cents a dozen; foreman, 2½ cents a dozen.

Senator HUGHES. You have 14 people here. That takes in all your 12 processes. Are those the actual dozen rates?

Mr. VICTORIUS. There are more items than that. I can not remember them offhand.

Senator HUGHES. That is for 12 processes.

Mr. VICTORIUS. There is the forelady and a foreman.

Senator HUGHES. Are they paid by the piece?

Mr. VICTORIUS. No; that figures so much on a dozen.

Senator HUGHES. I do not want that. What I would like to know is what you actually pay, piecework rates.

Mr. VICTORIUS. We figure that at so much a week.

Senator HUGHES. They are not piecework rates, then?

Mr. VICTORIUS. Oh, yes; everything is piecework rates, except the foreman and forewoman.

Senator HUGHES. Are these actual piecework rates that you pay?

Mr. VICTORIUS. Yes.

Senator HUGHES. That is 41½ cents a dozen.

Senator JOHNSON. On these cheap gloves, do you have this piece put in on the side? You do not put a piece in the middle on the cheap gloves?

Mr. VICTORIUS. Oh, yes. The German glove is made with the pieces, and as we have to compete with that, we have to put the killing in.

One point I would like to make is, that on a 50 per cent rate the consumer will not have to pay any more for the gloves than at 35, because one will bring the landing cost to 67½ cents, and the other brings it to 68 cents, and it is still a 10-cent article. So nobody is hurt by a 50 per cent rate, and we are permitted to stay in business, and the laborer is permitted to stay at his chosen work.

In our cost we have not figured anything for selling expense, nothing for a manager. In fact, we have not figured a thing of any kind except the actual cash outlay, for which we pay every week, not considering anything for selling, and all this figures up to 68 cents a dozen.

Senator JOHNSON. If you have a brief there that covers your points, please file it.

Mr. VICTORIUS. I have not one, but I will submit one.

(The following paper was submitted by Mr. Victorius.)

STATE OF NEW YORK, County of New York, ss:

Personally appeared before me A. V. Victorius, who, being duly sworn, says:

1. That he is a manufacturer of men's cotton gloves at 520 West Broadway, in the city of New York.

2. That the cost of manufacturing said gloves, which sell at 42 cents a dozen in Germany, is as follows:

	Per dozen.
Cutting.....	\$0.02½
Embroidering back of gloves.....	.05
Hemming wrists.....	.01½
Sewing up thumbs.....	.01½
Inserting thumbs.....	.06
Sewing pieces between fingers.....	.07
Closing gloves.....	.09
Steaming.....	.01½
Turning.....	.01
Pairing and boxing.....	.01
Forewoman.....	.01½
Helper.....	.01
Paper boxes.....	.03½
Thread.....	.02½
Rent and power.....	.03
Insurance and light.....	.01
Machinery repairs.....	.00½
Packing case and cartage.....	.01
Stationery, office, and incidentals.....	.01
Interest.....	.00½
Freight, in and out.....	.00½
Cloth.....	.16
Total cost.....	.68

3. That the above cost does not include selling expense, management, foreman, nor allow for depreciation of machinery.

A. V. VICTORIUS.

Sworn to before me this 27th day of May, 1913.

[SEAL.]

JOS. C. WERNER,
Notary Public. No. 57.

[Statement of Mr. A. V. Victorius, 253 Church Street, New York, representing the Fabric Manufacturing Co.]

In accordance with the suggestion of your subcommittee, we beg to supplement our verbal testimony with the following brief, which will be sworn to in order that the statements be accepted as being made in good faith.

The manufacture of cotton gloves is a new industry, started after the enactment of the Payne-Aldrich bill, which provides a duty of 40 per cent ad valorem and 50 cents per dozen specific, equivalent to 160 per cent ad valorem. The rate fixed in the Underwood bill is 35 per cent. Manufacturers in Germany sell these goods at 42 cents American money, which can be confirmed by the custom's appraisers in New York.

At a 35 per cent rate the landed cost, including expenses, would be 61½ cents per dozen. Our cost of manufacture is 68 cents per dozen, so that it will be seen that, on a 35 per cent basis, German manufacturers can sell for 6 cents per dozen less than the American cost of manufacturing.

As proof of this we are inclosing a certified statement of the various cost items. Each process of manufacture costs more in America than in Germany. This difference is due to the difference between American and German wage standards: experienced girls in Germany get from \$3 to \$4 weekly, whereas we pay \$9 to \$14 weekly for the same work.

For these reasons we respectfully urge your committee to increase the rate from 35 per cent to 50 per cent, which would make the landed cost of German-made gloves, including expenses, 67½ cents per dozen, which is practically our cost of manufacture, so that, on a 50 per cent basis, we would be in direct competition with Germany. This increase from 35 per cent to 50 per cent would harm no one, as, in either event, the consumer would be able to purchase the gloves at retail for 10 cents per pair. Since the consumer would not benefit by a 35 per cent rate, we submit that same would be legislation in favor of the importer and against every other American interest. With the American competition eliminated it would enable the importer to make an exorbitant profit.

American manufacturers did not profit by the abnormally high rate in the Payne-Aldrich bill. The expenses and labor cost at the beginning were enormous. Goods

that sold at \$1 to \$1.10 per dozen cost \$1.60 to make. When the costs were finally lowered, keen competition prevented more than a nominal profit, the result being that up to the present time there has not been sufficient money made to pay for any part of the cost of the machinery. Every known labor-saving device is being utilized, and the cost of manufacture would not be further cut down without reducing the wages of the operators; and as they could not afford to work for less, the business, in the event of a 35 per cent rate, would have to be discontinued, thousands of dollars invested in machinery would be lost, and the help thrown out of employment after devoting several years to learning the industry and perfecting themselves in it.

Will anything be gained by bringing this calamity upon us and upon our help? Will any consumer or laborer profit in any way, shape, or manner by the enactment of a 35 per cent rate? On the other hand, the work would be transferred to the laborer in Germany and our operators would be thrown out of employment. We are not asking 50 per cent in hope of getting a compromise. Fifty per cent is the minimum that we can exist on, and considering that cotton gloves were not manufactured in the United States when a 50 per cent rate obtained we feel that we have accomplished wonders in being able to exist on this rate. On account of competition with Germany the revenue receipts would undoubtedly be as great under 50 per cent as under 35 per cent.

We submit that in our industry 50 per cent is an ideal rate. The consumer would get the goods at the minimum price, the operators would retain their positions, the Government would get an adequate revenue, and the manufacturer would be in direct competition with the European market.

We ask no favors in the way of excess duty, but do beg for a chance to exist.

Respectfully submitted.

A. V. VICTORIUS.

Sworn to before me this 27th day of May, 1913.

[SEAL.]

JOS. C. WERNER, Notary Public.

STATEMENT OF MR. JOSEPH FELDENHEIMER, OF 450 FOURTH AVENUE, NEW YORK CITY, REPRESENTING THE ROXFORD KNITTING CO., OF PHILADELPHIA, PA.

PARAGRAPH 266.—*Knit underwear.*

Senator HUGHES. You have a 50 per cent specific and a 25 per cent ad valorem, making a duty of 75 per cent on these importations, the average unit of value of which is over \$3. That is the rate at present?

Mr. FELDENHEIMER. We are asking for practically half of that.

Senator JOHNSON. If you can, take your conversion cost from the yarn to your finished product. How much of that is represented by labor, and how much by material that enters into it?

Mr. FELDENHEIMER. All of my figures heretofore have been based on raw material, because we start with the foreigner on an equal basis. He can buy his cotton as cheap as we can. We start together with the raw material, and the labor cost of conversion is about 60 per cent. Of course, that varies according to the grade of goods. But, taking such goods as Senator Hughes refers to, the cost of conversion is about 60 per cent.

Senator JOHNSON. What kind of goods do you understand Senator Hughes refers to?

Mr. FELDENHEIMER. That is cotton knit goods, known as bal-briggan underwear.

Senator JOHNSON. Take the production here in this country, given in dozens, 24,736,000 dozen in 1910. What are those made up of, largely, of the character of goods Senator Hughes speaks of, or others? Take the bulk of that.

Mr. FELDENHEIMER. It would be very hard to differentiate as to what they actually consist of, because there are so many classes and grades of underwear made in the United States.

Senator JOHNSON. You have an idea about whether it is made up of the coarser or the finer?

Mr. FELDENHEIMER. I should say the bulk of the dozens would be made up of medium class goods, selling, say, from \$3 to \$3.50.

Senator JOHNSON. Sixty per cent of the finished product is labor in that character of goods?

Mr. FELDENHEIMER. Yes.

STATEMENT OF MR. ANDREW FRY, OF UTICA, N. Y.

PARAGRAPH 266.—*Knit underwear.*

Mr. FRY. Mr. Chairman, here are four garments that sell for 50 cents apiece over the retail counter. They are sold to the jobbing trade for from \$3.50 to \$3.75. They are all made from American cotton, weighing as the weights are stated on there. This weighs about $1\frac{1}{4}$ pounds to the dozen, this weighs about 5 pounds to $5\frac{1}{2}$ pounds to the dozen, that weighs about 12 pounds, and this weighs 13 pounds. They are all made from American cotton, and sell at about the same price. As there is nothing else but cotton in them and no other raw material in them, practically, except the pearl shell, there is not any silk in any of them except these little ribbons in this one, the difference is practically in labor, either in the labor of making the yarn or in the labor of making the better cotton fabrics.

Senator JOHNSON. You start with the yarn as the raw material?

Mr. FRY. No; we start with the cotton.

Senator JOHNSON. Do you make your own yarns?

Mr. FRY. Yes, sir. We start with the cotton. We buy the cotton at the same price that the European manufacturer has to buy it. Our freight is about the same. He can get his cotton delivered in England or in Hamburg, Germany, at about the same freight that we can get it, and we start on the same basis.

Senator JOHNSON. Some buy their yarns, do they not?

Mr. FRY. Some buy their yarns; yes, sir.

Senator JOHNSON. Some start with the cotton?

Mr. FRY. Some start with the cotton. But the man who buys his yarn, of course, is practically on the same basis. The whole thing is made out of cotton; there is nothing in here but cotton except these pearl buttons. They are made from pearl shell found in the Missouri and Mississippi Rivers, and all the rest is raw material and labor.

Senator HUGHES. How much do they weigh to the dozen?

Mr. FRY. This weighs 13 pounds, this 12 pounds, this $5\frac{1}{2}$, and this 11. And they all sell for the same price, about.

Senator HUGHES. Is that the same cotton, or is that long staple [indicating garment]?

Mr. FRY. That is a longer staple cotton, for instance.

Senator JOHNSON. What do you say as to the percentage of the conversion cost? What part of it is labor in these garments you have shown us here?

Mr. FRY. I should say Mr. Feldenheimer is not very far out of the way. Of course on this garment, for instance, there is more labor, and on this one a great deal [indicating garments].

Senator HUGHES. The one you have indicated last weighs 12 pounds to the dozen?

Mr. Fry. This weighs 13 pounds to the dozen.

Senator HUGHES. And your price to the jobber is how much on that?

Mr. Fry. \$3.60 a dozen.

Senator HUGHES. What do you pay for your cotton?

Mr. Fry. Of course that depends on the market, but that is made from good middling cotton, which sells, for instance, to-day at about 13 cents a pound. Of course that changes.

Senator HUGHES. What will your loss be in making it up? What will you get out of 100 pounds of cotton—how much waste?

Mr. Fry. We figure, for instance, on a garment of this kind, that the loss from cotton to yarn is about, say, 16 per cent. Of course, this is just a guess, but it is pretty close. Then, of course, there is a conversion loss from yarn to knitting cloth, and there is a conversion loss in manipulating it, say, if it has to be dyed or bleached, and of course there is a loss in cutting it up—cutting the waste.

Senator HUGHES. Your raw-cotton cost, then, would be 13 times 13?

Mr. Fry. No, it would be a good deal more, because you can not make 13 pounds of goods out of 13 pounds of cotton.

Senator HUGHES. That is what I am trying to get at. What would your raw-cotton cost be on that, then, do you suppose?

Mr. Fry. At a guess I should say it would take from 15 to 16 pounds of cotton, for instance, to make this garment.

Senator HUGHES. Sixteen pounds of cotton at 13 cents a pound?

Mr. Fry. Yes.

Senator HUGHES. That would be \$2.08 right there in cotton, would it not?

Mr. Fry. Yes.

Senator HUGHES. And you sell it for what?

Mr. Fry. \$3.60.

Senator HUGHES. That would be labor cost, overhead charges, and everything, about \$1.50?

Mr. Fry. Yes. That is the one you are interested in. We are interested in these things (indicating).

Senator JOHNSON. Have you got all the cost outside of the cotton? There are your buttons.

Mr. Fry. Buttons is a very small part of it.

Mr. FELDENHEIMER. Buttons and other accessories amount to about 25 cents a dozen.

Mr. Fry. I do not think it would be in this garment.

Mr. FELDENHEIMER. Twenty cents, then?

Mr. Fry. I should say 15 or 16 cents would cover at least all the rest that goes in there. When I think about cotton, that covers these trimmings, you know. These are all made from cotton.

Senator HUGHES. The raw material runs that up to about \$2.20 a dozen. How much do you get?

Mr. Fry. Three dollars and sixty cents. But, Senator, you have had your way; now let me have mine for a minute.

Senator HUGHES. I thought I was having your way then.

Mr. Fry. This garment we are not complaining about. This garment is all right. It is this lighter stuff we are complaining about. If you want to do some figuring on this, we would be very glad to give you some figures. That is what we are interested in.

Senator HUGHES. What does that sell for, for the same price?

Mr. FRY. That sells for about the same price.

Senator JOHNSON. How much does the cotton cost in that?

Mr. FRY. That is made from practically the same class of cotton as this, but it takes so much more labor, so much more manipulation, to get this class of yarn, and that is the stuff we are interested in.

Senator HUGHES. That is all provided for in the yarn. There is a duty on this high-numbered yarn.

Mr. FELDENHEIMER. That does not help us any. We would need a countervailing duty.

Senator HUGHES. That is the reason there is no use talking about the yarn.

Mr. FELDENHEIMER. The conversion cost on the yarn only. Let us figure this out for your own satisfaction. We will assume that this garment takes about 6 pounds of cotton, Mr. Fry?

Mr. FRY. About 6½ pounds.

Mr. FELDENHEIMER. Say 6½ pounds, and worth about 13 cents?

Mr. FRY. To-day.

Mr. FELDENHEIMER. Put that down, Senator, and we will show you how this thing works out. Six and a half at 13. That is 84½ cents.

Senator HUGHES. That is close enough.

Mr. FELDENHEIMER. Probably 20 cents a dozen is spent for trimmings—what we call “trimmings.” I should say 15 cents for overhead charges.

Senator HUGHES. We will leave the overhead charges out. We are getting down to the labor.

Mr. FELDENHEIMER. Then everything else is labor, outside of the overhead charge.

Senator HUGHES. That makes \$1.20?

Mr. FELDENHEIMER. Yes, sir.

Senator HUGHES. You say you get \$3.60 for that?

Mr. FRY. Anywhere from \$3.50 to \$3.55, according to the way the market is, and the price of raw material. I should say \$3.60 would be a fair average.

Senator HUGHES. Of course, we can not tell what your profit is.

Mr. FELDENHEIMER. We are willing to give you cost, if you want it. We are willing to make an affirmation, or make oath, on this question, to satisfy you gentlemen as to the cost, and if you want further evidence we will show you our cost books.

Mr. FRY. All we are interested in is to give you facts. We believe if you have the facts you will do the rest.

Senator HUGHES. The cotton statistics of the Census Bureau show that your wages are very exceedingly low as compared with the value of your finished product. They are as 132 is to 628. Every manufacturer who comes in here says he has not that kind of labor; but somebody has it.

Mr. FELDENHEIMER. That is due to the great quantity of very cheap goods which are made in this country.

Senator HUGHES. I suppose it is.

Mr. FELDENHEIMER. Of course, we would be in a better position to discuss this if we knew what you wanted to accomplish. If you are seeking to lower prices on goods for the consumer, we can show to you that the consumer will not be benefited by this reduction.

Senator HUGHES. That is another prediction.

Mr. FELDENHEIMER. I can prove that. There are fixed selling prices for this class of garments -- 50 cents, 35 cents, 25 cents.

Senator HUGHES. Did you ever hear of anything selling at 23, 22, or 21 cents?

Mr. FELDENHEIMER. No, sir.

Senator HUGHES. I have seen those very goods marked down.

Mr. FELDENHEIMER. Some large stores, like Macy's, or Siegel Cooper's, that would conduct a cut-price sale.

Senator HUGHES. There is nothing to prevent them from dropping a price, is there?

Mr. FELDENHEIMER. No, sir; but that is not the practice by the average run of dry-goods concerns.

Senator HUGHES. The laws of trade would prevail, I presume?

Mr. FELDENHEIMER. No. I will tell you what will prevail; the retailer will make that much greater profit.

Senator HUGHES. Exactly. The retailer is entitled to something.

Mr. FELDENHEIMER. The retailer has the best end of it now. The consumer will not get one penny benefit.

Senator HUGHES. Do you not think there is any relation between what the retailer buys for and what he sells for?

Mr. FELDENHEIMER. There is some, but he usually makes the situation fit his requirements. If he can get 50 cents for this shirt, he is not going to sell it for 45.

Senator HUGHES. No; but if he can get 45 and can not get 50, he will do it, especially if he buys it so that he can sell it at 45.

Mr. FELDENHEIMER. Why do they not do it to-day?

Mr. McLAUGHLIN. That has been answered right along. When they bought goods for \$4.50, they sold them for 50 cents; when they bought them for \$4, they sold them for 50 cents; when they bought them for \$3.50, they sold them for 50 cents.

Mr. FELDENHEIMER. We are selling goods to the largest retailers in the United States at from \$3.50 to \$3.75, and they sell for 50 cents. At the end of the season, say after the 4th of July, when the retailer cuts prices, he will probably cut the price to 39 cents. But the profits on the bulk of the merchandise are made before the goods are sold in the cut-price season.

Mr. FRY. I think there is another thing that the Senator would be interested to know, that this class of goods with which this competes is brought in from time to time, to-day, under the present tariff.

Senator JOHNSON. Low class goods like this?

Mr. FRY. Yes, sir. What is going to happen if you cut the tariff in these garments?

Senator HUGHES. They are not brought in to any extent at all.

Mr. FRY. Not to any large extent. That is for the reason that the tariff has been prohibitory. But what is going to happen if you put the tariff down?

Senator HUGHES. I guess we will get some of them in. That is the object.

Mr. FRY. We will get a lot of them in.

Senator HUGHES. We will get some revenue, and we will get them cheap. The question is how far we ought to go.

Mr. FRY. That is the question, and that is what we are here for, and we would like to help you solve the question if you just let us.

Mr. FELDENHEIMER. There is no consistency in the rates that have been established now. For instance, hosiery receives 50 per cent. The hosiery valued above 70 cents a dozen under the new rate will receive 50 per cent protection. The conversion cost of hosiery, or the ability to manufacture hosiery, is comparatively nothing as compared with underwear. Underwear represents a high conversion cost. It is an intensified form of manufacturing. It is a tailored garment. You take it over from the yarn or the raw cotton and convert it into a finished wearing apparel, and 30 per cent is really no protection at all.

Senator HUGHES. Thirty per cent is a fairly high rate, as this bill goes.

Mr. FELDENHEIMER. Yes. But, Senator, we grew up and this business developed and has been built upon so much higher rate that we can not adapt ourselves to this rate.

Senator HUGHES. Is there anybody else who desires to be heard?

Mr. FELDENHEIMER. We would like to answer any questions you would like to ask and give you any further facts that you think you will want.

STATEMENT OF MR. JOHN R. McLAUGHLIN, OF UTICA, N. Y.

PARAGRAPH 266.—*Knit underwear.*

Mr. McLAUGHLIN. Mr. Chairman, if I understand what you people are trying to accomplish, it is along the lines of obtaining lower prices for the consumer and better conditions for the working people.

The knit-goods industry for the past 10 years at least has not been able to obtain any advance in the price of the commodities which they have manufactured.

We do a lot of talking these times about the higher efficiency and what is going to be accomplished by various things which are going to compel the manufacturers to practice a higher efficiency in their manufacturing, but during the last 10 years the cost of labor has advanced. I have not the exact figures in mind, but I should say labor has advanced in the neighborhood of 50 per cent. The raw material has advanced—cotton. I am speaking of—from probably 8 cents a pound to 13 cents, and underwear is selling at the same price it was in those times. The question naturally arises that either they were making a very large profit in those times or something else. The fact is something else. Manufacturers have been able to practice a higher condition of efficiency in their machinery, in the organization and conducting of their plants; but the point I want to bring out is that while all other commodities have advanced very materially in price, knit underwear has not been able to participate in that advance.

Senator JOHNSON. Have there been improved methods of manufacturing?

Mr. McLAUGHLIN. Yes; and also not because they would like to advance the price, but because competition among themselves has been so intense, there being no combinations and a large number of small mills existing, the competition has been so intense that it has been impossible to advance the price. I want to bring that matter very plainly before you, gentlemen, that in this particular industry

the supply and demand and competition have kept the price down, so that it is not necessary to have importation of these goods in order to enable the consumer to purchase them at a lower price. It is possible that on account of the very low wage scale existing in the countries where these goods are manufactured, if you place the tariff low enough you will succeed in getting goods in here at a price that ultimately will enable the goods to reach the consumer at a lower price than now. But you will also put the American manufacturer, in whom, I presume, you have some interest, out of business; at least you have an interest in their working people, who are the people—the common people, as they are called in these times.

You will succeed in putting the manufacturers out of business. You will destroy their ability to hire these people, and ultimately, when the American manufacturer has been destroyed, the price of the foreign article will no doubt advance to a higher level than they are obliged to pay for them to-day. I presume you have taken all these things into consideration, have them fully in mind, but I had in mind that possibly you had not. I would like to bring that point out very clearly, that competition among the manufacturers themselves has kept down the price of this commodity, so that they have been unable to make any advance within a very large number of years, and the only way they have been able to remain in business at all has been on account of the greater efficiency that has been practiced in improved machinery, systematizing, and organizing of their business. I thank you very much.

Senator JOINSON. Does any other gentleman representing knit goods want to be heard?

Mr. FELDENHEIMER. All these gentlemen are representing the association, and none of them cares to speak that I know of. We will be very glad to answer any questions you have to ask.

Senator JOINSON. You have studied your position, and oral statements have been made, and we have before us, of course, your position as stated in the brief.

Mr. FELDENHEIMER. Since this original Underwood paragraph was adopted, which we have copied in our brief, there has been a change made. The night that the cotton schedule was adopted in the House Congressman Peters, of Massachusetts, introduced an amendment, which has been incorporated and which appears in the newer bill, the bill that now goes to the Senate. We would have to amend our brief in order to include that change.

Senator HUGHES. What was the amendment?

Mr. FELDENHEIMER. Right here in paragraph 266, after the words "knit by hand," on line 19, after the word "unfinished," it says, "not including such as are trimmed with lace, imitation lace, or crochet or as are embroidered and not including stockings." That is included in the other one, beginning with the words, "not including such as are trimmed with lace," and stopping with the word "embroidery." That is thrown into another paragraph, and we are perfectly agreeable to that change. But we would like to include it in our paragraph. We can present you with printed briefs embodying that change.

Senator HUGHES. That does not make any material difference with the position you have stated.

Mr. FELDENHEIMER. We would like to have 40 and 45 per cent instead of 30 per cent, and that represents the irreducible minimum. You gentlemen are probably interested in seeing us stay in business.

Senator HUGHES. Forty-five per cent would cover these goods?

Mr. FRY. Yes, sir; the better class of goods. It represents the conversion of cost.

**STATEMENT OF FRANCIS B. JAMES, REPRESENTING THE
ATKINS-PEARCE CO., OF CINCINNATI, OHIO.**

PARAGRAPH 267.—Candlewicking.

Mr. JAMES. Mr. Chairman and gentlemen of the committee, I will not take five minutes. I have handed a short brief to Mr. Wright, your secretary.

I want to call your attention to a small commodity known as candlewicking. You will find it in paragraph 267, page 70, lines 7 and 8, Underwood House bill No. 3321, as it passed the House May 8, 1913. Under paragraph 330 of the Payne bill candlewicking, made of cotton or other vegetable fiber, was dutiable at 10 cents per pound and 15 per cent ad valorem. We have calculated that the 10 cents per pound and the 15 per cent ad valorem, under the present tariff law, make an ad valorem duty of 65 per cent.

There was some difficulty in getting these figures, because the Government, in keeping its statistics of imports and classifying the imports, lumped together lamp and stove wicking with candle wicking, woven, braided, or twisted, and also included spindle binding made of cotton. So the Government statistics on this large group would show less duty growing out of the specific and ad valorem duty under the Payne bill, showing an average for four years of about 47 per cent, although from the reports of the port of Boston it is shown as 53 per cent. The dragging down of 65 per cent is on account of the average, because the grouping made by the Government would include woven lamp wicking, braided lamp wicking, and twisted lamp wicking, and woven stove wicking, braided stove wicking, and twisted stove wicking.

The Underwood bill, paragraph 267, at page 70, lines 7 and 8, places an ad valorem duty of 25 per cent. We are asking that candle wicking shall be at 45 per cent ad valorem, the duty which the old Wilson bill provided for candle wicking.

I want to call your attention to just a few considerations in reference to candle wicking. In the first place candle wicking is made at small factories, requiring high skill, and these small factories are under the personal supervision of these manufacturers, who give their personal attention to its production.

In the next place, a single pound of candle wicking will enter into the manufacture of 1,125 candles. Reduced to the factor of cents, in a hundred candles there is but 3 cents' worth of candle wicking.

Seventy per cent of the cost of producing candle wicking is labor. Thirty per cent represents the cost of material and other expenses.

Candle wicking is made in England, Belgium, and France, where the unit of labor cost is but 40 per cent of the American unit of labor cost.

Ordinarily the transportation expense is of itself a protection, but with a commodity as light and frail, and occupying as little space and making as little tonnage as candle wicking, the transportation tax plays no part at all in any protective feature on candle wicking. And this is true particularly in view of the fact that under the import rates it is cheaper to lay down candle wicking from abroad to an interior point than it is to distribute it from a point like the Atkins-Pearce Co., at Cincinnati, for which I speak.

The American producer of candle wicking has sought to place his goods in foreign markets. They have particularly attempted so to do in South and Central America and Mexico, but have been driven out of those markets, due to the fact that 70 per cent of the cost of production is labor, and that in Belgium, France, and England, which make candle wicking, the labor cost per unit is but 40 per cent of the American unit cost.

Candle wicking is grouped together, as you will see if you look at paragraph 267, with a great number of other articles. It is a unique commodity.

Senator JOHNSON. We can not tell anything about the imports for that reason. Do you know what the imports were?

Mr. JAMES. The imports are very small.

Senator HUGHES. Were there any exports?

Mr. JAMES. We did export to Central and South America and Mexico only, but have been cut off from those markets, by reason of foreign competition, which forced us to withdraw from those markets entirely. There were vigorous efforts made, and a large amount of money spent, to try and put American candle wicking into Central and South America and Mexico, but they have been obliged to withdraw from those countries.

It is made out of yarns—

Senator HUGHES. What numbers?

Mr. JAMES. Numbers running from 8 to 16.

Senator HUGHES. There is a reduction on those in the proposed bill, too.

Mr. JAMES. The reduction in the proposed bill is only about on an average $1\frac{3}{8}$ cents per pound on yarns. It has not been in proportion in cents per pound. The reduction upon the candlewicking will average 6 cents per pound.

Senator SMITH. The percentage of reduction is about the same.

Mr. JAMES. The reduction in candlewicking is about 6 cents, and the reduction in yarns about $1\frac{3}{8}$ cents.

Senator HUGHES. It is about a 40 per cent reduction in candlewicking.

Mr. JAMES. And about $1\frac{3}{8}$ cents reduction in yarn.

Senator HUGHES. The reduction in percentage is practically the same.

Mr. JAMES. The percentage of reduction is about the same, but in the yarn the reduction is but $1\frac{3}{8}$ cents per pound and in candlewicking 6 cents per pound.

Senator HUGHES. About the same percentage.

Mr. JAMES. Yes; about the same in percentage. When it comes to the actual number of cents, it makes a difference. To illustrate: Foreign candlewicking has been quoted to American consumers at about 23 or 24 cents. With a 65 per cent duty there would be added

about 15 cents more, which would just about meet the American price. If you attach a 25 per cent duty you see what happens. We will say the foreign candlewicking is 24 cents; 25 per cent will be 6 cents more. If you take off 6 cents you have reduced candlewicking below what we can sell it for at a profit, and we will be driven out of the field. The suggestion is that Americans have already been driven out of the foreign markets by the difference in labor costs.

This is a small industry. I do not suppose there is \$300,000 worth of candle wicking consumed in the United States in a year. So it is not a big industry. But it is vital to these small manufacturers; and I take it to be your policy to help along small manufacturers and have a diversity of interests.

There is no combination, no trust; there is open and free competition.

If you turn back to the old paragraph 330 in the Payne Act, in which candle wicking was contained, you will find a number of articles there were dutiable at 45 per cent ad valorem. Those have been reduced to 25 per cent. In other words, a reduction of 20 per cent.

We think candle wicking should be kept on a parity, a reduction of about 20 per cent upon the old duty which amounted to 65 per cent, making 45 per cent. We possibly can live under a duty of that kind and meet foreign competition.

At page 10 of our brief, which I have filed, we suggest that candle wicking be taken out of paragraph 267, and added as paragraph 267½, as follows:

Candle wicking, made of cotton or other vegetable fiber, 45 per cent ad valorem.

It was only my desire to draw your attention to these few facts; that it is a small industry; that 1 pound of candle wicking will make 1,125 candles; that is, in a hundred candles there is but 3 cents' worth of candle wicking. Accordingly, being so small, it is liable to be overlooked, and I thought in addition to filing a brief we would orally call your personal attention to it. I invite you gentlemen to think of candle wicking. It is a small thing, and while each candle adds but little light to the world's light, it is vital to these small manufacturers; they feel it is absolutely vital, and that under a 25 per cent duty they could not possibly live. They already have been driven out of the foreign market, and they will be absolutely driven out of their home market with a less ad valorem duty than 45 per cent, the rate fixed by the old Wilson Tariff Act.

STATEMENT OF GEORGE A. TENNEY, REPRESENTING MONAD- NOCK MILLS, CLAREMONT, N. H.

PARAGRAPH 269.—*Quilts.*

Mr. TENNEY. I want to call your attention to paragraph 269 of the present Underwood bill. I might say that I represent jacquard woven cotton bedspreads.

As that bill went into the House it classed large bedspreads under the word "quilts" at 25 per cent ad valorem duty. That was brought to the attention of the Ways and Means Committee as a wrong classification. So they amended paragraph 263 to make it read at the bottom:

All other jacquard figured manufactures of cotton or of which cotton is the component material of chief value, 30 per cent ad valorem.

We claim that 30 per cent is not sufficient. Furthermore, we are afraid that the language is so ambiguous that it may be confused and that bedspreads will get in under the word "quilts" in paragraph 269. The ordinary acceptance of that word would be understood to be bedspreads. A person going to a store and asking to see quilts would probably be shown bedspreads. While a quilt is not specifically called a bedspread—

Senator SMITH. It is not really a bedspread.

Mr. TENNEY. No, sir.

Senator SMITH. A bedspread is also called a counterpane?

Mr. TENNEY. Yes, sir; it could be called a counterpane, but in classifying that we call a counterpane something thinner.

Senator JOHNSON. A quilt implies more than one thickness?

Mr. TENNEY. Yes, sir.

Senator JOHNSON. Something quilted together.

Mr. TENNEY. That is the idea. But a good many of our goods are sold under the name of quilts.

Senator HUGHES. This would take the high rate, anyway, in case of dispute.

Mr. TENNEY. That is the question, and we do not want to have any doubt about it. We want introduced into this paragraph No. 263, after the words "jacquard figured upholstery goods" the words "and jacquard figured bedspreads." That would settle it.

Senator SMITH. And that would bring it under the 35 per cent duty?

Mr. TENNEY. Yes, sir; that is right.

Senator SMITH. Not only settle it as to classification but add 5 per cent to it.

Mr. TENNEY. Yes, sir; and we believe we are absolutely entitled to that, and I want to say only a word in regard to it.

There has been a good deal said about exportations, goods exported from this country. There is no manufacturer of bedspreads in this country that ever exported a bedspread. Further than that, in all the higher grades, in the highest grades of bedspreads, the market is entirely in the hands of foreign manufacturers to-day.

Senator HUGHES. What do you make them from? Raw cotton or yarn?

Mr. TENNEY. We make them from raw cotton. I venture to say you will not find in any of the highest class hotels in this country anything but an imported bedspread on the bed. I noticed they had an imported bedspread down here at the Willard Hotel.

Senator HUGHES. Of what number yarn is that made?

Mr. TENNEY. I will give you the composition of one of our bedspreads: 6.2 per cent is 82-ply yarn, made from Egyptian cotton; 23.3 per cent is 32-ply yarn, made from Egyptian cotton; 6 per cent is No. 65 peeler yarn; and 64.5 per cent is No. 6 domestic yarn.

Senator SMITH. If the manufacturer imports his yarns or his cotton, he ought to be willing to stand against the world and let everybody import the manufactured stuff.

Mr. TENNEY. We do not import the yarns.

Senator SMITH. You said Egyptian cotton.

Mr. TENNEY. Well, I used the word "Egyptian," but we use both peeler and Egyptian yarns. We call that the long staple. It is synonymous; sometimes we use Egyptian and sometimes peeler, whatever we can use to the best advantage.

Senator HUGHES. It is more of a trade name?

Mr. TENNEY. Yes, sir. I would like to give you these figures and then stop. I have some comparative figures here between an English-made bedspread and one of our better grade spreads. The cost of the raw material in our spread was \$1.26. The cost of the English spread in raw material I assume to be the same, as the cotton was the same.

Senator HUGHES. What was the cost of the spread.

Mr. TENNEY. The cost of the spread was \$3.50. We pay so much per spread for weaving. The weaving cost of this particular spread was 61 cents; the weaving cost of the English spread was 30 cents. There is a difference of 100 per cent in labor there alone. The per cent of labor to raw material in our spread was 80 per cent, as against 41 per cent in the English spread.

All we are asking for is a competitive rate. We expected a reduction, but we have absolutely got to have at least 35 per cent duty if we are going to compete with such a grade of spread as this spread, as shown here, about which I am telling you. We have got to have that.

If we do not get 35 per cent and you give us 30 per cent, it simply means it lets down the bars that much lower and lets the Englishman have that much more control of a certain field that he has in the community.

Senator HUGHES. Your raw material cost is about 40 per cent of the price you get for it?

Mr. TENNEY. Yes.

Senator HUGHES. That is your wage cost?

Mr. TENNEY. The per cent?

Senator HUGHES. Yes.

Mr. TENNEY. The per cent of direct labor is 29. Then, of course, there is other labor, but I mean the labor we pay for spinners and weavers.

Senator HUGHES. Direct labor?

Mr. TENNEY. Direct labor. That does not carry the overhead charge.

Senator HUGHES. I know. They all have an overhead charge.

Mr. TENNEY. The foreign manufacturer can land his goods in New York City about as cheaply as we can land them in New Hampshire.

Senator HUGHES. The transportation takes about the same time?

Mr. TENNEY. Yes; we have that advantage.

Senator HUGHES. It is expensive to finance for the longer distance.

Senator SMITH. What is the present tariff?

Mr. TENNEY. Forty-five per cent, but that 45 per cent tariff is on the higher-grade spreads, of imported spreads to-day. What I am contending for is that if you should give it a 30 per cent rate we are going to be able to make some spreads, but not the higher-grade spreads, but certain spreads that we can make to-day we will not be able to make then.

I want to get this on record; we want the words "jacquard woven bedspreads" put in here anyway. We do not want it in combination with the other articles.

Senator SMITH. You want it put over the 30 per cent if we do not put it over the 35 per cent?

Mr. TENNEY. Yes.

Senator SMITH. So that there will not be any mistake about the fact that you come in over the 30 per cent.

Mr. TENNEY. Yes; that is fair.

Senator HUGHES. Yes; that is fair.

Mr. TENNEY. But we ought to have the 35 per cent.

I thank you.

**STATEMENT OF MR. EDWARD MURPHY, OF TROY, N. Y.,
REPRESENTING THE COLLAR MANUFACTURERS OF TROY.**

PARAGRAPHS 271 AND 286.—*Collars, &c.*

Mr. MURPHY. Mr. Chairman, with Mr. E. H. Betts, of Troy, N. Y., I am here representing the collar manufacturers of Troy generally. May I file the brief of the collar manufacturers of Troy? I have already seen Senator Smith and had a long talk with him about this matter, and I have also had a long talk with you, Mr. Chairman.

Senator SMITH. We have heard already quite a number of representatives from Troy.

Mr. MURPHY. Yes, sir. We called on you about a week ago, and expected at that time to meet the rest of the committee, but Senator Johnson was sick, and Senator Hughes was out of town.

SCHEDULE M.—PAPERS AND BOOKS.

**STATEMENT OF MR. W. F. M'GLASHAN, OF BUFFALO, N. Y.,
REPRESENTING THE BEAVER CO.**

PARAGRAPH 328.—*Sheathing paper.*

Mr. MacGLASHAN. I beg to submit the following remarks to the committee:

(Mr. MacGlashan thereupon read the following brief):

BRIEF FOR THE BEAVER CO. IN SUPPORT OF THE PROPOSED AMENDMENT TO SECTION 328, SCHEDULE M. OF THE UNDERWOOD TARIFF BILL.

Present form: Sheathing paper and roofing felt, 5 per cent ad valorem.

Proposed form (as suggested and approved by Government expert, Judge Thad S. Sharratts): Sheathing paper and pulp or paper board in rolls used as sheathing for walls and ceilings; also roofing felt, 5 per cent ad valorem.

Purpose of amendment: To make clear section 328, Schedule M. as affecting our product. Present wording indefinite and unsatisfactory. It was taken from former tariffs published before our improved sheathing or wall and ceiling covering was placed on the market.

Comparison of so-called sheathing paper and our product.—Both are made by same method, on the same style of machine. Fibers for sheathing paper being made from mixtures of pulp, sulphite, and old papers. It is sized and often colored. Fibers for our product pulp alone with small percentage of sulphite at times; sized but left in natural color. Sheathing paper is of various thicknesses, approximately averaging from one-thirtieth to one-thirty-fifth of an inch, known to the trade as paper. Our product is thicker, approximately one-twentieth of an inch in thickness, and is known as a board. We understand that the United States appraiser's office in considering fibrous material do not have any arbitrary distinction of thickness between a paper and a board. Our product is built up from rolls to three or more thicknesses and finished at our factories in the United States to make the sheet firm, affording better protection against heat, cold, and sound, as a wall and ceiling covering. Sheathing paper has its disadvantages for interior sheathing by being too thin and not affording the protection required. We saw the opportunity, perfected a heavier material for interior lining, and marketed under the trade name Beaver Board.

Our product does not compete with any other products in any other sections in Schedules M or N.

Our product does compete with laths and lumber used by competitors, which are placed on the free list, section 651.

No question of taxation or principle is involved.

Our request is for a definite classification in the tariff that will clearly provide for our product.

THE BEAVER CO.
W. F. MACGLASHAN, *President*.

Senator JOHNSON. You want a clearer classification; you do not object to the rate?

Mr. MACGLASHAN. No.

Senator SMITH. You want a classification which specifically includes your products upon the same line of those which are included, but which have been left out from a lack of detailed knowledge of the manufacture?

Mr. MACGLASHAN. Yes. Our position is really more of an administrative question than a legislative one.

Senator SMITH. But you want legislation so that the administration can not be able to embarrass you?

Mr. MACGLASHAN. Yes, sir.

Senator SMITH. And you give it to us in detail in your brief?

Mr. MACGLASHAN. Yes.

STATEMENT OF MR. CHARLES W. WILLIAMS, 214 WORCESTER STREET, NEW YORK, REPRESENTING CHARLES W. WILLIAMS & CO.

PARAGRAPH 332.—*Surface-coated paper.*

Mr. WILLIAMS. Mr. Chairman, you will see on machine tenders they give the wages abroad per day, according to their brief, 43 cents. The actual wages are \$1.08 to \$1.20. I submit it is very unfair for them to make such statements, and I have the documents here from manufacturers abroad, and I have attached them to this brief. They give the wages abroad of flint glazing machine tenders as 34 cents. As a matter of fact, they are \$1.13 to \$1.32. Color-room bosses they give as 96 cents. The actual wages are \$1.20 to \$1.44. The average wage of the factory help is 48 to 60 cents, according to their brief. The actual wages are 81 to 96. That is what I wanted to protest against—the domestic manufacturers' unfair statements. These are special papers, and they have heretofore always been able, through the Republican régime, to get duties so high that we were unable to import.

Senator HUGHES. What have you to say about the present rate?

Mr. WILLIAMS. The Underwood bill is satisfactory to the importer, except on the line of metal-coated papers and embossed papers. They give us 35 per cent. It should be 25 if we are to compete.

Senator HUGHES. All metal-coated paper?

Mr. WILLIAMS. All metal-coated paper. On the gold leaf and silver leaf papers the present duty is 25 per cent, whereas it is increased to 35 per cent by the Underwood bill. If the bill is put back I state in this brief, we petition that the clause, "whether or not wholly or partly covered with metal, or its solution, or with gelatine, or with

flock, or embossed, or printed, except by lithographic process," be stricken out from its present connection, and that it be put further along in the same paragraph, after the words "35 per cent ad valorem," and after the semicolon, and reading, "paper wholly or partly covered with metal, or its solution, or with gelatine, or flock, or if embossed, or printed, except by lithographic process," thus placing it in the paragraph ending "25 per cent ad valorem."

Senator HUGHES. Your theory is that the higher cost of the metal makes the duty higher?

Mr. WILLIAMS. Yes; makes the ad valorem on it so much higher. It should be 25 per cent, not 35 per cent. I have explained it quite fully, and I have also put at the end of my brief samples of these papers, so that you will understand just what we are talking about.

Senator JOHNSON. That paper is used largely in the manufacture of boxes [indicating sample of paper]?

Mr. WILLIAMS. Yes, sir; it is raw material for about 2,000 paper-box manufacturers.

Senator JOHNSON. Are you a box manufacturer?

Mr. WILLIAMS. No, sir; we are importers, but supply the box manufacturers. We are also general jobbers in domestic paper, so that we know the whole business from the domestic to the foreign manufacturer's standpoint. The domestic manufacturer's game all along has been to shut out absolutely the foreign paper.

Senator SMITH. Was it this 35 per cent duty, or the 25 per cent duty, those men were discussing?

Senator HUGHES. They were discussing the whole range of duties, and they called our attention to the fact that the operation of the specific duty under the old law brought certain of the papers in at a lower rate of duty.

Mr. WILLIAMS. Those were gold-leaf paper, where the gold leaf is put on by hand.

STATEMENT OF MR. W. L. CARTER, OF NASHUA, N. H., GENERAL MANAGER OF THE NASHUA GUMMED AND COATED PAPER CO.

PARAGRAPH 332.—*Surface-coated papers.*

Mr. CARTER. Mr. Chairman, we wish to bring to your attention the change under the new bill in surface-coated papers. This is paragraph 332 under the Underwood bill, and was paragraph 411 of the bill of 1909.

We suffer principally from the fact that our industry is little known. I was noticing here that the paper that is used on that box is surface-coated paper. We endeavored for many years to get surface-coated papers distinguished from wrapping papers, and not lumped in together with papers with which they have no connection. Under the Payne-Aldrich bill this was done, and such papers had a specific duty of 5 cents per pound. Under the present bill these papers are included with wrapping papers and take a duty of 35 per cent ad valorem. That has resulted in a cut of 65 per cent in the duty on a part of our papers and an advance of 25 per cent in the duty on another kind of paper.

Senator HUGHES. Both had specific duties before, I presume?

Mr. CARTER. Before these papers were separated the surface coated had a specific duty of 5 cents per pound. Paper coated with metal or its solutions had a specific duty of 5 cents per pound and an ad valorem duty of 20 per cent.

Senator JOHNSON. You say you are included with wrapper paper?

Mr. CARTER. Yes, sir.

Senator JOHNSON. That is, only with wrapper paper which has a coated surface?

Mr. CARTER. Yes, sir.

Senator JOHNSON. But not with the common wrapper paper?

Mr. CARTER. No; with the coated or partly covered or decorated with a design, etc.

In other words, the tariff under the old bill was practically equivalent to 100 per cent, and under this new bill it is cut to 35 per cent. The method of manufacture of these papers is illustrated by these samples. The raw paper is coated with a solution, and this coating is polished with a flint stone by hand, or, rather, the machine is worked back and forth and the paper slowly fed through, and it is only possible to make about two reams of that paper in a day. That paper is sold in Germany and Belgium to-day at a dollar a ream. Under the old duty of 5 cents per pound the total duty amounted to \$1, as the paper weighed about 20 pounds to the ream. In this country we pay \$1.75 a day for the labor to make approximately two reams of paper. In Germany they pay 43 cents a day, so that while the protection that we seem to need is very large, it is entirely sincere.

Senator SMITH. You pay how much?

Mr. CARTER. \$1.75 a day.

Senator SMITH. To make two reams?

Mr. CARTER. That is on an average.

Senator SMITH. And they pay how much?

Mr. CARTER. Forty-three cents a day--1.80 marks. This shows that our wages are approximately 250 per cent higher than those paid in Germany, and as the product is largely a product of labor, it is absolutely impossible for us to compete under the present tariff of 35 per cent duty.

Senator JOHNSON. Is this same kind of paper made in England now?

Mr. CARTER. No; there is none made in England since they took the tariff in England off. There is not a sheet made there.

Senator HUGHES. When did they take the tariff off? They never had a tariff on in England, did they?

Mr. CARTER. I do not know. Certainly I thought they did a great many years ago. It is a very old industry. Belgium and Germany are the two principal sources.

Senator SMITH. You spoke of the tax being 35 per cent.

Mr. CARTER. It is now made 35 per cent ad valorem.

Senator HUGHES. You pay higher wages, do you, than the other paper makers?

Mr. CARTER. Where?

Senator HUGHES. Do you pay your workers higher wages than are paid in the other branches of the paper industry?

Mr. CARTER. In this country?

Senator HUGHES. Yes.

Mr. CARTER. I do not know. We are in no way connected. That is where we have suffered in practically every hearing, from the fact that this specialty business is confused with the paper making business. We do not make any paper at all, but simply treat paper.

Senator JOHNSON. What kind of paper do you buy to treat?

Mr. CARTER. This is a wood paper.

Senator JOHNSON. A common wood-pulp paper?

Mr. CARTER. A wood pulp paper, yes, sir; mostly sulphite. On the better grades it is an all sulphite sheet.

Senator HUGHES. Do you make what they call paper goods? Would that be the classification?

Mr. CARTER. No; it would be known as surface-coated papers.

Under the old tariff the duties paid have amounted to approximately a half million dollars in what is a small industry, comparatively speaking, which shows conclusively that we have competition to-day. You are possibly familiar with the red paper that is used around the cakes of Peter's chocolate and Hershey chocolate. That is one of the largest orders in this country, and has been sought for by practically every American manufacturer. Yet that is invariably purchased abroad, under present tariff conditions, as the Americans can not make it as cheap as it can be imported to-day.

In this new classification, those fine gold papers, which were formerly taxed at 20 per cent ad valorem and 5 cents per pound, are now taxed at 35 per cent ad valorem, showing an advance of 21 to 28 per cent, or an average of about 25 per cent.

Senator HUGHES. Increase?

Mr. CARTER. Increase.

Senator HUGHES. Under this classification?

Mr. CARTER. Yes.

Senator SMITH. Five cents a pound, you say?

Mr. CARTER. Under the old classification.

Senator SMITH. What was a pound worth?

Mr. CARTER. The details I would like to leave to Mr. Van Duzer, as he worked out these illustrations.

**STATEMENT OF MR. I. O. VAN DUZER, OF 69 DUANE STREET,
NEW YORK, REPRESENTING LOUIS DEJONGE & CO.**

PARAGRAPH 332.—Surface-coated papers.

Senator HUGHES. Do you object to the classification?

Mr. VAN DUZER. The classification has destroyed the division between the two classes of goods. This ream of gold weighs 17 pounds, and the 17 pounds cost in Germany, \$9.60, or it would cost here, with duty added, about \$12.50 for 17 pounds.

Senator JOHNSON. With what duty?

Mr. VAN DUZER. With the proposed duty of 35 per cent. The present duty of 5 to 20 is \$2.77. This combination of a specific and an ad valorem shows a good ratio on the fine goods, reduces the ratio of the duty. These samples here illustrate what were known as surface-coated papers not specifically provided for, and while some are very low in cost, some are of very high cost. But they are all in the same category, known as surface-coated papers not specifically provided for, and while the duty on these was called a duty of 100 per

cent, on this it was equal to about 20, so that the result at the end of the year showed an ad valorem on the whole series of about 52 per cent. It is the same way here on the second class, which consisted of gold papers, covered with metal in its leaf or metal in its solutions, gelatine, or flock, or embossed or printed. That was at the rate of 5 cents a pound and 20 per cent ad valorem, and the result, according to the Treasury records, was 42 per cent, I think; while on the cheaper grades it is very high, on the metal in solution it is brought down on the average by the grade of the goods. It is a scientific schedule, gotten up specifically to define these different classes of goods which never were defined before. I think the customhouse records and the Treasury records will show that a surface-coated paper was a debatable question for years until this phraseology was devised.

Senator HUGHES. You mean the phraseology of the Payne-Aldrich bill?

Mr. VAN DUZER. Yes.

Senator JOHNSON. It takes in sandpaper, too, does it not?

Mr. VAN DUZER. No.

Senator JOHNSON. Is not that classified under this heading "surface-coated paper"?

Mr. VAN DUZER. I never heard of it. That is an abrasive paper. Is it not?

Senator JOHNSON. I guess that is where they put it.

Mr. VAN DUZER. Sandpaper is exported largely, not imported, to my knowledge.

Senator HUGHES. That paragraph sent some of them up to 100 per cent and brought some of them down below 35 per cent?

Mr. VAN DUZER. Yes, some of them down as low as 25.

Senator SMITH. That was the old paragraph, was it?

Senator HUGHES. Yes.

Mr. VAN DUZER. That is, the paragraph of the Dingley law improved upon the Payne law, made it a little clearer. Here is the phraseology of paragraph 411, we suggest to cover present circumstances as an adaption of paragraph 411 of the Payne law. The principal objection made on the duty was on white coated paper, which is used largely for printing, and we are perfectly willing to accept the 35 per cent provision on white coated. But on the colors, the luxurious articles, and those that are printed and fancy, we want our old classification, and as good rates as we can get.

Senator HUGHES. The specific rate does not seem to have worked very well, if it makes that great disparity in rates.

Mr. VAN DUZER. Even at 100 per cent the goods are imported. It is a competitive rate.

Senator HUGHES. That would seem to indicate that you are getting a good deal more for your goods than they are worth.

Mr. VAN DUZER. Not at all. The goods are imported and the importations have kept very regular. They are still imported. We import them largely. We are recognized as the largest makers and the largest importers, and even at 100 per cent they are imported in large quantity. We import them weekly. They are made under conditions in Germany of very cheap labor, and labor is the principal item of cost. If we are thrown into the basket phraseology of paragraph 332 of the Underwood bill we will be lost entirely. It would be impossible for us to compete in any way on the ordinary classes of

paper, and the finer grades, which are used for manufacturing, will be increased with that ad valorem.

Senator HUGHES. Can you suggest any language that will adapt itself to an ad valorem rate?

Mr. VAN DUZER. You can not very well adapt it to an ad valorem rate. If you will give us an ad valorem high enough, yes.

Senator SMITH. You want about 65 per cent?

Mr. VAN DUZER. We do; the lowest. We would like to have more. At 65 per cent we will be wiped out of certain lines.

Senator JOHNSON. Your suggestion is that you want a specific duty on papers with coated surface not specially provided for in this section?

Mr. VAN DUZER. Yes, sir.

Senator JOHNSON. How large an ad valorem duty?

Mr. VAN DUZER. Senator Smith said 65. That is hardly high enough.

Senator SMITH. I did not mean you ought to have any such rate. I asked you if the figuring you were making did not indicate that you really desired us to allow 65 per cent. I simply wanted to point out how very high a duty you were asking.

Mr. VAN DUZER. I say, if possible, we prefer a specific duty, to stop undervaluations, as the only method of stopping undervaluations and dumping job lots of odds and ends of paper into the country, and the honest importer, who carries stock and pays rent, is protected against the agents, as we will have them if the tariff is reduced.

Senator JOHNSON. How much more should the second classification receive?

Mr. VAN DUZER. It should receive 20 per cent more than the first, because the Treasury records show that works out well. They work out even at 5 cents, and at 5 and 20 the resultant was 50 per cent on the whole thing.

Senator JOHNSON. Twenty per cent more than on the first?

Mr. VAN DUZER. Yes, sir; because they are a finer grade of paper.

Senator JOHNSON. Paper covered with metal or its solutions, gelatine or flock, or embossed or printed. That should be 20 per cent more than coated paper?

Mr. VAN DUZER. Yes, sir.

Senator SMITH. What importation is there now?

Senator HUGHES. \$555,000 worth.

Senator SMITH. What is the American production?

Senator HUGHES. Nearly \$7,000,000 in 1910.

Mr. VAN DUZER. In that American production is white-coated. There is no record kept of our individual business. That seven million is the white-coated, for book printing. We are always lost among the white papers for printing, for catalogue and fine illustration work. We are always lost, and taken in amongst them.

Senator HUGHES. "Wholly or partly covered with metal or its solution or with gelatine or flock or embossed or printed."

Mr. VAN DUZER. That is our class of goods, and they are divided up here in this memorandum—\$555,000 on the 5-cent clause and \$305,000 on the 5 and 20.

Senator HUGHES. At 30 per cent, under the Wilson tariff, the duties amounted to \$268,000, as against \$213,000 under the Dingley tariff,

and as against \$332,000 under the tariff of 1910, and \$277,000 under the tariff of 1912.

Mr. VAN DUZER. The 1910 showed a good advance; showed that the tariff worked to the advantage of the Government. Nineteen hundred and twelve was a poor year for everyone.

Senator HUGHES. It shows a very slight increase of revenue in 1912 over 1896, when the duty was 30 per cent. This proposed duty is 35 per cent.

Mr. VAN DUZER. They took a general average of 50, and thought 35 would cover the entire thing very nicely.

Senator HUGHES. Here in 1896 they laid an equivalent ad valorem of 30 per cent.

Mr. VAN DUZER. Yes.

Senator HUGHES. And that year there were brought in in duties \$268,000, and that was a little more than came in under the next tariff.

Mr. VAN DUZER. In 1910 there were \$332,000, \$64,000 more.

Senator HUGHES. More came in under the advanced than came in under the 30 per cent.

Mr. VAN DUZER. Yes; a little less in 1912. Last year was an off year in all that line of business.

Senator HUGHES. 1896 must have been an off year, too.

Mr. VAN DUZER. 1896 was taken for the purpose of showing a good year. 1907 was the best year in the importing line, under the Dingley law. It shows the biggest importation.

Senator HUGHES. How do you explain that there was such small importation when the duty was 30 per cent?

Mr. VAN DUZER. The price was higher, probably. In 1896 the price was much higher than in 1905.

Senator HUGHES. The price has been going up ever since.

Mr. VAN DUZER. No, the price has been going down ever since in Germany; I mean the actual cost of the goods.

Senator HUGHES. The average unit there?

Mr. VAN DUZER. The average unit, yes.

Senator HUGHES. The average unit in Germany, or wherever it was imported from, was 9 cents, was nearly 11 cents in 1910, and it is 12 cents in 1912. That applies to the foreign value.

Mr. VAN DUZER. I thought it applied to the value here.

Senator HUGHES. It applies to import values.

Mr. VAN DUZER. The value of the goods has been decreased yearly.

Senator HUGHES. Not abroad.

Mr. VAN DUZER. Abroad it has.

Senator HUGHES. Apparently not.

Mr. VAN DUZER. We are aware of that from the price we pay for the goods.

Senator HUGHES. Here are the figures, 9 cents in 1905, nearly 10 cents; nearly 11 cents in 1910.

Mr. VAN DUZER. I never understood what it did mean.

Senator HUGHES. That means the foreign value.

Mr. VAN DUZER. It is contrary to circumstances, because we buy the goods and pay less for them than we did two or three or four years ago.

Senator HUGHES. You do not know any reasons why there were no more importations in 1896?

Mr. VAN DUZER. No; I presume it was on account of the demand; that the demand was not as great as it is now.

Mr. CARTER. Might not that change of value be due to the fact that they imported more of the high grades?

Mr. VAN DUZER. That varies from year to year; change of fashion, and of course in 1896 the goods were higher priced than they are to-day.

Senator HUGHES. It has gone up steadily but slowly in price.

Senator JOHNSON. It might be that the higher price papers were being imported, more of them.

Mr. VAN DUZER. I do not understand the units. Here in 1912 they give 4,000,000. That shows a variation again in the duty.

Senator JOHNSON. They divide the value by the number of pounds.

Senator HUGHES. And it gives them that unit.

Senator JOHNSON. If it happens to be higher priced papers one year than another, that might explain it to some extent.

Mr. CARTER. I just want to emphasize again that fact, that by grouping these things together the injustice which is done one line of business, in that the duty is reduced from 100 per cent to 35 and actually advanced 25 per cent on that part of these papers which are imported.

Senator JOHNSON. Have you this recommendation for classification in your brief?

Mr. CARTER. I think not. It will be in this additional memorandum, if you will attach it to that.

Senator JOHNSON. File whatever brief you have.

Mr. VAN DUZER. Yes; we will file that with the brief.

STATEMENT OF MR. FREDERICK L. SIDDONS, OF WASHINGTON, D. C.

PARAGRAPHS 332 AND 340.—*Paper bags, etc.*

Mr. SIDDONS. Mr. Chairman and gentlemen, Mr. Clement L. Bouvo and I appear here on behalf of a considerable number of manufacturers of paper bags and other goods manufactured from paper. The list of the names of my clients will be found in the paper that I will leave with the committee. Those clients are located in different parts of the country—New York, Pennsylvania, Virginia, Illinois, Wisconsin, Missouri, Minnesota, and California.

Gentlemen, we object to section 340 of the bill.

Senator JOHNSON. That section reads:

All papers and manufactures of paper, or of which paper is the component material of chief value, not specially provided for in this section, 25 per cent ad valorem.

Is that the section?

Mr. SIDDONS. No, sir; I had in mind the House bill; that is paragraph 336:

Jacquard designs on ruled paper, or cut on Jacquard cards, and parts of such designs, cardboard and bristol board, press-boards or press paper, paper hangings with paper back or composed wholly or in chief value of paper, and wrapping paper not specially provided for in this section, 25 per cent ad valorem.

The particular clause that we are concerned in is the last, "and wrapping paper not specially provided for in this section, 25 per cent ad valorem." We are here appealing to the Senate that no change shall be made in the existing law which admits this paper free.

Senator SMITH. Ad of it, or just the wrapping paper?

Mr. SIDDOXS. It is the wrapping paper that I am concerned about.

Senator SMITH. Does all the paper covered by that section now come in free?

Mr. SIDDOXS. It comes in under section 2 of the act of 1911.

Senator JOHNSON. It comes in under the reciprocity act with Canada; that is pulp and paper under 4 cents a pound made from free-land wood.

Mr. SIDDOXS. That is it, sir. I will give you the exact language of the act if you wish it.

Senator HUGHES. It is coming in free now, and this bill proposes a duty of 25 per cent ad valorem?

Mr. SIDDOXS. Yes, sir; and among our objections to the proposed duty is that it is discriminating in its operation. I might say, in passing, that the manufacturers that I represent are at least among those who are classed as independents. There are manufacturers who are characterized, whether rightly or not I will not undertake to say, as a combination or trust. This combination or trust—and I use the term as intending no offense at all—manufacture very largely their own paper that they use in the production of the same article that my clients are engaged in the production of—paper bags, envelopes, and other manufactures. The raw material from which this paper is made is admitted free, and there is, I believe, no intention to change that. It will continue to come in free.

Senator SMITH. Except that Canada has a limitation on her Crown lands from which the raw materials come.

Mr. SIDDOXS. We here refer to the paper that is produced from what is called "free-land wood," coming from Canada, and our paper is made from pulp that is produced from these free lands, as I understand it. An appeal has been made, and successfully, in the House to impose this duty. The result of that, Senators, is going to be that these independent manufacturers will be at a very great disadvantage in their competition with the so-called trust.

Senator SMITH. Independent manufacturers of what?

Mr. SIDDOXS. Manufacturers of paper bags, envelopes, etc.

Senator HUGHES. And this is your raw material which is now free that it is proposed to put a duty of 25 per cent on?

Mr. SIDDOXS. Yes, sir.

Senator JOHNSON. That is not quite right, is it? It is not free now, is it? Certain importations from Canada come in free if made from wood upon which there is no export duty. I do not know what percentage comes in that pays a duty, but there are mills in my State that make wrapping paper. They are independent mills, too. They make large quantities of wrapping paper. There is one concern that has three mills in my State, the Hollingsworth & Whitney Co., a very large concern.

Mr. SIDDOXS. I said at the outset that all we are asking is that there shall be no change in the existing law. We simply ask that the present law remain undisturbed. Let me read you very briefly here from a memoranda. "This raw material from which paper bags and

these aforesaid manufactures from paper are made; said paper varying in price from 2½ cents per pound to 3½ cents per pound, net f. o. b., and is manufactured from mechanical ground wood pulp and chemical sulphite and sulphate pulp, while other large consumers (the newspaper publishers) of paper made from this same material, mechanical ground wood and chemical sulphite pulp, have had their raw material, news print paper, placed on the free list." As I understand it, it is not intended at all to make any change in the law in that respect.

Senator JOHNSON. I do not know. I am sure.

Mr. SIDMONS. I mean the appeal as it has come from the House and is now before you, as I understand it, does not contemplate any change in the admission of the paper used by the newspapers in the country which is made from the same ingredient, in somewhat different proportions as that which makes the paper which we use in our manufactures of paper bags, envelopes, etc.

Now, as I have briefly stated, many of the other manufacturers of paper bags and envelopes are now making at their own mills from the free raw material the paper that they utilize in the manufacture of paper bags and other products. The independents, those at least that I represent, are in no position to do that. It would require a larger capital than many of them are able to embark in the enterprise. The independent manufacturers buy in the open market their supply of raw material, bag papers made from the ingredients that I have mentioned. They protest against the raising of this duty and ask that the duty on raw material, paper not above 3½ cents per pound, from which our manufactures are made, be placed on the free list and this would put the so-called independents on a fair competing basis with the manufacturers in this country of paper bags and envelopes and other products who are now making their own paper from the raw material, the pulp itself, which is admitted free of duty, and so far as we now know there is no intention of making any change in that regard.

Senator JOHNSON. And it will be a still further concession to the Canadian manufacturer of paper than the bill now gives?

Mr. SIDMONS. It might have that effect. The United States Senate, as I am informed, recently defeated a resolution to repeal the reciprocity agreement with Canada. I have not had a chance, may I say, gentlemen, to verify all the statements that I am making, but I believe I am substantially correct.

Senator SMITH. They put a proposition practically for its repeal on two or three tariff bills that we passed during the last Congress.

Mr. SIDMONS. But thus far no bill has taken effect.

Senator SMITH. The Senate put the provision in and the House rejected it.

Mr. SIDMONS. As I say, I have not had an opportunity to test the accuracy of all the statements made here.

Let me call your attention to this recent decision of The United States Court of Customs Appeals in the cases of the American Express Co. et al. v. The United States, and The F. Bertuch & Co. et al. v. The United States. In those cases the court ruled that by reason of the favored-nation clause—

Senator JOHNSON. And that applies to all favored nations.

Mr. SIDDOXS. Yes; it applies to all favored nations, and this paper can come in under that ruling from other countries it would seem from this decision.

Broadly stating our position, it is this: We suffer first, we conceive, a discrimination in the fact that the paper used in the printing of newspapers comes in free; we suffer, we think, a further discrimination, not perhaps in legal theory but in the actual operation of the working out of such a provision as is found in section 340, in our inability to compete successfully with those manufacturers of paper bags and envelopes, etc., who are making their own paper at their mills from the pulp that is now admitted free; the discrimination being a difference of 25 per cent which we can not face, and we are here urging upon the Senate that that provision be stricken out. I will submit this memorandum, and I ought to say in partial excuse that only to-day was I asked to appear here before you, so that I have had no opportunity to give the matter the consideration it deserves and am not as well prepared as I should wish to be to present it to you.

Senator HUGHES. We have had a very thorough discussion on the various angles of this paper question.

Senator SMITH. We have had all the Canadian statutes and the Norwegian situation presented to us.

Senator HUGHES. I must confess, however, that I did not previously know the effect of that particular paragraph. I do now.

Mr. SIDDOXS. We most earnestly urge upon the committee consideration of the fact that this is going to operate most certainly as a discrimination against one class of American manufacturers and in favor of another class of American manufacturers.

Senator HUGHES. Not if we do what the other gentlemen want us to do; they want us to do that with every class of paper and pulp.

Senator SMITH. How would one class of manufacturers of bags have any advantage over another class?

Mr. SIDDOXS. As I was saying, at the present time the free raw material, the pulp, comes in free. So far as I know, it is not proposed to disturb the existing law in that particular.

Senator SMITH. A part of the bag manufacturers manufacture their own brown paper?

Mr. SIDDOXS. For the purpose of converting it into bags, and they are able to do it by reason of the large capital that is embarked in their enterprise. I think it is stated here that they manufacture over 60 per cent of the paper bags in the United States to-day. We may assume that the remaining 40 per cent are produced by such concerns as I represent here.

Senator SMITH. The independents, then, could get together and very easily put up their own brown-paper mills, could they not?

Mr. SIDDOXS. They might if it could be said that in doing so they would not be guilty of any infraction of the law.

Senator SMITH. They would not be doing that if they manufactured brown paper for their own use.

Mr. SIDDOXS. I am not going to say that it would not be possible for these independents to do what the so-called association of manufacturers are doing and manufacture this paper themselves; but what is the object of the proposed duty, beyond the revenue?

Senator JOHNSON. It is to protect those mills that make the wrapping paper. Many mills make wrapping paper which is not used for paper bags. They take orders from the large houses in the city to make their wrapping paper and they print upon that paper whatever advertisement such houses desire.

Senator HUGHES. Is that the paper that is now coming in free?

Senator JOHNSON. Some of that comes in free under the reciprocity act if it is under 4 cents per pound and is made from free pulp or free wood.

Senator HUGHES. What is the rate now independent of the treaty relations with Canada?

Senator SMITH. The rate from other countries?

Mr. SIDMONS. Thirty-five per cent, 10 per cent over the Payne-Aldrich bill, as I recall it. That was, of course, wiped out by the act of 1911, but there is this further suggestion that I want to make: If it be true, as the independent manufacturers very strongly urge, that the object, among other things, may be to protect these American manufacturers who are making the wrapping paper and then utilizing it in the production of paper bags and envelopes, it may mean that your action drives the independents to purchase that wrapping paper from concerns that are to-day their competitors. It is easy to conceive that they would have great difficulty in purchasing from concerns that are in the natural economic struggle, to see them disappear from the manufacturing field, such material as would be requisite for the manufacture of their paper bags and other goods.

Senator JOHNSON. There seems to be a great many that make just wrapping paper, but not paper bags?

Mr. A. C. HASTINGS. There are 75 mills that do not make bag paper, but make wrapping paper.

Mr. SIDMONS. I will submit this memorandum, with the accompanying papers, from the manufacturers; and I am going to ask that in the consideration of the question, if you have time and if you wish to do so, you will test the statements that have just been made; first, whether or not this is going to operate as a discrimination against certain American manufacturers and in favor of certain others?

Senator JOHNSON. Mr. Hastings, do you want to speak while we are on this subject?

Mr. HASTINGS. I do. I had not intended to speak on the subject of wrapping paper or bags, but as the matter has been brought up I would like to do so. The wrapping-paper business is conducted by probably a hundred mills in the United States, and very few of those mills make bag paper. There are some three concerns who manufacture their own bag paper and also manufacture bags. The competition in bag paper has been very severe, not only from Canada, but from Norway and Sweden, and it has been so severe that there have been very few mills in the United States in the last two or three years that have run over 80 per cent of the time that they might have run had they had the orders. The business has gotten to such a point that very few of them are making a profit. You could count on the fingers of one hand the mills that are making a profit in wrapping papers to-day.

I wanted to appear before the committee particularly in reference to news print paper, which is a very large industry in this country, but which is diminishing rapidly, due to the movement of the indus-

try to Canada. The situation is very serious from a manufacturer's standpoint, due to the fact that our markets are thrown open under this bill to any country in the world. Our greatest competitor is Canada. Within two days I have had at my office a visit from a large manufacturer of news print paper from Sweden. If this bill goes through, we are going to place an order with a German machinery concern to build two large fast-running machines to make 100 tons of paper a day, which is to be sold for this market. That is merely an indication of the movement of the news-paper business to other countries, not alone Canada, but every other country that will take a chance of making news print paper and getting into this market. The prices of news paper have steadily declined, and I believe will decline for some little time, and then, I think, the market will go the other way, due to the fact that the American manufacturer will be driven out of the business, except in a very few cases, where they own large timber lands and have an overcapitalization. The business, however, is going to move to Canada. It will move to Canada with a reasonable duty on it. If you put it on the free list, you are pushing it over to Canada, and the result will be disastrous to 50 per cent of the news-paper manufacturers in the United States. There are practically 50 per cent less in this business now than there were five years ago. Some of the mills have shut down indefinitely. The condition is a very serious one, and while we realize the pressure that is being and always has been brought to bear upon Congress the result is that paper has been getting cheaper in price. The duty has been taken off, and every incentive has been given to foreign countries to get into this market.

Our position is that we are American manufacturers, and that we are legitimate manufacturers, having our money invested in the business to the extent of about \$100,000,000. We employ over 25,000 men; we use the natural resources of the country, and we use them in a way which does not hurt the resources. I mean by that that we are using our forests under conservation methods, and that the free entry of paper and pulp in this country means just the opposite to conservation. It means that mills that have woodlands that are not financially strong will have to realize on such lands and cut the trees in order to meet the conditions. It is a serious situation, and one that Congress should consider on the same basis that they would any manufacturing industry in this country.

Senator JOHNSON. What do you say as to a retaliatory duty on paper the same as provided in the bill for paper costing over 2½ cents per pound?

Mr. HASTINGS. I believe that if in the judgment of the Senators that is the only thing that can be done, it must be done if you desire to retain the majority of the mills in this country in an operating condition.

Senator SMITH. The retaliatory duty that Senator Johnson had reference to was the one that excluded Crown lands from American use.

Mr. HASTINGS. I believe that that is the only way that you will ever get Canada to take off her restrictions on Crown-land woods. As it is to-day we are importing at the rate of 180,000 tons of paper a year from Canada, and 80 per cent of that paper is coming in free.

Senator JOHNSON. That is news printing paper?

Mr. HASTINGS. That is news printing paper. I do not believe that 80 per cent of that paper was made from free-land wood. I do not think they separate the sticks very carefully.

Senator SMITH. They separate them when they ship them into the United States, but they do not separate them when they manufacture.

Mr. HASTINGS. That is what I believe. If there is a retaliatory provision put in, it should apply to the Provinces, that is, they should not be allowed to ship in any paper until they have taken off all restrictions.

Senator JOHNSON. Do you know how many American mills get their supplies from Canada now?

Mr. HASTINGS. Are you speaking now of news printing paper?

Senator JOHNSON. Yes.

Mr. HASTINGS. I should think probably 25 mills; about half of them.

Senator JOHNSON. And they get all their supplies from Canada?

Mr. HASTINGS. Practically all of it.

**STATEMENT OF MR. A. B. MALCOMSON, OF NEW YORK CITY,
REPRESENTING M'LAUGHLIN BROS., OF NEW YORK.**

PARAGRAPH 333.—*Paper lithographically printed.*

Mr. MALCOMSON. Mr. Chairman, I represent the publishers and manufacturers of what are known as toy books. They are these books which are lithographically printed.

Senator HUGHES. What paragraph are they in?

Mr. MALCOMSON. Paragraph 333. I will say, by way of preface, that by reference to the report you will find that that paragraph has been very greatly condensed.

Senator JOHNSON. It includes pictures, calendars, cards, labels, etc.

Mr. MALCOMSON. Yes. It was quite an extended paragraph, and in some respects it is rather a difficult one to understand. For instance, there is a class of books that are toys, toy books, and book-lets. There is another class of books that are hand painted and done by spraying. The process of manufacture of those two classes of books is so entirely different that it hardly seems necessary to say anything more than that one is done by hand, as an artist does a picture, and another is done by the process of lithographing. That is, the designs are first procured, they are then transferred on stones or plates of different kinds, having a stone for each color, and then the process of manufacture is nothing but the cost of printing and the cost of paper and ink.

Senator SMITH. We understand the difference.

Senator HUGHES. You have a duty of 12 per cent ad valorem?

Mr. MALCOMSON. When they condensed that paragraph, through some misapprehension, perhaps, that was all put together, and we were put in the same class as those.

Senator SMITH. You want a higher duty on hand work than on stamp work?

Mr. MALCOMSON. Yes. It is not stamp work, but it is artist's work.

Senator SMITH. I say, you want a higher duty on the hand work than the mere lithographic work?

Mr. MALCOMSON. Yes. Now, the figures would be deceptive in one way—not a higher duty, but I mean to say that 12 per cent on a hand-painted book is very much greater than 12 per cent on a book that is done on a press with lithographic stones, because the hand-painted book is a very much higher priced book. Toy books are cheap books.

Senator SMITH. Are you a manufacturer or an importer?

Mr. MALCOMSON. I am a manufacturer of these toy books. I represent probably one of the largest concerns, McLaughlin Bros., of New York, who have spent a great deal of money in developing this line of goods, and have had a very strong competition with the German and the English producers of these books. The initial cost is the greater cost; that is, the cost of the designs and the cost of the stones and the cost of putting those designs on the stones is the great cost. When the English and German producers of these toy books issue their first editions, they issue them at a good, fair price, and they get in all their profit out of their first editions. Then they change their price, and they come down, and they flood this market with their later editions, which, to use a slang phrase, are "all velvet" to them. That is just what it is. They have had their money out of their first editions, and they are simply flooding the market with these later editions, which only cost them the expense of the printing and the material, since they have the plates and the designs. In the hand-painted book that never occurs, because every edition of a hand-painted book carries the same price with it. No such reasoning applies to the hand-painted book. In the tariff of 1909, the one we have now, the duty was specific. It is 6 cents a pound.

Senator JOHNSON. "Booklets, 7 cents per pound; books of paper or other material for children's use, not exceeding in weight 24 ounces each, 6 cents per pound."

Mr. MALCOMSON. Yes. It was 8 cents prior to that. Since that time, if you will turn to the schedules of the importations, you will see that the importations have increased from \$10,000 to \$200,000. We have had that competition to meet. We have tried to hold our own.

Senator SMITH. What is the American production?

Senator JOHNSON. The importation last year of books of paper or other material for children's use were \$200,000 worth.

Mr. MALCOMSON. Yes. It was \$10,000 before that, in 1908, was it not, about?

Senator JOHNSON. I have not the figures here for 1908. In 1910 it was \$208,000.

Mr. MALCOMSON. That is the year before.

Senator JOHNSON. In 1905 it was \$10,000.

Mr. MALCOMSON. \$10,000; yes. The increase from \$10,000 to \$200,000 is the result of reducing that specific duty from 8 cents a pound to 6 cents a pound. Six cents a pound is about the same duty that the House has allowed in the present proposed tariff on all other toys. If you will turn to toys in Schedule N you will find that all toys are 35 per cent ad valorem. That is in paragraph 350, on page 89. Six cents a pound ranges up somewhere along between 25 and 35 per cent; and even with that we have had an increase from \$10,000 to \$200,000 of importations on those goods in those two or three years. That is what we have to meet.

Senator JOHNSON. Let me ask you a question. Taking this in this section as it is drawn here, you want to distinguish the books decorated by hand, and take them out of that section? Is that what you think should be done—that the duty should be higher on those books?

Senator SMITH. No; he wants a higher duty—

Mr. MALCOMSON. This paragraph itself puts a duty of 20 per cent on all lithographic pictures except the children's toy-book pictures, as you will see if you will read it through.

Senator JOHNSON. I have read it right here.

Mr. MALCOMSON. You will see that simply because we put the lithographs in the shape of booklets and toy books for children's use we are put at 12 per cent, while lithographs which are not in the shape of booklets and are not in the shape of toy books are dutiable at 20 per cent. All we ask is that we be put on a par with those goods that pay 20 per cent duty.

Senator SMITH. What paragraph is that?

Senator JOHNSON. 333.

Mr. MALCOMSON. The suggested amendment is to paragraph 333, so that that should read, beginning with the first word "booklets," on line 12:

Booklets, books of paper or other material for children's use, not exceeding in weight 24 ounces each, printed in whole or in part by lithographic process, not decorated by hand or spraying, 20 per cent ad valorem.

Senator SMITH. Why not put both of them at 20 per cent?

Senator JOHNSON. Why do you leave out "fashion magazines or periodicals"?

Mr. MALCOMSON. Because they are done by hand. They are far more expensive than these children's books. These children's books are toy books. They are not like the fashion magazines.

Senator SMITH. Twenty per cent would not be unreasonable on them if they were done by hand, either.

Senator HUGHES. He wants more than that.

Senator SMITH. Oh, no; he does not want more if they are done by hand.

Senator HUGHES. He said something about 30 per cent.

Mr. MALCOMSON. Those fashion magazines are very expensive.

Senator SMITH. No; he says they are so expensive that the 20 per cent duty on them would produce revenue enough.

Senator HUGHES. Is that what you mean?

Senator JOHNSON. Your suggestion is 20 per cent if decorated by hand?

Mr. MALCOMSON. I have not any objection to it, but I am only calling your attention to the fact that it is a great injustice that we should be put in a class carrying 12 per cent ad valorem duty, when the unbound lithographs in that book are put down at 20 per cent.

Senator SMITH. Where is that part?

Mr. MALCOMSON. We are discriminated against. I admit that I think it has occurred, possibly, from an oversight. Now, I will admit there is a reason why these expensive fashion magazines, which probably would cost \$1, some of them, and the hand-painted goods which would cost \$1 or \$1.50, hand-painted booklets, should have a duty of this amount. Some of them are very expensive, and 20 per cent on those might be considered a considerable duty.

Senator SMITH. Those very fancy and expensive ones are largely waste, luxuries?

Mr. MALCOMSON. They are luxuries.

Senator SMITH. The average child or average person does not buy them.

Mr. MALCOMSON. They are all luxuries.

Senator SMITH. They are just fancy luxuries.

Senator HUGHES. That is the reason they put the children's books at 12 per cent, I suppose.

Mr. MALCOMSON. They are toys. They are luxuries.

Senator HUGHES. If we put the simple products at 20 per cent, I would put the very fancy ones at 20 per cent, too.

Mr. MALCOMSON. Of course we do not deal in those books. We have no hand-painted books, and I do not feel qualified to talk about matters that I do not understand or with which I am not familiar. I do know about these articles, however. I do know what my people have had to run up against in this increase from \$10,000 to \$200,000 in a couple of years. The market here is flooded with these goods.

Senator SMITH. What does the present tax amount to, ad valorem?

Senator JOHNSON. It is 6 cents a pound.

Mr. MALCOMSON. It is between 25 and 35 per cent, as I said. All other toys are 35 per cent. That is the proposed ad valorem duty that you have in this bill before you. You will find it on page 89. On page 89 you will find that all of these are 35 per cent ad valorem.

Senator HUGHES. Do you manufacture these books and booklets?

Mr. MALCOMSON. We manufacture them; yes. McLaughlin Bros. are probably the largest manufacturers of these toy books in the country. Their factories over in Brooklyn run over 2 or 3 acres.

Senator HUGHES. What is your production now per year?

Mr. MALCOMSON. I could not give you that offhand.

Senator HUGHES. Has it increased or decreased in the last few years?

Mr. MALCOMSON. I think they have just about held their own. In that line of their goods they have just about held their own. That is what Mr. McLaughlin told me the other day. Like other manufacturers, as these large increases of importations have come they have had to make up with some other lines what they might have had in this.

Senator JOHNSON. We were going to take up this whole paragraph next Tuesday with the lithographers and an expert from the department who is familiar with the section, and try to reconstruct it. Parties are coming from New York, Chicago, and Philadelphia who are interested. They are largely lithographers, though.

Mr. MALCOMSON. Of course, we are not lithographers, generally speaking.

Senator JOHNSON. I understand what you mean.

Mr. MALCOMSON. We are the toy people. We run along in this line of luxuries. Now, all lithographs are not luxuries. I am not familiar with all of them, but that is the amendment I suggest, and I will ask permission to file a brief.

Senator JOHNSON. Will you file a brief with us, too, covering it?

Mr. MALCOMSON. Yes.

Senator JOHNSON. We shall be pleased to have you do that, so that we may have it next Tuesday to take it up at that time.

Mr. MALCOMSON. Yes; I have tried to make a preliminary statement so that Senators may see just what the effect of that will be.

Senator JOHNSON. I wish you would be here next Tuesday, too, when the others are here, when we take up the section. We would like to hear your views then when they are here.

Mr. MALCOMSON. Yes.

STATEMENT OF MR. RUDOLPH GAERTNER, OF NEW YORK CITY.

PARAGRAPH 333.—*Decalcomanias.*

Mr. GAERTNER. Mr. Chairman, the only thing in paragraph 333 about which I want to say a few words is down on line 20:

Decalcomanias in ceramic colors, whether or not backed with metal leaf, and all other decalcomanias, except toy decalcomanias, 20 per cent ad valorem.

Senator JOHNSON. That is the particular?

Mr. GAERTNER. That is the one thing in which we are interested. To show you what it is, here is a piece of pottery. The decoration on there is decalcomania. Here are two pieces of wood on which the decoration is decalcomania.

Senator HUGHES. What chiefly troubles you is the classification language?

Mr. GAERTNER. We want a lower duty.

Senator HUGHES. One gentleman who was in here said that the proposed lower rate made some of the decalcomanias he imported actually higher than the present rate. The present duty is specific.

Mr. GAERTNER. That was I. That is so.

Senator HUGHES. It was not you who told me. It was another gentleman whose name is O'Brien. Your name is not O'Brien?

Mr. GAERTNER. No. We were here on the same day, and we told you that what he said was perfectly correct.

Senator HUGHES. What I was interested in was to have him or you submit language that you thought would correct that so that we would lay the kind of duty we wanted to lay.

Mr. GAERTNER. It is this way. It says here "Decalcomanias in ceramic colors, whether or not backed with metal leaf, and all other decalcomanias, except toy decalcomanias, 20 per cent." The first line of this, "Decalcomanias in ceramic colors, whether or not backed with metal leaf," is absurd, because there is no ceramic decalcomania that has ever been backed with metal leaf.

Senator HUGHES. It could not come off, could it, if it was backed with metal leaf?

Mr. GAERTNER. No; it could not be used.

Senator HUGHES. You could not transfer it?

Mr. GAERTNER. No; you could not transfer it. To show what it is, I brought down here a few sheets of this paper. This is a decalcomania sheet that is used in the potteries. Here is another one.

Senator HUGHES. How many firms are making these decalcomanias?

Mr. GAERTNER. There are at the present time three firms in this country, outside of some potteries making their own.

Senator HUGHES. Are those firms of much consequence, the three firms?

Mr. GAERTNER. The largest is in Chicago.

Senator HUGHES. Mr. Myercord has a plant. Is that the Chicago plant?

Mr. GAERTNER. Yes.

Senator HUGHES. Is that the biggest plant?

Mr. GAERTNER. Yes.

Senator HUGHES. What does his production amount to, in dollars?

Mr. GAERTNER. I do not know for sure. I can only take his own statements.

Senator JOHNSON. I was going to suggest to you this: We have made an appointment with Mr. Myercord and other lithographers for Tuesday next. They are to be here with a Government expert to take up that same section. Why is it not best for you to come when they are all here? Mr. Myercord is coming with some New York lithographers.

Mr. GAERTNER. Well, I have been waiting to get away to Europe.

Senator HUGHES. Strictly speaking, Mr. Gaertner is not interested in lithographs; only in decalcomanias.

Senator JOHNSON. That particular section of the paragraph he is interested in, and they are, too.

Mr. GAERTNER. All I have to say will consume just about two minutes.

Senator HUGHES. You can have all the time you want, but we thought we might get more information if you could be here. What I would like to have you do is to suggest a classification that will deal equitably with the various qualities and grades of decalcomanias. I see here they have left it at 20 per cent.

Mr. GAERTNER. Yes; 20 per cent ad valorem.

Senator HUGHES. And it was formerly as high as 43 and 48. The specific carried it up that high.

Mr. GAERTNER. Yes.

Senator HUGHES. But the specific, I understand, in some instances, on high grades of decalcomanias, made the equivalent ad valorem much lower.

Mr. GAERTNER. That is so. We are perfectly satisfied to have an ad valorem rate which will tax the higher grades higher than the lower grades, as it should be.

Senator HUGHES. What is your suggestion now?

Mr. GAERTNER. Our only suggestion is that we would like to have the duty reduced down to the rate as the Dingley rate was.

Senator HUGHES. What was that?

Mr. GAERTNER. The Dingley rate was 20 cents a pound, which averaged about 10 per cent ad valorem.

Senator HUGHES. Twenty cents a pound would make some of those high-priced decalcomanias—

Mr. GAERTNER. Cheaper.

Senator HUGHES. Amount to nothing. The duty on them would amount to nothing.

Mr. GAERTNER. That is so. But the importation of them is very small.

Senator HUGHES. What we would like to do is to collect more duty on the high-priced decalcomanias, if we could, and less on the cheaper.

Mr. GAERTNER. That is why we say we are perfectly satisfied if you levy an ad valorem.

Senator HUGHES. Is there not some difficulty in determining the value of the decalcomanias?

Mr. GAERTNER. Not a bit. The market is open.

Senator HUGHES. I mean is it not difficult for an examiner at the port to do other than take the word of the man who enters the decalcomanias for import?

Mr. GAERTNER. There has never been in my experience any question as to the value of a decalcomania sheet.

Senator HUGHES. You suggested 20 cents a pound. Of course, that is not an ad valorem.

Mr. GAERTNER. I beg your pardon; 20 per cent ad valorem.

Senator HUGHES. That is not what they propose.

Mr. GAERTNER. That is what the House bill says, but we ask for a reduction.

Senator HUGHES. What rate do you suggest?

Mr. GAERTNER. Ten per cent.

Senator HUGHES. You say that is what it was under the Dingley law?

Mr. GAERTNER. Under the Dingley law it was 20 cents per pound, which was equal to about 10 per cent ad valorem average.

Senator HUGHES. That is your suggestion?

Mr. GAERTNER. That is our suggestion; that is all.

Senator HUGHES. That is, you would have it read, "Decalcomanias in ceramic colois, and all other decalcomanias"?

Mr. GAERTNER. Yes.

Senator HUGHES. Cutting out "whether or not backed with metal leaf"?

Mr. GAERTNER. Yes.

STATEMENT OF MR. GEORGE MEYERCORD.

PARAGRAPHS 333 AND 337.—*Lithographing, etc.*

Mr. MEYERCORD. The last time, if you remember, Senator, the question of statistics came up. I had for illustration at that time, these examples, if you will remember, wherein I showed that the paper value remained the same, and that the statistics on black and white had no bearing on color lithography.

Senator Hughes, at the time, suggested that I look up, if I could, and find out if the Government had any records. I have secured some galley proofs from the department yesterday, and those proofs show, while they still contain and do not segregate color lithography, that they still have bank notes, etc., maps, etc., and metal stuff included in here; but it gives the industry and shows almost double the proportion of labor to the industry that the printing statistics receive on which the Ways and Means Committee, in their wisdom, saw fit to allot 15 per cent.

Senator HUGHES. The wages are \$10,202,000—

Mr. MEYERCORD. That includes, as you will see, litho-metal. The value of the material is very much greater pro rata there and reduces the labor. Then there are bank notes and black and white stuff. The color is not segregated. We know for a fact it is 45 per cent of the value of the product. The printing industry gives it out about half of what this segregation gives it.

That is the best I could procure from the Government. As you see, there is black and white stuff in there, which is not imported, and the metal is included in there; consequently, this is still unfair to our presentation of the color issue.

That goes to clearly show this point, and that is that the printing is allotted 15 per cent. Lithography has the added work prorated to the product, and it is given, for instance, on booklets, 12 per cent, and the general schedule is only two points higher for color lithography as allotted by the House bill to the industry. As compared to the printing industry, they have allotted general lithography 20 per cent, whereas printing has been allotted 15 per cent, and you can readily see the ratio of labor, even by these statistics, is 2 to 1, and they have black and white lithography, which, on account of the speed feature, cannot be imported.

Senator HUGHES. This lithographic classification here is as follows: "Labels, flaps, and cigar bands, if printed entirely in bronze printing, 15 per cent ad valorem."

Senator JOHNSON. Have you any suggestion to that classification?

Mr. MEYERCORD. We would like a maintenance of the Payne-Aldrich language for the purposes of our records, for the Government's future records, and for the benefit of the men that make the post cards—and he knows it is a post card or not, and if it is a book insert he knows that. We would like the record maintained because of these subdivisions. The man that makes one kind, as a rule, has equipment that does not lend itself to the making of the other kind.

Senator HUGHES. You start out with "labels, flaps, and cigar bands." Is that the way the bill starts out?

Senator JOHNSON. The bill reads, "pictures, calendars, cards, labels," etc.

Senator HUGHES. You do not include those?

Mr. MEYERCORD. They have the rate there, too. When they get down here [indicating], these brackets are all lumped. This does not take care of color lithography in the line of cigar labels at all. It does not speak of color whatever. That language would be subject to court interpretation. In no time there would be a protest on it and you would have the whole bill in litigation.

These subdivisions are necessary for the sake of gradation of the work. I think a reference of that matter to the Government expert would disclose that.

Senator JOHNSON. Is there a Government expert here?

Senator HUGHES. Yes; here is Mr. Billsborrow.

Senator JOHNSON. Will you state your name, please, and your position?

Mr. BILLSBORROW. F. E. Billsborrow, examiner of lithographs and manufacturing paper, for the Treasury Department at the New York port of entry.

Senator JOHNSON. What do you say about this proposition?

Mr. BILLSBORROW. Under the present bill, it is provided as follows:

Labels and flaps, printed in less than eight colors, bronze printing to be counted as two colors, but not printed in whole or in part in metal leaf, 20 cents per pound; cigar bands of the same number of colors and printing, 30 cents per pound; labels and flaps, printed in eight or more colors, but not printed in whole or in part in metal leaf, 30 cents per pound; labels and flaps, printed in whole or in part in metal leaf, 50 cents per pound; cigar bands, printed in whole or in part in metal leaf, 55 cents per pound.

They make the subdivision of over eight colors and under eight colors.

Senator HUGHES. Is that just a specific duty by weight?

Mr. BILLSBORROW. A specific duty by weight; yes.

Mr. MEYERCORD. We would like the specific rates maintained.

Senator JOHNSON. What do you say about this change? The House bill seems to simplify it. Is it possible to do so and still protect the people who are interested in this industry?

Mr. BILLSBORROW. My candid opinion is, under the present tariff it can be easily divided. You can count colors readily on cigar bands and cigar labels.

Mr. MEYERCORD. In other words, the schedule is easily interpreted?

Mr. BILLSBORROW. The schedule is easily interpreted; yes.

Senator JOHNSON. What is the objection to this attempting to simplify it and put it into one?

Mr. BILLSBORROW. The only thing I have been unable to determine is with reference to the wholesale quantity, and to get the market we have to determine what is the wholesale quantity.

Senator HUGHES. It seems the value depends on the number that have been ordered. That question came up before.

Senator JOHNSON. Yes; and the number of colors, too.

Mr. MEYERCORD. And the quantity ordered; yes.

Senator HUGHES. If a man ordered a thousand, they would be worth more than if he ordered 10,000 or 50,000.

Mr. BILLSBORROW. There is virtually no limit in the way of giving the order.

Senator HUGHES. Do you think a specific classification on just the paper or the weight is a good one?

Mr. BILLSBORROW. I think so.

Senator SMITH. Why do you have to determine whether it is wholesale or retail quantity?

Mr. BILLSBORROW. The tariff law says, "usual wholesale quantity," in order to determine the value. In other words, if a man bought extremely heavy of a certain quantity, being a big man, he would naturally get them at a lower rate. We are compelled to raise them to the same value of the usual wholesale quantity. In nearly every other duty, as is manifest in lace paper, for instance, it is quoted so much per thousand boxes, and if a man gets 10,000 or 5,000, it is irrespective what it is per thousand, but in labels or lithograph goods it makes quite a difference in the way of value. For instance, some post cards that come in, if they buy a thousand of a kind, they would come in at 28 marks. If they gave a reorder for that same thing and bought 5,000 they would come in at 7 marks. That is the actual value given.

Senator JOHNSON. You think the classification of the old bill ought to be retained?

Mr. BILLSBORROW. I think it is more easily interpreted and would create less friction.

Senator HUGHES. The bill is more easily administered with a specific rate?

Mr. BILLSBORROW. Yes, sir; the bill is more easily administered with the specific rate.

Senator JOHNSON. How about the rates of duties themselves? I suppose you want 15 per cent ad valorem, Mr. Meyercord? I notice the equivalent we give here is more than double.

Mr. MEYERCORD. The answer to that is the heavy importations under the schedule. The answer to that is that the industry does not make at this time a profit equivalent to the cut that is meant here by this cut in rates.

The **CHAIRMAN.** Somebody showed us some cigar labels when we met before and said they could be made as cheaply here as anywhere.

Mr. MEYERCORD. Taking an isolated instance and trying to predicate a tariff on it. Here [indicating] are actual letters with quotations that the American could not possibly touch. There are direct import offers with samples of their work, which you will see is very fine.

(Several papers were here exhibited to the members of the committee).

That goes back to the question of speed of machinery. If you will remember the previous conferences on the question of machinery speed, you will recall that matter was discussed there. Here [indicating] are German catalogues, the very latest, that have just arrived, of printing machinery, giving the speed ability. Here [indicating] is a press running 2,400 an hour.

Senator JOHNSON. That would not mean much to me.

Mr. MEYERCORD. Here is another maker's catalogue, showing his speed machinery. In my statement made previously, the statement was made that we operate so much faster than the foreigner. Here these machines are all under the very highest speed, and conditions proving the point that we make, that they have the equipment and facilities abroad the same as we have in this industry, and that that feature is not fair to us, to pretend higher speed here unless that speed is made at the sacrifice of the quality of the work.

Senator JOHNSON. Does this classification need to be all retained?

Mr. BILLSBORROW. They could combine the schedule on labels, flaps, and bands all at once. It would simplify things all the way down if they would do that instead of making a subdivision between bands and labels. They are virtually made the same, I think. The only difference is in the cut.

Mr. MEYERCORD. The difference in the rates here is somewhat accounted for by the fact that the bands, when stamped out, lose a certain percentage of paper in the weight, and the band segregation is accounted for by the fact of added labor that is used to stamp out a band as against the label itself, and then, of course, there is the loss of weight for customs purposes when you leave that paper behind—that is, you leave a certain proportion of the paper in Europe when shipping the bands over here.

Take this band [removing a band from a cigar] and spread it out and you will see that is originally printed in a sheet form, and they have lost a certain amount of that paper weight, and that is estimated at about one-third. Consequently, the rate was made to compensate for the weight that was taken away in the manufacture of that band. The label itself is a sheet, square like this [indicating]. There is no weight of paper taken off there. The weight of paper lost is estimated at one-third on the average band. That is why this rate was set one-third higher for the band than for the label in the same printing colors. That is a perfectly logical rating.

Senator SMITH. As part of the weight had already been turned off the band, it was put at the higher rate?

Mr. MEYERCORD. Yes, sir.

Senator SMITH. So as to make the rate really the same?

Mr. MEYERCORD. The same as the label rate; yes, sir.

Senator JOHNSON. How about the invitations under that schedule?

Mr. BILLSBORROW. We do not keep records of them.

Senator JOHNSON. Are they separated so you could?

Mr. MEYERCORD. I think those are separated.

Senator JOHNSON. But there is no segregation of the cigar bands, labels, and flaps? This reads "pictures, calendars, cards," etc., and everything all together.

Mr. BILLSBORROW. Yes, sir.

Mr. MEYERCORD. Yes; they lump them in together in this particular record. Even in the bulletin of the Department of Commerce and Labor they are put together; even they have not segregated the records.

Senator SMITH. Do you accept as correct these figures showing what the ad valorem is by the weight as given under the present bill?

Mr. BILLSBORROW. So far as I know, they are correct.

Senator SMITH. You think they are substantially correct?

Mr. BILLSBORROW. That I could not say, Senator.

Senator SMITH. Where do these figures come from?

Mr. MEYERCORD. These figures come from the yearbook, the Department of Commerce and Labor Yearbook, the latest available yearbook. These records are merely the Government records, taken from that yearbook.

Senator JOHNSON. What do you think these specific duties ought to be? They ought to be cut some. They have been too high. How much do you think they should be reduced?

Mr. MEYERCORD. I say they should not be cut, because there are heavy importations under every bracket, and if you have a competitive tariff without throwing our people out of work, you can not cut the rates without doing that very thing. It means a certain percentage in idle employees in our establishments.

Senator HUGHES. What is the production of cigar bands under that 30 cents a pound rate?

Mr. MEYERCORD. There are about 100 presses that run about \$20,000 a press. The market production of cigar bands in that bracket would run about \$1,800,000 to \$2,000,000, American selling value.

Senator HUGHES. The importations seem to be about \$77,000; that is, on the 30-cent per pound cigar bands.

Mr. MEYERCORD. The importations have averaged \$250,000 for the last three years. That is the marketing value. The American marketing value is given in our figures as from \$1,800,000 to \$2,000,000. The marketing of this commodity means that the lithography import at port of entry will average about 60 cents on the dollar, and the American displacement consequently would be \$400,000 worth, and to equalize that on the matter of cigar label and band importations you would have to make it from 22 to 25 per cent to have a strictly competitive tariff.

Senator SMITH. What per cent did you say?

Mr. MEYERCORD. Twenty-two to twenty-five per cent comes in, I say, that displaces the American product.

Senator HUGHES. You are giving the American value of the foreign product that comes in?

Mr. MEYERCORD. I said the rate ought to be 22 to 25 per cent, but what I meant was that there are from 22 to 25 per cent of the bands and labels to-day displacing the American product. It is surely a competitive tariff.

Senator SMITH. Or that the American production does not displace?

Mr. MEYERCORD. Any way you put it, Senator, the American manufacturers do from 75 to 80 per cent in that particular bracket. Any cut in that bracket means simply displacing that much.

Senator SMITH. In other words, you think 20 to 25 per cent is competitive?

Mr. MEYERCORD. Yes, sir.

Senator JOHNSON. Have you anything more to say on that bracket?

Mr. MEYERCORD. Nothing.

Senator JOHNSON. The next is—

All labels, flaps, and bands not exceeding 10 square inches cutting size in dimensions, if embossed or dye cut, shall pay the same rate of duty as hereinbefore provided for cigar bands of the same number of colors and printings, but no extra duty shall be assessed on labels, flaps, and bands for embossing or die cutting.

Mr. MEYERCORD. That would go in above there, but there is very little importation of that particular commodity. That is the little perfume labels and things of that character.

Senator JOHNSON. Do you think that provision is necessary?

Mr. BILLSBORROW. It was never in until the last tariff. It was not in the previous tariffs.

Mr. MEYERCORD. We will be content to have that cut out.

Senator JOHNSON. Do you think it is necessary?

Mr. BILLSBORROW. There is not much of that import with the exception of those tags.

Senator JOHNSON. Where do they go when they do come in, if they do not come under this section?

Mr. BILLSBORROW. Twenty cents a pound, under the present tariff, under the item of "all other lithograph prints."

Mr. MEYERCORD. Coming back to the question of what would happen if these rates are cut, let me say this is a competitive tariff, if that is what you are after; it is a competitive tariff to-day. If that is what you are after, you have about \$400,000 import displacement value each year, and you have about \$1,800,000 domestic production. Any slight cut of two or three points in production or in the rate would change that situation materially. This is not a protective tariff. It is a fighting tariff at the present minute. The lithography schedule has always been strictly a fighting schedule, because there are importations of every kind, and at this time the fighting is to the point where the importer gets about one-fourth, very roughly speaking.

Senator HUGHES. It seems to me this trade depends very largely upon the ability of the individual designing.

Senator SMITH. And if we reduce the tariff one-half it will be necessary to double that amount of importations—in other words, to import one-half of the entire consumption to bring the amount of revenue we now get.

Mr. MEYERCORD. Yes, sir; that is the result. It is not, of course, a necessity to have that band on a cigar.

Senator SMITH. Is the cigar itself a necessity?

Senator HUGHES. Have you any export figures?

Mr. MEYERCORD. Exports of \$150,000 a year. They consist of things like this, for instance: The International Harvester Co. buy 50,000 or 100,000 calendars and send 75,000 to a foreign agency. The De Laval Co. have a transaction at this moment with Mr. Powers, who is sitting in this room at this minute, wherein they undertook to purchase a certain number of calendars, and they discovered they could do the lithographing at Toronto, where they want them sent, in the Dominion, very much cheaper than it could be done here, and they are having the plates sent to the Dominion for printing purposes. Mr. Powers loses that part of the Canadian work.

Senator JOHNSON. Do you do any work for foreign purchasers?

Mr. MEYERCORD. No, sir. There might be an isolated transaction of some American getting a foreign place, becoming manager at some foreign place in some isolated instance, and not knowing any other lithographer, and wanting certain kinds of work done and not knowing where to get it there, he might order an American lithograph. But there is none of record that we know of.

We are forced to lose their good will and their custom if we refuse to deliver to the foreign lithographer the plates and designs that we have made, because we can not compete with foreign prices on that specific way of doing the work as to that part of the order.

Leaving cigar bands for the moment and coming now to the question of booklets, the House bill states 15 per cent on booklets in black and white, and I submit it is absolutely unfair to put a colored product, which has double the labor and triple the labor on it on a 12 per cent basis, when you have 15 per cent for a black and white printed book. That is penalizing our labor absolutely.

Senator SMITH. Your position is that we ought to keep the law as it is on the subject, fixing it by pounds and not lessening the rate per pound?

Mr. MEYERCORD. We certainly think you will do it. We do not have the hope so firmly, however, or so fully engrafted in our system as to not feel that we should stand pat around here.

Senator HUGHES. A specific rate of 50 cents a pound runs the ad valorem up.

Mr. MEYERCORD. That is metal leaf. If the House rate on metal leaf stands, that rate can stand to go to 40 cents a pound, provided the House rate on metal leaf stands. The metal-leaf bracket can stand a reduction if the House rate on metal leaf, the Underwood rate is let alone.

Mr. BILLSBORROW. I had many inquiries from other ports of entry with reference to that matter. The nitric acid does not tell metal leaf always. Invariably you can tell it better under the glass. They seem to have a great deal of trouble so far as metal leaf is concerned.

Mr. MEYERCORD. If that House bill lets the metal leaf alone, you can throw that bracket in there and cut off the words "metal leaf." That 50 and 55 can be thrown into the 40-cent proposition if the other is left alone. The metal leaf is light and will float in the air, almost; but they have got the metal leaf cut from about 70 or 80 down to 30 under the law, and that bracket will stand a reduction under the Underwood law as it is before you. I suggest it be put under eight colors, and that means regardless of colors of the metal leaf, to bring it into that bracket.

Mr. **BILLSBORROW**. It would simplify the matter, especially for other ports.

Senator **HUGHES**. The point you are making is that under the Underwood classification of 15, 25, and 30 per cent you do not need that 30 per cent at all? Fifteen and 25 will be just as good to you as 15, 25, and 30?

Mr. **MEYERCORD**. Yes, on the leaf proposition. They could be bracketed here [indicating], but that will almost wipe out all but the hurry-up delivery business. They have cut the rate immensely on metal leaf. The result is that that rate on metal bands and labels can stand a reduction prorata to the nonleaf article. That is the point I want to make.

Senator **JOHNSON**. You suggest 40?

Mr. **MEYERCORD**. Throw that into that last bracket—the metal-leafed article—regardless of the color.

Senator **JOHNSON**. What is your criticism with reference to booklets?

Mr. **MEYERCORD**. That rate has shown a heavy increase of importations under the Payne-Aldrich bill, according to Government records.

Senator **SMITH**. This is only 15 per cent.

Mr. **MEYERCORD**. No; that is only one bracket.

Senator **SMITH**. The first one is 15 per cent, 1 cc. The paper is 20.

Senator **JOHNSON**. The proposed bill makes 12 per cent for all and throws them into one bracket.

Mr. **A. B. MALCOLMSON**. The point here, Mr. Chairman, is that under paragraph 337 plain type-printed books are 15 per cent ad valorem. Under this section, 333, lithographed books of the same kind are put at 12 per cent. In other words, a lithographed book that costs sometimes five and six times as much as a plain type-printed book is put at 3 per cent ad valorem less than section 337 puts the plain books. That 12 per cent should be at least 25 in order to be just.

The **CHAIRMAN**. It should be at least 15 per cent, like the other one?

Mr. **MALCOLMSON**. That would simply put it on a par with the plain type-printed book.

Mr. **MEYERCORD**. That rate that is in the Payne-Aldrich bill should not be cut.

Senator **SMITH**. If it is changed it ought to be raised?

Mr. **MEYERCORD**. Yes.

Senator **SMITH**. What are the importations?

Mr. **MEYERCORD**. Last year they were \$200,000 European value, duty \$10,518, and when you get them on the market it amounts to displacement value of about \$400,000. That is, for the lithographed booklets.

Senator **JOHNSON**. If we make an ad valorem duty, will it be satisfactory?

Mr. **MALCOLMSON**. If the ad valorem duty is put as a rate which will equalize the other ad valorem duties; if the other articles are going to be on an ad valorem basis, they all ought to go together on the ad valorem basis in the same way; but the ad valorem of 12 per cent on lithographed books is out of proportion.

Senator SMITH. Can the ad valorem duty be administered to books and booklets?

Mr. MALCOMSON. It can be administered, but it is a very difficult thing to administer, because of the article you are dealing with. You are dealing with lithographed goods.

Senator SMITH. When you get to "booklets decorated in whole or in part by hand," is not an ad valorem duty better for them? Decorated by hand! I do not see how you can measure them by the pound.

Senator HUGHES. That is just the thing they can not get. They can weigh it and charge so much on it; but they do not attempt to do so.

Senator SMITH. What about the question of views of localities, where there seems to be an ad valorem rate?

Mr. MEYERCORD. That is 85 per cent labor. That is a labor item, pure and simple.

Senator SMITH. But are you going to prevent landscapes from being advertised? Do you want to dispute the advantage of advertising landscapes by sending them out in this way?

Mr. MEYERCORD. You pay two for a nickel or a nickel a card in any store; and do you know what this 70 per cent means?

Senator SMITH. They want to advertise their localities; they want to buy these views of localities and give them away and send them over the country to advertise their locality.

Mr. MEYERCORD. They are sold cheaper to-day than they were before the Payne-Aldrich bill was written into the law under this rate.

Senator SMITH. What was the rate before?

Mr. MEYERCORD. The rate was 5 cents per pound. Ninety-seven or 98 per cent were imported.

Senator JOHNSON. I want to call attention to this fact, that the paper upon which these post cards and souvenirs are printed is dutiable at 35 per cent ad valorem. The House bill only provides 20 per cent ad valorem on the cards. The post-card souvenir, lithographically printed, is 20 per cent ad valorem.

Mr. BILLSBORROW. There are no cards come in under eight-thousandths of an inch. They are never imported at all.

Mr. MEYERCORD. "Exceeding eight-thousandths and not exceeding twenty thousandths" is where they come in. They come in at 8½ cents per pound.

Senator JOHNSON. It is that 45 per cent that they want cut down?

Mr. MEYERCORD. Who does?

Senator SMITH. The people all through the West.

Mr. MEYERCORD. That is a put-up job, Senator, and I can furnish you the circulars, the original circulars, from the importers egging on the proposition and getting a lot of fellows to write in here. It is all in the official records. I can show you the original circulars, sent out by the foreign producers of cards, egging on a campaign here of protest.

Senator SMITH. And the protests came, too.

Mr. MEYERCORD. I have no doubt; and the American News Co. have very many avenues from which they can send them in.

Senator JOHNSON. Why does not the American furnish these in small lots? The Germans used to do it.

Mr. MEYERCORD. That is the view card you are talking about?

Senator JOHNSON. Yes.

Mr. MEYERCORD. Mr. Livingstone can tell you about that, Mr. Chairman.

Mr. LIVINGSTONE. They do furnish them in small lots, Mr. Chairman.

Senator SMITH. But they charge more for them?

Senator JOHNSON. We were told they could not get them at all in small lots.

Mr. LIVINGSTONE. If you will remember, at the previous talk on this matter this same question came up, and I made the statement at that time that there is not a town or hamlet in the United States that is not supplied with view cards, and I have since checked that matter up. You can get view cards in this country down to 500 of a subject, and I want to add in addition that since this Payne-Aldrich tariff was written the price that both the wholesaler—including the dealer, too—and the retail consumer pay for the card is less than when that bill was written. There are quite a number of factories. You can get view cards in any quantity.

Senator SMITH. Did they reduce or raise the rate?

Mr. LIVINGSTONE. The rate has been, as a matter of fact, reduced in this country for this reason, that in 1909, when the Payne-Aldrich bill was enacted, practically all of the view cards used in this country were being imported. There was a small amount being manufactured here, but very much less being manufactured than were manufactured previous to the Germans coming in here. When the Payne-Aldrich bill went into effect it gave the American manufacturer an opportunity to aggregate a sufficient volume together so he could get lower costs, and as a matter of fact the cards are sold to-day at less than when the bill was enacted, both to the consumer and the wholesaler.

Senator JOHNSON. Did that bill raise the tariff rate or lower it?

Mr. LIVINGSTONE. It raised it, but I want to point out again that the reason it raised it was this: At the time the Dingley bill was enacted there was no special clause for view cards at all, and they fell into the catchall clause at 5 cents a pound. That was designed for another product in which the conditions of manufacture are totally different and in which the ratios of labor cost to material are so widely divergent that they do not belong to the same class. It was an accident that they fell in there as they did. Because 5 cents a pound was considered a scientific rate or a proper rate for the other items was no reason why view cards should be included there at the same rate. Subsequent to the enactment of the Dingley bill of course this article commenced to be manufactured, and it had to fall somewhere, as it was not classed, and it went into that catchall clause, so it follows that the Payne-Aldrich bill was the first one that classified it as an article or attempted to deal with it on its merits at all. That is why you now have a special rate for it. There is another reason why it required a special rate, and that is the editions are very small indeed. Take that fancy card there on the table [indicating]. An edition of a card like that may run up to even a million copies or it may go down to 5,000 copies, but very frequently it will run 30,000 or 40,000 or 100,000 copies, whereas the average edition of a view card does not exceed from 3,000 to 4,000 copies, and sometimes runs down to 1,000 copies. Once in a while it will get to 10,000, but not often.

Senator HUGHES. You made a suggestion the last time you were here with reference to rates which you thought you ought to have on these cards—I think an ad valorem rate. What was it?

Mr. LIVINGSTONE. I stated the last time that the average labor percentage of the total shop cost was 70 per cent on the view card. I said that as the foreign labor was one-third that, to equalize the labor cost it required a differential of 88 per cent ad valorem.

I further said that the transport never exceeded 10 per cent, and if that 10 per cent were deducted—as a matter of fact, it oftener equals 5 to 7 per cent—you still required 78 per cent to equalize foreign costs. The Payne Aldrich bill gives us an average of 70 per cent.

I said further that the reduction from 70 per cent to 45 per cent in the Underwood bill would make a sufficient difference to cause a very serious damage to the American trade, and that a reduction in volume of the American trade would cause the American costs to rise quite sharply.

It is particularly an article in which the volume aggregated together has a great deal to do with the cost. That is the reason, Senator Smith, why you are getting the rate lower to day than you did before this Payne Aldrich bill went into effect—that is, to the wholesaler and the retailer both. There is no place in the country that cards are not sold or that they can not be obtained, and in any edition you want.

Senator SMITH. If the labor cost is 70 per cent, and the American two thirds higher, or the European one-third of the American, 45 per cent would just about cover the difference.

Mr. LIVINGSTONE. It does not figure that way. You must compute on the foreign price.

Senator HUGHES. You have to take the European value.

Mr. LIVINGSTONE. If labor is 70 per cent of the shop cost, and if the foreign labor is one-third of ours, it would be one-third of 70 per cent, or about 23 per cent. That means that on every dollar of our cost, the foreign card would cost 47 cents less; but you have to compute the ad valorem required on the European value and not on the American value, and you will find that will produce 88 per cent.

Senator HUGHES. If you were paying 45 per cent on the American value, you would have the difference between 47 and 45, under your figures, as to the difference in labor cost.

Mr. LIVINGSTONE. But that percentage ad valorem is assessed by the Government on the foreign cost, which, of course, brings it up to 88 per cent.

Senator JOHNSON. I do not know that I understand the proposition exactly as stated in our book here; but in our tariff handbook, under the heading, "Post cards, lithographically printed," the ad valorem equivalent is only given at 28.58.

Mr. MEYERCORD. But that is not the view card. On page 260 you will find it. You are on the wrong page, Senator.

Senator JOHNSON. I see; I have the wrong page.

Senator HUGHES. How do you sell these cards?

Mr. LIVINGSTONE. By the thousand; all dealers do.

Senator HUGHES. What do you get a thousand?

Mr. LIVINGSTONE. We have cards that we sell all the way from \$3 to \$40 a thousand.

Senator HUGHES. A specific rate would not work very well on such a wide range of value as that.

Mr. LIVINGSTONE. But on the specific rate something has to be sacrificed, and we are sacrificing on the high-grade card. As a matter of fact, these lithographically printed cards have a—

Senator HUGHES (interposing). I am talking about the view cards.

Mr. LIVINGSTONE. I understand that. These lithographically printed view cards have a much narrower range, so far as 95 per cent of them are concerned.

Senator SMITH. Take the average lithographed view card.

Mr. LIVINGSTONE. They are sold in this country all the way from \$2 up to \$8 or \$9 for special grades.

Senator SMITH. The average rate would be about four or five dollars.

Mr. LIVINGSTONE. There is a compound rate that exists now on these, and the reason for the compound rate was to take care of that range, and we strongly favored the retention of that compound rate.

Senator JOHNSON. When you were before us the other time, you discussed that.

Mr. LIVINGSTONE. The present rate is 15 cents a pound plus 25 per cent ad valorem, and regardless of how the rate is finally computed, we very much prefer the retention of the compound rate.

Senator JOHNSON. What do you get for a card like that (indicating)?

Mr. LIVINGSTONE. That is a card made in Germany.

Senator JOHNSON. But what do you get for a card like that?

Mr. LIVINGSTONE. I would not like to undertake to say closely in this light, but I should say that that card, if made in a 3,000 edition, should run somewhere between four and five dollars a thousand; but I would not state that positively.

Mr. BILLSBORROW. What about the thousand edition?

Mr. LIVINGSTONE. I do not think that card would be made for that price on a thousand.

Senator HUGHES. If you were to make that card or a substantially similar card, what is the lowest price you could make on it per thousand?

Mr. LIVINGSTONE. I do not think I would make that card in a thousand edition—I do not use a process exactly the same as this card, but I mean on a lithographed card which would be practically equivalent to that; and I think I could make that card, in a thousand edition, at about \$10 a thousand, I should say. If I were buying the card as a jobber in this country, whether it was under the Payne tariff or not, I would not be getting it in that process.

Senator SMITH. You would not take less than three thousand?

Mr. LIVINGSTONE. No; it is not that. I would go to another process. The photogelatin process, which is included in the lithographic process by reason of recent decisions, is particularly adaptable to these short editions.

Senator HUGHES. For what price would you make a photogelatin card like that?

Mr. LIVINGSTONE. You can buy that in the photogelatin process in this country for about \$7.50 in the thousand editions colored.

Senator HUGHES. What do you get for them?

Mr. LIVINGSTONE. I do not make that exact card, so I can not say on that particular card.

Senator HUGHES. Does anybody in this country make them?

Mr. LIVINGSTONE. Oh, yes; there are a number of people who make them in this country. I can give you further exact particulars on that if desired.

Senator SMITH. What are the retail rates?

Mr. LIVINGSTONE. The two most universal prices are 1 cent each retail and 2½ cents retail, and the goods naturally divide into two classes, between which there are some split rates.

Senator JOHNSON. I do not get the information that I want to get at yet. Why is not this 45 per cent sufficient for you the way the House bill puts it on a small thing like that post card?

Mr. LIVINGSTONE. The reason why the 45 per cent is not sufficient is this: The design itself and the labor on it, on the presses, and all the other operations, which are labor operations, are so high and the edition is so short—take a 3,000 edition, for example—

Senator JOHNSON. Any foreign competitor would have that same thing to contend with, would he not?

Mr. LIVINGSTONE. True; but we pay 70 per cent of our cost for labor, and if the foreign labor is only one-third of that, or 23 cents, as against our 70 cents, that alone creates a differential requiring 88 per cent to equalize. The only thing you can deduct from that is the transport; and as I said before, that does not equal 10 per cent on the average. The shorter the edition the higher the percentage of labor cost.

Senator JOHNSON. Forty-five per cent looks like a pretty high duty.

Mr. LIVINGSTONE. Well, suppose, Senator—which I assert is the fact—that on any card of this kind [indicating] you can buy the foreign card at an average of one-half the American price. Then that 100 per cent difference on the European value has to be equalized by something; and there are only two things it can be equalized by. One is the transport and the other is duty; and if you can only get 10 per cent out of the transport, you have got to get a high duty if you are going to continue to make the card in this country.

Senator SMITH. But would not the consumer get them for less if the duty were less?

Mr. LIVINGSTONE. No; they would not.

The proof of my contention is shown in this fact, that we are selling more than anything else what is known as a two for 5 cents card, and we have been selling them for something like 14 years now. We sold those cards first when we had to make them in a very small edition and in small volumes, so that our expenses were very much greater. We sold them as high as \$12.50 a thousand, and we have sold them since at half that amount; but the dealer took nothing off his retail price, not a cent nor a fraction of a cent. Although we gave them to him at one-half what we did before, he sold them to the retail purchaser at just exactly the same price.

If you will permit me to allude to one other thing—this demand that is coming from the West. I do not believe that any material number of dealers or any dealers who represent any material interests are asking for that, barring possibly one case, and that is the case of the American News Co. The American News Co., as you know, probably, has a great many ramifications in this country selling a

certain class of goods which it is necessary for certain patrons to get from the American News Co.; and a request from the American News Co. to them will go a long ways. They were interested—I do not know this of my own personal knowledge—but they advertised they were interested in German factories, one, I believe, in Leipzig. They would naturally like to have the tariff removed and get all their goods over there.

Senator HUGHES. You showed us some cards laid down, duty paid, \$4 a thousand?

Mr. LIVINGSTONE. Yes, sir.

Senator HUGHES. And your price on these cards is how much?

Mr. LIVINGSTONE. Of course I would not undertake to say, unless I knew absolutely the conditions; but I know that the editions of those cards could not have been over 2,000 on account of the place they come from, and I think the edition was 1,000. If the edition of that is 1,000, I could not make that grade of card under \$7.50—that particular card on top there [indicating].

Senator HUGHES. The present rate would not protect you?

Mr. LIVINGSTONE. It does not protect me on certain classes of cards, no; and that is why I say that the American dealer would not order from me that particular grade and that edition, but he will go to these photogelatin substitute people that I spoke of, and he will in a few cases go abroad.

Senator HUGHES. He will go abroad and pay duty to bring them in?

Mr. LIVINGSTONE. Surely.

Senator HUGHES. So that 70 per cent does not protect you?

Mr. LIVINGSTONE. There are cases in which it does, and there are other cases in which it does not. It protects us fairly well, and we are very well satisfied with it, I am frank to say; but if you cut the 70 per cent down to 45 per cent, you are going to bring a totally different set of conditions about, and these conditions will reduce the volume of the business we can do in this country to the point that we can not do a sufficient quantity of the business in this country—

Senator HUGHES. If we reduce it to 45 per cent, we might as well free list it, from your standpoint?

Mr. LIVINGSTONE. No; I would not say that. I know one thing that I do not have to guess about, and that is that we are going to lose a large volume of that trade; how much, no man living can say; and we do not know how the conditions are going to adapt themselves. But if, as I suspect, the trend of the trade in this country should go more into the better grade card, it is going to require every bit of that 70 per cent.

Senator HUGHES. Have you got something you are interested in?

Mr. MEYERCORD. I am interested in this schedule here in these heavy brackets [indicating on sheet]. This is the fiercely competitive end of the lithographic business. This little card right here [indicating] is a Sunday-school card, between 8 and 40 point.

Senator HUGHES. Do you make anything like this?

Mr. MEYERCORD. The association I represent, scores of our plants are interested in this article.

Senator HUGHES. This is called what, as distinguished from the view card?

Mr. MEYERCORD. This is a fancy card—souvenir.

Senator HUGHES. It comes under 35 square inches?

Mr. MEYERCORD. This card here, being embossed, would come in at 9 cents a pound. This is the general lithographic schedule, the one that scores of plants that do color lithography are all interested in. It has been dumped into a general catchall at 20 per cent.

Senator HUGHES. How does the ad valorem rate fit it?

Mr. MEYERCORD. The ad valorem is absolutely unscientific for that purpose. The same criticism that the experts of the departments have leveled against this would be leveled against this also.

Senator HUGHES. How do the imports compare with your domestic production?

Mr. MEYERCORD. The domestic production is about 60 per cent. Here are the items right here (indicating)—58 and 41.

Senator HUGHES. The duty now ranges from 31 per cent down to 23?

Mr. MEYERCORD. This is the fiercely fought end of the game, as is evidenced by the very heavy importations. The importer has gotten 90 per cent of the business. The foreign trade at the present time very largely controls the big end of it, depending somewhat upon what products you refer to. The American producer is not getting a fighting chance on it, except the quick-delivery business, unless the edition is very, very large, and where the pound rate would bring up a high equivalent, in which event the domestic naturally would get a better opportunity.

Senator JOHNSON. I want to ask Mr. Livingstone. My attention was called to a statement he made. You said, Mr. Livingstone, that view cards could be laid down here for \$4.20 a thousand.

Mr. LIVINGSTONE. For \$4 a thousand. I gave an instance there in which the card was laid down in Gulfport, Miss., within the last four months at \$4 a thousand, duty paid.

Senator JOHNSON. How much would a thousand of those weigh?

Mr. LIVINGSTONE. The usual average is 10 pounds to the thousand.

Senator JOHNSON. And there is a specific duty here of 15 cents a pound?

Mr. LIVINGSTONE. That would be \$1.50, and then 25 per cent ad valorem.

Senator JOHNSON. That would make it about 60 cents more?

Mr. LIVINGSTONE. That is the laid-down rate. I do not know what price they paid on the other side.

Senator JOHNSON. That would leave the card over there, deduct the duty, \$2.50, and then the shipping, etc.

Mr. LIVINGSTONE. Which is from 5 to 10 per cent.

Senator JOHNSON. Do they manufacture that card for \$2.20, or about that?

Mr. LIVINGSTONE. There are a great many lithographic cards, Senator—view cards, I am talking about now—that are sold on the other side at 8 marks—that is, \$2—a thousand. A great many of them in some cases have been sold less than that.

Senator HUGHES. What do you get for that kind of a card?

Mr. LIVINGSTONE. That particular card we would have to get about \$7.50 for. I estimate it at that.

Senator SMITH. For your first thousand?

Mr. LIVINGSTONE. No; I said that if it was a thousand edition only—

Senator HUGHES. He says this is probably only a thousand edition.

Mr. LIVINGSTONE. If you vary the edition, there is a wide range there. There is another thing I would not like to undertake to say. The exact grade of that card no one in this room could undertake to say, except in daylight, under the glass. There is not one man in the room here who could tell you how many colors are on that.

Senator HUGHES. But that is not an abnormal difference in the price of the cards brought into this country—the difference between \$2 and \$7.50; that is not an abnormal difference, is it?

Mr. LIVINGSTONE. It is; yes, sir.

Senator HUGHES. Do you run across that difference often in the manufacture of cards?

Mr. LIVINGSTONE. Pardon me; I do not want to answer that just in that way, Senator, because it would be misleading. I can not specify in that case without looking at that card in daylight and knowing more about it; but I will say this, that the average card, a view card of a fair quality of lithography, made abroad, the price there is about one-half what it is in this country. That is a fair average for the most used grades.

Senator SMITH. You said awhile ago that the transport would be 10 per cent?

Mr. LIVINGSTONE. It varies from 6 to 10 per cent.

Mr. MEYERCORD. For the European value, Senator.

Mr. LIVINGSTONE. The essential fact remains that that card was imported into this country because it was cheaper to do it. It was imported into a small town, like Gulfport, Miss., and it must have been in a comparatively small edition.

Senator SMITH. Could you tell when this order was first placed?

Mr. LIVINGSTONE. I do not know when the order was placed, Senator, but I know that the cards arrived in this country since the 1st of January.

Senator HUGHES. What rate of duty do you pay on your paper, Mr. Livingstone?

Mr. LIVINGSTONE. The paper that we use is surface-coated paper, and in the Underwood bill that draws 35 per cent.

Senator JOHNSON. The paper is made in this country, is it not?

Mr. LIVINGSTONE. I have used both; I have imported and I have made the cards from paper made in this country. At the present time I am making the cards entirely from paper made in this country, or, rather, it is coated in the United States, and I presume the paper is made here, too.

Mr. MEYERCORD. I want to say that that line of imports is very heavy. The importation of those items runs over a million dollars, about \$2,200,000, European value. The duties will run about \$300,000, I think, but it amounts to about a million and a half, and it amounts to \$2,500,000 displacement of the American product. It is a very heavy drag on the lithographic industry on general fancy trade, such as that hanger [indicating], and those fancy cards and those view cards [indicating]. On that product the importer to-day has got anywhere from 40 to 70 or 80 or 90 per cent of the trade.

Senator HUGHES. Is this where the business for the cigar-box labels comes in?

Mr. MEYERCORD. Yes, sir; that comes in there. It is a great injustice to the American industry.

Senator SMITH. Really, your position is that the duty ought to be raised?

Mr. MEYERCORD. That it should not be lowered, because already the average is in favor of the importer.

Senator SMITH. The real question is, how would we get the most revenue out of that article?

Mr. MEYERCORD. By raising it—if you want the truth.

Senator SMITH. By raising it about 40 per cent?

Mr. MEYERCORD. You will get more of it that way.

Senator SMITH. I think we can go to the next item now.

Senator JOHNSON. We have covered the view card. Now we will come down to the decalcomania.

Mr. MEYERCORD. I have several letters here——

Senator SMITH. You may submit those letters. I do not care to hear those letters. Tell us about the facts.

Mr. MEYERCORD. The facts are that over 75 per cent of the importations of the ceramic decorations, the foreign importations, constitute over 75 per cent of the American consumption, and mine is the only plant that did not go by the board.

Senator SMITH. What did the country make out of it?

Mr. MEYERCORD. \$86,000 worth of revenue on \$199,000 of importations; and incidentally ruined half a dozen American plants.

Senator HUGHES. What is our domestic consumption?

Mr. MEYERCORD. \$300,000. The ceramic trade, I should say, would be something like \$350,000.

Senator SMITH. Are you the only persons producing it here?

Mr. MEYERCORD. Yes, sir.

Senator SMITH. It is scarcely competitive, is it?

Mr. MEYERCORD. We do not get a show.

Senator SMITH. How much would we have to raise that to make it competitive?

Mr. MEYERCORD. Fifty per cent. I am talking now as to strictly competitive conditions. Half would be abroad and half here. If you want my plant to continue in that business, you have got to give me no less than 35 per cent on the decalcomania paper that has been placed on the free list by an amendment after the bill was in the House. If you want the American producer to do a little larger share of the business, you need a competitive tariff, not a knockout blow, as it is at the present time.

Senator SMITH. With your reduced cost of paper and your tariff left about the same, you ought to be able to about double your part of the business; with your paper free, you ought to do a pretty fair business.

Senator HUGHES. The tariff has not been left the same.

Senator SMITH. We have not left it, yet.

Mr. MEYERCORD. In winding up for the domestic industry, I want to say that any individual example as a basis for this tariff will not be fair to our industry, because I can come down here and bring thousands and thousands of examples to prove any individual case that might be presented from the opposition. I thank you.

STATEMENT OF MR. EDWARD WOLF, PHILADELPHIA, PA.

PARAGRAPHS 333 AND 337.—*Lithographing, etc.*

Mr. WOLF. I am an importer and also a domestic manufacturer. Our domestic manufacture us about two-thirds of our importations, and so you will get from me an honest, fair statement, as I am representing both sides.

The rate has been jumped from 5 to 9½ cents a pound, almost 95 per cent. These very goods can be made in this country for \$1.70 a thousand, and the imported price is about \$2 plus 90 cents duty. Even under the old rate we were unable to compete, and Congressman Underwood took quite an interest in it and saw the injustice of it, and he said he would never again permit a specific duty—that is, if he has anything to do with it. They jumped from 5 to 9½ cents a pound, and made those articles almost impossible to import. The importer is unable to compete, owing to the fact that whilst there is a difference of wages, the competition is about twice as much as it is in this country, and they print the product twice the size in this country. I have here some samples to show you, which are the best illustration.

Here, for instance [indicating], is an imported article which cost 225 marks. We paid to put this on stone, and that cost \$200. We bought only a limited edition, 6,000 of them. When we got a duplicate order in this country, after the 6,000 were sold, we started to make them in this country. We began to go to work and put them on stone. The stone work is about the same as it is in Europe; but we can afford to spend that amount and still make it cheaper than by paying \$200 in Europe—the same size and the same quality. This [indicating] was 10,000, and this [indicating] was 6,000. But the qualities do not make any difference.

Senator HUGHES. Look here; we have got a couple of products here that I want to call your attention to. The rate is now 20.6. Mr. Meyercoord says that the importers have nearly 90 per cent of that business.

Mr. WOLF. They do not make them in this country at all. There is not a concern in this country. Mr. Meyercoord stated that these goods are a luxury. We are the largest house in the world on this trade. We have a house in Bremen, Berlin, London, and in Philadelphia. We have some 50 traveling men, traveling all over the United States. You take concerns like the Anheuser-Busch Brewing Co. or the Coca-Cola Co., or any of those large concerns, and they can go to work and buy large editions; but if the small manufacturer, who can only use a thousand or two thousand show cards to display his wares, buys such a number it is not a luxury with him. There is not a concern in the United States that furnishes these goods; they do not bother with it or cater to that particular trade. Of course there is a jobber, and when I come to see him he says, "I don't want anything that anybody else has." We are able to bring out 40 or 50 designs and sell them.

We would much rather have an ad valorem duty than a specific duty, because the specific duties are misleading, and, gentlemen, when Mr. Aldrich jumped us 95 per cent he was told that it did not make any difference. It stopped the entire importation of this particular class of goods. I am speaking of our goods, and they are not made

in this country. I mean the design. I am speaking now of Easter cards, fancy cards, Sunday-school cards, and cards of that nature that are bought by the poorer people who can not afford to go to work and buy expensive presents. They will buy one of these cards and send it away on New Years or Christmas or Easter, and it is the same way with the Sunday schools. The duty, to my mind, should be ad valorem. It will prevent all these misstatements about what specific is equivalent to.

Senator HUGHES. You heard what these gentlemen here say with reference to the ad valorem rate of duty. They say it is impossible to determine the value, because they do not know whether a man has made 10,000 or 1,000.

Mr. WOLF. That is very true. The Government will have to go to work and arrive at some conclusion.

Senator HUGHES. Can you suggest anything in that connection?

Mr. WOLF. I think I can. I have advised the Government in every tariff charge, ever since the McKinley bill. We have been in business for 30 years. I have tried to give the Government every assistance possible. I will be very glad to work with you to arrive at some conclusion.

Mr. MEYERCORD. Mr. Wolf made a statement that he is an American manufacturer of lithography. I would like to ask if that is so.

Mr. WOLF. We have just put up a manufacturing plant in Philadelphia costing us \$300,000. We do a business of over a million and a quarter. We have not got our own lithographic factory, but we do printing.

Mr. MEYERCORD. That is the point I wanted to bring out. I wanted to bring out the point that Mr. Wolf is not an American lithographer.

Mr. WOLF. I want to say to you that we have control of a factory. We worked with a dozen American lithographers, and two-thirds of our business is with them, and we have encouraged them all we possibly can.

This is the point, gentlemen. You do not need any duty. A 20 per cent ad valorem is more than they are entitled to, and more than they need. I understand the Government wants revenue, and I think the 20 per cent is a fair revenue and a fair duty.

Senator SMITH. What about decalomania?

Mr. WOLF. I do not know. Neither am I posted on cigar labels; and I want to say that Mr. Meyercord is not any more posted on cigar labels than I am. I think it is fair that the cigar labels should be here.

Senator SMITH. How does your import business compare to your orders that you give the manufacturers here?

Mr. WOLF. Seventy-five per cent of the goods here to 25 per cent imported.

Senator SMITH. You do not make them?

Mr. WOLF. Oh, no; we have a factory where we do process printing.

Senator SMITH. I was speaking of the lithographers.

Mr. WOLF. No; it is very much on the order of it.

Mr. MEYERCORD. Is it not separately classified? It is not under the schedule under consideration?

Mr. WOLF. No. I am not trying to mislead these gentlemen. I am going to show them exactly what I mean by process printing.

We have a new plant where we do this kind of work. This is copied from an imported card which we do ourselves [exhibiting sample].

Senator HUGHES. What do you call this?

Mr. WOLF. That is called process printing. It comes under the schedule of printing.

Senator SMITH. What kind of things do you manufacture?

Mr. WOLF. We manufacture leather goods, and we also employ, I should say—I am not exaggerating—30 presses all the year round.

Senator SMITH. What I was inquiring was whether you manufacture along the lines of these other gentlemen who have been before us, and manufacture in competition with the goods that they have been discussing.

Mr. WOLF. I have to answer you in my own way.

Senator SMITH. I should think you could answer it yes or no.

Mr. WOLF. For instance, if we get an order, we have to go to an artist, then we have it put on stone. We buy our paper within the contract with the lithographer, and we pay him so much per thousand impressions and so much for transfers.

Senator SMITH. You do, yourself, the expensive work of putting the impression on the stone?

Mr. WOLF. That is quite correct.

Senator SMITH. Which involves the principal difference in the cost of labor here and abroad?

Mr. WOLF. No; I should say, as far as the lithography is concerned, it is about the same. We have not found that there was very much difference.

Senator SMITH. That is the most expensive part of the work, is it not?

Mr. WOLF. The most expensive part of the work: yes, sir. The other part of the work depends altogether on what the size of the edition is and how many impressions and how much it amounts to.

Senator SMITH. But once having the stone cut, you could run off a thousand impressions at about the same rate per thousand, could you not?

Mr. WOLF. The American lithographer demands that he shall have a day's run. I am very glad you asked me that. If I had an order for 1,000 or 3,000 of these show cards, that would be too small an order for him, and the price would be very much higher than I would pay for them if I ordered large quantities. For large quantities the price is very much lower.

Senator SMITH. I understood you to say that you employ, first, an artist to make your drawing; then you employ somebody to make your stone for you, and then you go to a lithographer and employ him to run off the copies?

Mr. WOLF. Quite right. If you were an artist, I would say, "I would like to have you paint a picture for us," and if that picture carries out our idea, we pay you for the painting, and then we go and have it put on stone; then we have the stone shipped to a lithographer, and there is a schedule arranged about how much they charge per 1,000 impressions, per 1,000 runs, and the same thing applies in Europe, only the output is very much smaller. Their print amounts to about 3,500 sheets instead of 7,000.

Senator HUGHES. As a general proposition, do they run the sheet through for every color?

Mr. WOLF. Oh, yes, sir.

Senator HUGHES. It is just like plain printing on stones.

Mr. WOLF. It simply goes through on a flat press.

Mr. Meyercord was speaking about using large presses in Europe, where they can run two or three thousand an hour. But these presses are not used by the lithographers in Europe who make this class of work. They can not be of any benefit to the lithographer there at all, because at best his editions run the highest, 6,000 a day. In this country a man thinks nothing of buying a half million show cards, and naturally a press which can run off two or three thousand an hour is of some benefit; but it would not be to the European manufacturer, because he has no large runs.

Mr. READ. I think that would convey to the Senators the idea that the work does not come in competition with the work that you have done abroad. In other words, the import work is work that you would not do here.

Mr. WOLF. I mean to say to the Senators that when you have to print ten or twelve or fifteen thousand we can afford to have this put on the stone, sacrificing the amount of money that we have spent on that in Europe, and have it put on the stone here again and again, and still again, and save money by doing so.

Senator HUGHES. That would seem to indicate that the labor cost is really lower in this country, and you get the advantage of that when you have a lot of impressions to make.

Senator SMITH. Your view is that if the order runs over 10,000, the cost of production in this country is cheaper than it is abroad?

Mr. WOLF. Precisely.

Senator SMITH. But if the order runs small, a thousand or two thousand, they are very much cheaper abroad?

Mr. WOLF. Cheaper abroad. Take another case. Here is a show card imported, and here is one that is made in this country. There was a saving of about 15 per cent in the cost price of these goods.

Senator HUGHES. 160 marks is the price?

Mr. WOLF. Yes; about \$40 in American money.

Senator SMITH. What is the cost of putting it on stone?

Mr. WOLF. \$175.

Senator JOHNSON. You send the sketch from this side?

Mr. WOLF. Yes, sir.

Senator JOHNSON. Is that included in the value?

Mr. WOLF. It is exclusive. We had to do the same thing here. That evens itself up.

Senator SMITH. Did you make the stone independently of the party who ran it off abroad, or did the cost of your stone enter into that expense abroad?

Mr. WOLF. After we did that job complete, after furnishing everything.

Senator SMITH. It cost you \$40 abroad?

Mr. WOLF. \$40 abroad.

Senator SMITH. But that stone was \$175, and that, applied to your 3,000, made it cost you over \$50 a thousand?

Mr. WOLF. Yes; but he intends to use that again, don't you see? We had this made here, and we made it over again.

Senator SMITH. When you put the cost of your stone on to \$3,000, you run the cost of the 3,000 very much up by it. When you put the cost of your stone on \$15,000, you distribute it five times as often.

Mr. WOLF. I could have gone to the lithographer and said, "Now, make me 15,000 more. You can not charge me again for the stone." I would not go to work and lose \$175 if I could gain it.

Senator SMITH. You argue strongly in favor of specific duties.

Mr. WOLF. I am perfectly willing and content. I want to say to you right now that I am perfectly willing to accept the Underwood rate on an ad valorem, although I am not a manufacturer in Europe. Consequently we would have to invoice the goods for what we buy them for. I am also willing to accept a specific rate, providing the same will be the same as it was under the Dingley bill, which was precisely the same as the Wilson bill and which was fully discussed with the American lithographers. I am willing to accept that.

Senator SMITH. The lower the duty the better you are off?

Mr. WOLF. No, no; I am just as much of a manufacturer.

Senator SMITH. You go into the markets; you do not make them with your own plant. You go into the market and hire people to do your work for you, and if you can bring the foreign product in easier you get your stuff that much easier.

Mr. WOLF. Senator, we have the greatest competition from the foreign manufacturers. I mean to say, the manufacturer who comes in here, and he knows exactly how we are doing our business, and he is also willing to sell in small quantities. Consequently, if we could go to work and shut out all importations we could profit by it. We would be much better off to shut out the importations and simply compete with the domestic manufacturer.

Mr. READ. May I state that Mr. Wolf is in a position that has advantages over the American manufacturer? He does not pay the penalty of dull seasons, unabsorbed time, and things like that. You get all the cream, and get none of the damage. You place an order to-day where you find a plant that is absolutely without work. They have got to run that plant, they have got to absorb all those things. There is not enough lithography done in this country to go around and keep the plant busy more than eight months of the year. We want to hold what we have got; and you are in a position to make money while we lose.

Mr. WOLF. I want to make the confidential statement that our profits were 4 per cent last year. We employ from three to four hundred hands, and, Mr. Read, we have a very important place in Philadelphia, and we employ \$1,000,000 to do our business.

I want to explain to you, Senator, that when we buy 40 or 50 designs there might be only 8 or 10 that are good sellers, and the others are losses. For instance, a man like Ferris, in Philadelphia, we would pay \$1,000 for an original. We pay a man like Underwood \$500 for an original, and if these goods do not sell it means an awful loss.

Mr. READ. Mr. Wolf has made the statement that on his vast volume of business he made 4 per cent. We have a well-equipped plant, as every lithographer who is here present will testify to. We think we have a pretty well organized business and a very alert force, and we made less than 1½ per cent on our business last year.

Mr. WOLF. We were both very unfortunate.

Mr. READ. That is the condition of the lithograph industry, and I do not believe there is a man here that has made 10 per cent or 8 per cent on his lithographic product in the last seven years. It is simply

because we have not enough business to distribute over the year and run our plant.

Mr. WOLF. If the American lithographers are satisfied with the Wilson bill, and that bill was again raised under the same rate, and again under the Payne-Aldrich bill, as it has been since 1893, I am sure the Americans have prospered in that time. Why should they complain of a money-losing proposition? Forbes & Co., of Boston, one of the biggest houses in the United States, and one of the biggest competitors that we have, one of the heaviest houses that we have to deal with—I do not see where their complaint comes in as to price. I believe, however, that the competition does not come from the European manufacturer; it comes from the domestic manufacturer himself. We know what competition there is when we place our contract. It is not the European manufacturer. He is worse off than the domestic manufacturer. He has lost a great deal of his American trade, and it amounts to but very, very little after all. The importations have fallen 62 per cent since the Payne-Aldrich bill.

Mr. READ. Mr. Wolf states that he has a business of a million and a quarter. That is a pretty nice business; and if there is money in lithographing, in the manufacturing of lithography in this country. I should think the very first thing he would do would be to go out and employ labor and be subject to all the difficulties and troubles of the lithographic industry.

Mr. WOLF. I am perfectly willing to meet any member of the committee in order to assist the committee in arriving at a conclusion. I am willing to prove any statement that I have made.

Senator SMITH. Do you not think that you would also assist yourself by so doing?

Mr. WOLF. I can only give you facts as they are. I can only reiterate again that our competition comes from the importer.

STATEMENT OF MR. JOHN MacRAE, VICE PRESIDENT E. P. DUTTON & CO.

PARAGRAPHS 333 AND 337.—*Lithographing, etc.*

Mr. MacRAE. I have been listening to the conference, and have come to the conclusion that this is a very complicated schedule. It has proven so since I have been here. I have been present at the hearings in connection with the tariff bills up to the present time, and they have always ended in the same squabble. The facts presented are not the facts, because they are so complicated.

I heard an inquiry here to-night in regard to the American manufacturer. In 1909, when this tariff was being raised to unfair proportions, there was a cry throughout the country of the "people." The people who buy this stuff have some call on the Government. As I understand it, the intent of the Government is to reduce the duty and not to raise it.

There was a gentleman submitted a brief to the Ways and Means Committee, a gentleman who was at the head of the Presbyterian board of Richmond, Va., in which he states and shows that he represents ten and a half million communicants. Among the special things he requested there was that the duty should be reduced on that part of the lithographic schedule measuring under 35 square

inches, because the cards used are used principally by Sunday-school teachers for Sunday-school classes and by school-teachers as awards of merit and by the people in general as gifts at Christmas, Valentine, and Easter.

Senator HUGHES. The church buys those cards in quantities, I suppose, and the quantity price would make a difference. In that case they would be the ultimate consumers.

Mr. MACRAE. There was a good deal said about cigar labels here, I have no interest in them; I do not know anything about them. I can only tell you gentlemen of this committee that there are people in this country, American manufacturers, who are very much interested in those. There is not a man here who has been able to answer from the standpoint of the importer or from the standpoint of these manufacturers of American cigars who are interested in that. There are men in Key West and men in Tampa, and if you will go back to the record of the Ways and Means Committee you will see how they present their briefs. But when it comes to the question of the rates of the Payne-Aldrich bill, the record is proof enough.

The Government statistics that have been sent me by the Department of Commerce and Labor show that the importations have in four years fallen off 62 per cent under the general lithographic schedule.

Now we come to the question of these little toys for children. I would like to say a few words about them. The statement was made that there was \$200,000 imported. I do not think it can be shown. I would like to be shown where it is; I do not think it can be so. That is a very small amount. There are no statistics on that, and they can not be given as statistics as to children's toy books. The statistics do not exist. That those toy books are manufactured in this country more cheaply than they can be manufactured by us abroad we can send you any number of instances.

I knew nothing of this hearing until quarter past 4 on Monday evening. I had no chance to get the data together.

Senator SMITH. What is your business?

Mr. McRAE. I am a publisher in this country, Senator—the E. P. Dutton Co.—publishing miscellaneous books, religious books, novels, books on history. We are large importers of books, and we are large importers of lithographic material, and I have known the whole history of this industry for 25 years. I know it intimately. You can back up what Mr. Wolf says—that the fact remains that, regardless of cost of labor or anything else, we can and do produce stuff here cheaper than they do abroad. It has been stated before the Ways and Means Committee that the total output of the American lithographers was \$25,000,000. I believe that is correct. It was stated by one of the witnesses here that the total output of the American lithographers was \$25,000,000, and it has been stated here to-night that 60 per cent of the lithographs are imported.

The total amount of duty collected from all this lithography, including paper, was \$1,658,000. There are a few dollars added to make it round numbers. That would show a falling off of 62 per cent under the Payne-Aldrich bill. The Payne-Aldrich bill was too high. I was here before you, and I stated before you gentlemen that the tendency was prohibitive. These figures were all presented to the Ways and Means Committee.

Let me say to you that so far as the lithographs which we import are concerned, it advances them. So do not think for one moment that I am asking for myself. These specific rates shut out competition. I understand that the purpose of this bill is, so far as possible, to make a competitive tariff. They shut out competition, and the purpose of including them in the first place was to shut out all lower grades of stuff, and that has been the effect of it.

(Mr. McRae submitted to the committee a list of the important lithographic articles covered by paragraph 412, which will appear in the printed hearings.)

Mr. LIVINGSTONE. The time is so late I will only call attention to two points without argument, which will not take more than three minutes. In paragraph 337, "Engravings, photographs, and etchings," are grouped with books of all kinds, blank books, and other plain printed matter, at 15 per centum ad valorem. The 25 per cent ad valorem which now exists on prints, photographs, and etchings is already a low rate considering the nature of those articles and they certainly should not be lumped in with books, blank books, and other printed matter, nor should they draw the same rate. The present rate is already too low. For example, here [indicating a print] is a carbon photograph, which is the finest type of photograph made. The carbon tissue of which all such prints are made has to be imported, for it is not manufactured in this country. The present tariff assesses us 30 per cent on the raw tissue, and the proposed bill assesses us 25 per cent, while the finished article in the shape of the print as I show it here is only protected 15 per cent, although a very expensive class of labor has been added to manipulate the carbon tissue. In the same way, certain other prints that come in under these classifications are made on paper assessed at 35 per cent, although the finished article is protected only 15 per cent.

Nor can the argument be used that the duty should be lowered because the articles are for educational purposes. The present tariff as well as the proposed one exempts from duty two copies of any one subject imported on any one invoice when intended for educational or scientific societies or for libraries or schools. Under that exemption clause the educational institutions import all they want duty free. The portion of those goods imported which does pay duty is the portion purchased by people who buy them for their own gratification and decoration of their homes. It is so late an argument now would be out of place but we earnestly hope you will give this your consideration.

The second point I wish to speak of is this. It has been asserted several times that the importer had to go abroad to get a fine quality of lithographic print and short editions. Here [indicating several prints] are samples of lithographic prints made in this country which can not be surpassed by any lithographic prints made abroad. Certainly none better are imported into this country. The question of getting the highest quality of work in this country is merely a matter of price.

(Mr. Livingstone submitted to the members of the committee various samples of work.)

STATEMENT OF MR. JOHN MACRAE.

PARAGRAPH 337.—*Books.*

Mr. MACRAE. Mr. Chairman, I have not prepared a brief on this subject, as I understood briefs were not to be prepared. I did prepare a brief which has been submitted to the Ways and Means Committee.

Senator JOHNSON. To what section are you addressing your remarks?

Mr. MACRAE. Schedule M, section 337, and under the Payne-Aldrich Act it was section 416.

This little statement which I hold in my hand was made to the Ways and Means Committee. The Ways and Means Committee reduced the tariff on books from 25 to 15 per cent. The duty has been 25 per cent for a great many years.

As a matter of fact, there is no real reason for protection on books. Books can be produced in this country cheap enough, as cheaply as anywhere else in the world.

There is a very strong reason why books might go on the free list. That reason is education. There is a very strong sentiment among people that, from an educational standpoint, books should be put on the free list.

Books are now protected by the copyright law, so that if there is any real sale for an English book it has to be printed in this country—that is, the plates have to be made in this country, the type set within the borders of the United States; otherwise it can not be copyrighted.

Senator HUGHES. What do all of these exports consist of under this paragraph 337? "Books of all kinds, bound or unbound, including blank books," etc. I find the exports were \$4,800,000 in 1905, \$7,088,000 in 1910, and \$9,000,000, in round numbers, in 1912. What do they consist of, if you know?

Mr. MACRAE. They consist, according to the Bureau of Statistics—I will show you what was furnished to them for a statement on the subject. They say they consist of books, maps, engravings, etchings, and other printed matter, such as paper books, music, etc.

Senator HUGHES. They classify them by the country to which they went?

Mr. MACRAE. Yes, sir.

Senator HUGHES. They do not give the amount of books?

Mr. MACRAE. No, sir.

Senator HUGHES. Nor the amount of music?

Mr. MACRAE. No, sir.

Senator HUGHES. Nor anything of that sort?

Mr. MACRAE. No, sir; it is impossible, so far as I have been able to learn, to gather the statistics of the books alone.

Senator JOHNSON. That must have reference to books by American authors.

Mr. MACRAE. A great many English books are made in this country in order to protect the copyright, and then exported abroad. There are more books exported than you might think; something under \$8,000,000, whereas the imports run something like \$6,500,000.

Senator HUGHES. And a great many countries have had a tariff that must be paid before you can get into them?

Mr. MACRAE. Most of the books go into the countries free, I think. We are practically the only country where there is a tariff on books. Books enter England free, and I think they enter Germany free. There is a certain amount that goes to France, but I think it is limited. There is quite an amount of books that go to Canada, where there is a duty of 25 per cent.

Senator JOHNSON. About \$3,000,000 were the imports last year, and the exports were about \$8,000,000.

Mr. MACRAE. Yes, sir.

Senator HUGHES. There is a tariff on printed matter, and I suppose that would include books. You come under Schedule M, do you not?

Mr. MACRAE. Yes.

Senator HUGHES. I have here a document showing the tariffs of the various countries. Under "pulp, paper, and books," under the subdivision "Printed matter," I find that Canada has a tariff of 13.3, Austria-Hungary has 1.8, France 3.3, Germany 2, Italy 5.9, and Russia comes along with 16.8.

Mr. MACRAE. The imports free of duty under this paragraph amount to considerably more than the dutiable value. In 1908, the increase free of duty was \$3,071,000; in 1912, \$3,796,000, according to the Bureau of Statistics.

Senator HUGHES. That is the amount that comes in free?

Mr. MACRAE. Yes.

Senator HUGHES. How is that classified?

Mr. MACRAE. It is classified under "Paper and the manufactures of paper, books, music, maps, etchings, engravings, etc."

Senator HUGHES. Under the present law if it comes in free it must be excepted from this language.

Mr. MACRAE. Yes.

Senator HUGHES. How is it carried in the present law?

Mr. MACRAE. Books in foreign languages and for libraries, and books over 20 years old and books for educational institutions under certain conditions.

The number of imports dutiable in 1908 was \$2,965,000, and in 1912, \$2,855,000, showing that as a matter of fact the imports—

Senator HUGHES. It also seems to include books, etc., imported by authority or for use of the United States or use of the Library of Congress, which come in free.

Mr. MACRAE. Yes, sir.

Senator JOHNSON. What do you want in regard to this?

Mr. MACRAE. I am quite satisfied if it will stay as the Underwood bill put it, at 15 per cent. I do not think it ought to be made any more. I would state frankly from the present standpoint as an importer of books and a large publisher—we are both manufacturers and publishers of books in this country—we prefer a duty. Ethically, books ought to be on the free list from the standpoint of education. There is no reason why they should not be; but that is for you gentlemen to say.

Senator JOHNSON. With 15 per cent duty, you are satisfied?

Mr. MACRAE. Yes, sir; we would be satisfied with 15 per cent.

I made a little argument before the Ways and Means Committee and I will be very glad to make that argument for you.

Senator JOHNSON. There is no change proposed, and we had expected to take the language as it is.

Senator HUGHES. But there is a change proposed.

Senator JOHNSON. The gentleman does not change anything or propose to do so.

Mr. MACRAE. Bibles are put on the free list. I have not anything to do with them, and do not manufacture any. We only sell them in our retail place. We are both wholesalers and retailers. We are manufacturers and importers.

Senator SMITH. This section does not include the suggested change with reference to books bound abroad?

Senator JOHNSON. No; it does not include that.

Mr. MACRAE. Printed in America and bound abroad?

Senator JOHNSON. Yes.

Mr. MACRAE. This has nothing to do with that.

Senator HUGHES. That comes under the free list in the proposed language?

Mr. MACRAE. Yes, sir.

A gentleman made a statement this afternoon with respect to bound books—

Senator JOHNSON (interposing). The gentleman is asking to have these on the free list, Senator Smith.

Mr. MACRAE. I do not ask for it, Senator, because frankly we shall be better off financially if you retain a duty of 15 per cent. We estimated that before the Ways and Means Committee.

Senator SMITH. It has been suggested to modify the provision with reference to books bound abroad.

Mr. MACRAE. I can not see any reason why it is possible for books to be sent from the United States and bound abroad. This gentleman said before you this afternoon that there were a million or so many sent last year, but here is the fact and here are the figures of the Government showing the actual imports of dutiable books last year were less than in 1908.

Senator HUGHES. But these would not have been dutiable.

Mr. MACRAE. Yes, sir; they would.

Senator HUGHES. Not under the present law?

Mr. MACRAE. Yes, sir; under the present law.

Senator SMITH. The manuscript has to be of a certain age.

Senator HUGHES. It provides if it was printed 20 years or more ago.

Mr. MACRAE. Any book, yes, sir. But he is referring to American-made books of recent years. He said there were a million sent over, printed by certain Americans, and sent over there and bound. That is my understanding of his testimony.

Senator HUGHES. I think you have not that right. My recollection is he was complaining about these books that have been printed more than 20 years ago, and which are entitled to be shipped back and forth, to and from each side, at their own free will. He claims they take a print like that and send it abroad and have it bound and bring it in.

Mr. MACRAE. I brought that to the attention of the Finance Committee in 1909, and suggested if any books were to be dutiable these bound books under these conditions should be dutiable; but they

retained them on the free list, as they had been on the free list previously.

Senator SMITH. How are they placed in this bill?

Mr. MACRAE. I have no objection, and I see great reason, if you are to retain 15 per cent of duty, why these books should not be carried in that way.

Senator SMITH. Books 30 years old are rare as a curiosity, are they not?

Senator HUGHES. That is the theory. They are out of copyright, and it is intended for standard works. I presume.

Mr. MACRAE. It is more, if I may explain to you, for specialists, collectors, etc.

Senator SMITH. Fancy bindings for men who care for the outside cover of the book rather than for what is inside of it?

Mr. MACRAE. In many cases it is the man who loves the books, and he collects very fine and expensive books.

Senator SMITH. He collects them and does not read them?

Mr. MACRAE. Very often that is the case with any collector.

Senator SMITH. And you all have the privilege of paying the duty?

Mr. MACRAE. I have no objection and have nothing to say about it. I am quite satisfied if you leave books at 15 per cent.

Senator JOHNSON. Then, we need not spend any more time on that gentlemen.

STATEMENT OF D. S. BRASSIL, REPRESENTING BOOKBINDERS.

PARAGRAPH 337.—*Books.*

Mr. BRASSIL. My name is D. S. Brassil, a bookbinder, from New York. I come here to represent both the employers in the bookbinding business and the laboring man.

The duty on books under the old Payne-Aldrich bill has been reduced from 25 to 15 per cent. Books come in under several different heads. The tariff bill reminds me of the saying that "All coons look alike to me." There are several different styles of books. The ordinary cloth-bound book and the extra bound book. This one [indicating] is called a book in extra binding.

Senator HUGHES. We have had that pretty generally explained to us by the gentleman who left that book. The point he made is the point I think you are going to make—that expensively bound books should be considered as a luxury and should bear a higher rate of duty than the common or ordinary bound books?

Mr. BRASSIL. Yes, sir; that is one point on this particular style of book; but there are three different styles.

Senator HUGHES. We are fairly familiar with that general proposition. You can let that go; and also the language which permits books printed more than 20 years to come in, even though bound within the last year or so. That has been pointed out to us, and we have been asked to correct that so as to make the duty read, "On books printed and bound more than 20 years ago."

Mr. BRASSIL. Yes; that is right. Then, you understand, there are books which are intended for the ordinary people, the sheets of which books before they are bound are sent abroad to be bound in leather.

Senator HUGHES. And come back duty free because they were printed under a lower rate of duty? We have heard about that.

Mr. BRASSIL. And in this present bill there is 15 per cent duty. That is not enough by 35 per cent. The best evidence in the world that 25 per cent is not sufficient is that since 1891 twelve different employing bookbinders in New York City alone were driven out of business. One of the men who is with me to-day, five years ago was binding for a house in New York from \$5,000 to \$7,000 worth of business during the month of August; and last August he did exactly \$7.50 worth. That man will take an oath to that statement. I personally know some of the best binders, from the standpoint of craftsmanship, that the world has ever had, who were running a bindery in New York called the Club Bindery, supported by Robert Holt, for his personal binding, and other men of his wealth. They were obliged to close.

All of that is caused by persons buying the sheets, sending them abroad, binding them, and bringing them back to sell at a price at which an American can not compete. I will leave that to you.

The Ways and Means Committee has seen fit to put Bibles on the free list.

Senator HUGHES. We have not been given the free list. Another subcommittee has that.

Senator SMITH. But we have the free list so far as it applies to our schedules.

Senator HUGHES. They have considered this very subject, and acted on it, the subject of Bibles. I suggest that anything you have to say with reference to that you say to the subcommittee composed of Senators Stone, James, and Thomas.

Mr. BRASSIL. Then I will not take up any more of your time on that.

Senator HUGHES. They are considering that question specifically, that question of expensively bound Bibles. I understand they have arrived at a determination not to put a tax on the Word of God in any form. I do not know whether that is so or not.

Mr. BRASSIL. That is sentiment. There are 60,000,000 people in the United States who are not religious, and 30,000,000 who are, and the 60,000,000 are going to be taxed for the benefit of the 30,000,000.

Senator SMITH. You mean they are not going to be taxed for the benefit of the others. Everything is coming in free.

Mr. BRASSIL. But it will be so when the Government does not derive an income from the portion that it might derive, from a duty imposed on Bibles.

Senator SMITH. There are a great many things from which the Government does not derive an income.

Mr. BRASSIL. While on that subject of Bibles, prior to 1895 there was but one Bible manufacturer in this country, the American Tract Society. They made and sold some styles; not all.

English manufacturers at that time were selling to importers at a price that the American bookseller had to charge \$2.50. Now, the same Bible to-day is being sold at retail for \$1.25. The English manufacturer was not willing to come down at that time, but now that he has been driven from the field he is ultimately looking for you to cut off the duty and will cut out the American manufacturer on the other end on his ordinary books, such as the cloth-bound books, which I believe you have.

One of the large publishers in New York last year sent 1,250,000 books to Belgium. He had the plates made, the paper made, printed,

bound, and sent back to this country, paying 25 per cent duty, and saved 15 per cent at the 25 per cent duty. When you realize that that 1,250,000 books would keep an establishment, with a 5,000 output a day, with all modern machinery, employing from 125 to 150 people, going for 9 months of the year, you can realize how important it is for the binders of the country.

What we are afraid of by this 15 per cent or 10 per cent reduction, putting it down to 15, is that these large publishers, who have time to get out sets, like Poe, for instance, and give them away as premiums in their papers, will send these editions over to Europe, make the paper, print and bind, and send them back here, and pay the 15 per cent duty, depriving the American workmen of the work he naturally would expect to have.

And the worst part of it is that they will not give that difference in the price to the community at large. They put that in their pocket. I have in my pocket now letters from one of the Bible publishers. He is asking manufacturers to quote a lower price or he will be obliged to introduce some other style of material, in order to compete with the Englishmen, after the duty is taken off.

I think, gentlemen, you ought to give the matter of increasing from 15 to 25 per cent a great deal more consideration and not be influenced by sentiment that educational matters are to be allowed to come in free.

Senator SMITH. It is 15 per cent; they do not come in free.

Mr. BRASSIL. Yes; on ordinary books that is true; but we need that 10 per cent back again, if it is possible for you to give it.

Senator JOHNSON. We exported a good many books, from the figures given here. It is \$7,000,000 of books. I can not tell whether they are books, but they are under that section.

Mr. BRASSIL. It may be paper or notebooks.

Senator JOHNSON. But the exports under that section amount to \$7,000,000 and the imports \$2,000,000.

Mr. BRASSIL. Three million books came in free.

Senator JOHNSON. But 2,800,000 came in with a duty of 25 per cent.

Senator HUGHES. All books printed on the other side are bound to be imported, whatever the rate may be.

Senator JOHNSON. What I was calling to your attention was the fact that the exports amounted to \$7,000,000, while the imports in books were about \$3,000,000.

Senator HUGHES. The same rule applies there, that books written in America and published here and sold abroad are bound to be exported.

Mr. BRASSIL. Yes. The American copyright law is to-day protecting books that are written and published here. Prior to 1891, when the new copyright law went into existence, the large majority of writers that were known to Americans were English writers, such writers as Dickens, Thackeray, and Eliot, etc. The American publisher would buy a set of new books that came out abroad, make his plates from them, and then produce an edition. But since the introduction of the new copyright law the American author has grown.

Away back in 1893 there were only 1,000 new books published in that year; whereas last year over 11,000 were published, showing that the American author has been advancing in his work.

To my mind the reduction of the duty will cause a certain number of English writers who have no copyrights over here to get their books brought in at a low rate, and consequently interfere with the progress of the American author, as well as interfere with the American workmen.

Senator HUGHES. You think the American author ought to be protected?

Mr. BRASSIL. He is now by the copyright law.

Senator HUGHES. But he ought to be further protected by the tariff?

Mr. BRASSIL. To a certain extent, certainly. We do not want to interfere with the author any more than with the workman.

Senator HUGHES. I think you had better let the authors speak for themselves. I do not believe they would thank you for coming down here and asking for protection to them as authors. For the bookbinders it is of course another proposition.

Mr. BRASSIL. Prior to 1891 there was not a solitary book written by an American author that had had a sale of 5,000 copies in a year, but since then a number of them have had big sales.

Senator HUGHES. Uncle Tom's Cabin obtained a sale of more than that.

Mr. BRASSIL. But I mean in the first year after it came out. Howard Bell Wright's new book, Barbara Worth, sold 110,000 from September to the first of January after it came out.

STATEMENT OF SENATOR THOMAS J. WALSH, OF MONTANA.

PARAGRAPH 340.—*Paper.*

[See also par. 276, Flax, hemp, and jute manufactures of.]

Senator WALSH. Mr. Chairman, in the preparation of wool for shipment each fleece is tied with a jute string about 8 feet long. The jute fibers get from the string into the fleece and get into the fiber. The vegetable fiber will not take the color that the animal fiber takes, and if it is extracted at all it is only by a slow and laborious and expensive process. No effort is made, as I understand the matter, or not much of an effort, to extract it from the coarser grades of cloth, and the fiber shows itself in the fabric by a light or gray streak in the cloth, which depreciates its value. So that the effort has been made for a long time to devise some cheap twine which will take the place of the jute twine, and a paper twine has been substituted for it. It is of such a texture, just like toilet paper, as that it will dissolve when it goes into water, and it is washed away out of the fabric.

The paper twine is manufactured largely in France. There are two manufacturing establishments in this country, one at Norfolk, Va., and another at Chicago, but both together they do not furnish enough to supply the demand. The twine is also of a coarser fabric than that which is imported. The woolgrowers are insisting that if wool goes on the free list, as the bill provides, they ought at least to get twine to bind their fleeces.

Senator SMITH. Would it be all paper twine, or is there a description that can be placed upon this particular kind of twine?

Senator HUGHES. Is it not carried somewhere here as a separate item?

Senator WALSH. No.

Senator SMITH. All paper manufactures. Can we describe the twine used in the wool industry as distinguished from other paper twine?

Senator WALSH. I do not know that the paper is made into twine for any other purpose.

Senator SMITH. It is a paper twine?

Senator WALSH. Yes, sir.

Senator SMITH. And they ask that the paper twine go on the free list?

Senator WALSH. Yes, sir. I would be very glad to make inquiries along these lines, and submit such an amendment as I would like to see put in.

Senator SMITH. I wish you would do it, and put it in writing, so that we will understand it.

Senator WALSH. I will send you a communication. I thank you.

SCHEDULE X.—SUNDRIES.

STATEMENT OF MR. G. DONAT, 652 BROADWAY, NEW YORK.

PARAGRAPH 343.—*Ramic braid.*

Mr. DONAT. Mr. Chairman, I desire to direct your attention to paragraph 343, so-called straw-braid paragraph. Under that paragraph ramic braids have apparently been classified at the same rate as ordinary straw braids or chip braids, at 15 per cent for natural, 20 per cent for colored. In my honest opinion this is due to deliberate misrepresentation on the part of the straw-braid importers.

That is a ramic braid [exhibiting braid to members]. They have so far taken the place of silk braids for all practical purposes.

Senator SMITH. What is the tariff they have left on those?

Mr. DONAT. The tariff so far has been 60 per cent, the same as silk braids.

Senator SMITH. What did the House bill leave on that?

Mr. DONAT. Fifteen per cent; and the Straw Goods Importers' Association filed a brief in January stating that no ramic braids were being made in the United States. I came here seven years ago from Switzerland, brought a plant and machinery, built a factory, that Senator Hughes may know of, in Clifton. We employ between 100 and 120 people steadily, and the rate so far has just enabled us to make a bare living. I have not been able to distribute a cent of dividends to anybody. If this rate is reduced I will be absolutely wiped out. The other domestic braid manufacturers joined me, I may say, in this matter. There are over a score who took up the lead when we brought the industry here, and that has given employment now at least to between two and three thousand people in this country. But if this goes through with the rate that the importers want to get passed, we will all be wiped out, absolutely wiped out.

Senator JOHNSON. Is that made of straw?

Senator HUGHES. It is made of ramic. It is a vegetable fiber.

Mr. DONAT. Here is our raw material.

Senator SMITH. That is not a cotton at all, is it?

Mr. DONAT. No; it is combed out from a fiber, similar to jute, grown in China and Japan. That is a copy of the straw importers' brief, and my attention was called to it only when I saw it in the millinery paper. That is deliberately false; it is done deliberately to wipe us out, because as importers they have felt the domestic competition. We compete among ourselves, and the merchandise has always been brought here at about perhaps the same rate as we manufacture and place the goods on the market, and they have not been able to make their accustomed high prices, as a consequence of which we are the target of their attempt.

Senator SMITH. What is the amount of the consumption of those goods in the United States?

Mr. DONAT. In our own humble way we produce 123,000 pieces.

Senator SMITH. That is, in your factory?

Mr. DONAT. Yes, sir.

Senator SMITH. Take all the factories in the United States.

Mr. DONAT. As this list will show, there are about 18 or 20 other manufacturers right here. They will produce, taken altogether, I guess, about a million pieces. These are established houses.

Senator SMITH. Worth how much?

Mr. DONAT. Roughly speaking, about \$400,000.

Senator SMITH. How long has this industry been going on?

Mr. DONAT. Since 1907 or 1908.

Senator HUGHES. This is made out of ramie, is it not?

Mr. DONAT. Yes, sir; every inch of it. To all intents and purposes they are equal to silk braids, and should be classified as they are.

Senator HUGHES. The only reason on earth why they leave silk the way it is is for revenue purposes.

Mr. DONAT. I understand that.

Senator HUGHES. They would not leave a rate like that on silk braids if it was not that they have a very high value, and a great proportion of the total consumption is imported, and a great deal of money goes into the Treasury on account of the importation.

Senator SMITH. Do you know what the importation of the ramie is now?

Mr. DONAT. There was about a quarter of a million pounds of material came in here.

Senator SMITH. The present tax is 65 per cent?

Mr. DONAT. Sixty.

Senator HUGHES. What you are objecting to is being taken out of the braid classification?

Mr. DONAT. Not classified as straw braids, because they are equal to the silk.

Senator SMITH. Is that found under miscellaneous?

Mr. DONAT. Under sundries.

Senator HUGHES. What have they done with the artificial silk? Is it in that paragraph, or in a separate paragraph?

Mr. DONAT. That is a separate paragraph, and that is left at 60 per cent.

Senator HUGHES. I should think the same argument would apply to artificial silk that applies to this.

Senator SMITH. Your contention is that ramie does not belong in that classification?

Mr. DONAT. It does not. I grew up in this trade. I can answer any question you can put to me, and I appeal to you gentlemen to strike that out. It has evidently been put there through the influence of the deliberate misrepresentation on the part of the importers. I can substantiate every word I say.

Senator SMITH. Mr. Donat seems to think that the 65 per cent duty is essential.

Senator JOHNSON. Sixty per cent.

Senator HUGHES. The fact that there were no ramie braids being manufactured in this country would not influence the committee to cut it. It must have had some other motive, because if there were none being manufactured, they would leave it at the high rate. That argument would not appeal to the committee—the argument that there were none being manufactured in this country. That would rather induce them to leave it at the high rate. They must have had some other object in mind, because the higher the rate the more revenue they would get.

Senator SMITH. Unless it was so high that it practically excluded it from the trade. It looks like the straw.

Mr. DONAT. That is hand made braid. In appearance and use it is absolutely equal to silk.

Senator HUGHES. Have you a silk braid here?

Mr. DONAT. Yes, sir [exhibiting a silk braid]. Those feel more like straw than the others. We were the first to introduce those articles here, and those houses followed our lead.

Senator HUGHES. This compares very favorably with the silk, does it not?

Senator JOHNSON. Yes.

Senator HUGHES. How does that sell as compared with the silk?

Mr. DONAT. About in the same ratio. The ramie braids are about from 10 to 15 per cent cheaper, and I have personally established a market in this country from coast to coast among the jobbers. There is hardly a jobbing house of any size that has not had our goods during the last five years. The attempt is to classify them with such merchandise as this [exhibiting]. These are cheap braids. Here you have straw braids.

Senator SMITH. I think that is a misclassification, but what troubles me is that he says he can not do business except at 60 per cent. That is a very high duty.

Mr. DONAT. You see, Senator, the labor here we pay well. For instance, goods such as this, the people who attend to the machines are paid between \$12 and \$14 a week. In Switzerland we paid them just as many francs, or a little more, for the same work. The braid such as that can be made in Switzerland and sold at 20 cents, and 60 per cent duty will bring it here at 32 cents. I am selling this at 35 cents and allow 7 per cent discount, with about 10 per cent for freight and delivery charges, which will bring it here at 34 cents. Any of these houses which are principally engaged in this trade will back me up in every statement I make.

Senator SMITH. I am very much impressed with your criticism of the classification of the present duty. What troubles me is the idea of sustaining the 60 per cent.

Senator JOHNSON. They get 60 per cent upon the silk braid.

Mr. DONAT. You see, of course, I put myself at your mercy, so to speak, to place them wherever you wish to. But take them out of this paragraph. They do not belong here.

Senator SMITH. The raw ramie comes in free, I suppose?

Mr. DONAT. No; raw ramie is proposed to be taxed 15 per cent ad valorem.

Senator SMITH. And the silk comes in free?

Mr. DONAT. Yes, sir.

Senator SMITH. Now, they propose to tax the raw ramie and tax his braid the same that they tax his raw ramie. Has ramie been free before?

Mr. DONAT. No.

Senator SMITH. Are manufactured products left at 15 per cent?

Mr. DONAT. Exactly. I am asking, on behalf of my fellow braid manufacturers, to have that name "ramie" stricken out in both places, and leave it to you gentlemen to place it at whatever place you consider right.

STATEMENT OF T. S. TODD, REPRESENTING BRONSON BROS. & CO.

PARAGRAPH 343.—*Straw hats.*

Mr. TODD. I desire to say just a few words in regard to the duty on finished and unfinished straw hats. This matter has already been presented to the various members of the committee, but there has been a question raised as to whether or not the provision in paragraph 343 of this bill takes care of the difference in labor abroad and in this country.

In order that that may be more clearly put before you, I would like to point out as an illustration that this hat, costing in Italy \$3.25 a dozen [indicating], has a duty, as at present, of 40 per cent.

Senator JOHNSON. You are referring to the paragraph of—

Hats * * * composed wholly or in chief value of straw * * * whether wholly or partly manufactured, but not blocked or trimmed, 25 per centum ad valorem; if blocked or trimmed and in chief value of such materials, 40 per centum ad valorem.

Mr. TODD. Yes, sir. What we desire is that the word "blocked" shall be taken out. In all previous tariffs there has been a difference of at least 15 per cent between the trimmed hat and the untrimmed hat.

Senator JOHNSON. That hat [indicating] comes in at 25 per cent because it is not blocked or trimmed?

Mr. TODD. Yes, sir.

Senator JOHNSON. And that hat [indicating] comes in at 40 per cent?

Mr. TODD. Yes, sir; but under this bill as drawn they would both pay the same rate of duty.

Senator SMITH. And you suggest we cut out the word "blocked"?

Mr. TODD. Yes, sir; making a difference of 15 per cent between this, our raw material, and this, our finished product. Under this bill as drawn the raw material is increased 5 per cent and the finished product is decreased 10 per cent. So we want the word "blocked" taken out.

Senator SMITH. You wish the separation of the 25 per cent ad valorem and the 40 per cent ad valorem to be as to hats trimmed or untrimmed. You wish to add the blocked hat to the 25 per cent duty and taken out of the next?

Mr. TODD. Yes, sir.

Senator SMITH. So that the point of separation will be the trimmed and untrimmed hats?

Mr. TODD. Yes, sir.

Senator SMITH. Rather than the blocked or trimmed?

Mr. TODD. Yes, sir; as it has been in all previous tariffs. In the tariff act of 1909 it says when composed of straw, but not trimmed, 35 per cent; if trimmed, 50 per cent.

Senator SMITH. You want to strike out the word "blocked" in the eighth line of that paragraph; also in the ninth line?

Mr. TODD. Yes, sir.

Senator SMITH. So that it would read in the eighth and ninth lines, "but not trimmed" and "if trimmed"?

Mr. TODD. Yes, sir.

Senator SMITH. When not trimmed, 25 per cent, and if trimmed, 40 per cent?

Mr. TODD. That is it exactly.

Senator SMITH. Do you manufacture or import?

Mr. TODD. This gentleman, Mr. Bronston, is the manufacturer.

Mr. L. J. BRONSTON. You see, the manufacturer adds from 50 to 90 per cent of his foreign cost to the hat before it is marketable. The hat which Senator Johnson now holds in his hand cost in Italy \$3.25. With a duty of 40 per cent it would be \$1.30. The trimming of that hat in America would cost \$2.35, and with ocean freight and insurance added, of 51 cents, it makes a total of \$7.41 as the cost here of that hat made in Italy.

Senator JOHNSON. We have already had those figures presented to us, have we not?

Mr. BRONSTON. Yes, sir.

Senator SMITH. You have brought entirely different looking hats this time. The trimming of that untrimmed hat [indicating] should be a very small item—would it not? These two hats do not illustrate your case at all.

Mr. BRONSTON. Having those hats here to-day is simply a coincidence.

Mr. TODD. This hat [indicating], in Italy the cost of trimming would be \$1.31 as against \$2.36 in this country.

Senator SMITH. The cost of trimming?

Mr. TODD. Yes, sir, the cost of trimming. To finish that hat, such as this hat [indicating], would cost \$2.36 a dozen.

Senator SMITH. What would be the cost of trimming that hat [indicating]?

Mr. BRONSTON. I could not say, unless I had my figures. I just happened to have this on my head. But that hat [indicating] to make it a salable product in Italy would cost \$1.31 in Italy and would cost \$2.36 a dozen in this country to trim.

Senator SMITH. Oh, a dozen; I see.

Senator JOHNSON. We already have those figures, which have been furnished in a brief which has been printed.

Mr. TODD. The matter of the blocked hat was the only point we desired to bring to your attention.

STATEMENT OF MR. MILTON DAMMAN.

PARAGRAPH 343.—*Straw hats.*

Mr. DAMMAN. I represent the Straw Goods Association, and we favor the retention of the precise language of the House amendment. I shall speak with reference to paragraph No. 344.

Straw hats for the past 20 years have been divided into two classifications, one commonly known as body hats, and the finished product. These two classifications have been trade classifications from time immemorial.

They have been worded in the tariff bills as untrimmed hats: An untrimmed hat is known to the trade as a body hat; in other words, a hat which is made out of woven straw—Panama hats. This [exhibiting sample] is a woven body hat. Not a single hat of that type has ever been made in this country. They are all made in the oriental countries and none of them are produced here. The only hats that are made in this country are made out of straw braid [exhibiting sample].

As to the particular point involved. These body hats are made by the very men who manufacture braid hats. We come here to-day both as importers and manufacturers.

This particular braid [exhibiting sample] bears a duty of 15 per cent in the Underwood bill. It has borne a duty of 15 per cent for the last 15 or 18 years. If bleached, dyed, colored, or stained, it bears a duty of 20 per cent. The braid that goes into these hats is bleached and we are taxed a duty of 20 per cent on our main raw material.

You will observe that the House amendment changed the Payne-Aldrich bill in three respects. First, it reduced the duty on trimmed hats. It reduced the duty on trimmed hats from 50 to 40 per cent; it reduced the duty on untrimmed hats from 35 to 25 per cent. It changed the language from "hats not trimmed" and "hats trimmed" as under that classification to "hats not trimmed or blocked." That covers this particular hat [indicating]. That hat [indicating] to all intents and purposes, I submit, is just as much a manufactured article as that hat [indicating]. The only difference is that one has leather on the inside and a silk band on the outside.

The CHAIRMAN. One manufacturer appeared before us and stated that that was his raw material.

Mr. DAMMAN. He is not a manufacturer. He comes here in the guise of a manufacturer. What he has done is this: He has taken advantage of the language in the Payne bill intended to cover woven body hats and brought in this hat in an untrimmed state, thereby depriving the Government of the duty between the untrimmed, or the raw material, and the finished product.

The labor on that hat [indicating sample] represents \$7.5 per cent.

Senator HUGHES. As I understand you, you hold that the proposed language corrects the error in the Payne bill?

Mr. DAMMAN. Yes, sir; corrects the error in the Payne bill. Under the language suggested by two or three importing houses, it put this in as a manufactured article, and they want that hat to pay the same rate as this particular hat [indicating].

Senator SMITH. You want that hat to pay the same rate as the trimmed hat?

Mr. DAMMAN. Yes, sir.

The CHAIRMAN. People have been before us and have been insisting that the trimmed hat and that hat ought to pay different rates.

Mr. DAMMAN. Precisely. That is their insistence. They say this is their raw material. That is a manufactured article.

Senator SMITH. How much labor is the trimming on that hat?

Mr. DAMMAN. A woman can trim 84 hats in one day.

Mr. BRONSON. I take exception to that, Senator.

Mr. DAMMAN. I can take you into a dozen factories and prove to you that a woman can trim 84 hats in a day.

Senator SMITH. What amount of labor is there in that hat?

Mr. DAMMAN. Less than 12.5 per cent labor.

I have never met this gentleman before [referring to Mr. Bronson]. He does not run a hat factory. I know every man in the business who has a hat plant. Any statements that he makes to you about the labor in making a hat are not made from actual knowledge. I know the amount of labor that goes into that hat.

Senator SMITH. You say that 12.5 per cent represents the labor cost of the conversion into that hat from the raw straw?

Mr. DAMMAN. That is in the trimming. They put it through a bleaching process. It has got to be sewed by a woman and has got to be blocked by hand and the glue has got to be put on for the stiffening:

Senator SMITH. Then it is like this [indicating sample]?

Mr. DAMMAN. Yes. All that Mr. Bronson and his confrères do is to put this leather in and this band on here. They whip that in by machine or hand. I do not know which. All he does is to put this little trimming around here. You have seen dozens and dozens of these little Italian hat-cleaning shops throughout the country. They take it like that [demonstrating]; they put the trimming back on again, and that is all it amounts to.

He brings this hat [indicating sample] in here. One of the biggest hat-manufacturing concerns in the country, the firm of H. P. Vanderhoff, a concern which operates three factories, imports hundreds and hundreds of dozens of this particular hat. The hat is landed in this country, all charges paid, for \$2.76 a dozen.

Senator SMITH. What would that hat be worth after it is trimmed?

Mr. DAMMAN. It would cost about \$1.75 a dozen trimmed, with the trimmings.

Senator SMITH. It cost \$1.75 to trim it?

Mr. DAMMAN. Counting in the value of the trimmings.

Senator SMITH. Trimmings and all. How much was it worth before that?

Mr. DAMMAN. \$2.76 on board steamer, Italy.

Senator SMITH. \$2.76 on board the ship at Italy?

Mr. DAMMAN. Yes, sir; and landed here, \$4.17.

Senator HUGHES. What do you sell it to the trade for, trimmed?

Mr. DAMMAN. That includes the trimmings and the cost of the silk bands and leather. \$1.75 plus \$4.17, or about \$6 a dozen.

Senator HUGHES. That \$4.17 does not include the duty?

Mr. DAMMAN. Yes.

Senator HUGHES. Take the duty off?

Mr. DAMMAN. \$2.17 plus \$1.75. Of course, the \$1.75 is the American cost. These bands [indicating sample] cost less abroad. They

are all imported, or substantially all. The leather is substantially all imported. I should say that the trimmings abroad cost about \$1.25. That hat in Europe could be bought and trimmed for, I should say, about \$5 a dozen—\$4.50 to \$5 a dozen.

If the importer wants to bring that over here at the same rate of duty, he gets the differential, because the difference between the untrimmed and trimmed hat works out upon the same ratio. He pays that much less duty. If that hat cost \$2.17, free on board, Italy, and he pays 40 per cent on that, he pays 80 cents duty. If the trimmings are added, and he wants to bring it over trimmed, he pays proportionately that much more.

Senator SMITH. That represents about one-third of its value?

Mr. DAMMAN. Including the cost of trimming.

Senator HUGHES. What does the work of trimming represent?

Mr. DAMMAN. As to value?

Senator HUGHES. Yes.

Mr. DAMMAN. The work as to value represents, I should say, about 12 per cent - from 10 to 12 per cent, that is all.

Senator HUGHES. How many operations are there in that trimming?

Mr. DAMMAN. Only one. One woman puts the leather in and another woman puts the band on. In my own factory one woman can whip in 10 to 20 dozen a day by machines.

Senator SMITH. What part of the value of that hat is the bleached straw before it is ready for work?

Mr. DAMMAN. This particular hat [exhibiting sample] would be about 60 cents a dozen, or about 5 cents a piece, the cost of the naked straw. The labor is the most important part.

Senator SMITH. What is that hat worth here a dozen finished in that shape?

Mr. DAMMAN. About \$9 a dozen.

Senator SMITH. In the shape it is now?

Mr. DAMMAN. In this particular shape here [indicating]. In this style here [indicating] it costs to purchase them here \$5.14.

Senator HUGHES. That is what you manufacture it for?

Mr. DAMMAN. Yes; that is the cost figure. I have items to show that cost right here in the brief.

Senator SMITH. What is it worth a dozen trimmed?

Mr. DAMMAN. You add about \$1.75 to \$2.50, depending upon the grade of the trimming. And all trimmings are dutiable—that is, under the proposed Underwood bill—and silk bands have been reduced from 50 to 40 or 45 per cent.

Senator HUGHES. Forty per cent.

Mr. DAMMAN. Yes.

I have no particular desire to criticize anybody, but we have information of something that some one has put before the committee which is an actual misstatement of facts. Here are some pictures which, at the suggestion of some one, I secured from the room where the records were. That shows that this hat, and this hat, and this hat [indicating samples] pay the same rate. That is a deliberate misstatement, because here is that hat [exhibiting sample], an unblocked and untrimmed hat, and to compare that hat [indicating] with this hat [indicating] is a gross misleading statement. There are no women's

hats trimmed brought into this country at all, except a few hats for Fifth Avenue milliners, and they are brought in here for the purpose of setting the style.

Senator SMITH. You will block this hat [indicating sample]?

Mr. DAMMAN. Yes. It must be bleached and blocked all the way through. I submit that to say that these two hats [indicating samples] are alike is not fair. This [indicating] is a manufactured article and this [indicating] is not. This is the raw product. We do not care whether there is a 5 per cent duty or a 50 per cent duty on it. It does not make any difference.

Senator SMITH. The question is whether those two should be the same?

Mr. DAMMAN. Yes; that is the point involved. What proportion of the actual labor on these hats is putting the trimming on? Is it not infinitesimal? Is it not small enough to be of no particular consequence? We submit that they are manufactured articles and, as manufactured articles, they should bear the same rate. The amount of duty on those hats when they come in will be graded in proportion to the value of the hats; but certainly they are manufactured articles.

Senator HUGHES. You mean that the ad valorem duty would work itself out?

Mr. DAMMAN. Certainly.

Senator HUGHES. The ad valorem would catch this band [indicating] and this band [indicating]?

Mr. DAMMAN. Exactly. This gentleman wants to bring the hats in in this shape [indicating] and trim them. He has just as much protection as we have. He has made a statement in his brief that he has received a letter from some customs examiner that only \$125,000 worth have been brought in. In his own brief he states that he paid the Government \$35,000 in duty, and the \$35,000 must work out \$100,000 worth. But I will say to you, gentlemen, that you will find that half of the hats have Italian labels in them, or English labels. You can go into any hat store in the city of Washington and you will find Italian hats and English hats. You can not possibly accurately say how many come in because they were not classified as between untrimmed and trimmed—as between this kind of hat and this kind of hat [indicating samples.]

Senator SMITH. You say it costs \$1.50 a dozen for trimming?

Mr. DAMMAN. Including the value of the trimming and the trimming itself.

Senator SMITH. That is what I mean—the trimming and furnishing the material.

Mr. DAMMAN. Ordinarily from \$1.50 to \$2.25. It depends upon the value of the trimming. You know what a hat band costs. Only women do that work, and it requires no plant at all.

Senator HUGHES. Have you filed a brief?

Mr. DAMMAN. We have not filed a brief. We did not suppose there would be any contention about it and were surprised to find out that there was contention. We appear before the committee in the hope of sustaining our own rate.

Senator SMITH. What is the duty on that mashed hat you have indicated?

Mr. DAMMAN. Twenty-five per cent.

Senator SMITH. Under the present bill?

Mr. DAMMAN. Thirty-five per cent under the present bill and 25 per cent under the proposed bill. This [indicating] is 40 per cent; and this [indicating] is 40 per cent. These are denominated at 40 per cent now.

I am not going to argue to you what is going to happen to us under the 25 per cent rate. You hear about that all day long. That involves a lengthy discussion about the cost of production and everything else. We are not concerned in that. We come here upon the fair physical demonstration that that hat [indicating sample] is a manufactured article and ought not to be classified as nonmanufactured.

Senator SMITH. What is the duty on the straw?

Mr. DAMMAN. Twenty per cent on bleached braid.

Senator SMITH. That is ready for use?

Mr. DAMMAN. Yes. There is 25 cents' worth of glue in a dozen hats.

Mr. BRONSON. I want to correct your statement. Your brief says 15 cents.

Mr. DAMMAN. Well, 15 cents. I do not recollect. I have in my brief what I said under oath and it is true. I do not recollect every detail of the business.

I simply want to say that we had a great deal of trouble convincing the Ways and Means Committee of the merits of our contention. We met a great deal of opposition there. I do not know who was behind the opposition, but we had to take this matter up with each individual member of the Ways and Means Committee in order to convince them that we were correct as to our contention.

The CHAIRMAN. Most of those hats come in blocked?

Mr. DAMMAN. Most of them come in this way [indicating] to-day.

The CHAIRMAN. They are not made in this country?

Senator HUGHES. That is what he is complaining about.

Mr. DAMMAN. They come in here in this shape. The consumer does not benefit by the hat coming in in that shape. They sell this for the same price that we sell them for. If they want to bring them in, let them bring them in trimmed. We do not object. We say that they ought not to avoid the apparent intent of the old act, which made a body hat dutiable at less than the finished product.

STATEMENT OF MR. T. S. TODD, OF NEW YORK.

PARAGRAPH 343.—*Straw hats.*

Mr. TODD. I do not wonder that the gentleman had some difficulty in convincing the Ways and Means Committee that the phraseology as it is now was intended for anything but his particular manufacture. I think, as a matter of fact, that a perfect statement of this case is found in section S, page 221, of the tariff act. With your permission, I will read it:

That the President shall cause to be ascertained each year the amount of imports and exports of the articles enumerated in the various paragraphs in section 1 of this act and cause an estimate to be made of the amount of the domestic production and consumption of said articles, and where it is ascertained that the imports under any paragraph amount to less than 5 per centum of the domestic consumption of the articles enumerated he shall advise the Congress as to the facts and his conclusions by special message.

The importation of the unfinished shell or blocked hat is the business of my clients, Messrs. Brenston Bros. & Co. They have been engaged in that business for about four years. As to their importations, the United States appraiser at the port of New York, in answer to an inquiry as to what the imports of this character of merchandise amounted to, states that that office has no record of the value of blocked and untrimmed straw hats, but it is estimated that the value does not exceed \$125,000 per year.

Senator SMITH. That are imported?

Mr. TODD. Yes. That is over the signature of the United States appraiser at the port of New York.

These gentlemen are the only importers of that type of hat in any quantity. They imported last year about \$100,000 worth of that material.

According to the statement of the gentleman who just preceded me—in his own brief—the total production of men's straw hats manufactured in the United States is about \$13,000,000. We submit that if the American manufacturers, whom he states he represents, have an output and sale of \$13,000,000, that it should not seriously affect their dividends if my clients are able to import and sell in this country \$125,000 worth, or less than 1 per cent of the total consumption in this country.

Senator SMITH. What proportion of these trimmed hats come in?

Mr. TODD. I really could not tell you that, because we do not import them trimmed. I will say this, however: The gentleman says that it takes about 12 per cent additional to this hat. Here is one of our exhibits. This exhibit has been in the hands of one of the gentlemen of the committee. The trimming on that hat cost 85 per cent of the cost of the original straw block or shell.

Senator HUGHES. That includes the value of the trimming?

Mr. TODD. The value of the trimming and everything, in changing it from that condition into that condition, which is the salable condition [exhibiting samples]. In this condition it is manifestly unsalable to anybody.

Senator HUGHES. Have you got the figures per dozen for the work?

Mr. TODD. I have not. The manufacturer will give you that information.

Senator HUGHES. Can you give us that information now?

Mr. BRONSON. That hat cost \$4.32 to trim, including the cost of the material.

Senator HUGHES. I want the labor cost. What do you pay a dozen for trimming?

Mr. BRONSON. The labor on that hat alone?

Senator HUGHES. You pay a dozen rate for labor, do you not?

Mr. BRONSON. Yes

Senator HUGHES. What is the dozen rate?

Mr. BRONSON. We pay a woman 67 cents to put on the leather and to put on the band. Besides that, the operator makes this [indicating] and it costs about 18 cents a dozen for labor and about 3 cents a dozen to put this in; total, 88 cents per dozen for labor.

Senator SMITH. That is something extra, is it not?

Mr. BRONSON. It is nothing extra. If you will look into every window of every hat store you will find that the hats are getting more elaborate every day.

Mr. TODD. The operation of changing this shell or blocked hat into salable condition entails an expenditure for labor and trimming running from 55 to 90 per cent.

To say that these gentlemen are not American manufacturers is hardly borne out by the facts. These gentlemen occupy a building in New York six stories high and their pay roll is five or six thousand dollars a month. That, in my judgment, is a manufacturing plant.

Senator HUGHES. Do they import all of their hats?

Mr. TODD. Their entire business is importing that shell or blocked hat and transforming it into a salable article such as indicated by that trimmed hat.

Senator HUGHES. How many hats do they import?

Mr. BRONXOX. About forty to fifty thousand dozen; but you must take into consideration that we import a very low grade—in children's hats, about 80 cents a dozen.

Mr. TODD. The question as to whether or not the 40 per cent equalizes by reason of the higher value of the trimmed hat is illustrated by statements which we have presented to each one of you gentlemen heretofore. This blocked shell cost in Italy \$3.25 a dozen, the duty being at 40 per cent, as provided for in paragraph 344, would be \$1.30. The trimming of that hat in America, and by "trimming" I mean the changing of it from that condition to the completed article ready for sale—

Mr. BRONXOX. And in the very cheapest forms represented by that hat: very plain trimmings.

Mr. TODD. That last operation costs \$2.36 per dozen, which is over 70 per cent. The cost of ocean freight, insurance, and landing charges 50 cents a dozen; a total of \$7.41 per dozen.

The same hat in Italy would cost \$3.25 a dozen; the cost of trimming over there would be \$1.31 per dozen; a total of \$4.56; duty at 40 per cent, \$1.82; ocean freight, packing, and insurance, 75 cents, as against 50 cents for the untrimmed hat, because they are obliged to have a better packing; a total of \$7.13.

The untrimmed hat costs \$3.25 abroad, the duty being 25 per cent—81 cents; trimming in America, \$2.36; ocean freight, 50 cents per dozen, or a total of \$6.92 per dozen. If I remember correctly—and I have not the figures right at the moment—that is still about 40 cents per dozen above the cost of the American hat.

Mr. BRONXOX. Forty-eight cents.

Mr. TODD. Forty-eight cents above the cost of producing the American hats of a similar type.

The tariff of 1897, paragraph 409, provided for hats composed of straw, whether wholly or partly manufactured but not trimmed, 35 per cent ad valorem.

Senator HUGHES. Why do you import them if you can get them cheaper here? Is there any difficulty about getting the hats?

Mr. TODD. Prior to the inauguration of the business that these gentlemen now conduct, they tell me that the American manufacturer, having an absolute and perfect monopoly of the business, was away behind in his deliveries. He was arbitrary in his dealings with his customers; he made his deliveries when it suited his convenience and his price was according to his idea of profit. Therefore the American consumer readily accepted the new industry established by these gentlemen, and that has enabled them to build up this, which, while rather

a meager business in comparison with the whole business, is still a very nice business for them.

Senator SMITH. Why can they not import straw?

Mr. Tonn. They are not hat manufacturers. They are trimming and finishing blocked hats as a new business as compared with the importation of the straw and the making of the particular article.

Senator SMITH. Could they not import the straw and sew and block the hats here for what it costs them—

Mr. Tonn (interposing). They could do that. That is exactly what the present American manufacturer does. But they felt that a field presented itself in the importation of this blocked shell, which, prior to their entry into the market, had never been imported into this country. It was only by reason of the enormous trade here and the unsatisfactory conditions presented by the American manufacturers that they were induced to go into this business; and it was because of those very same conditions that they have been able to build up this business which, as I say, is a meager business in comparison with the whole, but yet to them a very large and a very vital business.

If this bill goes through as it is now framed, with the word "blocked" before the word "trimmed," reading "but not blocked or trimmed, 25 per cent, and if blocked or trimmed, 40 per cent," it must be obvious to you gentlemen that these manufacturers must go out of business. They can not stand the addition of 5 per cent on their raw materials.

Senator SMITH. What is the present tax on that hat [indicating a hat]?

Mr. Tonn. Thirty-five per cent. The advance of duty on his raw material, 5 per cent, and the decrease of duty on the finished product, 10 per cent, placing them both on a parity, would absolutely put these gentlemen out of business. I maintain that in view of all previous tariff legislation which has made this differential between the raw material and the finished product 15 per cent, it should be maintained in this tariff.

We therefore ask that the word "blocked," in line 8, and the word "or" and "blocked or," in line 9, shall be eliminated, so that the bill shall read:

But not trimmed, 25 per centum ad valorem; if trimmed, 40 per centum ad valorem.

Unless that provision is inserted in the law, it simply means that these gentlemen must retire from the business, and the American manufacturer will be placed in the position which he occupied prior to their entry into the field, which is an absolute and perfect monopoly of this trade.

The manufacturers are here if you desire to ask them any questions.

Mr. BRONSON. I want to say further, that the reason we made such a strive in this industry was because our friends here were to give the jobber or consumer what he pleased in the way of styles. He would not put in any additional machinery, because that made more overhead expense and cut into the profits. They made them just as plain as they could. We entered the field with novelties, and that is why they resented our entry. We compelled them to use their brains a little bit. They had not used them heretofore.

STATEMENT OF JOSEPH C. BONNER, PRESIDENT AMES BONNER CO., TOLEDO, OHIO.

PARAGRAPH 344.—Brushes.

Mr. BONNER. Twenty-four hours ago, at my home in Ohio, I was invited to come here by our association, which is interested in the manufacture of toilet brushes.

Senator SMITH. What paragraph covers that?

Mr. BONNER. Paragraph 423 in the present act.

Senator HUGHES. Paragraph 344 in the Underwood bill.

Mr. BONNER. I feel, Senators, my mission here is so important that if I am not able to convince you that our cause is not only a just one, but to convince you that the present rate of tariff of 40 per cent is insufficient, I feel I do not justly represent the gentlemen who have asked me to come here. I invite questions. I have read, since I came into the room, the series of 29 interrogatories that are intended for manufacturers, and I am ready to qualify on each and every one of them, I think.

Senator JOHNSON. How long did it take you to answer them?

Mr. BONNER. Not so very long, because our position is such it will not be a very difficult matter.

Senator HUGHES. Is this your paragraph?—

Brooms, made of broom corn, straw, wooden fiber, or twigs, 15 per centum ad valorem; brushes and feather dusters of all kinds, and hair pencils in quills or otherwise, 35 per centum ad valorem?

Mr. BONNER. Yes, sir; that is it.

Senator HUGHES. They were 40 per cent, were they not?

Mr. BONNER. Yes, sir.

Senator HUGHES. That is a reduction of 5 per cent?

Mr. BONNER. Yes, sir. I am appealing to you as the court of last resort.

Senator JOHNSON. But, Mr. Bonner, we are not.

Senator SMITH. As the last court you can talk to. [Laughter.]

Mr. BONNER. Well, you of course will appeal to the Senate and the committee on conference. I hope so. But if we do not get the relief that is asked, it means ultimate annihilation for our industry. It is because directly we are confronted with a yellow peril.

Senator JOHNSON. The Jap?

Mr. BONNER. We will call it that—oriental.

Senator HUGHES. It is the busy nation. They are going to make everything.

Mr. BONNER. I desire to say that the schedule has not been understood.

Senator SMITH. The duty is now 40 per cent?

Mr. BONNER. Yes.

Senator SMITH. What is the importation?

Mr. BONNER. I was coming to that in my statement. I say the schedule has not been understood; but there is light being placed on it, and there is action looking to relief, so that the very questions you are asking may be answered. In this reference here, "Notes on tariff revisions," at page 551, in connection with general information covering this paragraph, the statement is that there was \$21,103,776 of product in this country in 1905, and that has a duty of 40 per

cent under the title of "Brooms and brushes." In the present bill you will see the subcommittee has for the first time segregated brooms, providing there a separate schedule. That will enable us to find what is manufactured in this country. Brooms, as we all know, are to be found in every household, and there is a tremendous production.

When it comes to the question of the importations, the statement was made before the tariff committee by importers that we had \$29,000,000, I think it was. As a matter of fact, the statistics of the Treasury Department show there was but \$14,000,000.

Senator HUGHES. Is that importation?

Mr. BONNER. I should say production. Right there I would like to mention a point we can make: You may just as well call this a "sundries" item as to say a brush item, and then have it cover toilet brushes.

Senator JOHNSON. The brooms are up there by themselves, and show a production in 1910 of over \$14,000,000, while in 1905 the production of both brooms and brushes apparently is combined under one figure.

Mr. BONNER. Yes, sir. In 1910 the production of brooms was \$14,413,000 and the production of brushes \$14,694,000. Of course that takes in all kinds of brushes from those that can be classed as street sweepers on to the finest artist's tools.

Of the brushes regarding which I am here to talk to you, there are from two and a half to three and a half million dollars' worth manufactured in this country out of this \$14,000,000.

Senator SMITH. Out of the fourteen million you say there are about two million of your brushes manufactured?

Mr. BONNER. No, sir; from two and a half to three and a half millions.

Senator SMITH. Well, say \$2,750,000!

Mr. BONNER. Yes, sir.

Senator SMITH. You estimate that that much is the American production?

Mr. BONNER. Yes, sir.

Senator SMITH. Or the American consumption?

Mr. BONNER. Yes, sir.

Senator SMITH. Which is it—American consumption or American production?

Mr. BONNER. American production.

Senator SMITH. What do you estimate to be the importation of that same particular class?

Mr. BONNER. About three-fourths of the total importation; the consensus of opinion as given at the hearings before the Ways and Means Committee by the manufacturers was that 75 per cent are toilet brushes, and the others are painter's and artist's goods.

Senator SMITH. What, in dollars and cents, do you estimate the importation of those brushes to be, of which you say the American production amounts to \$2,750,000, between two and a half and three and a half million dollars?

Mr. BONNER. This is an estimate given by a New Jersey concern—manufacturers of brushes—that the American manufacture is not over \$6,000,000. It ran, as an estimate, from three and a half to seven millions at the hearing—but there is no way of knowing.

Senator SMITH. What proportion of the trade is now covered by imported goods?

Mr. BONNER. Seventy-five per cent of the imported goods are toilet brushes—from 65 to 75 per cent as estimated—and the balance are painter's and artist's goods.

Senator SMITH. You are not bothered about painter's and artist's goods, are you? They are not the brushes you handle?

Mr. BONNER. I was asked to come here to speak for the manufacturers.

Senator SMITH. Representing both of them?

Mr. BONNER. Yes, sir. There is no organization; no combination.

Senator SMITH. What proportion of the total consumption of brushes is imported?

Mr. BONNER. Seventy-five per cent of the amount imported are toilet brushes.

Senator SMITH. That is not it. What proportion of the consumption is imported?

Mr. BONNER. If we manufacture three and a half millions, a half of that would be 50 per cent. Fifty per cent of what we use in this country would be imported at the present time.

Senator SMITH. If we manufactured \$3,000,000 and we used \$1,500,000, then 33 $\frac{1}{3}$ per cent would represent the importation?

Mr. BONNER. Yes, sir. I am taking now the statements before the Ways and Means Committee made by the various manufacturers.

Senator HUGHES. Your figures, then, mean that every kind of a brush except a toilet brush has got a rate which is now prohibitive. Nothing comes in, practically, but toilet brushes?

Mr. BONNER. You had better state it this way, that the class of goods making up the major portion of the \$14,000,000 production is not a class of goods that would naturally be imported. Take soap brushes, that are used in so many and various ways; take lye brushes, used in printing offices. They are made in small shops by hand, and there are probably 400 factories in this country.

Senator SMITH. I see the brief furnished us says that the United States imports brushes to the value of \$2,000,000, and the United States manufactures the same kinds of brushes that are imported to the amount of about \$6,000,000. That would make a consumption of \$8,000,000 with \$2,000,000 imported, or 25 per cent of the consumption imported at a 40 per cent duty.

Mr. BONNER. That is the total of all kinds of brushes—of toilet brushes and artist's and painter's goods. As I say, the estimate before the Ways and Means Committee ran from three and a half to seven millions.

Senator SMITH. The rate is 40 per cent now, with brushes, brooms, and feather dusters all together?

Mr. BONNER. Yes.

Senator SMITH. And the new rate is 35 per cent on brushes?

Mr. BONNER. Yes, sir.

Senator SMITH. And 25 per cent of the consumption is now imported under a 40 per cent duty?

Mr. BONNER. Twenty-five per cent of the manufactured article.

Senator SMITH. Twenty-five per cent of the consumption.

Mr. BONNER. Well, of the total consumption; but 75 per cent are toilet brushes. You see, there are two families of brushes—painters and artists' goods and the toilet brushes.

Senator SMITH. There is a very small percentage that are painters' brushes?

Mr. BONNER. There is a very considerable percentage. The per cent, from our point of view, is high in both classes.

Senator SMITH. If only 25 per cent of all are imported, and 75 per cent of the toilet brushes are imported, that would leave not over 5 or 8 per cent of the others imported?

Mr. BONNER. Yes; that is right.

Senator IRVING. We export some brushes, too, do we not?

Mr. BONNER. That comes under the classification of brooms—corn brooms; but I do not know of any exportation of brushes.

Senator JOHNSON. You use bristles in making your toilet brushes?

Mr. BONNER. Yes, sir.

Senator JOHNSON. I notice the duty has been reduced on those.

Mr. BONNER. Right there, that is a matter with which we are not concerned. We feel it is our duty to pay that proportion of the tax to the Government; and we feel, further, that if the duty were taken off it would benefit the manufacturers and would be of much loss to the Government.

Within the last year there is an average of 30 per cent increase in the value of imports of bristles. You will see there that the amount of bristles imported is on the increase, and it is because of the increase of cost. These bristles are produced in Russia, Germany, France, and China. We are dependent entirely upon them.

Senator JOHNSON. Is not the duty added to the cost of those foreign bristles 7½ cents?

Mr. BONNER. Seven and a half cents on a pound of bristles, depending upon the use and kind of bristles—will run anywhere on an average of \$2 per ton. It is only a nominal amount.

Senator JOHNSON. What else do you use in manufacturing toilet brushes?

Mr. BONNER. On which duty is paid upon raw material, which is so classed in our industry, I have taken from the Underwood tariff bill, as I saw it lying on the desk, 32 items, which include, for instance, linseed oil.

Senator JOHNSON. Is there some reduction in linseed oil?

Mr. BONNER. It is 12 cents a gallon. I am telling you the duty we pay. Another item is bristles, for which we have been paying 7½ per cent.

Senator JOHNSON. The duty has been reduced quite largely upon what you use in the manufacturing of brushes. Linseed oil has been reduced. Is it not true also as to bristles?

Mr. BONNER. A half cent a pound, at \$2 per pound, is not very much; and there has been a 30 per cent advance in the price of bristles in the last year.

Senator JOHNSON. What other things do you use in making your brushes?

Mr. BONNER. We use bluing; we use chrome yellow; we use ochre; we use sandpaper; we use venetian red, varnishes, japans, paints, and enamel paints.

Senator JOHNSON. There has been a reduction on varnishes and paints and all those others.

Mr. BONNER. But the reductions are very small. Then we use wire, gold leaf, brierwoods, mahogany woods, veneers, boxes and shooks, thread, cotton, print paper, wrapping paper—

Senator HUGHES. They have all been reduced.

Mr. BONNER. Paper boxes, labels—

Senator SMITH. I have no doubt the House committee felt they had given you a reduction on your raw materials equal to the reduction they put on your manufactured product.

Senator HUGHES. According to your statement the rates on all brushes except this class must be prohibited, because there is only one kind of brush coming in.

Mr. BONNER. The other classes of brushes are brushes you would not class as made by manufacturers. There are journeymen who make a brush for a machine shop or for a printing office, and a thousand and one different uses to which brushes are put. The amount as given in the aggregate runs into the amount as shown there, and they do not belong in the classification anyhow.

Now, if that part of it can be understood as shown there about what the amount of domestic manufacture is and what the proportion of imports is as to manufacture, if I can take up the next phase of it and show to what amount the imports are increasing, to a point where it is menacing our annihilation, then I think I have presented the case as it should be, but not until then.

The imports from Japan since the McKinley law went into effect have increased from a nominal amount up to the present time where it represents an increase of 30.65 per cent. That is under the 40 per cent duty. We asked the Payne Ways and Means Committee to give us 60 per cent. The subcommittee of the Senate afterwards did make it 50 per cent, but it was left out, I think, in the conference committee. But at the present time we are menaced to that extent where we are losing ground, where we are losing business.

Senator JOHNSON. I find in looking at the woods you mentioned—on cabinet woods, which, I believe, you use, do you not?—the duty is 20 per cent. What kinds of woods did you say you use?

Mr. BONNER. Well, we use rosewood and ebony.

Senator JOHNSON (reading):

All forms of sawed cedar, * * * ebony, * * * mahogany, rosewood, sathwood, and all other cabinet woods not further manufactured and sawed, 15 per centum ad valorem.

That is the present law.

Mr. BONNER. You see you have not done very much for us in that.

Senator JOHNSON. They have been put down from 15 per cent to 10 per cent?

Mr. BONNER. And the prices are advancing all the while. The price of ebony wood was \$60 a ton. At the present time it is \$80 a ton.

Senator JOHNSON. How about celluloid? Do you use celluloid in making your brushes?

Mr. BONNER. No; we manufacture only the wooden case.

Senator SMITH. But some of the people say that some of the trade is in celluloid.

Mr. BONNER. Oh, yes; it is a very important industry in this country.

Senator HUGHES. Did you notice that the imports were lower in 1906 at 35 per cent than they were in 1905 at 40 per cent?

Mr. BONNER. You will find there is a scale of increase there from 1899 and 1900 up to the present time, which shows in the aggregate an increase of about 300 per cent.

Senator JOHNSON. You use glue, I suppose, to some extent?

Mr. BONNER. We make what is classed as solid-back brushes.

Senator JOHNSON. You do not use glue?

Mr. BONNER. No; we do not. We would be affected not only by a reduction of 5 per cent, but if they ship goods in American bottoms we will lose another 5 per cent.

Senator Smith. That may not stay in.

Mr. BONNER. I will surprise you in this statement, that your proposed reduction of 5 per cent ad valorem duty on toilet brushes represents twice our profit. We will manufacture in our factories that class of goods on a profit of 5 cents a dozen.

Senator JOHNSON. But you would secure your raw materials cheaper if we make those reductions?

Mr. BONNER. We find each year those prices advancing. Wherever the duty has been taken off the raw materials, the market is not lower; it advances.

I have had some experience myself in administering the tariff. I was collector at the port of Toledo, and my experience has been that where you took the duty off the market advanced. That was the case in the matter of tea when you took the duty off, and the duty on tea was intended for the benefit of the people.

Senator JOHNSON. They have convinced some of our brethren that when we take the duty off sugar it will advance the price of sugar.

Mr. BONNER. I know about that only from where I have had experience.

Senator HUGHES. Talking about experience, the Wilson and Dingley tariff figures ought to be illuminating. We imported only \$766,000 worth in 1896, with a 5 per cent tariff; and in 1905, imported \$1,300,000 worth at a 40 per cent tariff. That is the experience we have had.

Mr. BONNER. Of course we have an increasing population, and by reason of their lowering their prices on the other side they are increasing this rate of importation.

To give you an idea of the extent of this industry, and where we will find these brushes, it is safe to say that 75 per cent of all the stores in this country, drug stores, dry-goods stores, notion and department stores, are selling to-day toilet brushes. I would like to ask that a gentleman who is associated with me in business at Toledo show you several samples here, as indicative of conditions at the present time, and showing what has been the record of the past on the matter of proportionate importations to the domestic manufacturer, because of the market that is given to us, first by a statement of foreign manufacturers in a circular sent out to the trade, or sent out from abroad, from Japan, within the last three weeks, and the results of orders that are being placed in this country because of those new prices. That is brought about because of the conditions over

there; they have the advantage of this country 15 points to 1 on labor or on their overhead charges and every other cost.

Senator JOHNSON. They had it just the same under a 40 per cent tariff.

Mr. BONNER. Yes.

Senator JOHNSON. What I am troubled about is whether we have disturbed the relation. We reduce the duty on your product 5 per cent, and then put on the duty on practically everything you use in making a toilet brush, and sort of even the thing up. If we have succeeded in evening it up, you have not been hurt any.

Mr. BONNER. We have information from people who are in our employ, who work in Germany, that the Japanese people are buying machinery in Germany, which is the reason probably why they are making these new prices, which place them in position to manufacture the same as we do, with the same machinery, and they will cut the prices, as indicated, 50 per cent.

Senator HUGHES. Five per cent will not make much difference to you?

Mr. BONNER. It makes a great deal of difference.

Senator HUGHES. Not if they are going to cut prices 50 per cent.

Mr. BONNER. I will ask Mr. Mackenzie to show you the brushes that I refer to.

STATEMENT OF J. G. MACKENZIE, OF TOLEDO, OHIO.

PARAGRAPH 34.—*Brushes.*

Mr. MACKENZIE. I do not know much about statistics, but 10 years ago we realized that we had keen competition from England and France. It was my great desire to some day be able to compete in this country against those goods. We started out to do that, and we got so we could compete against those countries. But just about that time our Japanese friends began to put goods into this country at such a price that we could not compete.

Four or five years ago I could go down to New York and be welcomed in most of the big houses there, but when I go there nowadays they say, "We are glad to see you, but we can not do any business with you; we are buying Japanese goods; you ought to see them." They take great pleasure in taking me around and showing them to me.

I go into different drug stores and department stores throughout the country, and I see Japanese goods. Every place I go I see Japanese goods—foreign goods. I have got in the habit now of looking for them.

Senator HUGHES. I begin to see them myself. [Laughter.]

Mr. MACKENZIE. I come into this room to-day, and I go over to the washstand and pick up a brush—a Japanese brush. I go over here and pick up one—a Kent brush, made in London. I pick up another—French goods. You do not see many American goods. They are Japanese goods, or something that is knocking us right out.

Senator SMITH. Is that a Japanese brush on this side [indicating]?

Mr. MACKENZIE. Yes, sir. I came down here at the last hearing before the Ways and Means Committee. I was a little afraid, by the way they were talking, that we had to do something, so I thought

we had better get up some assortment. I sent out around the country to see if we could get trade in that way. I thought it was a good thing, and we started out to do it. In every place they said, "Why, you ought to see the assortment we are getting from Japan." And then I bought some of them.

Senator JOHNSON. Did they tell you what they get from France?

Mr. MACKENZIE. I believe we can compete against the French goods.

Senator JOHNSON. I find that in 1911 we imported \$749,000 worth of brushes from France, \$418,000 from Germany, \$211,000 from England, and our importations from Japan were \$736,000—less than they were from France. Last year they were \$602,000 from Japan, so that they fell off last year.

Mr. MACKENZIE. It is going to come up this year.

Senator JOHNSON. Let us see what the record shows. In 1911 Japan sent us \$736,000 worth of brushes, and last year she sent us \$602,000.

Mr. MACKENZIE. Business fell off everywhere.

Senator JOHNSON. France sent us more.

Mr. MACKENZIE. If they put out brushes like this [indicating] at \$4 a dozen and put them up into assortments—and they are sending them all over the country, f. o. b. destination, at that price—why, it is simply putting us right out of business.

Senator JOHNSON. That is an ebony back?

Mr. MACKENZIE. They say it is an ebony back. It is a question in my mind. Here is one marked "Real ebony," but I doubt it; I do not know; I could not swear it was.

Senator JOHNSON. You get the duty reduced upon that ebony wood?

Senator SMITH. That is not ebony.

Mr. MACKENZIE. They mark it as such; I do not know. That is sold by a New York jobber at \$4.25 a dozen, assorted. Here are ebony brushes which we are making. They equal them in general appearance, but we could not possibly compete at such prices [indicating].

Senator SMITH. This is a nicer brush—very much better.

Mr. MACKENZIE. We are very proud of our goods, but if they do that and mark them real ebony, we can not possibly compete at their prices.

Senator SMITH. What is the difference in the selling prices of those two brushes, yours and theirs?

Mr. MACKENZIE. As to that particular brush [indicating], I was out in Kansas City about six years ago, and the buyer of the Pike Drug Co. got up a description and made a drawing of it, and from that we got out that brush specifically for him. We sold it to him at \$15 a dozen. Then, later on, we found we could manufacture a little cheaper, and we put it out at \$12. They are now selling at \$7, but we could not get it down to sell at \$4.25.

Senator JOHNSON. That Japanese brush is not as good a brush; it is not in the same class as yours.

Senator SMITH. That brush ought not to be worth half as much.

Mr. MACKENZIE. But we can not make an ebony brush to sell in this country at \$4.25. Four years ago ebony was \$32 a ton; to-day it is \$75.

Senator HUGHES. Do the Japanese get their ebony for nothing?

Mr. MACKENZIE. I do not imagine so. I do not know where they get this ebony from.

Senator SMITH. Does ebony come in with a duty?

Senator JOHNSON. No; it is reduced.

Mr. MACKENZIE. As to tooth brushes in this country, I do not think anybody can supply tooth brushes any more outside of Japan. You can go in any drug store or department store and you will find them selling foreign toothbrushes. We need that 5 per cent to help us in our business.

Mr. BONNER. Let me give you the prices: Japan will ship, parcel post paid, all duty paid, to any buyer in the United States with good credit standing toothbrushes from \$1.50 to \$11 a gross. That is a little over 1 cent apiece for a toothbrush, and they make as good goods as are produced in the world. Even at the highest price of \$11 a gross, that is less than \$1 a dozen, or about 9 cents apiece—8 cents and a fraction apiece—and their very best goods. And they will put them in the buyer's hands, duty paid and parcel post paid, all commissions, and everything paid. It is really interesting to read their circular.

Senator SMITH. That is the brush we buy on the market for 25 cents apiece?

Mr. BONNER. I should think 35 and 50 cents for the very finest.

Senator JOHNSON. Do you make toothbrushes?

Mr. BONNER. We do not, but there are other brush manufacturers who do.

Senator SMITH. We ought to get them now for about 15 cents apiece.

Mr. BONNER. I do not see why you should not.

Just a word as to the gentleman who spoke about the toilet sets in those leather cases and the statement he made that he could not fill those cases in this country. You can see from the class of goods placed in his hands that any factory that can make this brush [indicating] can make this brush [indicating]. We can supply him.

A question was asked if we made celluloid brushes. We do not, except we make brushes for celluloid factories. We have machinery to put the bristles in.

That brush there [indicating] is all machine work: the bristles are put in by machinery. It is interesting to note that where statistics show there are 8,000 people making brushes 25 years ago it would have taken 80,000 to do the same work because of machinery that now does the work that hand labor performed.

As to this Japanese proposition, as shown by the circular to which I have referred, that ought to be conclusive that our request, if never thought to be granted before, ought to be granted now, because we in the future will have to meet that competition. As Mr. Mackenzie has said, they are putting up these machines and they will make a reduction in the price of 50 per cent, a price at which we can not possibly compete.

Then again the Japanese are misrepresenting their article to the Government—misrepresenting it to the people of the United States—when they say that this brush is ebony, when they put on there "real ebony."

Senator JOHNSON. Do not some of our manufacturers do that?

Mr. BONNER. No, sir; I have never known it to be done. Another thing, your administrative laws require it should be plainly marked, and you have to take a magnifying glass to see the word "Japan."

Senator SMITH. I have been shown where it is, but I can not see it.

Mr. BONNER. How is anyone going to know? You go into the Fair store in Chicago and they will say, "There is a brush at 50 cents; here is another at \$1." The appearance is the same; the cheaper brush is handsomely made, and the price will control. We can not compete on that basis. We can not put into our brushes the quality we do and compete with this Japanese brush that sells in this country by jobbers for \$1.25. There should, it seems to me, be an administrative feature—a law—which would not permit anybody to send goods into this country marked differently from what they really are; misrepresenting the article, not only to the consumer but to the Government.

Senator JOHNSON. Will you file a brief on this matter?

Mr. MACKENZIE. Yes, sir; we will do so.

Senator JOHNSON. Is there any other gentleman to be heard upon the brush question?

Mr. MACKENZIE. I think not.

STATEMENT OF MR. E. H. HOLTON, OF NEW YORK.

PARAGRAPH 344.—*Brushes.*

Mr. HOLTON. I represent the importers and dealers in brushes in New York, which is the principal State of distribution. We are coming before you to ask that a further reduction in duty be made.

Senator SMITH. That question has already been discussed.

Mr. HOLTON. We can say what we have to say in a very few minutes.

Paragraph 345 of the Underwood bill separates brooms and makes them 15 per cent ad valorem. Brushes and feather dusters of all kinds and hair pencils in quills or otherwise, 35 per cent ad valorem.

Under the Payne-Aldrich Act these were all in one paragraph at one rate of duty, and it is significant that that is the highest duty that has ever been levied on brushes—

The CHAIRMAN. We cut it down 5 per cent in this bill.

Senator HUGHES. Here is a brush [handing witness a brush] that they say is being heavily imported now. This is a French brush. Is there any explanation for that?

Mr. HOLTON. This industry is undergoing a very peculiar change.

Mr. Bonner, of Ames-Bonner & Co., bears us out very nicely in the position that the change has been very rapid from a hand industry to a machine industry.

In the testimony before the Ways and Means Committee I submitted a statement by the maker of the machines, in which he stated that the machines reduced the item of labor about 75 per cent.

Mr. Bonner, in his testimony, on pages 5040 and 5041 of the tariff hearings, goes on at great length stating the possibilities of machines being used, and stating that the machines were so finely adjusted that in the event of error they would stop automatically. I will not

go into that, but he concludes by saying that almost all brushes are now machine-made.

Previous to that he says:

Under those conditions, within the last 25 years that I have been associated, the quality of hair brushes and toilet brushes of every kind that have been used in the family have improved in their manufacture about 60 per cent, and I should say that the price had been reduced about 75 per cent.

That practically bears out the statement of the maker of the machines.

Outside of the question of wages, they are practically on the same footing that we are. Bristles bear a specific duty of 7.5 cents a pound.

The CHAIRMAN. We have reduced that to 7 cents.

Mr. HOLTON. The cheapest bristles that can ever be used are 40 cents a pound, and they are never used in this country.

The CHAIRMAN. We reduced the duty upon the wood—the ebony.

Mr. HOLTON. That has always been free in the natural state in the log. The cheaper brushes are made out of native-grown timber. So that on materials we are practically on an even basis. Four years ago they said that the item of labor was 60 per cent. This time they say that their item of labor ranges from 22.5 to 26 per cent. Wages amount to 20.5 per cent for Massachusetts. Wages are 22.75 per cent for the entire United States. A page from one of the Government documents which I have been fortunate enough to secure gives the relation of wage to the value of the product of 18.6 per cent.

Senator HUGHES. The trouble about those figures is that those brackets included brooms.

Senator SMITH. I think the only real question we have before us is whether we ought to put up that duty.

Mr. HOLTON. The imports are all brought in under the old paragraph, and when they take the American production, excluding creams, feather dusters, and hair pencils, in quills or otherwise, and take brushes alone—even assuming that that is correct—we still stand in the position of doing 16 $\frac{3}{4}$ per cent of the business and the American manufacturer doing the rest. That is hardly a fair comparison as the record now stands.

No; the value of the products imported to the total value of American production; that is, I say, assuming that they have the right to take all the items under the import and segregate the brushes under domestic regulation. That is hardly a fair way to do.

Senator SMITH. They say that if they can maintain 50 per cent under this rule, they will be doing well.

Mr. HOLTON. I think they will maintain a great deal more of it. They put that up as a plea of the high rates of wage for the American workman, and we pointed out to the Ways and Means Committee one manufacturer who made a very lengthy speech who is in very bad odor with the National Child Labor Committee. Instead of protecting the American workman he goes to the tenement houses and employs that labor and puts the difference in his pocket. We are in a peculiar situation personally. We not only import goods, but we are compelled to buy the American manufactures, because it is impossible to import certain grades. There are no importations of household brushes.

Senator HUGHES. What is the paragraph to which you are referring?

Mr. HOLTON. Paragraph 345. I do not think we have any more to fear from the yellow peril than we have from the tenement peril.

Senator HUGHES. "Brushes and feather dusters of all kinds, and hair pencils in quills or otherwise, 35 per cent ad valorem." It used to be "Brushes, brooms, and feather dusters of all kinds, and hair pencils in quills or otherwise, 40 per cent ad valorem." This is just a cut of 5 per cent. Is that correct?

Mr. HOLTON. Yes, sir; a 5 per cent reduction, although, if we accept the figures as given by the Government, we are doing but 8 per cent of the business, and even under the highest tariff ever levied on those goods it was only 40 per cent.

Senator HUGHES. It was always an ad valorem duty, was it not?

Mr. HOLTON. Yes, sir; since 1789 it has been an ad valorem duty. We asked that the duty be cut in half, but if we got a 5 per cent reduction we would feel, under the circumstances, that we are entitled to a little further reduction. They state very frankly that if the duty is raised the importation will be very considerably lessened; so, assuming that, if it were reduced to a little more it would be brought up to a little more equitable basis. I might say that even though the imports did increase I do not think it would do it to the detriment of the American production, because this campaign that is being waged all over the country in the public schools in the way of teaching the children to use toothbrushes on the plea of health is creating a demand that is entirely new. In other words, it is creating an entirely new outlet. Their purpose is to get 90 per cent of that.

Senator SMITH. Are you addressing yourself solely to the toothbrushes?

Mr. HOLTON. No. I have a few extra copies of the brief here, if the Senators would like to look at them—copies of the brief filed with the Ways and Means Committee.

Mr. CHARLES S. WELSH. Mr. Holton has neglected to mention the fact that we believe the tariff bill is framed on the theory that the American consumer is going to be benefited by a reduction in the tariff. A reduction of 5 per cent in the rate is not going to affect the consumer at all.

STATEMENT OF A. B. HAMBURG, OF NEWARK, N. J.

PARAGRAPH 347.—*Pearl buttons.*

Mr. HAMBURG. Mr. Chairman and gentlemen, I will be exceedingly brief. The ocean-shell pearl-button manufacturers desire to place before the Senate Finance Committee this brief.

The Underwood tariff bill, Schedule N, page 88, paragraph 347, reads as follows:

Buttons or parts of buttons and button molds or blanks, finished or unfinished, not specially provided for in this section, and all collar or cuff buttons and studs composed wholly of bone, mother-of-pearl, or ivory, forty per centum ad valorem.

We ask for a specific duty of 1½ cents a line, 40 lines to the inch, on all buttons made from ocean-shell pearl, for the following reasons:

In certain sizes and grades the proposed Underwood duty of 40 per cent reduces the tariff, while on other sizes and grades it increases,

in some cases, as much as 30 per cent. We do not feel that this was the intention of the Ways and Means Committee, and we ask your committee to carefully consider our request.

We have prepared and presented to Senator Hughes for your use a detailed statement showing the cost of production, wages paid, and a schedule of the various sizes, and difference from the present tariff and the proposed bill.

If the Underwood bill becomes a law the lower grades, in which labor is a great part of the cost of production, will be largely imported, and on the sizes and classes of goods in which labor is a very small part of the production the duty will be very much increased. This we have not asked nor desired, as we ask for no protection in our profits—simply a fair protection of the labor.

We therefore earnestly ask that Schedule X, page 88, paragraph 347, be changed to provide as follows:

That buttons or parts of buttons and button blanks, finished or unfinished, made of solid water mother-of-pearl shell, shall pay one and one-half cents a line per gross.

Now, gentlemen, what I am about to state is an absolute fact. Here is a card, the illustration of which will save a great deal of your time. For instance, starting at this size here [indicating], running about 22 lines, the duty is very materially reduced. From here up to here [indicating] you have increased it, in some cases to as much as 40 per cent.

You ask why that is, of course, and why we can do that without a great deal of loss. The cost of labor on this class of goods beginning here [indicating] will run about 10 per cent, 12½, 15, 25, 30, all the way down to 60 and 65 per cent.

Senator JOHNSON. That statement means nothing on the record. When you named your first figure, you meant beginning with the largest button and going on down to the smaller buttons?

Mr. HAMBURG. Yes, sir; if you give us what we have asked for, instead of 30 per cent ad valorem, it will only be 31½ per cent, and we have a schedule prepared, which Senator Hughes has, for your information.

Senator SMITH. You mean the average on those buttons will be 31½ per cent?

Mr. HAMBURG. Yes, sir. And in the sheet that we have prepared for your use we show each size with the foreign price to-day.

Senator SMITH. You will get a good deal higher rate than that, though, on the smaller buttons, and a less rate on the larger buttons.

Mr. HAMBURG. Yes, sir; depending upon the line.

Senator SMITH. It depends upon the line?

Mr. HAMBURG. Yes, sir. That on which labor is a large part of the cost we ask for an increase, and that on which labor is a small part we ask for a small per cent.

Senator SMITH. What is the present specific duty?

Mr. HAMBURG. The duty in the present bill, as it has been since pearl buttons were made in this country, has been a specific duty varying from 1½ to 15.

Senator HUGHES. What was done in the Wilson bill?

Mr. HAMBURG. They cut it down to 1. Then some places closed up, and it was opened up again under the Dingley bill, I think it was.

Senator HUGHES. Do the Japanese make these buttons, too?

Mr. HAMBURG. Now, gentlemen, I did not want to refer to that. I was going to refer to it in this way—

Senator HUGHES. I do not like to see anybody overlook it. [Laughter.]

Mr. HAMBURG. Thank you. I will make this statement. I have spent my life in the pearl-button business, and I will make this statement on this day—if the bill remains as it is, most of the low-priced buttons in 12 months from now, that are used by the ladies of our families, will come from Japan.

Senator HUGHES. That is all settled then; that is all I want.

Mr. HAMBURG. Yes, Senator; I am very glad of that. We do not fear competition from France and Austria, with a fair protection on the wage question. But we can not compete with the country to which Senator Hughes has referred.

Senator HUGHES. I understand they do not make those buttons with machinery in these foreign countries, but make them by hand.

Mr. HAMBURG. They make them by machinery.

Senator HUGHES. They make them by hand in Japan.

Mr. HAMBURG. They are installing machinery.

Senator HUGHES. Hand machinery?

Mr. HAMBURG. They have put in automatic machines there. The situation is getting serious for us when Japan can make a button like this for 22 cents.

Senator JOHNSON. Does paragraph 379 cut you down? This paragraph 347 gives you 40 per cent, but when you get over into paragraph 379 it refers to manufactures of mother of pearl and shell, etc., 25 per cent; then it refers to manufactures of ivory or vegetable ivory, and so on, 30 per cent.

Mr. HAMBURG. Senator Johnson, I am very glad you refer to that. There has been some controversy on that by the button people. They have asked some legal opinion about it. As I understand there is a provision in the bill, or a provision has been adopted by the Government, where in the construction of a bill there is a question of that character arises, the higher duty shall always be levied. I do not know whether that is right or not. That is the word they sent to us.

Senator JOHNSON. The line by which you measure here is one-eighth of an inch?

Mr. HAMBURG. One-fourteenth.

Senator SMITH. What are the sizes of some of these buttons, the smaller buttons?

Mr. HAMBURG. That is 10 lines [indicating]; that is, one-tenth of an inch diameter of the button. At the present time that pays 15 cents and 15 per cent ad valorem.

Senator SMITH. Per what?

Mr. HAMBURG. Per gross buttons. In answer generally to a question that Senator Smith has asked, and which would answer a dozen similar questions, take these buttons right here [indicating], and the reason I refer to these is that it will save a great many questions. All we ask on this button is 78 cents a gross. You offer us \$3.42. We do not think it was the intention of the Ways and Means Committee to run that up.

Senator SMITH. What is that button worth a gross?

Mr. HAMBURG. A fair price for that to-day is \$6.

Senator SMITH. We give you \$2.40.

Mr. HAMBURG. Yes, sir; and all we ask for is 75 cents.

Senator SMITH. How much is this button a gross [indicating]!

Mr. HAMBURG. A fair price for that is 40 cents.

Senator SMITH. We give you 16 cents.

Mr. HAMBURG. Yes, sir.

Senator SMITH. That would be 16 cents and the other would be \$2.40.

Mr. HAMBURG. Yes, sir.

Senator SMITH. How many lines?

Mr. HAMBURG. That is a 10-line button.

Senator SMITH. What is this [indicating]!

Mr. HAMBURG. That is a 50-line.

Senator SMITH. The average is now what?

Mr. HAMBURG. One and one-half.

Senator SMITH. One and one-half a line?

Mr. HAMBURG. Yes; 15 per cent ad valorem.

Senator SMITH. That is what [indicating]!

Mr. HAMBURG. Ten-line; that is 15 cents.

Senator SMITH. One and a half a line would be 15 cents specific and 15 per cent would make 6—21 cents. You would now get 21 cents on that?

Mr. HAMBURG. That is right.

Senator SMITH. And under the new bill you would get 15 cents?

Mr. HAMBURG. That is right. I have that all worked out. I have that prepared.

Senator SMITH. That is one and a half [indicating], and you would not get as much as 40 per cent?

Mr. HAMBURG. You can not take it and buy it at a single size; you have to take the line right through.

Senator SMITH. I was just figuring that out on a particular button. Take a button in the middle.

Mr. HAMBURG. All right; 20-line.

Senator SMITH. You would get one and a half a line, which would be 30 cents, plus 15, which would make 45 cents. What is it worth a gross?

Mr. HAMBURG. That button is worth \$1.10.

Senator SMITH. And you get 45 cents. That is just about what you would get under this law.

Mr. HAMBURG. Yes, sir. That is just what I am telling you. There is a division in the sizes.

Senator JOHNSON. Have you that all worked out?

Mr. HAMBURG. Yes, sir.

Senator SMITH. And on the one and a half you ask for you would only get 30 cents?

Mr. HAMBURG. Yes, sir.

Senator SMITH. One and a half does not give as much as 30 per cent.

Mr. HAMBURG. Just as I told you—31.5 per cent.

Senator HUGHES. Is it possible to have a classification starting in at 20 or 30 line?

Mr. HAMBURG. Yes, sir; it is.

Senator HUGHES. What rate would you suggest?

Mr. HAMBURG. Sixty per cent.

Senator HUGHES. Sixty and what?

Mr. HAMBURG. Sixty and 30.

Senator SMITH. One and a half a gross is not as high as the present rate.

Senator HUGHES. But they get better than one and a half a line in the House bill.

Senator SMITH. The House bill is 40 per cent ad valorem, and that is more than $1\frac{1}{2}$ cents a line.

Senator HUGHES. He says so himself, that it gives him more than he wants in certain places. The fact remains that the high rate attaches to the small buttons; is that it?

Mr. HAMBURG. Yes, sir.

Senator SMITH. Oh, yes; he gets more down there. It is on the little button he gets more at $1\frac{1}{2}$ and on the big ones he gets less.

Mr. HAMBURG. Yes, sir. To make this very plain, not to place before this committee two or three sets of figures at one time, I have shown you that one card. When we make this button there [indicating] we make from one to five grades. That we can not avoid. This is a natural product, and when we find our product finished we have to assort and grade.

On the cheap grade coming from Europe, or the other side, under the 40 per cent it would knock us completely out.

Senator SMITH. Show me a real cheap button.

Mr. HAMBURG. I have that right here [indicating]. I have had two of the best authorities, working on special lines, to prepare a statement, sworn to, not for a day or for a month, but for an entire season's product, and asked them to bring a sample of the lower button, which they have, and I am going to yield the five minutes that I have assigned to myself to Mr. Robinson, who will place this matter before you.

And, gentlemen, I want to say, even at this late hour, I thank you for the attention you have given us.

STATEMENT OF MR. T. G. ROBINSON, PRESIDENT J. T. ROBINSON & SONS, 417 CANAL STREET, NEW YORK.

PARAGRAPH 347.—*Pearl button.*

Senator SMITH. You get 24 cents a gross tariff on this button [indicating button]?

Mr. ROBINSON. That is what we should like to have.

Senator SMITH. We give you 2 cents and you want 24?

Mr. ROBINSON. On a practical basis of figuring costs and prorating them, over and above the costs of material for our own independent action in the manufacturing, we figure those seconds at a material cost of 13 cents a gross, our actual wage cost as 24 cents, and the cost of that button is therefore 37 cents.

Senator SMITH. What do you sell them at?

Mr. ROBINSON. At 5 cents a gross.

Senator JOHNSON. It is not a perfect button, you see.

Senator SMITH. Show me a good button of that sort.

Mr. ROBINSON. There is a good button [exhibiting].

Senator JOHNSON. What do you get for that?

Mr. ROBINSON. \$1.10 a gross.

Senator JOHNSON. That is where you make it up?

Mr. ROBINSON. That is the idea exactly.

Senator SMITH. And that is the same line, is it not?

Mr. ROBINSON. That is the same line.

Senator SMITH. You have 24 cents tariff out of that?

Mr. ROBINSON. Yes. We get a 24-cent tariff, and under the proposed tariff we would get 44 cents on that.

Senator SMITH. What is the foreign goods worth—probably worth about 80?

Mr. ROBINSON. The foreign value of that button is a little less. That would cost us about 80 or 82 cents, I should say.

Senator SMITH. Your duty on that would be about 33 or 34 cents instead of 24?

Mr. ROBINSON. Exactly.

Senator HUGHES. More than that, is it not?

Senator SMITH. No; if it were 82.

Mr. ROBINSON. I did not know what the foreign price of that particular grade of button would actually be.

Senator SMITH. Show me an average good button.

Mr. ROBINSON. Here is the next grade, here is the next grade, and here is the next grade. Starting from here on those buttons are seconds.

Senator SMITH. What are these buttons used for, ordinary shirts?

Mr. ROBINSON. A button like that [indicating] is used on a working shirt, where it is made of dark material, sometimes. Those buttons have to compete, again, with buttons which are made out of the whiter shell and a very much cheaper shell.

Senator SMITH. Is this a dearer button than a horn button?

Mr. ROBINSON. Oh, yes. That button we sell for 25 cents a gross, and we figure it costs us, in our pro rated figure, a copy of which you have here with you, a quarter fine we figure the material at 5 cents a gross and wages 24 cents, making 29 cents a gross of actual factory cost. We sell it at 25.

Senator SMITH. That would be about an average button?

Mr. ROBINSON. The point is, the selling price of our seconds has to be determined by the demand for them.

Senator SMITH. It is almost a by-product?

Mr. ROBINSON. It is largely a by-product, and the demand is determined by whether a better-looking button, but out of a very much cheaper material, can be had or not.

Senator HUGHES. And the supply is determined by the demand for another kind of a button: that is, if you make more good buttons, you are going to have more of those left?

Mr. ROBINSON. Yes. In that way the supply is determined and the higher price we can get for these, and inasmuch as we have so large a percentage of these seconds it is necessary for us to realize as high a price for them as we can.

Senator SMITH. You get all you can for them to bring down the cost of your better buttons?

Mr. ROBINSON. That is what enables us to compete with imported buttons on our better stuff, because of the difference we are allowed to get for the seconds, and we in our factory assort our seconds into five different grades. We would not assort any insignificant quantity of buttons into as many grades, as that. The highest price of them is 35 cents a gross—from 5 to 35—and, as a general average, we figure they cost us 37 cents. If there is any explanation as to how this statement is made up you would like to have, I would be glad to give it to you.

Senator HUGHES. What do you say about an ad valorem classified with a dividing line between the two sizes of buttons? Where do you think it ought to start and what do you think the rate ought to be?

Mr. ROBINSON. Without very extensive consideration I should say the 24-line button, including all sizes below it, with the 60 per cent ad valorem, and the 30 per cent ad valorem on the sizes larger, would make a fair adjustment. I should say so.

Senator SMITH. You see, we have 40 to start with. Thirty and 50 would be a fair division, going up as much as you go down, or going down as much as you go up.

Mr. ROBINSON. That is just the reason we are seeking a specific duty, because it is so difficult to make what would appear to you to be a reasonable ad valorem duty cover the actual manufacturing problems we have to confront.

Senator HUGHES. This gentleman suggests that he would rather cut it down 25 on the larger ones.

Senator SMITH. He would rather have 25 than 55?

Mr. ROBINSON. No; 25 and 60. We prefer to have the specific duty.

Senator SMITH. If you come down just the same on part of them as you go up on others, it would be the same.

Mr. ROBINSON. What we are offering to do is to accept what, on a fair average of buttons, amounts to 31.

Senator JOHNSON. Are any of these cheap buttons imported?

Senator HUGHES. Not now. That specific rate has absolutely kept them out.

Senator JOHNSON. That is what you want the specific for, to keep out the cheap buttons?

Mr. ROBINSON. Exactly.

Senator JOHNSON. You would make a very high rate of duty on the cheap buttons?

Mr. ROBINSON. Yes; and that is the reason we hesitate to ask for an ad valorem duty, because it would look so high, if it were reasonable. That is just the reason we have so much competition on other buttons which are made of a cheaper material. They are nice looking buttons, but they absolutely determine the selling price which we can get for these other buttons.

Senator JOHNSON. Is there anything more to be said on the button proposition?

Mr. ROBINSON. There is one thing I want to call to your attention, if I may be permitted to, and that is the fact that 1½ cents a line, while it may sound high, has a correspondingly low ad valorem on account of the high value of the product. Our pearl button, as an average product, has a very high value compared with buttons generally, and while the 1½ cents specific may seem rather high, it really means a correspondingly low general average.

Senator HUGHES. These other gentlemen suggested a specific minimum also, rather than what I have suggested, and rather than a specific or an ad valorem. They suggested an ad valorem with a specific minimum. Do you know what I mean?

Mr. ROBINSON. Yes. We tried to work that in almost every conceivable form and we found, in justice to the trade and what we thought would be equity all around, the two suggestions we have given you are about as near as we can come to it. There is one thing to be considered, if you make this change to 40 per cent, it is not going to lower the price to the consumer one iota.

Senator HUGHES. We know that. We have had abundant testimony on that. We know that, no matter what rate we put on any commodity, it is not going to help the consumer.

Mr. ROBINSON. In this case it is a fact.

Senator SMITH. The admission was that on toothbrushes it was going to bring them down.

Senator HUGHES. A specific minimum, even if it were 1½ cents a line, and then an ad valorem, might work out better than the suggestion you have made.

Senator SMITH. An ad valorem of 30 per cent, with a specific minimum of 1½ cents a line.

Mr. ROBINSON. That is 15 per cent we get now.

Senator SMITH. Oh, no.

Mr. ROBINSON. A specific of one and a half.

Senator HUGHES. One and one-half cents. You have that now-- a specific minimum.

Senator SMITH. With a provision that in no case should the rate be less than 1½ cents a line.

Mr. HAMBURG. If you give us that, you will send us home happy. However, here is this brief, with that data.

Senator HUGHES. I am not sure we are going to give you that.

Mr. HAMBURG. No matter what you do, we are going to stay in business. We are not coming down here crying wages coming down and clothing up. We are loyal. If you take it all the way, this country is so big we will get into something. For instance, if we get into importing this stuff, we will get into business. But that is not what we want. We want to keep our factories running, and we believe we are going to receive not only fair consideration but consideration that will lead you to do justice to our claims.

(Thereupon, at 6.25 o'clock p. m., the subcommittee adjourned until to-morrow, Tuesday, May 27, 1913, at 10 o'clock a. m.)

(Mr. Hamburg submitted the following brief:)

JANUARY 9, 1913.

COST STATEMENT BASED ON ENTIRE BUSINESS DONE FROM JUNE 3 TO NOVEMBER 30, 1912, BY J. T. ROBINSON & SONS, OF NEW YORK, AND WHICH FIGURES CAN BE VERIFIED FROM THEIR BOOKS.

Compiled on the basis of production of 100,000 gross during said period for use of the tariff committee. As work is practically altogether on 16 buttons, these figures can be considered as covering 16 shirt buttons. These figures, covering so long a period, practically exclude effect of variations incident to handling different lots. All buttons were made from ocean pearl shell.

	Amount.	Percent to manufacturing costs.	Cost per gross.
Total sold.....	\$37,471.00	76.75	37.47
Total wages (see note 1).....	23,968.49	36.28	23.97
Total fixed charges.....	3,253.76	1.92	3.25
Total sundries, including tools, power, etc. (see note 2).....	1,348.02	2.04	1.35
Total manufacturing cost.....	65,000.98	100.00	65.01

GENERAL NOTE. Inasmuch as buttons are almost exclusively in shirt patterns which require only drilling, turning, and finishing, the relation of wage cost is less than ordinarily.

NOTE 1. This includes actual manufacturing wages only.

NOTE 2. This includes some wages incidental to the business.

CITY OF NEW YORK, *County of New York, ss:*

I, T. G. Robinson, the president of the said corporation, being duly sworn, do hereby certify that I have personally examined the books with reference to the foregoing items of information and that the statements as made thereon are in all respects just and true facts as set forth and can be verified from books of said corporation at any time.

T. G. ROBINSON.

Sworn to before me this 3d day of May, 1913.

[SEAL.]

Notary Public, Queens County.

Certificate filed in New York County No. 136. New York County register's No. 4322. Commission expires March 30, 1914.

Statement showing variations in wage cost for different qualities, using 16 line for example.

[Figures refer to gross lots. Buttons from ocean pearl only. All 16 line.]

Quality.	Material.	Wages.	Total cost.	Percent of wages to total cost.
Superior.....	\$0.56	\$0.24	\$0.80	30
Fin.....	.47	.21	.71	33.8
Three-fourths fine.....	.35	.23	.59	40.7
One-half fine.....	.27	.21	.51	41
Seconds.....	.13	.24	.37	64.8
One-fourth fine.....	.05	.24	.29	82.7

Above costs do not include overhead or any other indirect costs. Above figures are from our books, secured by prorating material cost for different grades arbitrarily, but represent the actual figures obtained by the experience of J. T. Robinson & Son, of New York. They are prorated on the basis of logical variation in cost where it can be determined and by reference to market values secondarily. We figure on this basis for our own guidance in the regular course of business.

We separate six qualities of seconds, which sell from 5 to 35 cents a gross, although they cost us 37 cents per gross. These are not due to careless work but to irregularities in material. Final grading can not be done until the finished product is examined. Sometimes the last process results in a defect reducing the button in grade. Seconds have to be made and result in keeping down the selling price of the better kinds.

MAY 1, 1913.

CITY OF NEW YORK, *County of New York, ss:*

I, T. G. Robinson, the president of the said corporation, being duly sworn, do hereby certify that I have personally examined the books with reference to the foregoing items of information and that the statements as made thereon are in all respects just and true facts as set forth and can be verified from books of said corporation at any time.

T. G. ROBINSON.

Sworn to before me this 3d day of May, 1913.

[SEAL.]

GEORGE STADTMULLER,
Notary Public, Queens County.

Certificate filed in New York County, No. 136. New York County register's No. 4322. Commission expires March 30, 1914.

	Size (line).	Foreign prices (note 1).	40 per cent.	Proposed duty of 1½ cents per line.		United States price at 40 per cent.	United States price at 1½ cents specific.	United States prices (note 2).
				Cents.	Ad valorem.			
					<i>Per cent.</i>			
¾ fine.....	14	\$0.355	\$0.112	\$0.193	54.9	\$0.497	\$0.55	\$0.60
Staples.....	16	.445	.178	1.225	50.5	.623	.67	.72
	18	.485	.194	1.255	52.6	.679	.74	.82
	20	.5875	.235	1.285	48.5	.8225	.8725	1.10
Metal shank.....	24	.96	.381	.36	37.5	1.341	1.42	2.00
White.....	26	1.29	.476	.39	30.2	1.806	1.68	2.50
	30	2.375	.95	.45	18.9	3.325	2.825	2.90
	33	3.42	1.368	.465	11.3	4.808	3.915	3.60
	37	3.89	1.576	.555	11.2	5.446	4.455	4.10
	44	5.70	2.28	.66	11.6	7.960	6.36	6.80
	52	8.55	3.42	.78	9.1	11.97	9.33	9.00
Total.....		28.6575	11.223		312.30	384.3005	322.7675	344.74
Average per gross of above.....		2.55	1.02		31.12	3.5728	2.9731	3.158

¹ Suggested duty figured on actual line size of importation, which is one line less than the stated United States prices.

NOTE.—All original figures above are derived as follows and can be verified:

Foreign prices on three-fourths line staples are from several Austrian manufacturers, transmitted through the European representatives of Albert Oelke & Co., 115 Christopher Street, New York, and were the ruling prices in January, 1913. The 21 line metal shank is a French price, and the larger sizes in metal shanks are Austrian prices, also transmitted through the representatives of Albert Oelke & Co.

The United States prices on the three-fourths line staples are those of William Krat & Co., of Astoria, Long Island, representative United States manufacturers of small buttons, secured April 14, 1913. Prices on metal-shank buttons were secured from Touks Bros. & Co., Newark, N. J., who are representative manufacturers of large buttons, on date of April 25, 1913. All above figures refer to ocean pearl buttons only.

CITY OF NEW YORK, County of New York, ss:

I, T. G. Robinson, being duly sworn, do hereby certify that I compiled the above statement from the figures furnished me as stated above; that I verily believe the figures used represent the true values for the items as set forth.

T. G. ROBINSON.

Sworn to before me this 31 day of May, 1913.

[SEAL.]

GEORGE STADTMULLER.

Notary Public, Queens County.

Certificate filed in New York County, No. 436. New York County register's No. 4322. Commission expires March 30, 1914.

STATEMENT OF STANLEY KING, OF BOSTON, MASS., REPRESENTING THE NATIONAL BOOT AND SHOE MANUFACTURERS' ASSOCIATION, AND OTHERS.

PARAGRAPH 347.—*Shoe buttons.*

Mr. KING. Outside of leather, the more important items entering into shoes, on which a duty remains under the Wilson-Underwood bill, are the following:

Buttons: The Wilson-Underwood bill provides a duty of 40 per cent ad valorem on buttons in paragraph 348. Buttons are made largely if not almost altogether by one concern in this country, which has a virtual monopoly on the manufacture of shoe buttons.

We feel that if shoes are to be on the free list the tariff bill should be amended to provide that:

Shoe buttons, made of paper, board, papier-mâché, pulp, or other similar material not specially provided for in this section, be free listed.

That will differentiate shoe buttons from other buttons. That particular phrasing is taken from paragraph 427 of the Payne-Aldrich law, where a different duty was provided on shoe and gaiter buttons from that provided on other buttons; so that it has been demonstrated that that classification is a practical one from the administrative point of view of the customhouse.

Hooks and eyelets: The Underwood bill provides a duty of 15 per cent ad valorem on hooks and eyelets, which go into every shoe except button shoes.

We suggest that:

Shoe hooks and eyelets, black or tan in color, be free listed.

To-day there is virtually a monopoly in this country in the manufacture of hooks and eyelets. I understand that that is one of the considerations which Congress is interested in, in considering the duty on the manufactured product.

Senator JOHNSON. Who has that monopoly?

Mr. KING. The monopoly on eyelets is held by the United Shoe Machinery Co., of Boston. The monopoly on hooks is held by the Tubular Rivet & Stud Co., of Boston.

They control the partly bought machines used for putting in eyelets, and there are foreign manufacturers who are all ready to supply machines and eyelets to American manufacturers if the duty is removed.

Senator JOHNSON. That is the United Shoe Machinery Co. which owns all the shoe machinery and leases it to the shoe manufacturer, and provides in the lease you shall buy your eyelets from the United Shoe Machinery Co.?

Mr. KING. Yes; that is correct.

Senator JOHNSON. Not only eyelets, but other fittings—thread, etc., does it not?

Mr. KING. Not thread.

Senator SMITH. We put shoe machinery on the free list.

Mr. KING. Yes.

Senator JOHNSON. What other things do they provide to be leased?

Mr. KING. Machine parts—needles, eyelets, slugs, and wire, all sorts of metallic fasteners, etc.

Senator HUGHES. Are needles used in shoe machines capable of differentiation from ordinary needles?

Mr. KING. Yes. The Underwood bill provides 20 per cent ad valorem duty on needles, and we think they can be differentiated, shoe needles, in the following way:

Needles specially designed for use in shoe-sole fastening processes.

A shoe company uses a kind of sewing machine. One is the Singer sewing machine, almost like the machine for sewing garments, and we can not differentiate needles in that machine from those sewing garments. But the more important sewing-machine companies are now using a machine for sewing uppers, and those needles can be differentiated, because there is no machine made similar to these for any other purpose except sole fasteners.

Senator HUGHES. You submit your language in your brief?

Mr. KING. Yes.

Senator HUGHES. You will submit that brief?

Mr. KING. Yes. The manufacture of those needles is controlled in this country by the United Shoe Machinery Co.

Senator HUGHES. Can you get them anywhere else?

Mr. KING. We can not to-day; no.

Senator HUGHES. Could you?

Mr. KING. If they were on the free list we could.

The next is top facings. The Underwood bill, in paragraph 267, provides a duty of 25 per cent ad valorem on tapes, tubing, and webs or webbing, which includes both the pull strap and top facing, which is the strip of webbing that goes right around the top of the shoe.

We suggest this amendment:

Top facings and pull straps in boots and shoes, made of cotton or other vegetable fiber, or of which cotton or other fiber is the component material of chief value, be free listed.

The next item I would like to take up is linen thread. Linen thread is one of the very important merchandise items entering into a shoe. The Underwood bill, in paragraph 278, provides an ad valorem duty of 30 per cent. Linen thread is classified in accordance with the number of lea of which it is composed. Shoe thread is composed practically altogether of either 14 lea or 19 lea. The 19-lea thread, I think, is used almost exclusively in the manufacture of shoes, and not for other purposes.

We therefore suggest this amendment, that—

Thread made from yarn of from 14 to 20 lea or number, composed of flax, hemp, or ramie, or of which these substances or any of them is the component material of chief value, and twisted for machine operation, be free listed.

The linen-thread business of the country is centralized in two or three manufacturers.

In addition to these there are other items which I would like to enumerate, which under the Underwood bill remain on the dutiable list, which are used largely in the manufacture of shoes, and which we feel should be free listed if shoes are to be free listed, in order to prevent the foreign manufacturer from having a direct advantage over the American manufacturer in the purchase of these items. Box shoos: The Underwood bill, paragraph 173, provides a duty of 15 per cent. Every shoe manufacturer has to use box shoos in order to ship his product.

Cardboard: The Underwood bill, paragraph 336, provides a duty of 25 per cent. Every shoe manufacturer has to use cardboard in the manufacture of the cartons in which he ships his product.

Corkscrew cloth, for tops for women's shoes: Paragraph 297 of the Underwood bill provides an ad valorem duty of 35 per cent.

Velvet for tops of women's shoes: Paragraph 262 of the Underwood bill provides a duty of 40 per cent.

These last two items are very important to the women's shoe manufacturers, because a great many of the women's shoes instead of having leather tops are made either with corkscrew cloth top or velvet cloth top.

Senator JOHNSON. Is there not a duty on such boots and shoes made in that way? This is only boots and shoes.

Mr. KING. Made in chief value of leather, is it not?

Senator JOHNSON. Yes. You said the tops were of cloth.

Mr. KING. But the chief value would still be leather, because the vamp of the shoe, this portion here [indicating], the sole, the heel, would all be leather. I think there is no provision for a duty on shoes made not in chief value of leather.

Senator SMITH. No.

Mr. KING. That is correct, is it not, Senator?

Senator SMITH. The free list is shoes made in chief value of leather.

Mr. KING. But there is no mention of shoes elsewhere?

Senator SMITH. No.

Mr. KING. So that they would carry no duty, would they?

Senator SMITH. There is not a provision for a duty; I do not know of any provision.

Mr. KING. I think there is no provision where a shoe is not made in chief value of leather.

Senator SMITH. Leather was our schedule and I have not looked for the others. I do not know whether there is a provision for any duty or not.

Mr. KING. We have been through the bill carefully, and I am confident boots and shoes made not in chief value of leather are not on the dutiable list.

On cotton lining, which goes into practically every shoe made, paragraph 257 of the Underwood bill provides a duty of 17½ per cent.

On cotton thread, paragraph 256 provides a duty of 15 per cent.

Senator SMITH. What numbers of threads do you use? Cotton threads go by numbers.

Mr. KING. I do not carry that in my head. I think I have it here.

Senator SMITH. It is immaterial; go ahead.

Mr. KING. I have not the numbers of threads we use.

Senator HUGHES. There is a terrific amount of revenue involved in those items, Mr. King.

Mr. KING. We appreciate that, Senator. On silk thread, paragraph 321 provides a duty of 15 per cent.

Those items are all of them important items to the shoe manufacturer. They are all items which the British competitor of ours can purchase without any duty.

Senator HUGHES. Free?

Mr. KING. Free; yes, sir. If you leave shoes on the free list he is going to be on an equal basis. The same is true as to the German competitor.

Senator HUGHES. How does our price on thread compare with the British price? I notice a lot of exportations of linen thread. Do you know how the price compares?

Mr. KING. The price to-day, with the present duty under the Payne-Aldrich law, is about the same in this country. The manufacturers can buy their linen thread and pay the duty on it at about the price that linen thread is sold by the American manufacturers.

Senator HUGHES. You pay the full duty then?

Mr. KING. Yes. If that duty were reduced or taken off the American manufacturer could get that much benefit, and that is true of the other items. As to hooks and eyelets, for instance, we can to-day buy them at mostly the same price, or a slight reduction, from Germany at the present duty.

Senator HUGHES. Is it possible to classify shoe buttons so that they can be differentiated?

Mr. KING. Yes, sir; they are by the Payne-Aldrich bill and can be.

Senator JOHNSON. How about the top facings?

Mr. KING. The top facings and the pull straps can be differentiated.

I did not cover facings—the Underwood bill provides in paragraph 267 an ad valorem duty of 25 per cent on boot, shoe, and corset facings made of cotton or other vegetable fiber.

We suggest this amendment, that—

Boot and shoe facings black or tan in color, and made of cotton or other vegetable fiber, be free-listed.

We feel that is the only way we can be placed on an even basis with our British and German competitors. If you ask us to compete with them we ask you to give us a fair start and no handicap to them.

STATEMENT OF HENRY T. NOYES, REPRESENTING THE GERMAN-AMERICAN BUTTON CO., OF ROCHESTER, N. Y.

PARAGRAPHS 347 AND 379.—*Vegetable-ivory buttons.*

Mr. NOYES. We are in doubt as to which paragraph does really apply to us—347 or 379. We are in doubt as to which covers. The intention of the Ways and Means Committee was to have 347 apply.

We are dealing with the subject of vegetable-ivory buttons. There is no reference to vegetable ivory whatever in 347. There is in 379 a reference to "manufactures of vegetable ivory." Our query is this: The Ways and Means Committee intended to give us 40 per cent. However, the customs records will show nothing of imports of vegetable ivory other than the buttons. Therefore the words "manufactures of vegetable ivory," if they have any meaning, would mean vegetable-ivory buttons. Nothing else has been brought in under "manufactures of vegetable ivory."

Senator HUGHES. Would it be possible that there are manufacturers, or alleged manufacturers, of real ivory—imitations?

Mr. NOYES. There are imitations of ivory.

Senator HUGHES. Do they ever make chessmen and things of that sort out of vegetable ivory?

Mr. NOYES. We know of no importations other than of buttons.

Senator JOHNSON. Under 348 (347) buttons of ivory are mentioned.

Mr. NOYES. That is not vegetable ivory; it is only collar buttons and studs and cuff buttons of real ivory.

Senator HUGHES. Three hundred and forty-eight (three hundred and forty-seven) states, "buttons and parts of buttons."

Senator SMITH. Section 380 (379) would specifically provide for them if made of vegetable ivory; and they would come under that class, not under the other.

Mr. NOYES. We are afraid of that, Senator. The importers in New York are quoting on a basis of 30 per cent.

Mr. MCCOY. I do not know whether you gentlemen know what vegetable ivory is.

Senator HUGHES. What is it?

Mr. NOYES. It is the seed of a palm tree [handing samples to the members of the committee].

Senator HUGHES. Does the same argument apply to this vegetable-ivory paragraph as would apply to the pearl-button paragraph; that is, that the specific line duty shut out the cheaper grades and made the ad valorem apparently very high?

Mr. NOYES. I do not quite understand the question, Senator.

Senator HUGHES. Does the argument apply to the vegetable-ivory paragraph that is said to apply to the other bone-button paragraph; that is, that the specific line duty shuts out the cheaper grades?

Mr. NOYES. In our industry we are producing high-grade buttons. The button industry to a large extent, or, rather, the vegetable-ivory buttons made in that industry are not cheap buttons. There are composition buttons, of course, that take the place of them on the cheaper grades of clothing. Vegetable-ivory buttons are used on the better grades of clothing. In our branch of the business we make new goods every six months. We try to sell goods of the best of style and novelty. We do not make the cheap grades. We now have a specific of three-fourths of 1 cent per line per gross plus 15 per cent ad valorem. It is a compound duty. Practically all buttons on men's good clothing, the higher grades of clothing, are these vegetable-ivory buttons.

Senator HUGHES. At present they are treating in paragraph 318 (347) your product.

Mr. NOYES. They make no reference to our product in 318 (347). The only reference to it is in 380 (379).

Senator SMITH. Your buttons are not made of ivory?

Mr. NOYES. No, sir. We are not mentioned in paragraph 318 (347), but the Ways and Means Committee intended to give us 40 per cent. I have no doubt about that; absolutely none.

Senator SMITH. Thirty per cent is a pretty high duty.

Mr. NOYES. I only make the point, Senator, that the Ways and Means Committee intended to give us 40 per cent, and I think that there is no doubt that if there is any industry that can come before you with a justification for a higher rate of duty we are that industry.

I would be very glad to present our views, if I may. The Ways and Means Committee showed us very unusual consideration. I do not think they showed any industry more consideration than they showed us. We presented to that committee at great length the reasons why we felt that we were entitled to a combination duty. We found, however, when they presented this bill to Congress that they had acted upon data which we could have controverted if we had known it. They tell us that on the strength of our presentation they intended to and did cut us only 5 per cent.

Senator SMITH. What is the present duty?

Mr. NOYES. Three-quarters of a cent per line per gross plus 15 per cent ad valorem.

Senator SMITH. What is the ad valorem equivalent?

Mr. NOYES. The present duty, from our way of figuring it, would be from 65 to 90 per cent.

Senator HUGHES. That is what you gentlemen are objecting to—the line specific operated in such a way as to make the ad valorem apparently very high on certain classes of goods?

Mr. NOYES. A straight specific duty in order to be adequate would be high on certain sizes. The difference is between the sizes—the small buttons and the large ones. Unfortunately the trouble, so far as the Ways and Means Committee was concerned, arose, so they tell us, from the records of the year 1912. But those figured combined vegetable-ivory and horn buttons. The duty was the same on both. The horn buttons are valued at about two and a half to three times ivory. The same specific duty on horn buttons as against ivory buttons, where the value is three times as great, would be about one-third on the horn buttons as on the ivory. Consequently on that subject you have data to-day from the horn-button importers affirming that the Ways and Means Committee has in reality raised the duty on horn buttons; that it was not 48, but perhaps 25 to 30 per cent, and it has been raised to 40 per cent.

Senator JOHNSON. Does it not fall right in with the same paragraph—378?

Mr. NOYES. There are other things made of horn.

Senator JOHNSON. Yes; but it does not say buttons of horn in 348, but it does in 379. It says:

Manufactures of bone, chip, grass, horn, india rubber or gutta-percha, palm leaf, etc.

Mr. MCCOY. If you will let me make this suggestion, 348 (347) is supposed to cover practically all buttons, except metal buttons. The metal schedule has counted buttons in at 15 per cent; 348 is supposed to cover every other kind of a button. It does not, however, mention vegetable-ivory buttons as vegetable-ivory buttons, whereas section 380 (379) refers to "manufactures of vegetable ivory" and specifically provides for it. There are no "manufactures of vegetable ivory" otherwise specifically provided for anywhere in the bill. Consequently one of the appraisers up in New York has told these gentlemen that they will put them in under the 30 per cent rate. Now, the point about these horn buttons, as I understand it, is right here: These are of very much more value. Consequently the ad valorem duty on these horn buttons is very much lower than it is on the vegetable-ivory buttons.

The importations of the vegetable ivory buttons and the horn buttons come in combined and are figured together, and the Ways and Means Committee said that the rate of duty on both was 48 per cent, whereas if you could separate these importations you would find that these horn-button people themselves say that the rate is only about 25 per cent, and the vegetable-ivory people claim that their present ad valorem rate is about 65 to 70 to 90 per cent, consequently only giving them 5 per cent, which would be the cut on the basis of the combined importations.

Mr. NOYES. Our duty on vegetable ivory and the horn combined averages 68 per cent, even according to the Government figures. They took the last year, when unusual importations of horn and large buttons had brought the average down. The average for the entire period was 68 per cent.

Senator SMITH. What did horn buttons finally pay?

Mr. NOYES. Forty per cent. We are all substantially in the same class.

Senator SMITH. And they were treating them all in the same class in the House?

Mr. NOYES. I think there is no doubt of that.

Senator SMITH. I do not think there is much doubt of that, and I really think they thought they did.

Senator HUGHES. There are extremely high duties on all the button schedules.

Senator SMITH. Is there any substantial competition now from abroad on these buttons?

Mr. NOYES. Yes, sir: we have had very substantial competition, more so, we think, than probably any of the other branches of the button industry.

Senator SMITH. What is the consumption in the United States?

Mr. NOYES. We have not any absolute figures, because the Census Department did not keep those records.

Senator SMITH. The figures show \$22,000,000.

Mr. NOYES. That is, all buttons.

Senator SMITH. How does it compare with the American production?

Mr. NOYES. We have not the figures, because they combined the horn and the vegetable ivory together.

Mr. McCox. I suggest, if the Senator does not want to ask any questions, that you show that statement that you have prepared there and that brief that you are going to file and explain what it is you would like to have. Maybe I am out of order?

Senator JOHNSON. Oh, no.

Mr. NOYES. We have come before you, in the first place, calling attention to the fact that the Ways and Means Committee's intention was to cut us down about 5 per cent: at least, the affirmations of Mr. Underwood would indicate that.

Senator SMITH. So you think you ought to be at 40 per cent instead of 30 per cent?

Mr. NOYES. Yes, sir: I think the Ways and Means Committee intended, on the merits of the case, to cut us only 5 per cent.

There are 20 or 30 kinds of buttons. We are only interested in vegetable ivory buttons. We think we are entitled to consideration as against any other kind of buttons, because we believe there is more labor involved in vegetable-ivory buttons than in any other. Here is a process that takes considerable time and labor. The industry is barely able to turn its capital over more than once a year. In my particular business it takes from 12 to 14 months to make a button. The button goes through in our business from 45 to 70 different operations. We are an industry where we have much handwork as against machinery and mechanical processes. There is so much of it, so many handlings involved, that it puts us in a very peculiar position. In our opinion there is no industry in this country that carries a larger percentage of labor as against material than ours. Our material grows wild in South America. It is brought up here, and the cost is largely the cost of transportation. Labor is the big item. I might quote, perhaps, from my experience before a former Ways and Means Committee. Mr. Fordney and Mr. Payne told me some years since that they knew of no industry where the labor was larger except one. The watch-spring industry, they thought, had a larger percentage of labor than ours.

The next point is that we compete with the cheapest labor of Austria and Italy. The wages paid in Austria and Italy are 25 and 30 per cent what we pay here. When labor is the one important item, that fact is entitled to some consideration at your hands.

We laid great stress when presenting our matter to the Ways and Means Committee, on the need of a specific duty in part to protect ourselves. No ad valorem duty in itself will do as much as a combination duty will do. No specific that we can present or recommend to you will cover properly all the kinds and all the sizes made in this particular branch of the button industry.

I will submit to you, with your permission, a number of samples that we have prepared, showing you the different kind of finishes of vegetable ivory buttons; also a table showing foreign prices, the domestic prices, the equivalent of the present rate of duty, and the rate of duty which we are asking you to grant.

Senator JOHNSON. I do not understand why you feel that a compound duty is needed. The value of the button varies, if I understand you. Thus under an ad valorem duty the higher the cost the greater the value and the greater the duty; and less upon the cheaper buttons, as it should be, it seems to me. Why do you need, on such a small thing as that button that you make up out of vegetable ivory, which comes in here with no duty, a duty of 40 per cent ad valorem? If you have a duty of 40 per cent ad valorem, which is a pretty high rate of duty on that, why does not that fully cover? Why do you have to have a specific duty?

Mr. NOYES. Our present rate of duty is a combination duty. An ad valorem duty that would be at all adequate to the industry.—

Senator SMITH. What is the present ad valorem?

Mr. NOYES. Between 65 and 90 per cent. It is three-quarters of 1 cent per line per gross plus 15 per cent ad valorem.

Senator HUGHES. Three-quarters of a cent per line per gross. A line is one-fortieth of an inch?

Mr. NOYES. It is.

Senator HUGHES. And it is measured across?

Mr. NOYES. Yes, sir; by the diameter. The present specific duty operates differently on the small sizes from what it does on the large sizes in the business. It is a specific of so much per line per gross. It is higher on the small sizes and less on the large sizes. It runs down, on the larger sizes, in some instances to probably 30 per cent.

Senator HUGHES. On the large sizes?

Mr. NOYES. On the large sizes it runs low; it is much higher on the small sizes. If we were to ask you for an ad valorem duty which would equalize on the different sizes, we would have to ask you for a duty on the small sizes which would be too high on the large sizes.

Senator HUGHES. Just make that point clear. Right now, on certain of these buttons, they have a less duty than we propose to give them.

Senator JOHNSON. I suppose the small buttons are the ones much more in use?

Mr. NOYES. Yes, sir. We do not want to ask too high an ad valorem duty on these large sized buttons, it would be too high on those small sizes, where the bulk of the business is. That is the reason we do not want to ask for a high duty on those large sizes.

Senator JOHNSON. Under the specific duty which you have been referring to, it would be 68 per cent upon the bulk of the smaller buttons in your industry would it not?

Mr. NOYES. Yes, sir; it is upon certain of the smaller sizes.

Senator HUGHES. What kind of language have you suggested?

Mr. NOYES. We prefer to have it lower on the large sizes, to meet your views.

Senator SMITH. An ad valorem duty of 40 per cent does not give you as high a duty as you want on any of those small buttons?

Mr. NOYES. It does not give us as much as we want.

Senator SMITH. It is very much less than you have on your very small sizes?

Mr. NOYES. Nearly one-half.

Senator SMITH. Fifty per cent less?

Mr. NOYES. A half less on the small sizes, I should judge.

Senator JOHNSON. What does this, on your card, mean—"the German-American Button Co."? Do you have a plant in Germany? Are the Germans interested in it?

Mr. NOYES. Originally—before I started—this concern was operated by Germans who came from Canada, and the business went practically into the hands of a receiver—I being, in substance, the receiver during the period of the Wilson tariff. The Germans who were in the industry dropped out and I took over the business, and have taken charge of it since then.

Senator SMITH. Then you added the "American"?

Mr. NOYES. I was an American before that.

Senator HUGHES. It seems to me that I asked somebody to get up a classification containing language that would meet your views.

Mr. NOYES. This was gotten up at the request of Senator Hughes [submitting tabulation].

Senator SMITH. What is the proposed rate?

Mr. NOYES. We would ask for a duty of 50 per cent, but not less than two-thirds of a cent per line per gross. This is a very substantial reduction from our present duty—very substantial.

Senator SMITH. You do not get 50 per cent on your large buttons now, do you?

Mr. NOYES. No, sir; in a few instances that would be the duty. But let me explain, if I may. Of those large buttons, only a small percentage of the total amount is made—perhaps from 5 to 10 per cent. You can not make any more, because the nut does not permit you to do it. Furthermore, there is the difference in price abroad and here to be taken into consideration. That would still be very inadequately met by the proposed duty. The duty would be a trifle higher on those few sizes, but it would be a substantial reduction on 90 to 95 per cent of all the goods produced—very substantial. We have tried, and we submit to you, different proposals which will clearly show different rates of duty and the manner in which they apply. You will see, if you examine this, that the one making a very substantial reduction is the one that we suggest to you. We have earnestly tried to meet your views.

Senator HUGHES. Would it not be possible to get up language so as to apply an ad valorem rate to buttons below a certain line measurement and another ad valorem rate to buttons above a certain line

measurement, thus using an ad valorem rate throughout, but adopting a button classification? Could that be operated satisfactorily?

Mr. NOYES. I should think it might.

Senator SMITH. Ad valorem for a button of a certain value?

Senator HUGHES. A button below a certain size would take one ad valorem rate and another button above would take another ad valorem rate.

Senator SMITH. How would an ad valorem above a certain rate and a specific below that do?

Senator HUGHES. The objection to the ad valorem rate seems to be that it is more than they need on high buttons and less than they need on low buttons. If you can strike a middle line, it might work out all right.

Senator SMITH. Fifty per cent is a pretty high rate for us to put on there.

Mr. NOYES. If it be true that this industry has more labor in it than any other; if we are in competition with the cheapest labor of Italy and Austria—and to-day they are making these goods in Japan—if it is true that we have to depend on this great amount of labor and length of process, undoubtedly it is with mere justice that we ask a fair ad valorem rate, or an equivalent thereof.

Senator HUGHES. Can we get the wage figures out of the census reports?

Mr. NOYES. Let me ask the privilege of presenting confidentially to your committee some authoritative data on wages.

Senator JOHNSON. I suppose, of course, there must be a difference in price of these buttons as to style, etc.?

Mr. NOYES. That was one of the reasons—

Senator JOHNSON. Take that one there [indicating]. Take the first one right there [indicating]. What is the price of that button?

Mr. NOYES. \$1.10 a gross.

Senator JOHNSON. What does it cost you to make it?

Mr. NOYES. I could not tell you that, without looking it up.

Senator SMITH. How many are there in a gross?

Mr. NOYES. One hundred and forty-four buttons.

Senator SMITH. The regular number?

Mr. NOYES. Yes, sir.

Senator SMITH. What is that button sold for in Austria?

Mr. NOYES. We have those items to submit to you, right on that list that Senator Hughes has. We have all those tables right here. Here is the foreign price and here is the domestic price [indicating].

Senator JOHNSON. I do not know about the line. What line would that be?

Mr. NOYES. One of these sizes in here—take this button for an illustration [indicating]; that is 60 cents abroad, \$1.15 here.

Senator HUGHES. The Treasury figures do not help us because of the classification.

Mr. NOYES. No, sir; they have combined horn and ivory together.

Senator JOHNSON. That is a 30-line button. You say the foreign price of that is 60 cents. The manufacturer's price is 60 cents?

Mr. NOYES. Yes, sir.

Senator SMITH. The wholesale price?

Mr. NOYES. Yes, sir.

Senator SMITH. And that wholesale price is \$1.10 a gross?

Mr. NOYES. In this instance it would be \$1.15.

Senator SMITH. \$1.15 and 60.

Mr. NOYES. Yes, sir.

Senator SMITH. What is your specific on those buttons?

Mr. NOYES. At the present time it would be, on that size, 22½ cents.

Senator SMITH. Twenty-two and one-half specific and 15 per cent line?

Senator JOHNSON. You do not get enough duty now.

Senator SMITH. They can bring them in, barring the cost of transportation and handling.

Mr. NOYES. Of course, transportation is very immaterial, as affecting the cost, because it is a very light article. I can easily explain the situation to you. This industry is an industry of style and novelty. The industry for the last few years has been meeting this foreign competition by selling a great many of its goods below cost. In our own part of the business we have sold as high in one season as 60 per cent of our goods below cost and have made money on the 40 per cent. We have submitted figures from Price, Waterhouse & Co., showing that the industry has earned only 1 per cent on its actual capital. This confirms the statement that we have met this foreign competition by selling goods below cost. It is a truthful statement of fact that we have.

Senator SMITH. I suppose that \$1.10 button would sell abroad at about 88 cents in the same proportion?

Mr. NOYES. Yes, sir; I imagine so.

Senator SMITH. Then, what would be your specific of 22½ and your 15 per cent? Fifteen per cent of 80, which would be 12, would give you 34½. Your reply is that you got that low price on part of your goods which you sold below the cost of production?

Mr. NOYES. That is what we have done.

Senator SMITH. And you make up for it by selling this in style button at a good deal better price?

Mr. NOYES. Exactly.

Senator HUGHES. How many vegetable ivory button manufacturers are there in this country?

Mr. NOYES. I think there are about 20, Senator Hughes.

Senator HUGHES. What proportion of the button production is this vegetable ivory button industry? Have you any idea?

Mr. NOYES. It is only a small portion. There are 20 or 30 kinds of buttons made in this country. The census figures show that the largest branch of the button industry—the old census of five years ago or seven years ago—was the fresh-water pearl-button industry, those buttons being made out of mussel shells found in the western rivers. I think it shows next the mother-of-pearl buttons; then metal buttons; vegetable-ivory buttons were fourth; papier-mâché, composition buttons, horn buttons, etc., followed. We come fourth in the percentage; so it is comparatively a small business. So far as the industry is concerned, I do think it turns its capital over once a year. Our own concern is unable to do it, in the nature of the business.

Senator HUGHES. Is this a high-class button?

Mr. NOYES. Our buttons are not cheap. You see, there are buttons that can be sold—that is, the imitation ones—at about one-tenth the price of this one. The cheap buttons are made of bone, composition,

etc. These vegetable-ivory buttons are used largely on the better grades of clothing. This is a vegetable-ivory button [showing]. You will find them on your merchant-tailored clothes and on good ready-made clothing. The better grades of clothing use these vegetable-ivory buttons.

Mr. McCoy. Perhaps I can expedite this hearing a little bit. As you all know, I am a Democrat, and I have told these people they have to submit to reductions. They have that peculiar condition in their business—I do not know how applicable it is to others—where an ad valorem rate is wrong at one end—

Senator HUGHES. And wrong at the other?

Mr. McCoy. And wrong at the other. A specific rate is open to just the same objections. They wanted to know what to do, and I said, "Make a showing to the committee. Show them all the facts, and suggest a rate that will make an equitable rate all the way along the line." So what they have done is to prepare a statement in detail, referring to each one of these classes of buttons, showing what the present rate is and what it means in ad valorem, and then they have suggested a rate of 50 per cent ad valorem, but not less than two-thirds of a cent a line. They have the whole thing worked out.

Senator SMITH. Fifty per cent is too high on these big buttons, a great deal.

Senator HUGHES. I think they could make a better showing in the bill from our standpoint if they had a rate of 50 per cent on buttons below a certain line, and 35, or some moderate figure, above the line.

Senator JOHNSON. How many of those buttons are imported now?

Mr. NOYES. We are now trying to get that information from the customhouse figures to submit to you.

Senator JOHNSON. You know that they are coming in?

Mr. NOYES. Yes, sir.

Mr. THOMPSON. They will come in in larger quantities.

Mr. NOYES. Under these duties we have suggested the importations are going to increase substantially; I think there is no doubt about that.

Our present duty in ad valorem equivalent runs from 65 to 80 per cent. We believe that the customhouse figures will demonstrate that to you, possibly 75 to 80 per cent. When we ask for 50 per cent, but not less than two-thirds, we are cutting down from 70 or 80 to 50 per cent—a substantial reduction on that point.

On the next point, our present duty is three-quarters of a cent per line per gross, plus 15 per cent. Thus, when we ask for the specific check of two-thirds of a cent a line, it is in reality only a check. We have taken a record of all the prices furnished by the United States consuls in reports to the Government, and we find that this check would operate in only a very few instances and only to a very small extent. Those figures I can give you. Taking 50 per cent ad valorem, but not less than two-thirds, and applying it to all the foreign figures furnished us by the United States consuls, according to the records of the Government, we find that the 50 per cent ad valorem, where that limiting specific does not operate, would collect \$10.88. Where the specific itself operates, namely, the two-thirds of a cent per line per gross, it would collect only \$3.09. Thus you see that ad valorem would operate in the bulk of the cases.

This can be verified from one other standpoint. Applying to all the foreign figures furnished by the United States consuls and figuring on one gross of each item, we find that where the specific is greater than the ad valorem, where the two-thirds is greater than the ad valorem, it is greater only to the extent of 75 cents, whereas in the instances where the ad valorem is greater it is greater to the extent of \$21.95. Thus this check is only a check in a very few instances. Its operation, however, will satisfy a condition which we laid before the Ways and Means Committee. Ivory buttons are in style to-day and out of style to-morrow. They cost us, say, a dollar, and yet to-morrow they may be worth only 40 cents on the dollar. Here is the condition abroad: Ivory buttons are sold because they fit the cloths, the colors prevailing. You realize that the styles in men's and ladies' garments are created abroad. The German or the Austrian or the Italian manufacturer can make buttons for a style in vogue in England or Germany, and it will be "in style," then, there. Six months later, when they are "out of style," then, those colors have come over here. Thus, when they "out of style" in England they are "in style" buttons here, and without this limiting specific one can bring in goods at perhaps 40 or 50 per cent of their cost, and yet be basing them on the actual price in the European market.

Senator SMITH. You want, then, 40 per cent duty ad valorem, but not less than two-thirds?

Mr. NOYES. No, sir; we want 50 per cent, but not less than two-thirds.

Senator HUGHES. Your proposition is 40 per cent and not less than three-fourths, Mr. Thompson?

Mr. THOMPSON. Yes.

Senator HUGHES. That would give you the Payne-Aldrich rate, practically, less 15 per cent ad valorem?

Mr. THOMPSON. Yes; and 5 per cent on the other.

Senator HUGHES. What do you mean by that?

Mr. THOMPSON. What reduction is that on the whole duty, Mr. Porter?

Mr. PORTER. Fifteen per cent on the specific and 5 per cent on the ad valorem, as shown in the handbook.

Senator HUGHES. But it would mean practically this, that no vegetable ivory buttons would come in at less than the Payne-Aldrich rate, except the 15 per cent ad valorem. They could come in at no less rate than the Payne-Aldrich rate, eliminating 15 per cent ad valorem under the Payne-Aldrich rate.

Mr. PORTER. That would depend somewhat on what the custom-house regulations would show to have been the actual rate. It would be at least 5 per cent, and if the average rate should be 65 per cent it would be a difference of 25 per cent.

Senator HUGHES. I am not talking about the cut you are getting. I am talking about the rate you would pay as you come in. The specific check clause would make buttons come in at the same rate that they come in under the Payne-Aldrich bill, with the exception that there would not be added under this legislation, as under the Payne-Aldrich legislation, 15 per cent ad valorem.

Mr. PORTER. That is right.

Senator HUGHES. This is a reduction of 15 per cent ad valorem?

Mr. THOMPSON. Exactly.

Senator SMITH. Why not just take off the 15 per cent of the present ad valorem, make that reduction, and let them have their specific?

Senator HUGHES. That is what they suggest.

Mr. THOMPSON. Oh, no.

Senator HUGHES. Of the present ad valorem.

Senator SMITH. Take off any ad valorem and leave the specific.

Senator HUGHES. That is what they suggest, practically. They have an additional ad valorem. They have a compound duty under the Payne-Aldrich bill.

Senator SMITH. Take one-third off of that, reduce their ad valorem to 10, and take one-third off of their specific.

Mr. NOYES. I think we have perhaps done more than that. If you put the specific at not more than two-thirds, our present specific is three-fourths of a cent per line.

Senator SMITH. Now you have asked for 50?

Mr. NOYES. Yes, sir.

Senator SMITH. But not less than two-thirds.

Mr. NOYES. You see, where the 50 per cent operates it is less than to-day. It comes down from 75 and 80 per cent to 50. Where the specific operates we have knocked off the 15 per cent, and we have reduced the three-fourths to two-thirds, so that where that operates it is also a material reduction. Where this operates it is a very material reduction. With 50 per cent ad valorem we do not need a specific check of more than two-thirds.

Senator SMITH. Two-thirds plus 10 per cent would be very satisfactory?

Mr. NOYES. I could not answer without working it out.

Senator HUGHES. Let me see if I understand this proposition here. Your proposition, Mr. Thompson, would amount to practically leaving the Payne-Aldrich rates in effect less the 15 per cent ad valorem that the Payne rate now carries. Am I correct?

Mr. THOMPSON. My proposition is to leave that duty as the Ways and Means Committee has given it to us.

Senator HUGHES. Let us just discuss the present law.

Mr. THOMPSON. The present law is three-fourths of a line per gross plus 15 per cent ad valorem.

Senator HUGHES. Now, your proposition amounts to practically taking off that 15 per cent ad valorem, and leaving you so that you would get not less than three-fourths of a cent per line per gross?

Mr. THOMPSON. That is exactly the proposition.

Senator JOHNSON. Suppose you get the 10 per cent ad valorem left out: would not that leave you all right?

Senator HUGHES. He says it gives him more than he needs.

Mr. NOYES. Not the three-fourths alone.

Senator JOHNSON. No; leave out the three-fourths, leave just 40 per cent ad valorem. The House tried to simplify all of these schedules.

Mr. NOYES. It would ruin every factory in the business. I am not making an assertion that has not happened. This industry has been wiped out of existence twice by ad valorem tariffs. There were only two concerns, to our knowledge, that survived the two periods of low ad valorem tariffs, and both of those concerns survived by

making articles other than vegetable-ivory buttons. He is a list of those that went out of business under the low ad valorem rate of the Wilson tariff. I lived through it. I came into the business in the early nineties, and I know that only two concerns really pulled through the Wilson tariff.

AFTER RECESS.

STATEMENT OF MR. ALBERT T. SCHARPS.

PARAGRAPH 350.—*Toys.*

MR. SCHARPS. I appear in support of section 350 of the present bill.

The CHAIRMAN. You appear here in support of it?

MR. SCHARPS. Yes, sir.

The CHAIRMAN. You want it just as it is?

MR. SCHARPS. I appeared before the Ways and Means Committee and advocated the continuance of the 35 per cent rate of duty on dolls and toys in the House bill. The House bill as reported shows a 35 per cent duty on dolls and toys. The manufacturers of toys in America ask for a continuance of this present rate. This is apparently a small industry in America, but it is a very important one.

Senator HUGHES. Wait a minute until I see the section that you refer to.

MR. SCHARPS. Section 315, page 89, right at the head of the page.

Senator HUGHES. There has been no disposition to change that, but perhaps, after we listen to your argument, we might want to change it. Do you not think you had better submit your case?

MR. SCHARPS. In that view of the case, I will submit a brief and send a copy of the brief to members of the committee.

Senator HUGHES. All right.

MR. SCHARPS. I will say, however, that the argument I presented to the House was sufficient to carry the 35 per cent.

STATEMENT OF MR. FRED FEAR, PRESIDENT OF THE FRED FEAR MATCH CO., OF BLOOMSBURG, PA.

PARAGRAPH 355.—*Matches.*

Senator JOHNSON. What is your paragraph?

MR. FEAR. It is paragraph 356. Mr. Chairman, I represent the following independent match plants: The Ohio Match Co., Wadsworth, Ohio; Sommers Bros. Match Co., Saginaw, Mich.; Fred Fear Match Co., Bloomsburg, Pa.; Union Match Co., West Duluth, Minn.; Reliable Match Co., Ashland, Ohio; Pennsylvania Match Co., Bellefonte, Pa.; National Match Co., Joliet, Ill.; and the Indiana Match Corporation, Crawfordsville, Ind.

These factories, Mr. Chairman, represent about 33 per cent of the "strike anywhere" matches manufactured in this country, and we hope to be able to show you to-day, by figures that can be absolutely substantiated, what the reduction of the tariff will mean to the manufacturers of matches, especially the small independent manufacturers.

Senator JOHNSON. I do not know anything about it, and I am asking for information. This is divided into two brackets, "matches, friction or lucifer, of all descriptions, per gross of 144 boxes, containing not more than 100 matches per box," being the first. That is what you are interested in?

Mr. FEAR. No, sir; that is the safety matches.

Senator JOHNSON. You are interested in the second one, then?

Mr. FEAR. Yes.

Senator JOHNSON. Where there has been a reduction from three-fourths of a cent per thousand to one fourth of a cent per thousand?

Mr. FEAR. Yes, sir. The others are cut in half, from 6 to 3 cents. I will refer to the matches that have been reduced from three-fourths of a cent to one-fourth of a cent, which are known as the "strike anywhere" matches.

Senator HUGHES. The last time I saw you gentlemen I called your attention to the unit of value as set up in these figures, and asked you to explain it, and you did not have the information then. What have you to say now?

Mr. FEAR. I have that information now. I will give it to you now, if you like.

Senator HUGHES. I would like to have that cleared up.

Mr. FEAR. All right, sir.

Senator HUGHES. This average unit of cost refers to the box of matches, does it?

Mr. FEAR. Yes, sir.

Senator HUGHES. That refers to a 500 box?

Mr. FEAR. Yes; or a thousand. The chances are that that is the average per thousand, because the unit is given per thousand.

Senator JOHNSON. Yes; it is per thousand.

Mr. FEAR. That increase is due to the fact that within the last few years these matches that I now show you have been put into that class. I would like to read that particularly referring to this paragraph, Senator Hughes, that you now refer to.

In the schedule entitled "Exhibit No. 2," published on page 4621 of the hearings before the Committee on Ways and Means of January 30, it is stated that the average cost per thousand matches imported into the United States is as follows--and I think these are the figures you have here: 1905, \$0.039; 1910, \$0.041; 1911, \$0.066.

Senator HUGHES. For 1912 it is \$0.073. We have not the figure for 1911 here.

Mr. FEAR. It is, for 1911, \$0.066. I have figures here to show that the regular strike-anywhere matches which are imported in these large boxes, above 100, will average \$0.0333 to \$0.0379. These matches, such as you have there, that have been admitted into this same class, I will just read you the figures on so as to get it exactly. The increase shown in the table or schedule referred to is due to the fact that during the past two or three years large quantities of so-called book matches for advertising purposes have been imported into the United States. These matches with colored sticks or splints were first assessed at 35 per cent ad valorem, but more recently have been admitted at the specific rate of three-fourths of a cent per thousand matches. Each of these books or packets contains 21 matches, and the price of 1,000 books or packets of foreign manufacture is \$1.09. The cost, therefore, per thousand matches packed or

put up in this way is approximately 8 cents per thousand, and as matches of this type have during the past two years been assessed at three-fourths of a cent per thousand matches, this accounts for the increase shown in the exhibit or schedule referred to.

Now you can readily see that with the regular matches averaging from \$0.0333 to \$0.0379 it would average \$0.066 to \$0.073, and I think that answers that particular inquiry that you were interested in.

Senator HUGHES. How can they ship these matches in?

Mr. FEAR. There have been several cases that were tried.

Senator HUGHES. Do these come in the classification as being "otherwise than in boxes containing not more than 100 matches each"?

Mr. FEAR. In the act of 1909 there was inserted for the first time a provision for fancy matches. We find that this provision was interpreted to provide for so-called safety matches. In the trial of the case several witnesses testified that such matches were known as safety matches. Those matches have been admitted as in packages of more than 100 boxes. They have been put up in large cases—packed loose in large cases.

Senator JOHNSON. In this new bill we have put in these classifications: "Wax matches, fuses, wind matches, and all matches in books or folders," and so forth. Those would be matches in folders [indicating].

Mr. FEAR. Yes, sir.

Senator JOHNSON. And we have given them a higher rate of duty. The paragraph continues, "and all matches in books or folders, or having a stained, dyed, or colored stick or stem, and tapers consisting of a wick coated with an inflammable substance, 25 per cent ad valorem." That would be these matches [indicating].

Mr. FEAR. Formerly it was understood that they were to come in at 35 per cent. But we are not really so much interested in that. Senator Hughes could never understand why this large increase in value of "strike anywhere" matches should be in this report.

Senator JOHNSON. Fancy matches come in as ordinary matches?

Mr. FEAR. There have been two suits on the matter, but they have let that stay where it was. It was never carried to a higher court.

Senator HUGHES. These matches instead of coming in as fancy matches, or tapers at 35 per cent ad valorem, come in under the classification which is expressed in this language: "When imported otherwise than in boxes containing not more than 100 matches each"?

Mr. FEAR. Yes, sir. This accounts for this big average, which you never could understand, because it was more than the matches were being sold for in this country.

Senator HUGHES. Yes.

Mr. FEAR. Now, with your permission, I would like to show you what the "strike anywhere" matches do cost to bring into this country, and to show you also the cost of the production of the similar matches in this country.

Senator HUGHES. Just a moment. Let us clear that up, if we can. When did that new classification go into effect?

Mr. FEAR. In one of our former briefs we covered it.

Mr. PAYNE. I think I could explain that quicker than Mr. Fear, perhaps, Mr. Chairman.

Senator JOHNSON. Very well.

Mr. PAYNE. When this fancy-match provision went into effect the Government tried to get a fancy-match rate of 35 per cent on all these book matches. The Board of General Appraisers held that these matches which had colored sticks and colored heads were fancy matches, which put them under the 35 per cent rate. As soon as that finding was made they ceased to bring over any matches with colored sticks, and put white sticks in. That decision has been overturned recently by the Board of Customs Appeals, so that there was only a short time after the act of 1909 went into effect when the 35 per cent rate was assessed on any of the book matches, but the book matches have always come in under the three-fourths of 1 cent rate.

Senator HUGHES. When did that occur?

Mr. PAYNE. I could not give you the date. There were two decisions of the Board of General Appraisers: one, I think, about a year after the act went into effect, holding that those matches with colored sticks were fancy matches, and that resulted in the ceasing of the importation of those matches and putting them all with white sticks.

Senator HUGHES. That occurred sometime after 1910, apparently.

Mr. FEAR. The act of 1909 was the one in which it was covered?

Mr. PAYNE. Yes; under that act.

Senator HUGHES. Yes; but in 1910 the average import value was \$0.011. The great increase took place between 1910 and 1912, when it went to \$0.073.

Mr. PAYNE. My recollection is that comparatively few of those book matches came in prior to 1910. Since then they have come in to a great extent. The United Cigar Stores, who are great consumers of them, had a contract with the Diamond Match Co. for a number of years which expired in 1910, and in 1910 they made a contract with a foreign match company and that caused a great increase.

Senator HUGHES. What is your wholesale selling price on the styles of matches in that bracket?

Mr. FEAR. We sell a box containing 500 matches at 5 cents a box to the consumer.

Senator HUGHES. To the consumer?

Mr. FEAR. Yes.

Senator HUGHES. At what do you sell it to the grocers—to the jobbers?

Mr. FEAR. The next price that the factory can average for its matches would be about \$2.75 a gross—for 144 boxes.

Senator HUGHES. Will you reduce that to thousands for me?

Mr. FEAR. Yes. There are not quite 500 matches in a box. We had better figure about 450 in a box. That is 63,800 matches. That makes about 4 cents per thousand matches. Four cents per thousand matches is about what the manufacturer averages.

Senator JOHNSON. That is your selling price?

Mr. FEAR. That is about what it nets the manufacturer at the factory after he has sold the goods to the retailer and paid the freight to the jobber.

Senator HUGHES. That is still less than it was in 1910, before this jump occurred. The foreign import price on a thousand matches was \$0.011.

Mr. FEAR. I will tell you about what the matches are costing to bring over to-day—those similar matches—which I think will cover that. This is the condition which we have to meet.

Senator HUGHES. Are they cheaper abroad than they were in 1910?

Mr. FEAR. I should say not; no, sir. In 1910 you have probably got to let some of those other book matches in.

Senator HUGHES. It was 4 cents in 1904. It was \$0.939.

Mr. FEAR. The average cost of these foreign "strike-anywhere" matches that are being brought into this country to-day, which can be readily verified, is \$0.033 to \$0.0379.

Senator HUGHES. That is lower than it has been since 1905. In 1906 it was \$0.039. In 1910 it was \$0.044. Then this classification, I presume, took place, and it went to \$0.073. That is not so very much different from the first figures, \$0.039, before they got into the mix-up with these other matches. Thirty-nine one-thousandths of a dollar would be almost what you are getting for them now.

Mr. FEAR. Yes; but that includes the freight, etc., particulars of which I will give you here in detail. I think after I have read this probably you will understand.

Senator HUGHES. All right; go ahead.

Mr. FEAR. This memorandum is as follows:

Cost of 1 case containing 1 gross of boxes of Swedish strike-anywhere matches, each box containing approximately 400 matches, per box, f. o. b. Swedish port, ss. 3d., equal to.....	\$2.01
Freight.....	.15
Insurance.....	.025

Total cost per case f. o. b. New York, exclusive of duty..... 2.185

This is equal to \$0.435 per matchman's gross, divided as follows:

Price in Sweden.....	\$0.40
Freight.....	.03
Insurance.....	.005
Total.....	.435

As each gross of 144 boxes contains about 400 matches per box, making a total of 57,600 matches per gross, this is equivalent to \$0.0379 as representing the cost of 1,000 Swedish strike-anywhere matches laid down in New York, exclusive of duty.

This is the price of one of the most expensive and popular brands of foreign strike-anywhere matches. Substantially similar goods can be bought, delivered at a foreign port, for 1s. less per case, or for 7s. 3d. a case, equal to \$1.74 per case. On this basis the results are as follows:

Cost per case f. o. b. foreign port.....	\$1.74
Freight.....	.15
Insurance.....	.025

Total cost per case..... 1.915

Figuring the cost per matchman's gross, the results are as follows:

Cost per gross f. o. b. foreign port.....	\$0.35
Freight.....	.03
Insurance.....	.005

Cost per gross delivered in New York, exclusive of duty..... .385

As each box contains about 400 matches, the total number of matches contained in 1 gross of boxes is 57,600, so that the cost per thousand matches is \$0.0333.

These prices carry a profit to the foreign manufacturer and in many cases a commission to the foreign export or sales agent. Furthermore, all foreign goods

are packed in cases which are zinc lined, whereas the American manufacturer packs his matches in either cardboard or wooden cases, which are not zinc lined. The additional cost to the American manufacturer of lining his wooden cases with zinc will run from 6 cents to 8 cents per matchman's gross, or from 30 cents to 40 cents per case.

A fair average factory cost of producing strike-anywhere matches in America is \$2.40 per case, which is exclusive of selling expenses, and does not include any profit to the American manufacturer nor freight from the point of manufacture. Assuming that 10 per cent be allowed for selling expenses, it would make the cost of American strike-anywhere matches f. o. b. point of manufacture and exclusive of duty, \$2.64 per case, whereas the average cost of foreign strike-anywhere matches, so-called 500's, laid down in New York, exclusive of duty, is \$2.065 per case, which price carries a profit to the foreign manufacturer. Therefore, excluding entirely all profit to the American manufacturer and all allowance for freight, the foreign manufacturer has an advantage of 57½ cents a case over the American manufacturer, which is equal to about 1 cent per 1,000 matches. The rate of duty under the law heretofore in force was three-fourths of a cent per 1,000 matches, which has not been sufficient to cover the difference between the cost of production abroad and in this country. Consequently the proposed reduction from three-fourths of a cent to one-fourth of a cent per 1,000 matches is not justified by the facts.

Senator HUGHES. Of course, you are figuring that it costs the foreigner nothing to sell his matches. Are you allowing 10 per cent for selling expenses on the imported matches?

Mr. FEAR. No, sir. I am including in the cost laid down here a net profit to the foreign manufacturer. We can buy them down here for 57½ cents a case less.

Senator HUGHES. They have got to be sold. They are no good unless they are sold.

Mr. FEAR. He has already sold them. I do not mean that that is his cost of laying them down. I mean to say that you can buy them at that price, and he has made a big profit in selling the goods, whereas our price of manufacture is less than his landed price in New York, including his profit and his selling expenses.

Senator HUGHES. That is, expenses of selling to the man who bought them at the dock; but you distribute them further than that, do you not? He has not yet sold them to the New York jobber. Suppose he is simply selling them direct himself? He ships them over and pays the duty and turns them over to his direct agent, and then he has the same selling expense as you have got.

Mr. FEAR. But he has made a profit.

Senator HUGHES. You do not know whether he has or not. He may expect to get his profit when he sells them here.

Mr. FEAR. No, no; my firm can buy these matches laid down in New York, and the manufacturer would be perfectly happy with the profit.

Senator HUGHES. From whom can you buy them—from the agent here?

Mr. FEAR. No; you have to go to the other side.

Senator HUGHES. You have to bear the selling expense; yes.

Mr. FEAR. It would only cost a few cents. Those fellows are eager to sell matches; there is no doubt about that.

Senator HUGHES. He has not got anything like the selling expense, because you go to him to buy.

Mr. FEAR. Suppose that he has not; he has already made a profit and he is still 57½ cents better off than we. We can just produce them for that.

Senator HUGHES. I do not see how you can figure that selling expense. According to your figures up to the time you started figuring the selling expense this one-fourth of a cent which they have left just equalizes the difference with the foreigner, if you are selling them at 4 cents a thousand, which you say you are.

Mr. FEAR. I say that is about what it nets at the point of manufacture.

Senator HUGHES. Four cents a thousand. There is about two and one-half tenths difference between him and you.

Mr. FEAR. But you are not seeming to recognize the fact that we are quoting you the cost of goods, and he has included in this his profits.

Senator HUGHES. We do not know what he has done.

Mr. FEAR. He has landed the goods in New York.

Senator HUGHES. Are you always sure that you will make a profit on every sale? If you were exporting a thing you might be exporting without the desire to make very much profit, but rather the desire to get rid of the goods.

Mr. FEAR. We have never been able to get any export business. The records show that that is an impossibility, and what we want to say is that the proposed reduction there to one-fourth of a cent a thousand is not justified by these facts. Those figures that I have just shown you show the cause. It is my understanding heretofore that you never could recognize that big difference of cost in the "strike anywhere" matches, and I hoped by that to convince you.

Senator JOHNSON. As I understand it here, the values given for 1912 were \$4,285 only. The unit price seems to be 7.3 cents, and this seems to be high, because of the fact that these book matches came in.

Mr. FEAR. Which figure 8 cents per thousand.

Senator JOHNSON. Yes. That raised the price and of the common matches—these "strike anywhere" matches, of which there could not have been very many.

Mr. FEAR. No; not many. There were very few.

Senator JOHNSON. The duty was 1 cent a thousand in 1905 under the Dingley tariff, and then we imported \$22,354 worth of matches at a lower unit value—3.9 cents.

Mr. FEAR. There is a reason for that, Senator, also, by reason of the small quantity of matches that have been introduced into this country heretofore.

Senator JOHNSON. The duty has been reduced from a cent a thousand to three-fourths of a cent a thousand. They took off a quarter of a cent, but instead of the importations increasing imports grew less under that decreased duty. They decreased from \$22,000 in 1905 to \$4,000 in 1912; and then in 1912 the importations were largely, you say, of these fancy matches?

Mr. FEAR. Yes.

Senator JOHNSON. There seemed to be in 1905 an importation of the cheaper match, so that your duty to-day of three-fourths of a cent is prohibitive, really?

Mr. FEAR. No; that is not the case, Senator.

Senator JOHNSON. I am only looking at the figures.

Mr. FEAR. There is really a good cause to account for that.

Senator JOHNSON. There have been no importations of the ordinary match.

Mr. FEAR. No; there have not.

Senator JOHNSON. Under this decrease of duty the importations fell off from \$22,000 to something less than \$4,000 on the ordinary match.

Mr. FEAR. A very small quantity.

Senator JOHNSON. To a very small quantity, so that a reduction of a quarter of a cent a thousand did not make any difference, did it?

Mr. FEAR. No, sir.

Senator JOHNSON. Did you resist that reduction from 1 cent to three-fourths of a cent?

Mr. FEAR. No, sir.

Senator HUGHES. You were not in business then?

Mr. FEAR. Yes; we were in business.

Senator HUGHES. You were not manufacturing then?

Mr. FEAR. No; I personally was not manufacturing then. But the reason for that is this: The foreign manufacturers have been prohibited from using white phosphorus for many years. The American manufacturers have perfected, and we are selling to-day the finest match ever known, which is known as the double-tip white phosphorus match. Now the consumer would not buy the sesquisulphide matches, because they were not as good as the "strike anywhere" matches. That is the true reason of the small importation of the so-called "strike anywhere" matches.

On July 1 the House bill goes into effect, and we shall then be put on a par with the foreign manufacturers in the use of sesquisulphide. It has been proven that we can not make as good a match with the new chemicals as with the old, and we shall be on the same basis as the foreign manufacturer. If the foreign manufacturer can lay his goods down here with freight, at \$2.067 a case, which it is costing us to-day \$2.40 to produce, and when we start to use these new chemicals the cost will be increased fully from 7 to 10 per cent—

Senator JOHNSON. As to the cost, you have a deduction or reduction in some of the materials?

Mr. FEAR. No, sir; not a thing.

Senator JOHNSON. How about phosphorus? You use that?

Mr. FEAR. Yes, sir; but we can not buy susquisulphide phosphorus from the other side any cheaper than we can buy it here.

Senator JOHNSON. That has been reduced from 18 per cent—

Mr. HERSTEIN. Sesquisulphide would come in under the blanket clause, from 25 to 15.

Senator JOHNSON. Chlorate of potash you use also?

Mr. FEAR. Yes, sir; but the chlorate of potash is so tied up that you never could buy any on the other side. The companies on the other side refuse to sell any for importation here. You can apply to anybody on the other side and try to bring chlorate of potash over here and you can not get it. There is only one firm in this country that we can buy of, and that is through the Riker Co. There is nothing that we can import that will help us on the reduction.

On the sesquisulphide we should eventually get a better price, but to-day the price is 50 cents a pound, as compared with 26 cents which we are now paying for white phosphorus.

Senator HUGHES. Of course, you are familiar with the fact that reductions have been made in all the chemicals entering into the manufacture of matches?

Mr. FEAR. There is nothing that we can use.

Senator HUGHES. Phosphorus, 18 cents.

Mr. FEAR. We can not use phosphorus after the 1st of July.

Senator HUGHES. How about glue?

Mr. FEAR. Glue? We buy imported glue, and they raised the price last month. They claim they can not get any raw material any more. A fellow who came over here from England, and is now on the way to Buenos Aires, tells me that all the people have raised their price from 1 to 2 cents a pound on the cheapest glue we can get.

Senator HUGHES. How about chlorate of potash?

Mr. FEAR. Yes; but we can not bring that over.

Senator HUGHES. You mean it can not be shipped.

Mr. FEAR. I believe there is some trouble in shipping it.

Mr. HERSTEIN. There is no trouble whatever; but the fact is that, having cut the duty just 50 per cent, you will have just that much allowance, of 1 cent a pound.

Mr. FEAR. You can not get it. The Riker people control that thing so closely that it is impossible. You can only buy from people that they tell you you can buy from, and the people on the other side can not buy and ship it to this country. I would refer you to the largest importers, like Klipstein, on that. They would be crazy to get it and sell it to their customers in this country if they could, but they can not do it.

The wood, of course, we can not bring over to make matches, because we can not use their wood in our continuous machines. Under this bill we are confronted with the carrying out of this proposition. Every manufacturer has spent thousands and thousands of dollars experimenting to get a satisfactory match. I believe we will get it if we keep on trying, but we must remember that, in the match industry, when the hot weather comes, we have to shut down for two or three months on account of the impossibility of using these chemicals, and really by the House bill the industry has been subjected to a very heavy tax.

There was one concern that started in to make matches right in your territory.

Senator HUGHES. Yes.

Mr. FEAR. They had thousands and thousands of cases of matches returned, and day before yesterday they called a meeting of their creditors, and so far as their manufacturing is concerned they are down and out. They have issued a statement showing the money they have lost in trying to make this new match in the last two or three years, and it is really sad to think of it.

The East Jersey Match Co. issued bonds amounting to \$140,000.

The Salvation Match Co., of New York, was formed and were to exchange preferred stock for the bonds of the East Jersey Match Co.

The liabilities of the East Jersey Match Co., \$11,388 on notes, \$32,000 merchandise.

The Delaware Co.'s liabilities, \$43,577, with no assets.

All the accounts receivable of the Salvation or East Jersey Match Co. have been pledged or sold, and they put the value of their plant in yesterday afternoon at \$25. They have been trying to successfully make a sesquisulphide match, which we will all have to make after July 1. A year ago they saw what was coming, and they formed

another company to import matches. They had a representative go over to Russia, and they are bringing in matches to-day and selling them for less than they could formerly make them for here. That is just exactly what we are up against.

Senator HUGHES. Their claim is that the unfair tactics of their competitors resulted in that?

Mr. FEAR. No. I know that you never would believe that these people were making bad matches, but they came back to them by the thousand.

Senator HUGHES. The sesquisulphide patent has expired.

Mr. FEAR. It has not expired. It was thrown open by the Diamond Match Co. for all of us to use, and we are making the same matches. It is a proven fact that the moment the thermometer in a factory goes over 85° the matches are no good, so that in the summer months that is the proposition we are up against.

Senator JOHNSON. What has become of the old New England fellow that makes the old card matches?

Mr. FEAR. The "stinkers," as we used to call them?

Senator JOHNSON. Yes.

Mr. FEAR. To show you how hard it is to make these sesquisulphide matches, this is what happened in Great Britain when the law went into effect, similar to what we have to work under now.

The enactment of a law in Great Britain has had the effect of greatly increasing the consumption of safety matches, owing to the fact that the nonpoisonous strike-anywhere match requiring more friction to ignite is not as popular as the white phosphorus match.

In 1902 the consumption of safety matches in Great Britain was 26 per cent of the total, and of "strike anywhere" 74 per cent of the total. In 1912 the consumption of safety matches had increased to 45 per cent of the total and the consumption of "strike anywhere" matches had decreased to 55 per cent of the total.

The safety matches are another question. A like increase in the consumption of safety matches in the United States must be anticipated immediately after the Hughes-Esch white phosphorus bill goes into effect on July 1, 1913. There is not a company that can make safety matches in this country for one-half what they are being sold for on the dock to-day in the port of New York. It really is an injustice that safety matches are just forcing the industry, forcing the people to use foreign matches as against what can be made in this country.

Senator HUGHES. You are asking us really to legislate against climatic advantages enjoyed by your competitors abroad.

Mr. FEAR. No; we are asking you to just leave things as they were, or not to make them any worse for us. Nobody can possibly get any benefit from three-eighths of a cent. Who is going to be able to buy a box of matches for less than 5 cents, containing 500 matches? It simply puts the advantage in the hands of the foreigner just that much, and he is able under the present duty to lay the goods down here for 57½ cents a case cheaper than we can make them.

Senator HUGHES. He does not seem to be doing it, according to these figures.

Mr. FEAR. I think you ought to accept these figures that I give you.

Senator HUGHES. I can not accept them as against the Treasury figures that I have here.

Mr. FEAR. You can if you will investigate and find that these have been the actual facts.

Senator HUGHES. I know; but that occurred in 1911.

Mr. FEAR. Go back to 1909, where he got \$0.039 as against my \$0.037.

Senator HUGHES. But then you go to 1910, and you get \$0.044.

Mr. FEAR. Because the law went into effect in 1909.

Senator HUGHES. This jump did not take place until 1912.

Mr. FEAR. It started in 1910.

Senator HUGHES. You have not got anything to show that.

Mr. FEAR. Oh, yes—

Senator HUGHES. I am trying to find out. It looks like this is only a natural increase, from \$0.039 to \$0.044.

Mr. FEAR. The chances are there was a decrease in the importation of the "strike anywhere" matches. It is proven that they had been going down.

Senator HUGHES. There was a slight decrease for 1905; a decrease from \$22,000 in duty to \$17,000 in duty. But it looks as though that advance from \$0.039 to \$0.044 was just a normal advance. We are assuming that just because the other was a violent advance from \$0.044 to \$0.73.

Mr. FEAR. I do not think you are justified in assuming that.

Senator HUGHES. I think you ought to tell us just when that decision which you complain of was made during the year 1906.

Mr. FEAR. I could get you the exact date.

Senator HUGHES. That is what I would like to have.

Mr. FEAR. But I mean that the other facts are so clear. If you will look at the lumber situation and the chemicals on the other side, and also the labor on the other side, and also the fact that the duty as it now stands is so small and does not now really protect the domestic manufacturer, this is the result that you will have. The independents positively and absolutely can not make matches to compete with the "strike-anywhere" matches that come here. The big manufacturers, perhaps, might do it, because they have advantages over us. They have their foreign plants that they get matches from, and they can continue to use their organizations over here as distributors, but with the small plants there is no alternative.

Senator JOHNSON. What proportion of the production in this country is made to-day by those companies, and what is made by the independents?

Mr. FEAR. The independents are producing to-day about 35 per cent, and the big company is producing about 65 per cent.

Senator JOHNSON. And you think that the big company could go on at a quarter of a cent a thousand?

Mr. FEAR. They could utilize their foreign plants. They have plants all over the world, and they can utilize their foreign plants.

Senator JOHNSON. Could they utilize their domestic plants at that rate of a quarter of a cent?

Mr. FEAR. They might, a little, because they have some advantages. We can all struggle along. We have none of us made any particular money in the business.

Senator HUGHES. Has the Diamond Match Co. made any money?

Mr. FEAR. Yes; they have made money, I believe. Whether they have made it out of matches or out of lumber I do not know. They

have some large lumber interests. That is not for us to say. We can only take their statements as we can see them. But they have continued to pay their dividends. Of course they had to reduce their dividend about two or three years ago, but they are paying 6 per cent now, and their statements look pretty healthy. They acknowledge, though, as I have seen in some of the papers, that the tendency of prices has been downward, and the cost of materials has been upward.

Senator HUGHES. What do they sell these matches at per thousand?

Mr. FEAR. We have to come to whatever their price is. That figure that I gave you as what I thought the manufacturer netted at his factory, of somewhere around \$2.70 to \$2.75 for a case of 500, is about right. But it is no use for us to go over again the difference in cost. You will remember that the foreign manufacturer buys his white aspen at \$12 a thousand, and we pay for white pine anywhere from \$28 to \$35 a thousand, and then lose one-third of it in waste, so that our blocks cost us to-day \$25 to \$50 a thousand feet. And we can not get the labor that they use. According to the figures that have been given to the Ways and Means Committee, the labor averages about \$1.05.

It simmers down to the fact that really the independents could not compete.

What result would be accomplished by the reductions? It can not do anything for the consumer; that is impossible, because the difference in price per box does not amount to anything. The present value of the matches that a person uses for the entire year is about \$1 per family. The average household consumes 10,000 matches a year. If all the matches were paid for by the consumers they could cost them about \$1 per 1,000; but, as a matter of fact, they are not so paid for, because large quantities of matches are given away by hotels, restaurants, etc.

Senator HUGHES. Wages are about 10 per cent of your cost?

Mr. FEAR. They are more than that.

Now, you asked for some statistics. We have been trying to get some statistics from the port of New York, from the record that is kept, and the examiner says that during the last few years there has been but very little change in the values; that they have fallen off about 1½ to 2 cents per gross of boxes containing the safety matches. They could give you the statistics as to the "strike anywhere" matches, and they are willing to do that. Mr. Payne, you saw the collector of the port of New York, did you not, on that?

Mr. PAYNE. Yes.

Mr. FEAR. We can not export matches. There are, altogether, about 12 independent factories and 1 big company. The 12 produce about 35 per cent of the matches and the 1 other company produces the balance.

There is quite a lot of money invested in these independent plants. I have every dollar that I own, every dollar that I have saved in my whole life, invested in the factory at Bloomsburg.

Senator SMITH. In what State is that?

Mr. FEAR. Bloomsburg, Pa. I do not believe it would be possible to continue to make matches and compete with the foreigners, because every advantage is with them. This difference of one-half a

cent per 1,000 makes the difference. You do not realize that when you say, "We just cut it down half a cent"; but it makes a difference of about 40 cents on a case of matches that is sold commercially. If we made 40 cents a case we should all be smiling and wearing diamonds; but we do not. I think that covers my part.

Senator JOHNSON. Will you file your brief with us?

Mr. FEAR. Yes, sir.

**STATEMENT OF MR. A. M. SMITH, OF CRAWFORDSVILLE, IND.,
REPRESENTING THE INDIANA MATCH CORPORATION.**

PARAGRAPH 355.—*Matches.*

Mr. SMITH. In considering the question of tariff on matches, as proposed under Schedule X of the Underwood bill, we ask permission to present a little information on the general condition of the match-manufacturing industry.

In a general way, it is safe to state that there never was a time when the cost of manufacturing was so great and the product was sold at such low prices.

Within the past 15 years about 300 companies have been incorporated for the manufacture of matches, and the census of 1909 lists but 26. In most of the cases where the factories have been started the competition at home has been so keen that the factories have been unable to exist.

The impression probably has been that the manufacture of matches was a business that produced a very great profit. That may have been so several years ago, but such is not the case to-day. While the demand has increased, competition has been so strong that prices have continually declined until the problem has been as to how best to reduce the cost in order to maintain a profit at all. It can be safely said that the factories here represented have within the last few years continually abandoned old methods and added new and improved machinery to try and overcome this situation, several of them going to the extent of adding complete new and modern machinery and all of them operating their plants at the highest capacity in order to bring costs down to the lowest point. At the same time, while they were striving to reduce costs, there has been a general increase in the cost of raw materials used in the manufacture.

The manufacturer is also confronted with labor legislation, and it is a generally recognized fact that he must prepare to operate under short hours as well as a minimum wage. All this will further increase the labor cost as well as cut down the output.

From our knowledge of the factories represented we feel safe in the statement that the business is on an efficient basis and it is not burdened with heavy overhead expense in the way of salaried officers that are nonproductive. In fact, many officers do not receive salaries or any income further than a small dividend, if any, on their actual cash investments. The manufacturers have just gotten ready, at considerable expense, to commence the manufacture of the sesquisulphide or nonpoisonous match, which law goes into effect July 1, 1913, and while the increased cost is not definitely known, it is variously estimated at from 7 per cent to 10 per cent.

In our experience of selling matches in all parts of the United States we have never found where the consumer is asking or expecting more than he is now receiving in the way of the standard package sold to the trade.

If unwise tariff legislation was added to our already numerous burdens, the independent match manufacturers of the country would be put out of business.

That is the way it looks to us in general here. That is our condition. Mr. Fear has given you a statement of facts as regarding the prices. It is generally the condition of our factories as I know them to-day.

Mr. FEAR. Are there no other questions, Mr. Chairman, that you want to put to us?

Senator JOHNSON. I have not any others. I do not know whether Senator Smith or Senator Hughes have any.

Mr. SMITH. Gentlemen, we thank you.

STATEMENT OF MR. R. L. OLIVER, OF OAKLAND, CAL., MANAGER OF THE CALIFORNIA CAP CO.

PARAGRAPH 356.—*Blasting caps.*

Senator JOHNSON. In what particular schedule are you interested?

Mr. OLIVER. I am interested in paragraph 357, blasting caps, Schedule X. I would like for you not to get it confused with percussion caps, which are in the same paragraph. I would like to explain to you the difference between blasting caps and percussion caps. The percussion cap is the little copper piece that is put in the priming end of every cartridge. They are easy to make and are produced in large quantities with little risk. Blasting caps contain a more violent explosive and a thousand times more of the explosive than a percussion cap; hence blasting caps are more hazardous and costly to manufacture. The explosive is loaded into a small copper tube one-fourth inch diameter, closed at one end, like this one I have in my hand, about 1½ inches long. These blasting caps are only used in mining, and only one in each blast, hence their market is limited, whereas the percussion cap has an unlimited market in every fire-arm cartridge.

Senator SMITH. What is the blasting cap worth a thousand?

Mr. OLIVER. The blasting caps average in this country \$5.45 New York.

Senator SMITH. \$5.45 a thousand?

Mr. OLIVER. Per thousand. The thousand is the unit. The present duty is \$2.25 per 1,000 or about 46 per cent ad valorem. The Underwood bill has it down to an equivalent 14 or 15 per cent ad valorem, reduced from \$2.25 in the Payne-Aldrich bill to 75 cents in the Underwood bill. Even in the Wilson bill it was \$2.07, and it has always been over \$2 in all previous tariffs.

Senator JOHNSON. The importations have been steadily falling off. They were \$15,000 in 1906, \$20,000 in 1905, and then fell to \$3,394 in 1910, and in 1912, \$494 only.

Senator SMITH. What is the American consumption?

Mr. OLIVER. The American consumption will run one hundred and sixty or one hundred and seventy millions, or 170,000 units.

Senator SMITH. In money, though?

Mr. OLIVER. In money \$750,000 to \$800,000 a year, and you could not increase the consumption if you gave them away. There is only one used in each blast. The cap is imbedded into the charge of dynamite to communicate a shock sufficiently sudden and violent to explode the dynamite. The best dynamite ever made would fail without a suitable cap.

Senator SMITH. Only \$494 worth came in, out of a consumption of \$700,000?

Mr. OLIVER. Yes, sir.

Senator SMITH. \$2.25 specific against 75 cents?

Mr. OLIVER. Yes, sir. Just look at that table, gentlemen, in the report from the Ways and Means Committee, page 279.

Senator SMITH. They reduced it 66½ per cent?

Mr. OLIVER. Yes, sir; the House committee must have made a mistake. Just look at that report from the House a minute, and you will notice that in the Wilson tariff the average unit value per thousand was \$2.43, making an equivalent ad valorem of 85 per cent. The unit value has constantly increased until now it is \$4.83, instead of \$2.43, with the ad valorem automatically lowered from 85 to 46 per cent. In spite of that the importations, as Senator Johnson just mentioned, have fallen off. It is not because the duty is prohibitive. There were \$20,700 paid in duties in 1905, when the tariff was higher than it is now. The reason that the importations have fallen off is that the American miners are becoming educated to the use of a stronger and higher-priced domestic cap for their own self-protection and are getting better results out of the work of their powder. This has been brought about largely by changes in dynamites, which, although as powerful as ever, are made less sensitive to insure greater safety to miners, but being less sensitive require stronger hence higher-priced caps, and the United States Bureau of Mines through its bulletins has been recommending such practice.

Senator JOHNSON. Where do you make that cap?

Mr. OLIVER. Our plant is out in California. There is a plant in Pennsylvania, another plant in New Jersey, and one in Cleveland, Ohio.

Senator JOHNSON. Four of them in the country?

Mr. OLIVER. Four; yes, sir. The reason for that is that it is a small business. As you see, the total consumption is less than a million dollars worth a year, three-quarters of a million dollars a year.

Senator HUGHES. The New Jersey plant is a Du Pont plant?

Mr. OLIVER. It is a Du Pont plant.

Senator HUGHES. Are the others Du Pont plants?

Mr. OLIVER. No, sir. Each company is entirely independent of the other. The Du Ponts keep us sweating for our very existence, and now we are threatened with additional burdens; yes, failure, if the tariff is reduced so much.

Senator JOHNSON. Where are you located?

Mr. OLIVER. We are out in California.

Senator HUGHES. Do you make the caps?

Mr. OLIVER. Yes, sir. I am the manager now and have served my time in the factory.

Senator HUGHES. What duty do you suggest?

Mr. OLIVER. I should like to have a reasonable adjustment, say to at least \$1.75 per thousand. Even this would be a reduction of 20 per cent and would make us trim down somewhere. There is not 15 per cent average profit in the business now. We make about 20 per cent on costs and have no water or intangible assets or fancy salaried officials. The president, who is also general manager, gets \$6,000 a year and works for it. The business is a hazardous and highly dangerous one, subjecting us constantly to the risk of excessive financial burdens on account of explosions. Other blasting-cap manufacturers maintain in the House hearings that they are making less profit than this. One says "13 per cent"; another says "not any." He must have had more than his share of explosions.

Senator JOHNSON. There is a duty now in the Underwood bill equivalent to 15 per cent ad valorem.

Mr. OLIVER. The importers, with all their noise, only suggested a 30 per cent duty. They knew this would be to their advantage. It goes to prove that the foreigners have over 30 per cent the better of us. As a matter of fact, they have over 40 per cent the best of us, so imagine their agreeable surprise and our great disappointment when the Ways and Means Committee put us on a basis equivalent to 15 per cent ad valorem. Surely the committee made some mistake through a misunderstanding of the facts.

The country is already being flooded with cards advertising sweeping reductions in price of foreign blasting caps. Well, if they get half the business, and that is more than they expect, it will make the tariff revenue less than \$10,000 and will reduce the total sales about \$70,000 per year, or \$200 a day. Say 250,000 miners in this country use caps. Miners, as a rule, do not buy the caps themselves; the mine companies do the buying; but the saving would represent about one-tenth of 1 cent per miner per day in the cost of caps. Whereas to us who manufacture caps by the hundreds of thousands it is life or death. A reduction instead of being an actual saving, as it may seem, will cost the consumer infinitely more through inconvenience and lower efficiency, in addition to increasing menace to life and limb, hence increasing the employer's liability. One accident would cost more than years of saving in caps. The above estimate of importers getting half the business is based upon the assumption of us independent manufacturers having to close down because we have no other resources. The Du Ponts will not lose any of their business, but I venture to say that they will supply more than half the trade, and importers will get the balance. You would thus limit the manufacture of blasting caps to only one concern in the United States, now manufacturing them only as a side issue, and which concern has sufficient business in other profitable lines to fully protect itself against any losses that it might sustain through unrestrained foreign competition in blasting caps—a contraband article at that—indispensable to thousands of other important industries in this country.

Senator HUGHES. But they do a big export business on these caps, do they not—the Du Pont people?

Mr. OLIVER. No, sir; the Du Ponts recently made the statement that they only export 6 per cent of their production. The two interior factories do not export any. We in California export into territories where there are no blasting-cap factories, but we do not compete there

in prices with foreign caps, because we can not. The only reason we export any is because we get good prices; because American miners there do not want foreign caps, and that is just the reason there are no importations here at present.

Senator JOHNSON. How many do you export?

Mr. OLIVER. We export only 8 per cent of our production, and this at the same net price to us as we get from American consumers in many parts of this country.

Senator JOHNSON. To what countries do you export?

Mr. OLIVER. We export to Mexico and Central America, principally.

Senator SMITH. The American miners down there who know it want it?

Mr. OLIVER. Yes, sir; and they pay a higher price for it than they can buy foreign caps for.

Senator JOHNSON. If you hold your trade in Mexico in competition with other countries, why would you not hold it here in America, where Americans know your cap?

Mr. OLIVER. We only have a small percentage of the trade in Mexico. If able to stay in business at all we might hold our domestic trade to a degree. Many of our customers have already expressed to us that they are satisfied with the existing conditions. But what we are up against in this reduction of the tariff is that the Germans will dictate the prices, and, as we can not meet them, we will lose out.

Senator JOHNSON. Do you not have to meet them in Mexico?

Mr. OLIVER. No, sir.

Senator JOHNSON. Why?

Mr. OLIVER. They can buy German caps for less money in Mexico, if they want them.

Senator SMITH. The people who buy yours there buy because they prefer them?

Mr. OLIVER. Yes, sir. And pay more for them. It is an unusual condition.

Senator JOHNSON. You have an advantage under this Underwood rate of 14 per cent over your competitor.

Mr. OLIVER. I am very glad you brought that point up again. The foreigner has more than 40 per cent advantage over us in costs of production and in tricks on their export trade. As you see, a cap is a small thing, and it is hard to detect any apparent difference in the efficiency of that article, or the weight, grade for grade, for which it is sold. Caps are graded No. 4, No. 5, No. 6, and No. 7, according to the quantity of composition contained. The foreigner will mark a cap for export "No. 5," supposedly carrying 800 grams to the thousand, which is our domestic standard, the same as in Great Britain, Canada, and Germany, but instead of putting 800 grams they will put only 500 or 650 at the most. I have seen them as low as 500, marked "No. 5," where they are only giving about half the quantity, and that is what gets the miner into trouble when he tries to save a little on the price of foreign caps. That is the great trouble in Mexico. It used to be the cause of trouble here in this country.

Senator SMITH. I should think a miner would not be willing to use one of those unless he knew all about the manufacture.

Mr. OLIVER. That is why the careful miner prefers domestic caps. It also explains falling off of importations. The importers only seem interested in sale of cheap low-grade caps, which it has always been urged should be kept out, and it is a wise public policy to do this. Canada is a low-tariff country, but has 30 per cent duty on caps. The equivalent ad valorem of our duty was misrepresented by importers to the House committee. Take the hearings of the importers, who are the only ones who asked for a reduction; no consumer asked for a reduction. Consumers prefer the industry maintained. Price is inconsequential compared with importance to infinitely more costly materials, which would not be of any use without the caps. The importers in their evidence showed that a No. 3 cap can be bought for \$2.10 per 1,000 caps in Germany, but in every instance they avoid mentioning weight. The Empire Dynamite Co., who are dealers, not consumers, state, on page 5305, paragraph 5, in the Ways and Means Committee hearings, also Mr. Brind, an importer, in his brief, on page 5297, that the present duty is equivalent to 100 per cent ad valorem, and Mr. Behrend, another importer, on page 5301, exhibits German prices, whereby he shows the present equivalent to 107 per cent ad valorem. These statements are based on very low grade of caps carrying less than 500 grams per thousand, such caps as would not be used or tolerated in this country, because 90 per cent of all caps sold here are over twice as strong, weighing over 800 grams per thousand. The present duty on those grades used here represents an ad valorem of 46 per cent, and that handbook of statistics you have there verifies it. The unit value given there is \$1.85 per 1,000, not \$2, as these importers would have you believe. Another interesting and unusual condition is that we can not afford to make a price which will meet German prices even with existing duty and at the same time let the distributor have a profit. Nevertheless, he prefers to handle domestic caps in connection with other explosives with which they are necessary and which are profitable—I say “he”: I will change it to “they”—because all the powder manufacturers, of which there are many, and also most of the people who sell powder, handle domestic caps practically at cost, when they can order from Germany and lay foreign caps down here for resale at a profit, but they know what they are getting at home, and they get it when they want it.

I have with me two letters from independent powder companies, one from the Giant Powder Co., of San Francisco, the oldest on the Pacific coast, and the other from the Etna Powder Co., of Chicago, the oldest and largest independent company in this eastern territory. Neither is in any way financially interested in the manufacture of blasting caps. But you will see by these letters that they are concerned about having a dependable source of supply of caps, and their views may be enlightening to you as to the importance of having this small industry maintained. I will thank you to have these letters made a matter of record with my testimony.

Senator JOHNSON. As Senator Smith said, one would think a miner would want to know all about his cap, and would take the cap that he had confidence in. If you build up a trade you would be likely to hold it, no matter what the duty was.

Mr. OLIVER. A little like the rubber men who preceded me.

Senator SMITH. More. If the rubber tire breaks down you can get out and walk, but if the cap goes wrong they will have to carry you out.

Mr. OLIVER. One can hold trade on merit when there is not much difference in price, but as soon as some one gets agitating cut prices your trade will gradually drift away and it is not until the cheap tire blows out on you a hundred miles from home that you go back to your first friend. More so with caps; in proportion as the trade is induced to adopt the cheap foreign caps, so will accidents occur and the menace to human life increase. Why, then, disturb present conditions, when no one directly concerned is really complaining—not even consumers, because they know we treat them fairly and they are satisfied. Domestic competition keeps down selling prices. The present duty only equalizes foreign competition, hence any reduction of duty may force lowering the standard of domestic quality, and in proportion to the reduction so will be the ultimate disadvantage to the consumer as well as to ourselves.

Senator JOHNSON. There, the bell rings. We must now attend executive session.

Mr. OLIVER. I would like to make three more very pertinent points and suggestions, when convenient to you, and I thank you for the courtesy of this interview to-day.

Senator JOHNSON. You may file a brief.

Senator HUGHES. What duty do you think you can get along on?

Mr. OLIVER. No less than \$1.75 per 1,000 or its equivalent, 40 per cent ad valorem, a reduction of 50 cents per 1,000, or 20 per cent from the Payne-Aldrich Act, which reduction should be sufficient to be in keeping with the policy of the present administration, and at the same time give us a chance for our existence.

SUPPLEMENTARY STATEMENT OF MR. R. L. OLIVER, OF OAKLAND, CAL., MANAGER OF THE CALIFORNIA CAP. CO.

PARAGRAPH 356.—*Blasting caps.*

MONDAY, MAY 10, 1913.

THE SUBCOMMITTEE ON FINANCE.

GENTLEMEN: Inasmuch as your honorable committee adjourned this afternoon in response to call for executive session before I had completed my testimony, I respectfully ask your consideration of the following three important points, one of which may enlighten you as to how the importers may have misled the Ways and Means Committee to make the fatal reduction in duty which they did on blasting caps, paragraph 357.

Mr. J. Fritz Brind, an importer, in the Ways and Means Committee hearings, page 5200, suggests that the paragraph should read: "Blasting caps, 30 per cent ad valorem, etc."

Then, on page 5208, he says: "Importers of blasting caps in the City of Mexico are selling No. 3 (XXX) quality at \$2.75 United States currency per thousand," etc.

Duty on \$2.75 at 30 per cent equals 82½ cents per thousand.

Mr. F. Behrand, another importer, says, on page 5301 of the hearings: "A duty of 25 per cent, in my opinion, would be ample protection." Then he states: "1,000 detonators, No. 3, in Germany, \$2.10."

Duty on \$2.10 at 25 per cent equals 52½ cents per thousand.

The average between these two duties is 67½ cents per thousand. The Ways and Means Committee make the duty 75 cents per thousand, which, although not much of a margin, would appear fair from these figures, but there is a joker, either implied or intentional, in all of the above testimony of importers.

The joker is this: They only mention "No. 3 quality," They do not even designate the weight of explosive contained, which is less than 500 grams per thousand No. 3 caps, such as Germany exports to Mexico, and is the grade of cap which causes so much trouble and loss to miners. They are no longer imported into this country, and any future importations of same should be penalized. Caps of this low grade are not used in the United States, hence the above figures are not typical.

Please, therefore, consider a comparison of the grades most used, bearing in mind also the universal standard weights of same. Ninety per cent of the caps most used in the United States are grades No. 5 and No. 6, in about equal proportions; these contain 800 grams and 1,000 grams, respectively, of explosive per thousand caps. Consular reports from Germany, published in Daily Consular Report, April 16, 1913, abstracts from which are in brief of this company to be submitted, give the following prices in Germany: No. 3, \$3.57 per thousand; No. 4, \$4.05 per thousand; No. 5, \$4.88 per thousand; No. 6, \$5.05 per thousand. Average of the No. 5 and No. 6 grades most used, \$5.40 per thousand.

Now, taking the importers' suggestions, "30 per cent ad valorem," on this \$5.40, which is more nearly typical, and the specific duty figures \$1.62 instead of 75 cents, as the proposed law has it.

Imagine the agreeable surprise to importers and you will understand our great disappointment when the Ways and Means Committee, evidently through this misunderstanding of facts, made the duty equivalent to 15 per cent. The importers know 30 per cent to be to their advantage or they would not have asked for it; we only ask a compromise between this 30 per cent requested by importers and the present 46 per cent equivalent. Such a compromise as 40 per cent ad valorem, or at least \$1.75 per thousand, will enable us to get along.

A canvass was recently made by us to ascertain the attitude of actual consumers. One hundred and forty letters were mailed to operating companies whom we knew to be mining from \$25,000 to over \$1,000,000 worth of materials per year. This is a wide range, and the replies should be a fair indication of the general attitude. Over a hundred replies, nearly 80 per cent, have already been received from mine managers, mining engineers, and superintendents, the men who buy and use the caps every day. Each and all of these expressed themselves as being satisfied with existing conditions as they prevailed under the present duty of \$2.25, and they are not in favor of such a reduction as will in any way affect the standard of quality or availability of supply, explaining that the present cost is inconsequential as compared with the infinitely more costly work in which the caps are indispensable. This very unusual incident of consumers favoring a continuance of duty is significant of the importance of the industry and the harmony of feeling between manufacturers and consumers. I will be pleased to furnish list of names or to place letters and signatures on file.

Point has been made about the cheap, weak, underweighted foreign grades causing trouble and loss of efficiency in addition to frequent injury and occasional loss of life to the miner. I suggest that this Finance Committee confer with the Bureau of Mines as to the advisability and absolute humane necessity of maintaining domestic efficiency in blasting caps and penalizing, or, better still, prohibiting, in the interest of safety to life and property, the importations of these cheap, weak, foreign caps, as the present duty now does very effectively. In view of the proposed low rate of duty, express prohibition is the only means of continuing to protect against ineffectual exploding of dynamite in this country. As already stated, the Bureau of Mines stands for such precaution in the interest of safety to miners. It has, through its bulletins, warned the miners away from low-grade caps, and we manufacturers have encouraged it by making the prices of strong caps lower in proportion. Hence, the combined efforts of manufacturers and of dealers in other explosives, and also the commendable work of this Bureau of Mines, which was created by Congress for educating miners in the proper use of explosives as well as other mining appliances and for throwing around them every safeguard possible, have been principally responsible for the falling off of importations and should be congratulated for the more than compensating improved condition in American mines. So please do not allow a situation to be forced upon us which will spoil this and also kill us independent competitors in a creditable and vitally essential industry.

If it is to be the avowed policy of this administration to make some reduction, I suggest that it can save us and save consumers, also save itself, and

especially the effective policy of the Bureau of Mines for the benefit of our miners, who are the ultimate consumers, by designating specifically in the tariff two classes of blasting caps, reducing the duty to \$1.75 on desirable grades, but keeping the duty on other classes high enough to operate as a penalty upon the importation of inferior grades, which are below the national standard and which, for reasons already stated, should not be tolerated.

That part of paragraph 357 pertaining thereto might be made to read: "Blasting caps, \$2.25 per 1,000 when containing less than 800 grammes of fulminate of mercury per thousand caps, or when containing any explosive other than 90 per cent fulminate of mercury or its equivalent, and blasting caps, \$1.75 per thousand caps, or 40 per cent ad valorem when containing over 800 grammes of fulminate of mercury per thousand caps."

STATEMENT OF MR. WILLIAM T. HORNADAY, REPRESENTING THE NEW YORK ZOOLOGICAL SOCIETY AND OTHER ORGANIZATIONS.

PARAGRAPH 357.—Feathers.

Mr. HORNADAY. There are one or two preliminaries to speak of, Mr. Chairman. It is desired that we should know how much time you can give us. There are several gentlemen here who wish to be heard.

Senator JOHNSON. Our time is somewhat limited, and if one could present it for them it would be rather pleasant to the committee, because I have also asked other gentlemen to come here, and the Senate has not adjourned and we may be called back there. Can you not present the whole question?

Mr. HORNADAY. I can present one side, since it is your wish.

Senator JOHNSON. I will say to you that the people representing the opposition, the opposite side to you, have been before the committee.

Mr. GOLDMARK. They are represented here to-day.

Senator JOHNSON. We have heard from this gentleman, and I do not know that he can say anything more if he wants to reply.

Mr. GOLDMARK. That is the only purpose of my being here.

Mr. FEINER. I should be very glad to speak to the committee.

Mr. HORNADAY. I would rather have the opposition heard first, if it is agreeable to you.

Senator JOHNSON. They have been heard, and have filed a brief with us.

Mr. HORNADAY. I was not aware of that. Then I shall proceed?

Senator JOHNSON. If you please.

Mr. HORNADAY. Mr. Chairman and gentlemen, I am here to represent the zoological society and, unofficially, the Federation of Women's Clubs of the United States, who have taken a very keen interest in this whole matter. I think that if this clause is finally enacted into law it will be due largely to the good women of the United States. The trouble is that throughout the world the destruction of wild life is proceeding so furiously that we are confronted by an entirely new condition. That condition is the extermination of species, part of which has already been accomplished and part of which is now being accomplished.

The progress of civilization throughout the world has had a very deleterious effect on the resources of nature generally. I speak of that because we are confronted with new conditions which render new measures absolutely imperative. That is the reason for the ex-

istence in the tariff bill of the provision to prohibit the importation of the plumage of wild birds for millinery purposes. Unfortunately, this destruction of wild life is proceeding through many different causes, and the people who have undertaken to stop the destruction and extermination, and all that, are operating against all these various groups of causes. We are operating against the sportsmen, who shoot not wisely but too well; against the market gunners; against the people who shoot in the spring, when they should not shoot at all.

Senator SMITH. That has all been done by State legislation?

Mr. HORNADAY. Yes, sir.

Senator SMITH. That is not involved in this matter.

Mr. HORNADAY. No; I speak of it merely by way of illustration. This particular feature of the destruction of birds for millinery purposes has now reached what we may call an acute stage by reason of the enormous amount of it that is being done. It is no exaggeration to say that throughout all the unprotected regions of the globe the most beautiful and most curious birds are being sought out, chiefly by savages and professional hunters, who wish to kill them and sell their plumage to the agents of the feather trade. This trade has its headquarters in London, also in Paris and Berlin. The annual sales are something enormous. In the brief that I will submit I have given a few figures, and I wish to just call your attention to these illustrations, which are intended to show on one page the character of this traffic. The feather trade is killing the most beautiful and the most curious birds of the world for this destruction. The bird in the center of that illustration is the greater bird of paradise, from the Malay Archipelago. It is almost extinct already, and the New York Zoological Society takes the ground that it is just as wrong for the American people to promote the destruction of the birds of New Guinea as it is to permit the destruction of the birds of Florida for millinery purposes.

We know of only one way to protect the birds of the world, outside of the United States, against the millinery traffic, and that is by closing our market to the importation.

Senator SMITH. That will not affect the market of the world at all, will it; and it will not interfere with their being killed?

Mr. HORNADAY. It will tend to discourage the whole idea. It will set an example which will be of immense benefit to the people of London, who are making the same kind of a fight we are making here, and who have been engaged in that warfare for five or six long years. The Royal Society for the Protection of Birds, which embraces some of the finest names in England in its membership, have been engaged in a hand-to-hand conflict with the feather trade of London for about six years. Thus far they have not won a victory, but they will continue until they do win. Australia has already adopted precisely such a provision as appears in our tariff bill, prohibiting the exportation, as well as the importation, of wild birds' plumage intended for use in the millinery trade. I regret that even if this provision becomes a law America will not be the first to make it. We will have to take second place.

Senator SMITH. You say Australia has done it?

Mr. HORNADAY. Yes; Australia has taken that step.

Mr. FEINER. Did you not state at the hearing before the Ways and Means Committee that Australia did not have such a law?

Mr. HORNADAY. No. I will tell you what happened. While I was speaking a member of the Ways and Means Committee handed me a copy of the Consular Report giving the information that Australia had just done so. I said I had not heard of it up until that time. It was Mr. Francis Burton Harrison who handed me the Consular Report. So that it is undoubtedly a fact.

Mr. FEINER. Here is your answer, if you want to refer to it.

Mr. HORNADAY. That is unimportant at this time. I was not aware at that time that it had been done, until Mr. Harrison gave me the Consular Report showing that it had. So that is not open to discussion. It is a fact.

There is one very important consideration; if this becomes a law in the United States that fact will serve as a tremendous encouragement to the people of England, who are endeavoring to secure a measure of this kind for London and for all England. We propose to carry the warfare to the Continent of Europe, if we win out here, and there is no question about it, the best people of the world are becoming so thoroughly aroused to the evils of the slaughter of wild life, and they are now giving so much attention to that subject throughout all civilized nations, that things are possible to-day in enactment of legislation of this kind that even five years ago were wildly impossible.

Senator SMITH. Would not such legislation stimulate the killing of our own birds?

Mr. HORNADAY. I think not.

Senator SMITH. By increasing the demand domestically for the plumage of our own birds. I am thoroughly in favor of driving out the bird killer. I am intensely hostile to him, and I would like to suppress the use of any American feather on a hat.

Mr. HORNADAY. There are very few feathers of American birds used on hats to-day. Twenty-six States, if I am correct in the figures—I mention it subject to correction—prohibit the use of feathers of the egret in millinery; and while it is true that some States permit the killing of crows and jays and perhaps a few other birds on the ground that they do not deserve protection, and while it is possible that their feathers could be used in the millinery trade, I think it is a fact that the amount of plumage of American birds used in the millinery trade is negligible.

Senator SMITH. I would like to qualify the statement I made a moment ago by saying that I would like to prevent the use of any feathers except those of birds that are killed for their meat and are going to be killed anyhow, and dangerous and objectionable birds that ought to be killed.

Mr. HORNADAY. I am glad to have that point called to my attention. It brings up an amendment that has been introduced in the Senate by Senator Clapp, of Minnesota, and I might as well speak of that now. It reads as follows:

On page 89, line 17, strike out the period and insert the following: "Or to the feathers or plumes of game birds usually killed for food purposes and birds which are killed as pests."

There was a time when it seemed to me and to the zoological society that it would be right for the feathers of certain species of game birds killed for food to be imported and used by the millinery trade.

I prepared a list of species that it seemed to me might safely be used, and I submitted them to the millinery trade. It was done with a view of reaching an agreement, if you please, between these two opposing forces. No sooner had the ornithologists of the country heard of that suggestion which I had made than letters began to come to me from prominent American ornithologists, whose opinions I valued, earnestly protesting against such a concession. The claim was made that it would open the door to the killing and importation of the feathers of a great many species of birds, whose destruction would be promoted by the demands of the feather trade. It was pointed out to me, by way of illustration, that from Siberia there is exported to the feather market an immense number of the skins of the ptarmigan that are shot for their feathers, because the white feathers take all kinds of dye very successfully and are valuable to the feather trade. It was pointed out, further, that there are a great many birds which in some localities are called game birds and are killed as food which we do not and never will consider as game birds. For example, in northern Italy that is a fact, that every species of song bird and bird of every other kind of that order, every species is killed as game birds for food. Hundreds of thousands of song birds are killed annually in northern Italy and sold in the markets of northern Italy for food purposes. In Italy those are game birds. In 26 States of the United States the dove is regarded as a game bird. In the other States the farmers claim that the dove is not a legitimate game bird; that it is very beneficial to the farmer, and it should not be destroyed.

Senator SMITH. That depends entirely on whether in the locality they go in droves or in pairs, does it not?

Mr. HORNADAY. I think it is a matter of temperament. I think it rests with the sportsmen. In some sections of the United States the men who shoot wish to kill everything which, by the wildest stretch of the imagination, should be regarded as game. In California they shoot doves on the nest, in the nesting season, as game, and men calling themselves sportsmen do that thing; but, at the same time, in California the California ornithologists protest violently and vehemently and continuously against the very faulty ethics of such a procedure as that.

Senator SMITH. Is not the dove in droves most dangerous to a crop?

Mr. HORNADAY. I have never heard of doves being so numerous anywhere except in California that they could be considered as harmful to the crops. I was brought up in a country where doves were very numerous, the State of Iowa.

Senator SMITH. How large a number would go together, would you say?

Mr. HORNADAY. Not more than a dozen or twenty.

Senator SMITH. Suppose you saw 500 in a flock?

Mr. HORNADAY. It might easily happen that 500 would damage a crop very seriously. On that point I have always taken the ground that whenever a wild-bird species or wild-mammal species becomes in any locality so numerous that it becomes a nuisance, it is right for that nuisance to be abated, and I think that is reasonable ground.

Here is another section of this bill. If we should admit that it is right to import these feathers of all birds that are killed as game, it would be utterly impossible for anyone to say where those importations would stop, and what species they would not cover, for the reasons that I have given. Remember, that in this country alone there are 154 species of birds that are legitimate game birds. In Europe and Asia there are undoubtedly still more. If that amendment should be adopted by this committee, and by the Senate of the United States and by Congress, it would open the door to the importation of at least 150 species of birds from the Old World. No one can tell; it is impossible for human foresight to say where the slaughter will stop. It is incontestably true, in my opinion, that the use of the feathers of those game birds of Europe and Asia by the feather trade would have the effect of doubling the value of those birds, doubling the commercial value, putting an additional price upon their heads. In Burma we know that to-day the silver pheasant is slaughtered in enormous numbers in order that their feathers may be stripped off and sent to the London feather market. They are not killed for food. They are killed for their feathers. Their flesh can not be sold; there is no market for it. But their feathers can be sold; because they can be transported without their spoiling, and when an agent of the zoological society was in Rangoon he witnessed the seizure of several thousand skins of the silver pheasant, and brought home a collection of 40 or 50 as illustrations.

Senator SMITH. Of what value is that bird?

Mr. HORNADAY. The silver pheasant? \$3.50.

Senator SMITH. I did not mean in money; I meant what serviceable use is the bird, living?

Mr. HORNADAY. The value of all birds of the world that are not to be killed and eaten by man is sentimental. It is a sentimental value, not a commercial value, that we are seeking to protect to-day.

Senator SMITH. Are not many of them of great value beyond that in the protection of localities against objectionable insects? Is not the bird tribe, the noneatable tribe, found of great service to the human race in the work that it does of that kind?

Mr. HORNADAY. Most decidedly. I had not come to that. That is a very important fact. All of these game birds consume enormous quantities of insects.

Senator JOHNSON. Doctor, I understand you do not object to that amendment proposed by Senator Clapp, do you?

Mr. HORNADAY. Oh, yes; we object to it.

Senator JOHNSON. You say there are some 150 species that would be opened up?

Senator HUGHES. Already opened up, now, he said, in this country.

Mr. HORNADAY. No; I meant to say that if this should become a law and were applicable to this country, it would immediately subject 154 species of American birds to slaughter for their feathers for the millinery trade.

Senator HUGHES. They are subjected now to slaughter for other purposes?

Mr. HORNADAY. Yes.

Senator JOHNSON. That applies only to birds that are killed for food.

Mr. HORNADAY. Yes; that is all.

Senator SMITH. And also birds that are considered objectionable. It would cover the crow, for instance.

Mr. HORNADAY. If the feathers of game birds were to be imported, it would lead to the extermination of a number of species of the most beautiful pheasants of the Old World. I will not dwell longer on that point.

Now, take the birds which are killed as pests. As a matter of fact, it is my firm belief, after having devoted considerable attention to this subject, that there is not a country in the world in which there is a commercial product of the feathers of hawks and eagles and owls that have been killed because they are pests. In this country of ours, where we have a great many species of eagles and owls, it is a fact—

Senator SMITH. And crows.

Mr. HORNADAY. It is a fact that the Department of Agriculture has clearly established that there are only four species of hawks that are so destructive of the farmers' poultry and of game birds and song birds that they should be destroyed. These are the Cooper's hawk, the sharp-shinned hawk, the duck hawk, and the pigeon hawk. All the rest do so much good that it has been decreed that they should be permitted to live. That is what the passage of that amendment would mean for the United States, and there are four species of really pestiferous hawks here which might be killed if that should become a law for the United States. I am obliged to say that none of the nations of Europe, so far as I am aware, have made a study of the economy of the hawks and owls that has been made by this Government. I would like to know who is going to decide, provided this amendment should become a law, which species have been killed because they are pests when it comes to import their feathers through the customhouse. I do not know of a single species that is being slaughtered in Europe systematically because it is a pest.

Senator SMITH. It may be a pest and be slaughtered because they want the feathers. They would be doing good by slaughtering them anyhow, no matter what the object was, would they not?

Mr. HORNADAY. Very true. But the point is that whoever goes out to hunt pestiferous birds for their feathers is absolutely certain to kill a lot of other birds. In this country it would take a particularly good hunter to find even any one of these four species I have mentioned to kill for its feathers. But the game wardens of the United States will tell you in every State, I think, without exception, that if you allow quails to be killed at a certain season, the men will go out claiming that they are killing quails, and at the same time they will kill doves and they will kill various other things.

Senator SMITH. I think we kill doves at the same season we kill quails down South.

Mr. HORNADAY. In California they kill them much earlier.

Senator SMITH. Recognizing them at that season as a pest.

Mr. HORNADAY. It is impossible to regulate killing in the field if a man wishes to be lawless, provided he is given an opportunity to carry a gun to kill one certain species. It has worked out so in Great South Bay, Long Island.

Senator SMITH. Would you suppress killing quail at any time?

Mr. HORNADAY. I would, indeed, for five years to come. I am a sincere advocate of a five-year closed season on quail throughout the

United States, because I think it is necessary in most States to save the species from absolute extinction, and in New York State we have just granted the quail a five-year closed season. The quail is the most marvelous engine for the destruction of noxious-weed seeds and insects that was ever put together of flesh and blood, and yet the farmer thinks of the quail only as a bird to be shot and eaten—the average farmer.

Senator SMITH. We are educated beyond that down where the cotton grows.

Mr. HORNADAY. In the North they are not, I am sorry to say.

Senator SMITH. They have been very valuable. The quail are checking the growth of the boll weevil.

Mr. HORNADAY. Yes. But here in the North our farmers have not been educated to that point yet, nor the sportsmen either. Three years ago when it was proposed in the State of New York to inaugurate a five-year closed season for quail the sportsmen scoffed at it and the farmers paid no attention to it. But now they are willing to have it, and we do have it.

I must not occupy your time further. I wish to assure you that so far as my information extends the great majority of the people of the United States are now sincerely desirous to protect not only the birds of the United States but the birds of the world. I am certain that if this matter were put to a vote of the people of the United States 95 per cent of the people would vote for the enactment of this clause that is down in the tariff bill unchanged and unamended. It is largely a question for the women of America to settle. I think that they are settling it.

Senator JOHNSON. If they would stop wearing them on their hats and making the demand for them we could do something.

Mr. HORNADAY. Unfortunately there is a thoughtless and heedless 5 per cent of the women of America who have not been educated on this point, who have given no thought to the destruction and preservation of bird life, and who are guided by the advice of their milliners, just as the average sportsman is guided in his choice of a shotgun by the man who sells him the gun; and I think if you could put this question to a vote of the people of this country at least 95 per cent would vote for the enactment of this clause into law exactly as it stands.

There are other gentlemen here.

Senator SMITH. Suppose we let the importers talk and then let them be answered.

STATEMENT OF MR. E. GOLDMARK, OF NEW YORK.

PARAGRAPH 357.—*Feathers.*

Mr. GOLDMARK. Mr. Chairman, the importing interests which I represent, constituting approximately 95 per cent of the feather-importing industry of the United States, want to go unqualifiedly on record in favor of the principle of conservation. Any extinction of species means extinction of their source of supply. But they do not want prohibition; they want regulation. This bill, in its all-sweeping and inclusive provisions, is unfair and unjust and incapable of enforcement. Dr. Hornaday has just said that 95 per cent of the

voters would vote in favor of this drastic legislation. I am satisfied that if they would consider three arguments that vote would be quite otherwise. This tariff bill provides that game birds dressed shall be admitted at 20 per cent ad valorem. The feathers that are stripped from these game birds are, under the terms of this bill, to become so much economic waste and are not to be admitted to this country. I think Senator Smith has already so well stated the argument in regard to pestiferous birds that there is no occasion for me to say anything more.

Dr. Hornaday has referred to the laws of New York, and I do not know any State that has a more drastic bird law than New York has to-day; but that law exempts absolutely and puts on the free list the sparrow, crow, the eagle, the crow blackbird, the snowy owl, the great horned owl, the kingfisher, and I believe some other birds. If this law goes into effect, it is going to be perfectly lawful, as it is to-day, to kill any of these birds in the State of New York, destroy their nests and eggs, they being regarded as undesirables. You can take their feathers and bring them down and sell them in the city of New York for use as millinery, but to bring in that same feather a few blocks farther down, at the port of entry, is going to be regarded as absolutely contrary to law.

Very frequently the zeal of the missionary may blind him to the rights of others and sweep him on to conclusions which are absolutely unjustified by the facts. Dr. Hornaday, in his argument before the Ways and Means Committee, where we were not represented and had no opportunity to be heard, submitted a list of 60 birds, or 60 species, which he claimed were being exterminated for the needs of the London and continental feather markets. That statement was made because that was the list of the offerings in the London and continental markets, and the argument was deduced from that that because they were offered therefore there were that many species that were being exterminated. In that list there were perhaps a dozen as to which the locality or the habitat is given as unknown. Now, how in rhyme or reason can it be stated that a bird is being exterminated for the needs of the feather trade when the locality or origin of that bird is not stated? It is something that is at least mysterious to the lay mind. In that list there also appeared a number of trade names, like the "choucas," which is nothing else but a variety of little black crow, the French trade name, or the "detrees," which is the name of the daw.

I have in the memorandum which has already been filed with this committee pointed out a dozen or 15 inaccuracies in that list, and I refer to it only now to show that this legislation proceeds on insufficient data and that the proper and scientific way to go about it is to have this thing investigated. We stand perfectly ready, as to any bird that is in danger of extermination, to put it on the proscribed list. We are willing to say as to any bird as to which there is doubt: "Let that be on the proscribed list until the facts can be established either by the Secretary of Agriculture or the Secretary of the Treasury or by any other proper and adequate provision." But we say that when you are dealing with an international problem, as you are dealing with one here in that contention of Dr. Hornaday that American birds are not adequately protected, that you should not pro-

ceed singly, that you should proceed by cooperation with foreign countries, by the establishment of an international commission where both sides can present their facts, and you can legislate intelligently in the interest of conservation on such facts.

Dr. Hornaday—and that is all I am going to say at this time—has referred to certain administrative difficulties of distinguishing between the various birds. I would like to point out that this bill, if it goes through as it is now framed, will absolutely be impossible of enforcement at any port of entry. Under this bill, as it stands, feathers of wild birds are excluded, the feathers of tame birds are admitted. At the port of entry the feathers of the wild turkey would be excluded, the feathers of the tame turkey would be admitted. Who is going to determine? The feathers of any of the wild duck would be kept out, and the feathers of the tame duck would be admitted. It would require an expert ornithologist at every port of entry to determine the facts. It would require that every quill, fur boa, and other object of a similar kind would have to be examined to determine whether it had a feather of a bird of the tame variety or one of the wild variety.

STATEMENT OF MR. BENJAMIN F. FEINER, OF NEW YORK.

PARAGRAPH 357.—*Feathers.*

Mr. FEINER. I want to call attention, at the outset, to the conditions that existed at the time of the hearing before the Ways and Means Committee, and how this provision came to be inserted in the Underwood bill. Dr. Hornaday did not appear for the bird society. He is a zoological man. His associate was the representative of the bird societies of this country. That gentleman did not come before the Ways and Means Committee to ask for any such drastic legislation as this. The record shows that he asked for this amendment:

Provided, That the importation of the plumage of American birds, or a plumage indistinguishable from that of American birds, including aligrettes, crude or manufactured, is hereby prohibited except for scientific purposes.

Dr. Hornaday went him one better. He said, "We will not only bar out American birds or birds like them, but we want the plumage of all wild birds of the world barred out." In other words, the difference between Dr. Hornaday and Mr. Pierson seems to have been that Mr. Pierson conceived this necessary for the protection of American birds, and Dr. Hornaday claims that we have made such an advance in civilization as that we should take this further step. I presume the next step will be the regulation of furs. Those were the circumstances under which the provision came to be inserted.

Dr. HORNADAY. We agree now.

Mr. FEINER. I thought I understood your attitude perfectly. The millinery trade, as I understand, desire to go on record as opposed to the bill for the following reasons:

First. That the United States Government should lend its hand to the movement of a society which is ambitious to protect the birds of foreign lands.

Second. That in giving this cooperation the Government should not hesitate to kill an American industry, and to throw away hundreds of thousands of dollars of import duties now being received on the imports which it is intended to prohibit.

Third. That all foreign birds should be protected notwithstanding they may be absolutely useless and pestiferous in the lands of their habitat.

Fourth. That although certain birds of foreign lands may be killed for edible purposes, or because they are offensive and noxious, the plumage of such birds should not be used.

Lastly, that even if it were fit that this Government lend its aid to such a movement, a measure killing an American industry is not necessarily a protection of foreign birds, as the present traffic in the plumage of such birds will continue uninterruptedly in the other countries of the world.

The point we now make is that several conditions must be borne in mind with respect to the killing of birds. First, as has been repeatedly said, in the different countries of the world they are killed for edible purposes; secondly, they are killed because they are obnoxious and pestiferous. Supplementing what my associate pointed out a moment ago, that there were a dozen species in the State of New York, it has even been made a crime, by a regulation of the city of New York, to even feed a sparrow. Each State has its own regulations, prescribing what are the useless and pestiferous birds, and so with all the civilized countries of the world.

Dr. Hornaday made reference to the beautiful bird of paradise. We did not have an opportunity to be heard by the Ways and Means Committee, but since that time I have had occasion to make inquiry at the Consular Division, and I have in my hand a copy of a bill of the country of their production showing the greatest protection of that bird. Of course, there are Indians in that country and in other similar countries. But to show that the other countries are not unmindful of the protection of the bird, I have brought this here, issued by the Government. All countries had reasonable regulations, which they are revising from time to time. So that the only rational method that should be pursued in this matter is that there should be a full, fair, and scientific investigation by an international commission with a view of ascertaining by investigation from the different countries of the world what are the pestiferous birds, what are the game birds, what are the birds that are to be destroyed, and whose plumage, if not used, should not become a vast economic waste.

I submit this provision is not related to tariff revision and should not be included in the Underwood bill. I think it should be taken up separately, and I think that was the method pursued by the bird societies a few years ago in the holding of an international convention.

Mr. HORNADAY. Mr. Chairman, I would be very glad to have you hear Mr. Forbush, the State ornithologist of Massachusetts.

STATEMENT OF MR. EDWARD H. FORBUSH, STATE ORNITHOLOGIST OF MASSACHUSETTS.

PARAGRAPH 357.—*Feathers.*

Mr. FORBUSH. I have come here at 15 minutes' notice and have had no chance whatever to make any brief or anything of the kind. I hope to have an opportunity to file a brief with the committee, perhaps send it on when I return on Monday. Will that be sufficient?

Senator JOHNSON. Yes.

Mr. FORBUSH. I would just like to say a few words. I am asked to come here to represent the National Association of Audubon Societies by the secretary, Mr. Pierson, who could not be here to-day. The whole question in regard to this matter rests largely on one point, if you want to exterminate the bird offer a bounty on its head. That is exactly what commercialism does in regard to these birds. That is the plan under which birds are exterminated, where they are exterminated, and the plan under which all animals which are destructive, or supposed to be destructive, are exterminated. If you allow the sale of feathers of these wild birds every bird will eventually be exterminated which can be used for millinery purposes. Gentlemen, if you doubt this, I want to tell you what my experience was in Florida. More than 30 years ago when I went there all up and down that land great flocks of white egrets gladdened the light of day. Ten years later I came there and could hardly find a bird. They had all gone into this business, and to-day, although it is illegal to sell them, illegal to kill them, still they are after them in the State of Florida, and although to-day we are protecting them, when we find a new rookery we are likely to find it robbed and destroyed, young birds dying in the nest, as Mr. Pierson found it here within a week. If you allow that to go on that is exactly what is going to happen with all these birds. We must take that into consideration first; there is no doubt about it. Those who have studied it know that is the fact everywhere. These birds in New Guinea, these varieties, are protected to a certain extent under one of the governments there in New Guinea. The others pay practically no attention to it, and those birds are taken out just as the birds were here in Florida.

This business is, to a certain extent, to-day destroying our own birds, and there is no other way to stop it except to stop the importation. It is destroying useful birds. Dr. George W. Field testified here, or, rather, submitted a brief to the committee—he was not in time to testify before the House committee—saying that he had prosecuted 75 different milliners in the last two years in Massachusetts for selling the feathers of native Massachusetts birds, which had been killed in this country and sent abroad and returned here manufactured for hats and bonnets. A certain amount of the thing is going on everywhere. State after State has passed laws prohibiting the use of certain birds, the possession of certain birds' feathers, and so on, and the milliners and importers, and those others who were doing this business, have been driven from State to State, and in those States, after they are driven out, they are enabled to return these feathers through the mail-order business directly back into those States again, keeping right on with the business until perhaps, eventually, there will be no State in which they can be legally sold. Then they simply go off into Canada or Mexico and keep right on. Nothing will stop them except the stoppage of the importation.

Now, gentlemen, in regard to the question of pests and game birds. If you allow such an amendment as is proposed here, you might as well take the whole proviso right out of the bill, because that is practically what that amendment will do. There are so many birds which are supposed to be pests. Let me give you an example. In certain localities a certain bird will be called a pest and will be shot

as a pest, as it can be shot under that bill. Down in Pennsylvania a gentleman was killing robins, which he found pulling up his cabbages. He regarded the robin as a pest. But when that matter was investigated it was found that the robins were pulling up only the cabbages which had been eaten off at the root by a wire worm. All over the world there are many birds which in certain localities are denominated as pests by people who are troubled by them: birds which eat fish, birds which eat clams, birds which eat oysters and scallops, and anything that a man feeds on. Those birds may be a pest in a certain place to one particular business, but when you come to examine the habits of those birds you will find that those birds are beneficial. Let me give you an example of that:

Here is the barn owl. The owls and hawks are considered as pests. They are shot the world over as pests. And yet some of those birds are among the most beneficial birds of the world, because they feed on night-flying insects that other birds do not get at, and they feed on these little rodents of the fields. Do you know how many young each one of these little field mice produces? From 20 to 30 every year; and we are dependent on those birds to keep them down. Where they do not keep them down, where the birds are killed off by the gunners or by the farmers, we have great eruptions of these mice that eat everything grown on the face of the earth: so that we are dependent on those birds.

Senator SMITH. How do you classify crows?

Mr. FORBES. Whenever I talk to farmers about the crow, every time I open my mouth I put my foot in it. No matter what I say, somebody disagrees with me. But I will give you a little instance about a crow which happened right in New England, where I was born, long before I was born, and as authority for this statement I shall give you Benjamin Franklin. I have looked up the history of the towns in New England of that time and find it to be a fact all through New England in those parts. They found that the crows and blackbirds were eating their corn, and the town clerk in every town offered bounties on the heads of those birds, and they pursued those birds so successfully that at the end of something like four or five years there were hardly any crows left in New England. The very next year they had a great eruption of cutworms, grasshoppers, and locusts, and everything of that sort, and they destroyed the entire grass crop of that region, and those farmers had to send to England and to Pennsylvania to get hay enough to feed their stock.

Senator SMITH. Did they send for crows and bring them back?

Mr. FORBES. No. They have stopped the paying of bounties on crows, and no general bounty has ever been paid on crows and blackbirds since, although some towns have paid such a bounty.

Senator JOHNSON. I think we pay a bounty on crows in Maine.

Mr. FORBES. I think there are some towns in which bounties are paid, but there is no general bounty throughout the country as there was then.

Senator SMITH. Did they really believe that those worms, grasshoppers, etc., were due to the extermination of the crows?

Mr. FORBES. That is what Franklin says. And the same thing has occurred time after time in other regions. I can tell you of an

instance in my own observation. A gentleman friend of mine was raising sheep down in Marthas Vineyard, and they were eating the lambs, and I said: "What are you going to do?" He said: "I have done it; I have paid 50 cents apiece for every crow that a man would get." I said: "You have made a mistake." Within two years on his whole pastures you could roll the grass up as you would a carpet. The roots were all cut off by cutworms. If the man had killed the few crows that were killing his lambs there would have been no trouble.

If you allow any sort of an amendment to allow the killing of birds, you are going to exterminate many of the most beneficial birds of the world. Surely there is no question about it.

Just one word about what Mr. Pearson, representative of the national association, called for when he came here. He said before the committee that he had not asked for as much as Mr. Hornaday did. I have this second hand. I was not there. But he said before the committee that he had not asked for as much as Mr. Hornaday. He had asked for half a loaf, but he hoped to get the whole loaf.

Mr. HORNADAY. That is correct.

Mr. FORBUSH. Now, about the question of distinguishing these feathers. If this bill is passed without change, just as it stands, if this proviso is passed without change, all the man has to do is to determine whether these feathers coming in are the feathers of a domestic fowl. They say you will have to have an ornithologist in every port. We have them now. The Department of Agriculture now has a man looking after other matters of a similar kind in the different parts of the country. There will be no trouble there, and he has not got to tell what kinds of birds are coming in, but is simply to say: "These are not the feathers of domestic fowls," and that shuts them out, and he simply has to use his microscope, if necessary to determine whether that feather is the feather of a domestic fowl. I do not think there will be any trouble there.

Senator JOHNSON. Suppose the birds from which those feathers were taken were killed as game birds; legally killed in the country where they are to be found?

Mr. FORBUSH. Dead birds tell no tales. How are we going to tell, when birds come into New York or some other city, where they were killed, or by whom, or whether legally or not? We can not tell that. A great many of those birds come out of the country where they forbid the export, seized from time to time. This is the greatest market in the world for the feather business; I think the milliners will bear me out in that. If we shut off this market here we will shut off the greatest part of it.

Mr. FEINER. You are misinformed on that.

Mr. FORBUSH. I took it from certain literature which one of you gentlemen sent up.

Mr. FEINER. It is the market of this country. It is the largest millinery market of this country—the port of New York. France, England, Berlin, Germany, are equally as big.

Mr. FORBUSH. I beg pardon; I said of this country.

Mr. GOLDMARK. You said of the world.

Mr. FORBUSH. That this country was the greatest millinery market of the world.

Mr. GOLDMARK. You are misinformed on that.

Mr. FORBUSH. I got it from one of your own statements.

Senator JOHNSON. I do not see that that is very material.

Senator SMITH. That was an advertising circular.

Mr. FORBUSH. These gentlemen are entirely wrong about that, and I think I can prove it.

Senator JOHNSON. But my inquiry is this: Here are certain birds which can legally be killed in a country as game birds. Do you feel that the feathers, which have a commercial value, should not be imported here?

Senator HUGHES. That is what he says.

Senator JOHNSON. Even though the birds are killed in that country as game birds?

Mr. FORBUSH. Those game birds are imported now.

Senator SMITH. Or the birds that are pests in other countries. You want to keep them out, too, just like you want to let the crow live, and I am for killing the crow.

Mr. FORBUSH. The difficulty is to discover which are game birds. Why, over here in Ohio they got a decision from the supreme court, I believe, that a heron is a game bird. Not only 150, but many hundreds of birds would be brought in. Thousands of birds could be brought in under that designation. I do not know very much that you could not bring in under that, except humming birds. I do not think they could call them pests or game birds. You might protect humming birds.

There is the question of the robin and the bobolink and some of our very best beneficial birds. There are so many of those birds that you can point to that are regarded as game birds here by many people, by States, and how can we tell what are regarded as game birds in any country?

Senator SMITH. For instance, in February we call a dove not only a game bird, but a pest, and it is both during that month.

Mr. FORBUSH. And you have the right to shoot it during that month?

Senator SMITH. Oh, yes; we shoot them for safety. They will come in droves of a thousand into a wheat field or an oat field, and after staying there two or three days the man will not have any seed in the ground or any wheat or oats that have sprouted left. It lasts for only two or three weeks, but during that season we allow them shot. After that they are absolutely protected.

Mr. FORBUSH. I do not wish to take up your time, but I am ready to answer any questions I can answer.

STATEMENT OF MR. HENRY OLDYS, OF SILVER SPRING, MD.

PARAGRAPH 357.—*Feathers.*

Mr. OLDYS. Mr. Chairman and gentlemen, I am glad to have a chance to speak on this subject, for the reason that the amendment was my own suggestion, and I want to say that the first form in which it was suggested was the form in which Dr. Hornaday suggested it to the Committee on Ways and Means; that is, the prohibition of the importation of all wild birds for plumage purposes.

I want to say a few words on some of the subjects that have been touched on. Papua prohibits the export of the egret and the bird of paradise. Australia prohibits the importation of those birds from Papua. Many of them go to Australia before coming to the London and Paris markets.

Mr. HORNADAY. Does not that refer to only the British possessions in Papua?

Mr. OLDYS. Yes.

Mr. HORNADAY. A very small portion of Papua, gentlemen.

Mr. OLDYS. That is absolutely ineffective. India prohibits the export of plumage birds, and birds are smuggled out constantly. Those laws have been found to be so ineffective that the colonies of England have petitioned the home Government to pass a law prohibiting the importation of plumage birds in order to protect their birds. It is impossible to police the wild solitudes where these birds are found. It is impossible to prohibit the export—the smuggling out—of birds from these countries. The only way in which the prohibition can be made effective—the birds protected—is by cutting off the market. We have appealed to the women, but there will always be so many who are influenced more strongly by fashion than by sentiment that the destruction will go on in spite of the large number of women who refuse to wear bird plumage after they learn the destruction it is causing.

The regulation that has been suggested is impossible. In the first place, I would call attention to the fact that there has been no suggested regulation and no attempt at regulation heretofore. The destruction of birds has been limited only by the ability to get the birds, and that is becoming less and less proscribed, and now there are many species of birds that are in great danger of extermination.

I want to give you one or two instances of destruction. The wing of the tern became fashionable a few years ago. The tern, or sea swallow, was one of the most abundant birds of our seacoast. In a few years it was gone from the coast completely, with the exception of two small islands where the birds were protected; two small colonies of terns were left there. But otherwise the entire Atlantic coast was bare, because of the demand for the millinery trade.

Mr. Walter Goodfellow, of England, visited New Guinea, and went through the haunts of the bird of paradise—one of the birds of paradise. He found the birds abundant everywhere. A few years later he revisited that spot, and, as he said, walked miles and miles through the same region without seeing one bird.

We learned that the Japanese, under Max Schlemmer, an American exploiter of birds and other things—he might be called a promoter—were about to visit one of the Hawaiian Islands to exterminate, for millinery purposes, the large number of albatrosses there. It was one of the western islands of the Hawaiian group. I at that time had the honor to be in the Department of Agriculture, connected with the protection of birds and game, a position I held for 12 years. We appealed at once to President Roosevelt, who made a bird reservation of this and adjacent islands. The Japanese, regardless of that—perhaps they did not hear of the proclamation—visited the island and proceeded on their work of extermination. The island they visited is out of the usual line of travel, and it was nine months

before we learned that they were there. We instantly appealed to the Treasury Department to send the revenue cutter *Thetis*, which was stationed at San Francisco, to the scene. Capt. Jacobs, of the *Thetis*, went as straight as he could go to the island, found the Japanese there, arrested 237 and brought them to Honolulu, where they were tried and convicted; he confiscated the plumage with the exception of one shipload that had already gone to Japan. Capt. Jacobs estimated that they had already destroyed 259,000 of these albatrosses. Five-sixths of the colony had been destroyed. We were just in time to save the remnant. That is the way the birds are being destroyed for millinery purposes all over the world.

The wing of the ptarmigan became fashionable, and 10 tons of ptarmigans' wings were shipped from the one port of Archangel in one shipment. Four hundred thousand skylarks were sent in one ship to Paris from Finland for millinery purposes.

Figures of that kind indicate the enormous extent of this destruction that is going on, and it is increasing, it is constantly increasing.

Senator HUGHES. Those conditions would exist regardless of this legislation, would they not?

Mr. OLDYS. I am glad glad you spoke of that. England has been trying for five years to pass a law of this kind. Germany is ripe for the passage of such a law. Australia has already passed a law of this sort, and if the United States passes this law England will follow suit, Germany will follow suit, and where so much of the market is cut off, and with the influence of that example, France will soon be forced into line, and with France, Germany, England, and America united in the matter the trade will be practically killed.

I want to say something on the subject of game birds. There is this important point about game birds and putting them on the list: It seems perfectly natural and proper that when game birds are killed their feathers should be used and not thrown away to avoid an economic waste. We met the same argument in Alaska. They wanted to kill the moose and export the trophies. They said: "We are permitted to kill the moose. Why not export the trophies instead of allowing them to rot on the ground?" But we found that if we permitted them to export the trophies the moose were killed for the trophies, and killed in far greater numbers; and if you permit the feathers of game birds to be used the game birds will be killed for millinery purposes in far greater numbers than they are now killed as game birds. They will be hunted, as other birds are hunted, until they are on the danger line of extermination, as the other birds have been also.

Senator HUGHES. What would you say to a proposition that you have a provision to take effect when certain other countries enact legislation of a similar character?

Mr. OLDYS. It is difficult to come together in an international agreement in that way.

Senator SMITH. Suppose we just add, "Provided, however, This provision shall not take effect until England and Germany shall act," or until the President proclaims that England, Germany, and France have adopted a similar measure?

Mr. OLDYS. There are two objections to that. In the first place, I think the measure will be adopted more quickly if the United States

firmly leads the way, instead of holding back and saying, "We will hold back until you are ready," and standing in a sort of timorous attitude. In the second place, the action by the United States alone will have a very strong effect in the preservation of the birds by cutting off a very large market for the sale of bird plumage. So that I feel very strongly opposed to waiting for some other nation, but I should prefer to see, on patriotic grounds as well as others, the United States stand firmly and in the foremost lead and not say, "We will wait on your pleasure."

Senator SMITH. Oh, no; that would not be it. "We will cooperate with you to do it. We do not care to do it exclusively. If they are going to be killed we might as well allow some of them to be handled here as anywhere else. But if you will join us in it we will cooperate."

Mr. OLDYS. I think the better way would be for you to let them join.

Senator SMITH. If they did not join, we would be losing this revenue, without any practical accomplishment except to turn the people who wanted them more vigorously upon our own birds and our own country.

Mr. OLDYS. There would be several advantages from the legislation that would result to us. In the first place, when an egret is sold in a State where the sale of the aigrette from the native egret is prohibited the warden is confronted with the statement that "this is imported." He has to prove it is not. He can not do it, and our own birds are killed and sold in that way, under the guise of imported birds. The passage of a law of this kind would prevent the sale of our own birds under such guise and would strengthen the hands of the wardens.

Senator SMITH. We do not forbid interstate trade in the feathers of our own birds.

Senator HUGHES. There is no objection to the passage of a law preventing the importation of egrets, I understand?

Mr. GOLDMARK. Absolutely none.

Mr. OLDYS. I only cite the egret as an instance. There are other birds besides egrets that are included. If we pass a law of this sort, it brings any bird plumage under one law or the other, so there is no chance for error.

Senator SMITH. There is no law that forbids interstate commerce in the feathers of birds in the United States, is there?

Mr. OLDYS. There is a law that forbids the interstate commerce in the feathers of birds where their export or their killing is prohibited in the State of export. That is the so-called Lacey Act.

Mr. HORNADAY. Or possession, either.

Senator JOHNSON. The Lacey Act applies to the bird itself, the game bird.

Mr. HORNADAY. Bird or part thereof. It applies to any portion of a bird as well.

Mr. FEINER. Senator Johnson, I can explain the Lacey Act to you. The Lacey Act was passed as an enabling act to enable the States to legislate with respect to plumage when the bird came within the confines of that State, so as to avoid any constitutional question as to the authority of the State.

Mr. GOLDMARK. And the discretion is lodged in the Secretary of Agriculture.

Mr. FEINER. That does not pertain to this subject at all, as I can see it.

Mr. OLDYS. Mr. Chairman and gentlemen, I thank you very much for the time you have granted me.

ADDITIONAL STATEMENT OF MR. WILLIAM T. HORNADAY.

PARAGRAPH 357.—*Feathers.*

Mr. HORNADAY. Mr. Chairman, I would like just one minute more in regard to this international phase which has sprung up. For my part, I feel disposed to consider everything that would have a tendency to settle any vexed question that comes before the public. We have a case in point which furnishes a great many precedents of what can and what can not be accomplished by international agreement, and that is the case of the unfortunate fur seal. We all remember the fur seal with conflicting emotions, I am sure. But here is an important fact. For a matter of 12 long years the United States was anxious to come to an international agreement with other nations to stop pelagic sealing. Several of those years elapsed without any result, and finally the United States Government said, "Whatever other nations may permit their subjects to do in the slaughter of these female seals at sea, or their young, in this wasteful and horrible way, the citizens of the United States shall have no part in any such disgraceful slaughter." The citizens of the United States were absolutely prohibited from pelagic sealing, killing seals at sea, for the purpose of clearing our record, or washing our hands.

Senator SMITH. For the purpose of saving our seals, was it not?

Mr. HORNADAY. Not entirely, because at the same time the people of the United States, of Canada, and of Japan were permitted by international law to kill those seals. There was an international agreement arranged between the United States and England and Canada to get together and come to an agreement and settle this whole matter, just as the opposition has proposed in regard to settling this foreign bird question. What was the result? There was absolutely no result. They held session after session. Distinguished men were appointed on that commission, which came together in Washington and other places and did their utmost to reach an agreement. There was absolutely no result, gentlemen, because there were so many conflicting interests to be considered and satisfied.

I am perfectly convinced that if we should attempt to solve this question by any kind of an international agreement or international compact, the birds that are being used by the millinery trade would all be exterminated before any result would be reached. Do not, I beg of you, attach any importance to that idea, because we have no grounds for hoping that we would be any more successful in the case of the birds than we were in the case of the fur seal. I think that the position which the Congress of the United States assumed in regard to the fur seal and clearing our record in the matter, regardless of what other nations might do, is a proper position to take to-day in regard to the birds of the world.

I wish to assure you once more that 90 per cent of the people of America wish to have our skirts cleared of the slaughter of foreign birds as well as our native birds for millinery purposes.

STATEMENT OF MR. CHARLES S. PORTER, REPRESENTING THE RAW FUR DEALERS AND FUR MERCHANTS OF THE CITY OF NEW YORK.

PARAGRAPH 358.—Raw furs.

Mr. PORTER. I want to call your attention to paragraph 363, raw furs.

Senator HUGHES. Raw furs, 363?

Mr. PORTER. Yes, sir.

Senator HUGHES. It is 358 in my copy.

The CHAIRMAN. Do you refer to furs not on the skin?

Mr. PORTER. No, sir; raw furs.

The CHAIRMAN. Undressed skins of dogs, goats, and sheep?

Mr. PORTER. Yes, sir; that is the item. They have never had any duty. They have always been brought in free.

Senator HUGHES. Did they put a duty on that this time?

Mr. PORTER. They added a duty of 10 per cent on raw furs. After 30 years we have built up quite a business in the exporting and importing of raw furs, and they have now placed a duty of 10 per cent on raw furs.

The CHAIRMAN. Suppose we except from that the skins of dogs.

Mr. PORTER. That is because they are a Chinese article—

The CHAIRMAN. Suppose we should except the skins of dogs and of goats that go into the manufacture of cheap fur coats; they do go into the manufacture of cheap fur coats, do they not?

Mr. PORTER. Yes, sir.

The CHAIRMAN. The pelts of dogs and goats.

Mr. PORTER. Yes, sir.

The CHAIRMAN. Is that what you are objecting to?

Mr. PORTER. No; I am objecting to the 10 per cent duty on raw furs.

The CHAIRMAN. On any raw furs.

Mr. PORTER. On any raw furs; yes, sir.

Senator SMITH. We have had somebody else object to that.

Mr. PORTER. There never has been any duty on raw furs.

Senator SMITH. This is just a revenue duty, of course.

Mr. PORTER. The idea of the House committee was to obtain revenue from this.

The CHAIRMAN. Last year the revenue was only a million and a half dollars, approximately.

Mr. PORTER. That was on the exports and the imports; but a large proportion of that sum of seventeen millions is upon American skins that have been sent abroad and returned to us. There are maintained and carried on in London auction sales, to which large quantities of American furs are shipped and are then sent back to this country. We are largely drawing on Canada for our raw-fur supply. We do a large business with Canada in foreign furs, and there are furs imported from Europe and Asia. Here, in the States, we are constantly trading back and forth with Canada. Canada uses a great many furs, and this duty will eliminate us from that business entirely. There are scores of dealers who obtain their livelihood, and there are many people, of course, who are engaged in this business, and if you put on this duty they will be cut out almost completely.

Senator HUGHES. Why?

Mr. PORTER. Because the Canadian raw furs will go directly to Europe from there, and the business will be done with Canada and Europe.

Senator HUGHES. Can you not still buy in Canada?

Mr. PORTER. Because the bill as it is framed there calls for a 10 per cent duty.

Senator HUGHES. Well, you expect to buy in Canada and pay that 10 per cent when you bring the skins over.

Mr. PORTER. That would cut us out of a large proportion of the Canadian furs that come here and are shipped by ourselves abroad. When these goods are returned from abroad we then sell them to Canada, and in New York City there are scores of firms that have carried on that business for years and years.

Senator HUGHES. You mean you bought them in Canada.

Mr. PORTER. No; we buy them abroad and bring them to New York, and then sell them to Canada. Then, in turn, Canada comes down here and buys our American furs.

The CHAIRMAN. Is there any duty on the furs when they go into Canada from here?

Mr. PORTER. No, sir; they are free.

Senator SMITH. Your view of it is this: The trade has been built up because they were free?

Mr. PORTER. Yes.

Senator SMITH. And the revenue will not be derived, because when you put the duty upon them your trade will be cut—your importations from Canada and your exports also.

Mr. PORTER. Yes, sir.

Senator HUGHES. You will have to buy as many furs as ever, and you will buy them in Europe?

Mr. PORTER. No; we will not, because we supply a large part of our demand out of the Canadian importations.

Senator SMITH. If you were just buying for United States consumption, you would have to buy a great many.

Mr. PORTER. Yes.

Senator SMITH. But your claim is that you are engaged in international trading in furs.

Mr. PORTER. Yes.

Senator SMITH. And you can not bring them in here and handle them, if there is a duty on them, when you propose to ship them to other countries where there is no duty.

Mr. PORTER. That is my idea. If you put a duty on furs, it is going to increase our trade in the American furs, and by that I mean furs in the United States, and it will not take a very great time to consume our furs.

Senator HUGHES. What is the American consumption of furs?

Mr. PORTER. I should say, approximately, \$17,000,000.

Senator HUGHES. I mean, what is the American consumption; have you those figures?

Mr. PORTER. No; I have no means of getting that information, except through the customhouse.

Senator SMITH. You do not know what the importation of furs is?

Mr. PORTER. \$17,000,000.

Senator SMITH. Imports or exports?

Mr. PORTER. Importations, and the exports about equal.

Senator SMITH. About the same?

Mr. PORTER. Yes. If you put a duty on foreign raw furs, it will prevent us from drawing from Canada and the northwestern country for our supplies, and we have to use up our own products in the United States. We do not use up more than half of the quantity that comes into the United States. The rest is sold into Canada. We feel that that would be contrary to the conservation spirit.

The CHAIRMAN. What kind of furs do you get from Canada?

Mr. PORTER. Almost the same kind of furs as we get in the States.

The CHAIRMAN. What are they?

Mr. PORTER. Muskrats, minks, martens, lynx, raccoons, badgers, wolverines—

The CHAIRMAN. Will not all those stand a duty of 10 per cent? Those are luxuries, high-priced furs.

Mr. PORTER. Some of them are high-priced furs and some of them are not. Some of them are worth 20 cents and others 75 cents. The highest priced furs are luxuries, which is true of some of the highest priced furs that we get from our own territory in Alaska—silver furs and black furs and blue furs.

The CHAIRMAN. If you put a duty on a cheap woolen suit of 35 per cent, do you not think a lady who wants a lynx fur can afford to pay a 10 per cent duty?

Mr. PORTER. Surely, she can afford to pay a 10 per cent duty; but, at the same time, if Canada comes and buys our mink and has to meet a 10 per cent charge she is going to retaliate by putting a duty on her goods. In fact, all of the foreign countries will retaliate. The only country in the world that I know of that has a duty on raw furs is Russia, and that is almost a nominal duty, of so much per pound. It is almost immaterial. But all the other countries have permitted raw furs to be brought in free. It is an exceedingly difficult thing; it is practically impossible to say where you will draw the line on what are luxuries in furs and what are the furs that the common people use.

The CHAIRMAN. Take the furs of dogskin and goatskin.

Mr. PORTER. Yes.

The CHAIRMAN. Those all go to make very cheap fur coats, to be used by people in the northern part of our country.

Mr. PORTER. Yes.

The CHAIRMAN. The farmers.

Mr. PORTER. Yes.

The CHAIRMAN. Such a coat sells for \$10 or \$15 at retail.

Mr. PORTER. No; they sell for something like \$25. Those goods are brought from China. They are not raw. They are further advanced than raw. It is raw material that I am speaking of. The putting on of this duty will almost certainly result in the wiping out of a large number of people from that business.

Senator HUGHES. I see Russia levies a duty of 16.2 per cent ad valorem on raw skins, unmanufactured.

Mr. PORTER. I did not know what it was.

Senator HUGHES. And 24 per cent on prepared.

Mr. PORTER. It seems to me that your revenue will not be as large as your figures will show, for the reason that I have stated, that a large quantity of the goods imported are our own furs coming back,

and the fact that there will be a 10 per cent duty will curtail the business very materially, so that the thought of getting revenue out of raw furs will not materialize to the extent that the gentleman who framed that paragraph figured.

The CHAIRMAN. Have you a brief that you want to file with us?

Mr. PORTER. Yes, sir; I will leave this with you.

STATEMENT OF MR. THOMAS W. ROURKE, PRESIDENT OF REVILLON FRERES, 19 WEST THIRTY-FOURTH STREET, NEW YORK.

PARAGRAPH 358.—*Raw furs.*

Mr. ROURKE. I represent the Revillon Freres, 19 West Thirty-fourth Street, New York, and we operate 29 trading posts, dealing in furs, and are in active competition with the Hudson Bay Co.

I come here to support Mr. Porter's contention that the 10 per cent duty would go a great way toward driving that industry, which is now centered in New York, and which is the raw-fur market at the present time in America, into Montreal or into some other Canadian city; and, furthermore, from the manufacturing standpoint, the 10 per cent duty will have this effect: As we stand now, we import to New York or to the States a great many furs which are dressed by our dressers and prepared by our manufacturers, and then sold to the large consuming public in Canada. Canada has no duty on raw furs, and the placing of the 10 per cent duty on those raw furs coming to us in the States will wipe out that entire manufacturing business, which brings much revenue.

The CHAIRMAN. Do they not have a duty on furs dressed on the skins?

Mr. ROURKE. Well, but that is not really raw.

The CHAIRMAN. But, after they are imported, they are exported to Canada?

Mr. ROURKE. Yes; and we are still able to compete; but after the 10 per cent is put on the raw product, we will not be able to compete.

The CHAIRMAN. Why is the duty raised from 20 to 30 per cent on furs dressed on the skin?

Mr. ROURKE. If we start out with the basis of the raw article, that comes to us free and goes to them free.

Senator SMITH. If the duty on furs dressed on the skin is raised from 20 to 30 per cent, don't you think the raw furs can stand a duty of 10 per cent?

The CHAIRMAN. That is not sold in the United States, you will observe, but to your export trade.

Mr. ROURKE. But the export trade brings those goods in here without any duty.

Senator HUGHES. There is a drawback provision in the bill, though, is there not?

Mr. ROURKE. No.

Senator HUGHES. For goods imported into the United States and afterwards exported?

Mr. ROURKE. And besides the fact that we have a clear basis to work on—

Senator HUGHES. What is the duty into Canada?

Mr. ROURKE. Thirty per cent on the finished article. You put a 10 per cent duty on finished goods, and that leaves 20 per cent margin, and we can not compete.

Mr. HUGHES. Thirty per cent is the present duty?

The CHAIRMAN. Twenty per cent is the present duty, and it is increased to 30 per cent.

Mr. ROURKE. Thirty per cent is the present duty.

Senator SMITH. If you have to pay 10 per cent at present to get your furs and then 30 per cent to get them over there, that would make a 40 per cent duty in selling there.

Mr. ROURKE. That would make a 40 per cent duty, and we can not compete on that basis.

Senator SMITH. What is the amount of furs that you export to Europe?

Mr. ROURKE. That we individually export?

Senator SMITH. What is the amount of furs that the United States exports?

Mr. ROURKE. I should say about \$15,000,000. Most of it comes from Canada to the States. This duty of 10 per cent will prohibit the manufacturer from entering into Canada, and will prohibit the dealer from entering into Canada.

Senator SMITH. Could the duty be so modified as to leave the duty of 10 per cent on the furs, with a rebate for furs that are exported?

Mr. ROURKE. We would be up against the dumping clause entirely, which would prohibit the entry of our goods.

Senator SMITH. Not at all. You would be in the same position with reference to Canada that you are now. You bear a 10 per cent duty bringing in the furs, but obtain a rebate on the export fur trade, simply taxing you on the American-used furs.

Senator HUGHES. The drawback?

Senator SMITH. The drawback; yes.

Mr. ROURKE. You would have to go to the cost of finding out exactly what that was, and that would be greater than your revenue. Furthermore, I do not think it is possible for the United States Government to equip their different ports of entry with men sufficiently intelligent or of sufficient experience or with knowledge sufficiently profound in the raw-fur business to be able to tell exactly what the value of the commodity is coming from their ports, and that would give rise to a great deal of dishonesty, which it would be impossible for any man, unless he has had an experience of 10 or 15 years in the trade, to find. There are not many of us in the trade; there are not many of us in the business.

The CHAIRMAN. I think there is a drawback provision in this bill. I am trying to find it. Has not your attention been called to it?

Mr. ROURKE. No, sir; I do not know of any drawback. The fact of the matter is that the drawback is allowed when they come in in original packages or go out in original packages; you are permitted to bring them back free.

The CHAIRMAN. Section 4, letter O, is the provision.

Senator SMITH (reading):

That where a principal product and a by-product result from the manipulation of imported material, and only the by-product is exported, the proportion of

the drawback distributed to such by-product shall not exceed the duty imposed by this act on a similar by-product of foreign origin if imported into the United States.

Section O is the one relating to the drawback.

The CHAIRMAN. Yes.

Senator SMITH (reading):

That upon the exportation of articles manufactured or produced in the United States by the use of imported merchandise or materials upon which customs duties have been paid, the full amount of such duties paid upon the quantity of material used in producing the exported product shall be refunded as drawback, less one per centum of such duties.

Senator HUGHES. That is the old drawback.

Senator SMITH. Would not that apply to this?

The CHAIRMAN. Yes; that is in this bill.

Mr. ROURKE. Hardly. Suppose you take our goods. They are sorted and graded according to size, color, and seasoning, and whether prime or unprime, and in a mink there will be 35 different sorts. A portion might come back from the dresser destroyed, and it would be almost impossible, unless a large corps of accountants were kept, to find exactly what the value of the product was.

The CHAIRMAN. I find that our largest exportation here of furs and fur skins to the United Kingdom, which includes England, Scotland, and Ireland—

Mr. ROURKE. That is for the sales that are held over there, the auction sales.

The CHAIRMAN. Those are exports of raw or unmanufactured articles. We exported last year \$6,163,867 of raw unmanufactured furs to the United Kingdom.

Mr. ROURKE. Yes.

The CHAIRMAN. In 1911 we exported to Canada \$11,950,000 of furs. Those are furs and fur skins. Those are dressed, I suppose?

Mr. ROURKE. Mostly raw.

The CHAIRMAN. No; they are given as raw in another section.

Mr. ROURKE. We enjoy a very large business in Canada which we will not enjoy if this 10 per cent duty is put on.

The CHAIRMAN. Then, to the United Kingdom, of manufactured furs, we exported over \$5,000,000; to Germany, over \$2,000,000; and to France, \$613,000.

Mr. ROURKE. Those are raw goods.

The CHAIRMAN. No; they are given separately from that. The raw unmanufactured goods are then given here. To Germany we sent \$4,946,000 raw furs; to France, \$833,000, under that heading; and to the United Kingdom, \$6,163,000. Then, to Canada, we sent \$2,260,000.

Mr. PORTER. That makes about \$14,000,000, does it not?

The CHAIRMAN. It is more than that, I should judge; \$15,000,000.

Mr. PORTER. Yes, sir.

Mr. ROURKE. I am not talking exactly of the exported raw product to Europe.

The CHAIRMAN. Yes; \$14,000,000 all together.

Mr. ROURKE. No other country in the world has to start its manufacture of furs with a duty on the raw product. If this bill goes into effect we will be the only one, and we will stand alone in that respect, in addition to the fact that we have to pay 300 per cent more to our

employees than any country in Europe for the manufacture of those goods. In addition to that we are controlled by State conservation laws. Now, as far as the getting of revenue is concerned, our people are entirely satisfied to have the amount increased on the finished product coming in. That is the highest grade fur that is used. A woman who goes to Paris or London or Berlin or Leipzig and buys her coat pays a 50 per cent duty on it. We have to pay 40 per cent on the materials to make that coat. The parity is not established or well defined. The 10 per cent duty in that case does not give the trade an opportunity to compete.

The CHAIRMAN. It is true that you are importing furs from Canada, raw furs, and paying 10 per cent, then having them dressed here, and then sending them back into Canada as dressed furs, and you get a drawback of 1 per cent, do you not?

Mr. ROURKE. Provided the goods are not changed in any way. That schedule has been in existence for about 10 or 15 years. For instance, on goods coming into bond in the United States and shipped into Canada, we get all back but 1 per cent.

Senator HUGHES. If it were kept in bond, there would not be any difficulty about it at all?

Mr. ROURKE. Our goods are peculiar in that we can not hold them in the warehouse. They have to have specific attention. They are attacked by moths, the goods are attacked by worms, and they have to be taken from bond. We have no means of keeping them there. We have to stand the risk of damage from moths, and that makes the furs absolutely worthless. I think if you will go into that, gentlemen, you will find that the drawback does not refer to the fur end of it. They have to be absolutely intact.

The CHAIRMAN. No; they say "manufactured."

Senator HUGHES. It says—

That upon the exportation of articles manufactured or produced in the United States by the use of imported merchandise or materials upon which customs duties have been paid, the full amount of such duties paid upon the quantity of materials used in producing the exported product shall be refunded as drawback, less 1 per cent of such duties.

Mr. ROURKE. That does not apply to the raw product. If it is exported as raw product, there is a drawback to it.

Mr. PORTER. The manufacture would have to be done under Government supervision.

Senator HUGHES. If you are not going to do anything to them at all, you could keep them in bond?

Mr. ROURKE. No.

Senator HUGHES. Why not?

Mr. ROURKE. Because they have no facilities there—no cold-storage plants. Furthermore, they have no facilities for handling the furs and keeping the worms and moths from eating them.

Senator HUGHES. Do they not bring them in and ship them out without doing anything to them?

Mr. ROURKE. If we ship them out within a reasonable time, within two or three days.

Senator HUGHES. You cure them if you do not ship them out?

Mr. ROURKE. Yes; we have to. The raw furs have to be handled if we keep them there long.

Senator HUGHES. Is there any great percentage of your business comprised in furs that you bring in and ship out without advancing them in value?

Mr. ROURKE. Yes, sir.

Senator HUGHES. What per cent?

Mr. ROURKE. Two and a quarter million.

Senator HUGHES. Why do you do that?

Mr. ROURKE. Because the market is in the United States. We collect from all the different sources of production, and they are all centralized, either in St. Paul, St. Louis, or New York, and probably a little in Chicago, and some at Detroit; but New York is about the centralized basis for the adjustment of values. Then, the purchasers from Canada will run down there and make their purchases, and they are shipped back to them. Then, too, the credits are maintained in New York.

This business is growing. Canada is getting richer every year, and we are providing her each year with a greater amount of furs. If this 10 per cent duty is placed on raw furs, that business will go to London or Leipzig, and we will not get any part of it, and it will put a great many of the firms out of the business.

The CHAIRMAN. Is there any further statement to be made on behalf of the fur industry?

STATEMENT OF M. E. S. ULLMANN, OF THE FIRM OF JOSEPH ULLMANN, OF NEW YORK AND ST. PAUL.

PARAGRAPH 358.—*Raw furs.*

Mr. ULLMANN. Gentlemen, I have prepared a brief, copies of which I have left at your respective offices, but there are several points that these gentlemen may not have brought out clearly that I would like to talk to you about, in connection with the raw-fur business.

Our firm has been in existence 59 years, and we have never had a duty on raw furs. These two gentlemen represent firms that are still older than we are, and they have never had a duty on raw furs. If you place a duty on raw furs, that means that we will cease to be international dealers. The American merchant handles furs from all parts of the world—China, Japan, Australia, Russia, and every country that produces furs—and we trade with these, not only into Canada, but they go back to Europe, and sometimes go back to the country of origin. Now, if we have a duty coming in on the raw furs, we can not do that business.

You have referred to the drawback. That drawback would not work, for the reason that, if we bring in five or ten thousand skins, they are not all alike. Therefore we use some of the skins here and some of them are reshipped.

The CHAIRMAN. If they can be identified, do you not think it would be possible?

Mr. ULLMANN. It is absolutely impossible to do that. These skins vary in value. If we have 10,000 skins costing \$1 apiece, some may be worth \$2, some \$1.50, some 50 cents, some 20 cents, and some almost nothing. We buy original collections. Now, if we want to

ship to a Canadian customer who wants to buy 5,000 or 2,000 skins of a certain grade, he buys furs that we might agree upon as representing the value of those goods. If we take out the \$1.50 skin and sell it to the Canadian customer, and then ask to have a drawback of an average of \$1, we would be out money. If he should take a 50-cent skin and we should ask for an average drawback of \$1, that would be more than is coming to us.

Furs are not sold by the weight but by what is called a selection. That puts furs in an entirely different class, and that is one of the reasons why raw furs never have had a duty on them since the existence of this Government, nor have they ever had any duty on them in any other country except Russia. I can say positively that Russia has absolutely no international trade. What they do is to simply buy furs from the various countries, which they use for home consumption, and then they export largely of their own furs. They are absolutely eliminated as competitors for foreign trade.

Senator SMITH. Was this view presented to the House committee? Mr. ULLMANN. Only by brief.

This is a very serious matter. The revenue which the House committee, the Ways and Means Committee, expects to get will be reduced to considerably less than half a million, because included in the 14,000,000—the gentleman spoke of 17,000,000, but there are only \$14,000,000 worth of raw furs imported for over 3,000,000 of raw furs included in the 17,000,000 of importations take in latter's furs, and they have been put back onto the free list again. They were first put on a 10 per cent duty and then they were put back under the free list, so that they now appear as on the free list.

Of those \$14,000,000 that come into the United States, whether they come from Canada or China or Russia, there are several million dollars' worth of American raw furs that come back from Europe. They are shipped abroad and are frequently sold at the auction sales in London. That is simply done because a good many people will not sell them to the American merchants, but prefer to ship them direct to the London sales and find out what they are worth over there. The Americans will buy freely in London at the sales, for the market values are established there for the world, because in London there are merchants representing the whole world, and they establish the market value for the goods. That market value is what satisfies a great many of the shippers.

In those 14,000,000 there are several millions of dollars' worth of American raw furs that come back to the United States. Those are American goods. There are also quite a good many—1,000,000 or more—Canadian raw furs that are either sold by the Hudson Bay Co. in London or by the other auction houses in London, and a good many of them are identical with the American raw furs. They are sold over there, and if they are brought back it would open the door to fraud, because you could not identify those goods so as to separate them from the American goods. If any of those were denoted as American goods, they might be able to bring them in without paying the duty on them, because the American furs, I understand, would come back free of duty.

As far as the Canadian raw furs are concerned—

Senator HUGHES. How large a raw fur business do we do with Canada in a year?

Mr. ULLMANN. I assume we sell upward of \$2,000,000 worth.

Senator HUGHES. What do we buy there?

Mr. ULLMANN. Well, the American merchant controls the Canadian fur market, outside of the Hudson Bay Co.

Senator HUGHES. How large a fur business do we do with them in a year; do you know?

Mr. ULLMANN. In raw furs?

Senator HUGHES. Yes.

Mr. ULLMANN. I should say we American merchants purchase in Canada upward of two millions or two millions and a half, and it might even be three millions.

The CHAIRMAN. All of North America is given as two million two hundred and ninety-three thousand.

Mr. ULLMANN. Yes, sir; we sold over \$2,000,000 worth of goods there, and we bought over there about \$2,000,000 worth.

Senator HUGHES. What is that market in London; for what kind of furs?

Mr. ULLMANN. All kinds of raw furs.

Senator HUGHES. Raw furs?

Mr. ULLMANN. I should say somewhere around \$15,000,000 worth of raw furs.

Mr. ROURKE. There are about \$35,000,000 worth.

Mr. ULLMANN. I am only talking about the American and Canadian furs.

Mr. ROURKE. The gentleman asked you about the world market in London.

Senator HUGHES. Yes; I am asking about the world market in London.

Mr. ULLMANN. They sell Russian furs, Australian furs, and Chinese furs, and they sell furs from all over the world.

Senator HUGHES. I was wondering as to how the New York market compared with that of London, as to the volume of the business.

Mr. ULLMANN. We are very small as compared with the London market.

Now, the American merchants have built up a very large international business, and that international business will be dead the moment that we have to pay even a 1 per cent duty. The moment that it becomes known to our foreign trade that we are paying any duty, irrespective of any question of handling it properly, we are out of the market, because nobody is going to buy goods from a country where they have to pay a duty to have it come in, as they can buy the same goods from any country of origin on the same basis as we buy them. As far as selling to them in bond is concerned, that is not possible, as you can not handle raw furs in bond. You have to sort them and grade them out.

An American manufacturer might want a certain grade, and a German customer might want a grade that is a little better or a little poorer. Canada wants one kind, and they all want them as they want them, and they seldom buy in the original package. Take the article of raw Persian lamb that we buy from Russia. There is a very large business done in that article through the American market into Canada. Now, the Canadians buy many more Persian lamb direct in Russia and have them shipped direct to them than they buy through the American merchant, but owing to the fact that we

are so close to them and the fact that we can study their credits easily, makes them extremely good customers to us. They can come down overnight from Montreal or Toronto and buy a bale of goods, but as it is only certain goods that they want, they will not buy an original bale of goods. You see, you can not open up your goods and sell a man a certain grade of them and then expect to get a drawback from the Government, because you are really trying to sell at a higher or lower value than the average cost for the importation. The very reason that raw furs have always been free is no doubt due to that fact.

The Canadian manufacturers, as I said before, are as good customers to the American merchants as are our own United States customers, and I believe that they buy nearly 50 per cent of their whole supply of raw furs right in the American market. Of course, a large percentage of the Canadian goods that we buy over there are brought in here and then sold back to them in grades that they want. The trade in New York acts as a general collector, but the manufacturer in Canada can not use the collection as the small collector makes it, but wants certain grades or certain skins, and he goes to New York or Chicago or Detroit and buys what he wants out of his own Canadian goods. Now, the Canadian goods are shipped to Europe and some are brought back, and then we sell back to them what they want and use what we want.

You will put the American dealer out of the market and you will handicap him with a 10 per cent duty to such an extent that you force him out of the market entirely.

I think that covers the point.

**STATEMENT OF MR. EDWARD T. DOLAN, PAWTUCKET, R. I.,
GENERAL MANAGER OF THE AMERICAN HAIRCLOTH CO.**

PARAGRAPH 363.—Haircloth.

Mr. DOLAN. Mr. Chairman, I want to say that the brief is so short that perhaps it would save time if you would just care to look at it and ask me any questions you wish, because this is something new to me.

Senator HUGHES. What is haircloth?

Mr. DOLAN. It is generally known as crinoline.

Senator HUGHES. What is the duty on it now?

Mr. DOLAN. Eight cents a square yard.

Senator HUGHES. What is the ad valorem?

Mr. DOLAN. It is marked in here at 12.50.

Senator HUGHES. What is the proposed duty?

Mr. DOLAN. 18.73; and the proposed bill has 12.50, according to the schedule I have here.

Senator HUGHES. Is it made out of mohair?

Mr. DOLAN. No, sir; it is made out of horsehair, quite distinct from mohair.

Senator HUGHES. Is there a duty on that?

Mr. DOLAN. No, sir; it is free.

Senator HUGHES. Cleaned and drawn?

Mr. DOLAN. Clean and drawn; ready for weaving.

Senator HUGHES. It is free?

Mr. DOLAN. Yes, sir.

Senator HUGHES. This leaves you a duty of what?

Mr. DOLAN. Of 12.50, according to this, as it is estimated in this.

Senator HUGHES. What is it, a specific duty?

Mr. DOLAN. A specific duty.

Senator HUGHES. The present law proposes to put a duty of 6 cents per square yard on it.

Mr. DOLAN. As against 8 formerly.

Senator HUGHES. That gives you 12½ per cent for converting it from hair into cloth?

Mr. DOLAN. That is as it is proposed in the bill.

Senator JOHNSON. 18.73 per cent under the Payne bill.

Mr. DOLAN. We claim that even under the old bill there was practically no protection. While the importations have not been any, it was not owing to the duty; it was occasioned by the fact that the demand in this country is not as large by three times as the production.

Senator JOHNSON. What is the production in this country?

Mr. DOLAN. I estimated about \$4,000,000 to \$5,000,000.

Senator JOHNSON. And there came in in value only \$1,814?

Mr. DOLAN. Yes. That is the point that does not seem to correspond with the production in this country. But there have been dissensions, and, in fact, they have been trying to get together on the trust principle for the last six years, so much so that the prices have been down so low that to-day there are not 20 per cent of the looms that are operating. I myself am running only 40 hours a week instead of 56.

Senator HUGHES. What do you sell that for?

Mr. DOLAN. It runs from 10 cents up to 50 cents. That is the only point I took into question—the specific duty. It gives the same duty on the 10-cent article as it does on the 50-cent article.

Senator HUGHES. Would you rather have an ad valorem?

Mr. DOLAN. We would rather have an ad valorem. Then we would know where we were.

Senator HUGHES. An ad valorem of 12.50 per cent?

Mr. DOLAN. 12.50 would not cover us. I estimate from careful observation, both from practical work and from observation when I am abroad, that our cost price is not less than 50 per cent higher than theirs over there.

Senator HUGHES. In 1910 they got the ad valorem down to 12.2 per cent, and a little came in—\$171 worth.

Mr. DOLAN. That is occasioned by the fact that the haircloth trade has been demoralized for not less than 10 years. It is not occasioned by any duty whatever; it is simply from local conditions.

Senator HUGHES. In other words, you are manufacturing and selling cheaper than they are abroad?

Mr. DOLAN. Yes, sir.

Senator HUGHES. What you are suffering from here is inside competition—not outside competition?

Mr. DOLAN. That is true.

Senator HUGHES. And you gentlemen are trying to get together and agree on prices, and have not been able to do it?

Mr. DOLAN. They have been trying to do it, but they have not seen how they were able to do it within the law. There is not a hair-cloth factory in the United States to-day that is not for sale if it can be bought at the cost price, and if this duty of 6 cents per yard goes into effect it means they will be forced to go out.

Senator JOHNSON. The importations have not interfered much?

Mr. DOLAN. No; I do not claim that they have. But, if you will observe, in 1896, when the production was only about two million, the importations, with 6 cents, were practically a million dollars; it was \$900,000 in 1896, when the 6 cents was in vogue before. At that time there was about 50 per cent of a production.

Senator SIMMONS. At that time you were not making them cheaper over here than they were made abroad?

Mr. DOLAN. They were being made cheaper here at that time, from the fact that hair at that time was only about 50 cents a pound, whereas it is \$1.10 to-day.

Senator HUGHES. Relatively you were not making them as cheap?

Mr. DOLAN. Labor has increased and hours have decreased.

Senator HUGHES. You are making them cheaper now, though, than you were then?

Mr. DOLAN. No, sir.

Senator HUGHES. You are making them so cheap now that they can not import over a 12 per cent rate, and then they imported over a 15 per cent rate.

Mr. DOLAN. Perhaps I did not make myself clear. We are not making them so cheap, but, as a matter of fact, we are selling them cheaper, and there are considerable of the manufacturers selling them cheaper than they are making them—losing money. As a matter of fact, we ourselves sunk about \$240,000 in two years in it simply because the looms that we have only pertain to that particular class of work. We can not make cotton goods, we can not make towelings, we can not make woolen goods on those machines.

Senator HUGHES. How long have you been in the business?

Mr. DOLAN. About 20 years.

Senator HUGHES. You were in business in 1896?

Mr. DOLAN. In 1896 I went in, just at the time that bill changed; so it is not 20 years.

Senator HUGHES. How was business in 1896?

Mr. DOLAN. It was demoralized altogether. When those prices went in, in fact, I just personally came off the road, and about two weeks ago my trade told me, "We can not do anything, because they tell us abroad they can bill it into our place cheaper than you make it," which is a fact.

Senator HUGHES. What is your unit of value—a yard?

Mr. DOLAN. A yard.

Senator HUGHES. What do you say you get for that?

Mr. DOLAN. It goes in various inches, from 12 inches up to 30 inches. There is another point. It is marked "Per square yard." It is impossible for us to make it a yard wide, so that the unit of value is rather uncertain.

Senator HUGHES. I see here that the average unit of value of the imported haircloth in 1910 was 66½ cents per square yard. That is a good deal higher than you make it for at your top price, is it not?

Mr. DOLAN. Yes, sir.

Senator HUGHES. Your top price is 50 cents?

Mr. DOLAN. Yes.

Senator HUGHES. And here the imports that were entered for consumption were 66½ cents, the average of them for that year.

Mr. DOLAN. Are you sure you have the haircloth crinoline?

Senator HUGHES. Yes. You look under 1910.

Mr. DOLAN. Yes.

Senator HUGHES. In 1910 you will find that was the average import value.

Mr. DOLAN. I perhaps was a little off in that. You are figuring on the square yard, and I was figuring on the single yard; when I said 59 cents I was on the 24-inch basis. We do not list anything higher than 30 inches, to begin with.

Senator HUGHES. Have you any of that hair cloth with you?

Mr. DOLAN. Yes, sir.

Senator SMITH. Is his the production of haircloth known as "crinoline"?

Senator HUGHES. Yes.

Senator SMITH. We reduce it only from 8 cents to 6.

Senator HUGHES. That is what he is complaining of. This is just plain, straight weaving?

Mr. DOLAN. Yes, sir.

Senator HUGHES. And you get a differential on your raw material of 12½ per cent under this bill. You would have if it was an ad valorem rate?

Mr. DOLAN. That is the way it is estimated; yes, sir. As an explanation, that piece you have in your hand is 37 cents a yard.

Senator HUGHES. What do you pay for weaving it?

Mr. DOLAN. We pay by the piece—anywhere from 30 cents to \$1.30 for 70 yards.

Senator HUGHES. What does that figure for a yard?

Mr. DOLAN. Three-quarters of a cent to 2 cents a yard, according to the number of hairs per inch.

Senator HUGHES. This duty takes up more than your entire weaving cost, then?

Mr. DOLAN. There is another point in that I wish to explain. Where we have colored hairs in this, if we import the hair, we have to pay 20 per cent on that hair for the colored; but when it is put into the goods, as it is here, and made abroad, and then brought into this country, it comes in under that duty, so that we are discriminated against in that form.

Senator HUGHES. You mean that certain of your raw material is taxed?

Mr. DOLAN. Yes, sir.

Senator HUGHES. Dyed hair?

Mr. DOLAN. Yes, sir.

Senator HUGHES. Dyed horsehair?

Mr. DOLAN. Yes, sir.

Senator JOHNSON. Do you not dye it here?

Mr. DOLAN. We do dye it here.

Senator JOHNSON. You do not import it dyed, do you?

Mr. DOLAN. No; we do not; but if we did, they can bring it in dyed free.

Senator HUGHES. What is the filling here?

Mr. DOLAN. The filling is the hair.

Senator JOHNSON. What is the labor cost of converting that from the raw material into your finished product per yard?

Mr. DOLAN. The labor cost is 40 per cent—the labor and marketing.

Senator SMITH. Everybody else would have to market it.

Senator HUGHES. What is the wage cost?

Mr. DOLAN. The wage cost is about 32 per cent.

Senator JOHNSON. How much is that per yard?

Mr. DOLAN. I could not answer that offhand, because the prices vary so much.

Senator JOHNSON. The average of it? Take it in that piece of goods right there.

Mr. DOLAN. That would be about 5 cents. That is a 16-cent article.

STATEMENT OF MR. JAMES MARSHALL, OF FALL RIVER, MASS.

PARAGRAPH 364.—Hats.

Mr. MARSHALL. Mr. Chairman, first I want to say that I am a manufacturer and not a lawyer—not a paid attorney. I am just a plain manufacturer, and I come here with years of experience with the manufacturing of fur felt hats, and the conditions I told you about in my brief were simply those that existed in the trade, without any reference to any figures whatever. My idea was that they wanted to protect legitimate industries, and I wondered in the end why they did not give us what we asked for, and on inquiring afterwards they told me. Their handbook takes the census of 1910 as a basis for their allotment. I want to say this, that they treated us as well as they did any industry in the sundries. Mr. Underwood himself says, in the summary of his treatment of the sundry bill, that he gave the least to hats and the most to brooms.

Senator HUGHES. The least cut, you mean?

Mr. MARSHALL. Yes. That shows we were deserving. I did not know why we did not get all we claimed until I found out afterwards that they took the bottom line of the census as their guide, and if that is taken, we have no case at all.

Senator HUGHES. What do you mean by the bottom line?

Mr. MARSHALL. Just the summary. The census goes into it pretty fully. If you will take the book, you will see that that gives not only that line but also all the things that go with it. On page 483 it says of that \$17,000,000, 83½ per cent is fur felt hats. They have fur felt and wool felt mixed. The footnote in the census itself states that right here. It says, "Fur felt hats formed 83.5 per cent of the total number in 1909, which was 47,000,000." It also says, "There is some duplication in the value of the products, due to the use of felt hat bodies made at one establishment as material in the other."

That means this, that there are a great many manufacturers of bodies—say, for instance, I am selling you a body at \$6 a dozen, and of course I would make my return to the census as \$6 as gross sales. You would sell that to another man at \$12. That would make \$18 for a dozen hats which really only sold for \$12. Before I made this

statement I went over to the Census Bureau and saw Mr. Stewart, to see that I was absolutely correct, and he said that was absolutely so, and there was no way they could get at it.

Another thing. In my brief I say there is a trade discount of 10 per cent for cash. On top of that there is a selling commission of 5 per cent. He did not take that into account. He said, "It is utterly impossible to take trade discounts into account," and he claims I am quite right when I say those are gross figures and not a net figure that the manufacturer would receive.

I am not pleading and I do not intend to plead for protection. I do want to plead very earnestly for justice. This is the only chance that we have to reply to what I think influenced the minds of the Ways and Means Committee. It is the only opportunity I have to explain. Previous to their making known what they were going to do, I, of course, did not know what might have influenced them. I now know. They have told me themselves, and their handbook shows it.

Senator HUGHES. We made considerable reductions on some of these constituent materials of your product.

Mr. MARSHALL. Yes; that was another thing they told me. But here is what those reductions amount to in dollars and cents. It is in this brief which I will file with you. I am talking about a dozen hats that we retail at \$2 apiece—the ordinary, common hat. That is the hat I exhibited before the committee, and that was the hat on which all the comparisons of figures have been made in all my briefs.

Senator HUGHES. Common or garden variety of derby hats?

Mr. MARSHALL. Common derby hats. They reduced the item of fur 5 per cent. It was 20; they made it 15. You will see by my brief that \$1.98 of that was fur. That made a difference to us of 9 cents a dozen. They cut the item of bands and bindings 10 per cent—from 60 to 50. The bands and bindings in that hat were \$1.07. That made a difference of 5 cents a dozen hats. They cut the item of satin, where the hat is lined with satin, also 10 per cent, and my brief shows the satin cost \$1.10, and that makes a difference of 5 cents. So that the total reductions in our favor were 19 cents, and yet one of the principal members of the Ways and Means Committee told me that they had reduced the articles that entered into our consumption fully as much as they cut us, and I believe he thought so.

Senator HUGHES. What was the actual percentage?

Mr. MARSHALL. It varied according to the price of the hat. It was in brackets. The actual cut they gave us amounted to \$1.62 a dozen, as against 19 cents in our favor. I think they thought they were doing us justice, but it did not work out that way.

I represent manufacturers who are not going to run away from this thing. The very last thing on earth we will think of doing is going down with this or shutting down factories. We are going to make a fight as hard as we know how. We are at the present time running short time. We will continue to run short time. It is the only item, I think, of the whole 4,000 that shows a constant advance of importations in the last 10 years; I mean by that, year after year a steadily increasing advance.

When I was before the committee four years ago there were only 20,000; this year there were 55,000 came in. That does not look like much, but we figure it about 5 per cent. If that doubles in the

next three years, as it has in the last three, it will be 10 per cent duty. If you cut that some more, as they have done, it is only just a question of time until they have the home market. We depend on the home market; we can not export. The people in the open-door countries, like China, India, and Africa, wear fezes or turbans or something of that kind, as a part of their religious beliefs. The other countries have prohibitive tariffs, with the exception of England. All of our material originates abroad. There is not a solitary thing we use but what originates over there, and we get it with that \$1.84 against us in material alone before we start to manufacture, as against the foreigner. We can not help it. He has his first choice, and we have to pay a certain amount of revenue.

Senator SIMMONS. Have you specified the foreigner who causes you the most trouble in competition?

Mr. MARSHALL. I have not specified him in my brief, because I wanted to be fair about it. I took Great Britain, where they have union labor, and the union does as they have in this country, where they agree on prices each year over there as they do here. About the 1st of May they agree on a schedule of prices. The hat that causes us the most trouble comes from Austria and Italy. But I did not specify them. I also obtained in Great Britain their schedule of prices that is printed, that is agreed upon between the masters and the men, and so there is no question as to my figures in that respect. It states throughout there that all minimum bills or prices shall be based on 32 to 36 shillings a week for 36 hours, or \$8 to \$9 a week. From time immemorial it has always been piecework prices in the hat business—so much a dozen. The English price all through this little book is so much a dozen. The American union specifies there shall be \$22 a week for 50 hours. Just those two items show a difference between the two hats I exhibited. If you go back to Austria and Italy you will have a still greater difference. But it was not necessary. The case was amply proved without doing that, being absolutely fair.

Fortunately for us, the whole thing was divided into brackets, and one of the reasons they gave for not giving us more duty was that some of those brackets were omitted. For instance, there were only a few \$4.50 hats came in. As a matter of fact, there were no fur-felt derbies at \$4.50. They showed under that bracket 68 per cent. Hats ranging in value from \$4.50 to \$9 showed 58 per cent. Hats ranging in value from \$9 to \$18 a dozen showed 50 per cent. Then hats ranging from \$18 upwards a dozen showed 48 per cent. We wanted to be fair; we wanted the Democratic Party, we wanted ourselves, to be on record as saying that the hats that were a necessity of life could be reduced. We were perfectly willing to have a reduction on every one of those brackets, on the hats at \$18 and above, because for that hat, when it is landed here, the average price under that clause was \$25 a dozen.

Senator HUGHES. Were those reductions satisfactory up to that bracket?

Mr. MARSHALL. Fifty per cent would have been perfectly fair—that is, reducing it from 68 and 58 down to 50 would have been fair. But we also ask 50 on the other. It is absolutely and distinctly a luxury, because it is a hat that retails at four and five dollars. We

are perfectly willing to be consistent, although before they increased in importations.

Senator HUGHES. That would leave those low-priced hats at the same rate of duty as the high-priced hats?

Mr. MARSHALL. Yes; because they did not want brackets any longer. I asked Mr. Underwood why he did not reduce those brackets and leave the others alone. He said they did not want that.

Senator HUGHES. In other words, they did not want any value classifications?

Mr. MARSHALL. No; only ad valorem. I claim that an ad valorem of 50 would do the thing justice from our standpoint, from the consumer's standpoint, and from the standpoint of the man who has pledged reduction.

Senator HUGHES. That is what you were asking before the Ways and Means Committee?

Mr. MARSHALL. Yes.

Senator HUGHES. Since that time there have been reductions that you did not know about, which have taken place with reference to your raw material?

Mr. MARSHALL. That 19 cents would amount to less than half of 1 per cent.

Senator HUGHES. How about the dyes?

Mr. MARSHALL. There is no reduction in dyes whatever.

Senator HUGHES. What dyes do you use?

Mr. MARSHALL. We use all the coal-tar dyes, alizarins.

Senator HUGHES. They have been on the free list—some of them?

Mr. MARSHALL. Yes; and they are practically on the free list now—most of the ones we use.

Senator HUGHES. Do you use varnish?

Mr. MARSHALL. We use alcohol and shellac. Shellac comes in free.

Senator HUGHES. Is there any change made in shellac?

Mr. MARSHALL. No; none at all. It is still on the free list. The only changes are those I put at the foot of my brief, and, as I say, they amount to less than 1 per cent.

Under their proposed tax of 40 per cent they are willing to take less revenue. For instance, the revenue would be greater last year than this. They are willing that 70,000 dozen hats should come in instead of 55,000 with less revenue, so that it does look to us, from our standpoint, that the workmen do not get any more work, the Government does not get any more revenue, the consumer does not get 1 cent less in the price of his hat. It is the old story of running in multiples of 50, \$1, \$1.50, \$2, \$2.50, and if you reduce to the retailer 10 cents a hat, you are never going to get him to drop. That is all that happens, and the result would be the in-between man, the retailer, or the jobber will simply absorb that, and nobody gets anything. The United States does not get more revenue, we do not get more work, and the consumer gets nothing. Everything that is in Mr. Underwood's résumé of his tariff, that he says he would like an industry to comply with, we are doing now from A to Z. The idea of the foreigner having to build up agencies in this country has already been going on. In 1910 we had a tremendous strike in the hat business. The foreigners got a taste of it then. You take our trade papers. Ever since that time they have had from 10 to 20

pages of advertising matter of foreigners. They have their agents there; they have the organization; they are increasing; they are doubling up; and, as I say, everything that Mr. Underwood says an industry ought to do we are doing. There is no watered stock, no multimillionaires, no absentee ownership, nothing of that kind, and 50 per cent of the money goes to the labor. A hat is a very intricate thing to make. There are thirty-odd operations, and it is mostly labor, and all we ask is simply everyday justice, that is all.

I thank you, gentlemen. I would like to file this with you. There is no opposition, I might say, on the part of importers or consumers.

STATEMENT OF MR. A. S. WAITZFELDER, PRESIDENT OF THE BRAID MANUFACTURERS' ASSOCIATION.

PARAGRAPH 368.—*Lace braids.*

Mr. WAITZFELDER. Mr. Chairman, lace braids are silk braids, only they are openwork instead of being closed.

Senator HUGHES. You wanted the word "lace" stricken out of that paragraph—paragraph 368?

Mr. WAITZFELDER. Yes, sir; we wanted the second word "lace" stricken out of paragraph 368, so that all braids would come under 368.

Senator JOHNSON. You wanted "lace" stricken from that?

Mr. WAITZFELDER. Yes, sir.

Senator JOHNSON. That would do away with paragraph 342, then, entirely?

Mr. WAITZFELDER. Yes, sir.

Senator SMITH. That would make the ad valorem 60 per cent on all these braids?

Mr. WAITZFELDER. Yes, sir. If I might make the suggestion to the committee, if you struck out the word "ramie," in paragraph 343, and put the word "ramie" before braids in paragraph 342, and strike out the second word "lace" in paragraph 368, so that other braids would be assessed at 60 per cent you would have everything in proportion, and I think Mr. Donat would be satisfied.

Mr. DONAT. Yes. I do not insist on the retention of paragraph 342.

Senator SMITH. All we would have to do would be to strike out "ramie" where it appears in 343.

Mr. WAITZFELDER. And insert the word—

Senator SMITH. You would not have to insert it.

Mr. WAITZFELDER. All that you would have to do in paragraph 343 would be to strike out the word "ramie."

Senator HUGHES. Are ramie hats made out of braids?

Mr. WAITZFELDER. Yes, sir.

Senator HUGHES. We have ramie hats at 25 per cent.

Mr. DONAT. Yes. They would be made from braids such as these [exhibiting].

Senator HUGHES. How can you have a hat at 25 per cent and a braid out of which it is made at 50?

Senator SMITH. We propose to strike the word "ramie" out at both places.

Mr. DONAT. Otherwise I am no better off.

Senator HUGHES. The point I am making is that you can not have a ramie hat at 25 and braid at 50.

Senator SMITH. We strike the word "ramie" out in both places.

Senator JOHNSON. It would leave the ramie hats.

Mr. DONAT. If you strike it out, then it falls under a different paragraph; for instance, under the silk hats.

Senator SMITH. Ramie ought to make a very pretty hat.

Mr. DONAT. Yes. I was the originator of this industry in this country.

Senator SMITH. What was that last proposition?

Mr. WAITZFELDER. I appeared before your committee showing some samples, demonstrating that there was no line of demarcation between lace braids and other braids. They overlapped, and we therefore suggested striking out the second word "lace" in front of "braids" in 368, so that all such braid would come in under 368.

Senator JOHNSON. That would give you 60 per cent?

Mr. WAITZFELDER. That would give us 60 per cent, same as on embroideries, trimmings, and ornaments, with which braids have always been classified, and where they belong.

Senator HUGHES. There is no reason why we should have it, except for manufacturing purposes.

Senator JOHNSON. Are not "lace braids" distinguishable from the general term "braids"?

Mr. WAITZFELDER. They certainly are not.

Senator JOHNSON. I thought it was a sort of openwork silk.

Mr. WAITZFELDER. Exactly; but there is a wide variety of openwork braids. There is absolutely no line of demarcation between "laces" and "lace braids"; only lately there has been some litigation on that point, and the Treasury expert said I could quote him in the matter, that he thinks laces and braids of all kinds should be in the same paragraph, because they are indistinguishable. Sometimes they are called "laces," and sometimes they are called "lace braids." These articles are sometimes called "laces," and are sometimes called "lace braids." These are other articles which are called either lace braids or ordinary braids [exhibiting several pieces of lace and braid to the committee].

Senator SMITH. Where would we be if in 368 we struck the word "lace" before "braids"?

Mr. WAITZFELDER. All such braids would come under 368.

Senator SMITH. We go back to section 343, and we find braids and laces.

Mr. WAITZFELDER. Those are cheap hat braids, which should pay only 15 per cent because they are used for making cheap hats.

Mr. DONAT. These have always paid 15 per cent.

Senator HUGHES. As I understand it, these are all silk [indicating]?

Mr. WAITZFELDER. Absolutely.

Senator HUGHES. And laces are not made of silk?

Mr. WAITZFELDER. Laces are also made of silk. This is made of silk, and it is termed either braid or lace.

Senator SMITH. Lace braids are made entirely of silk, are they not?

Senator HUGHES. Yes; these lace braids are.

Mr. WAITZFELDER. As a matter of fact, there is absolutely no line of demarcation between laces and braids. They overlap each other. They have always been treated in the same paragraph.

Senator JOHNSON. Suppose we do what he says, strike out "lace" before "braids," so it reads "laces, braids."

Mr. WAITZFELDER. That is the idea.

Senator JOHNSON. That bears, then, 60 per cent on all braids?

Mr. WAITZFELDER. Right.

Senator JOHNSON. Then we go back to 342, and we have provided there that braids, featherstitch braids, etc., shall bear a duty of 50 per cent. Of course, we have to strike out "braids" there, then.

Mr. WAITZFELDER. Yes, sir; or limit it by prefixing the word "ramie."

Senator SMITH. The bill evidently draws a distinction between a lace braid and some other sort of braid. This bill was drawn up on the idea that there was a braid called a lace braid; that there was a finer braid than some other kind of braid.

Senator JOHNSON. It was the openwork.

STATEMENT OF GEORGE B. BERNHEIM, REPRESENTING THE FANCY-LEATHER MANUFACTURERS.

PARAGRAPH 370.—*Fancy-leather manufactures.*

Mr. BERNHEIM. I represent the fancy-leather manufacturers. We want to differentiate in the first place between our leathers and shoe leathers. We do not manufacture shoe leathers; we do not sell to the shoe-leather trade; and after what I have heard this morning I would not think of asking for a duty on shoe leather. We do not make patent leather; we do not make harness leather. We make simply fancy leather for bags, pocketbooks, and articles of luxury.

I have a few sample skins here, if you would be interested in seeing them. Seeing is believing.

(Samples of various skins were thereupon exhibited to the subcommittee.)

For instance, here is a sealskin. We do not need any expert testimony to know that there are no shoes made of that. That [indicating] is a calfskin. That is used for bookbinding and pocketbooks. That is not a patent leather.

Senator HUGHES. These can all be fairly classified as fancy leathers.

Mr. BERNHEIM. Yes. They can be further differentiated as sealskins. Nobody ever thought of using sealskins for shoes in my memory; they may have done so in olden times.

Senator SMITH. We are interested in making a classification for book leather or belt leather.

Mr. BERNHEIM. There are a great many different ways it can be classified. It is simply a question of English and trade names. It can easily be done. When before the Ways and Means Committee of the House I think we convinced them there ought to be some kind of duty on fancy leathers—that they went in as an article of luxury.

Remember, 30 per cent is the duty that our exporters get on their articles of bags and pocketbooks which they make. They have the 30 per cent, and there is not one of them around here asking for your help.

Senator HUGHES. The suggested classification reads like this:

Seal, sheep, goat, chamois skins, bookbinders' calfskins, and other skins and leather dressed and finished, not specially provided for in this section, 15 per centum ad valorem; pianoforte, pianoforte action, and glove leathers, 10 per centum ad valorem; *Provided*, That leather cut into forms suitable for conversion into manufactured articles, not specially provided for in this section, shall be subject to a duty of 5 per centum ad valorem in addition to the rate imposed by this paragraph.

That would cover it so far as the classification is concerned. That in paragraph 370, Schedule X. Would the words "fancy leathers" be sufficiently descriptive of other leathers so as to permit administration?

Mr. BERNHEIM. I doubt it; it might be.

Senator HUGHES. I think we know what you want. We have had a great deal of discussion about this leather schedule.

Senator JOHNSON. I wish we had here the suggestion that was made by the leather man, Mr. Wolfe.

Mr. BERNHEIM. Mr. Wolfe's suggestion is perfectly satisfactory to us. He has studied it very carefully, and we are perfectly satisfied with Mr. Wolfe's suggestion.

Senator HUGHES. There is a little change.

Mr. BERNHEIM. Anything Mr. Wolfe says is perfectly satisfactory to us.

Senator HUGHES. I think we understand this.

Mr. BERNHEIM. Do you think we are entitled to some small differentiation?

Senator JOHNSON. You are entitled to fair consideration. [Laughter.]

Mr. BERNHEIM. We are different from the shoe business. We do not sell to them. Our people get 30 per cent protection on their books and belts and pocketbooks, whatever they make.

Senator SMITH. What amount of this leather comes in?

Senator HUGHES. A good deal of it goes out.

Mr. BERNHEIM. We have been unable to export this fancy leather. I can not get into Germany, somehow or other; I have tried.

STATEMENT OF L. OTTENBERG, REPRESENTING K. KAUFMANN & CO., OF NEWARK, N. J.

PARAGRAPH 370.—*Fancy leather manufactures.*

Mr. OTTENBERG. I will take only a minute on this proposition. I am directing your attention to paragraph 370, to where the present act has cut the former duty from 50 per cent to 30 per cent on articles enumerated in there, such as jewel cases, traveling bags, satchels, toilet rolls, and articles of that class.

Senator HUGHES. Somebody had that situation up with us before. I think Mr. Wolfe made a reference to that. Are you speaking about the classification that occurs when a leather traveling bag is filled with silver sets, etc.?

Mr. OTTENBERG. Yes, sir.

Senator HUGHES. Mr. Wolfe has suggested a change in that language.

Mr. OTTENBERG. A change in the language or a change in the duty?

Senator HUGHES. A change in the classification. What are you complaining about?

Mr. OTTENBERG. That the duty itself is not sufficient; that a cut of 20 per cent on these goods is practically a prohibition of the American manufacture of them.

Senator HUGHES. Do you mean the case itself or the fittings?

Mr. OTTENBERG. I mean the finished article.

Senator HUGHES. Including the case and fittings?

Mr. OTTENBERG. Yes, sir. The principal articles that go into it are a series of fittings. Here is a sample of those fittings. We have to import all of these fittings—practically all of them [indicating]. They can not be obtained in this country.

That is the first thing. Then we have to pay a heavy duty.

Senator JOHNSON. What are the backs of those articles made of [indicating]?

Mr. OTTENBERG. Celluloid.

Senator JOHNSON. Do not we make celluloid in this country?

Mr. OTTENBERG. Not for those articles.

Senator JOHNSON. We make a lot of celluloid articles in this country and export them.

Mr. OTTENBERG. But not that class of goods.

Senator HUGHES. You are an importer of the fittings?

Mr. OTTENBERG. Of those fittings; yes, sir.

Senator HUGHES. What are you complaining of; the high rate?

Mr. OTTENBERG. No; we are perfectly willing to pay the rate you have set on that class of goods. When we have got to add to that a heavy labor cost in this country, the result is you are pushing up the cost to us upon this material and forcing down the finished article to the foreign manufacturer.

Senator HUGHES. What is the rate on this as that stands now coming into this country [indicating]?

Mr. OTTENBERG. The finished article as it stands us?

Senator HUGHES. Yes.

Mr. OTTENBERG. Fifty per cent. The Underwood bill provides 30 per cent, and yet most of these articles have gone up under the new rate.

Senator HUGHES. What do you manufacture in this country?

Mr. OTTENBERG. We finish the whole thing off, put the backs on and adjust the different things.

Senator HUGHES. Do you make the leather?

Mr. K. KAUFMAN. I can explain that. We are manufacturers of leather goods. These articles are all the styles and the creations that are made in Europe. In order for us to do business in this country we are compelled to keep up to date.

The American manufacturers will make this celluloid [indicating] next year. We have been buying it for two years. This is a special color of celluloid that they make—thereby creating new styles. If we want to do business with all the big high-class department stores and leather-goods stores, we have got to produce things that are just as up to date and new as they have in Europe. So the fact that

they make specialties of these lines forces us to go to Europe to buy them.

We have enumerated here the duty on these things, and it shows we are paying more for the inside fittings than we will get, or than the finished article will pay completed.

Senator HUGHES. You are a manufacturer?

Mr. KAUFMANN. We manufacture leather goods. We buy this leather, we buy the locks, and buy the silks, and so forth, for the inside.

Senator HUGHES. Then you combine them?

Mr. KAUFMANN. We are manufacturers; yes.

Senator HUGHES. You buy these fittings and put them in?

Mr. KAUFMANN. Yes; buy the combinations.

Senator HUGHES. By what paragraph are you affected?

Mr. KAUFMANN. Paragraph 370.

Senator SMITH. Some one suggested to us that we ought to strike out from paragraph 370 the provision allowing these bags to come in filled; that the duty should follow the various articles that went into the bags, and that the filled bag ought not to come in at 30 per cent.

Mr. KAUFMANN. That is right. For instance, celluloid articles under the new tariff have a rate of 35 per cent.

Senator SMITH. The suggestion was if the bag was filled that the duty should follow the most expensive articles in the inside.

Senator HUGHES. Let me see if I understand. This bag filled would come in under this paragraph at 30 per cent.

Mr. KAUFMANN. Yes, sir.

Senator HUGHES. On that particular article there the rate is 35 per cent.

Mr. KAUFMANN. The lowest is 30 and it runs as high as 55.

Senator HUGHES. Mr. Wolf suggested a classification that would correct that. I do not remember the rates, but he called our attention to the fact. These might often be filled with silver sets.

Mr. KAUFMANN. Yes.

Senator SMITH. The suggestion was we strike out this provision admitting the bag when filled at 30 per cent, and providing that when bags are filled the duty should follow the highest rate that attached to the commodities with which it was filled.

Senator HUGHES. That is what you want, is it?

Mr. KAUFMANN. In the last tariff act, of 1909, they had an extra rate of 10 per cent when filled.

Senator SMITH. The trouble about that is it might be filled with some commodity that is taxed a good deal over 40 per cent.

Mr. KAUFMANN. If it is filled with silver it is 50 per cent, but still it would be a very hard matter to take the amount of what the fittings cost, because they may be different.

Senator SMITH. You ask that a 10 per cent additional duty be added when filled, and just take a chance on the material inside?

Mr. KAUFMANN. Yes, sir. They will not be able to tell what the silver is worth.

Senator SMITH. Then, when the bag came in filled, whether it was filled with the more expensive or the less expensive materials, you would pay 40 per cent?

Mr. KAUFMANN. We had it that way the last time, and we were able to compete with them as far as that is concerned. But the way it stands now, take glass bottles, for instance, that are not made in this country at all—take these things [indicating]—there is not a manufacturer here making them. We have to go to Europe to get them, all these novelties. These gold-plated novelties cost us 50 per cent. At the present time the tariff calls for 50 per cent. If that article comes in at 30 per cent we can close up; that is about all there is to do.

The labor in Europe is less than half of what we have to pay, because there are three or four big labor centers at which these leather goods are produced.

Senator HUGHES. Of course you can not make them here if they are filled inside with a commodity taxed 50 per cent; you can not bring them in at 50 per cent and assemble them here if the bag assembled came in at 30 per cent.

Mr. KAUFFMANN. No; of course not; it is impossible.

Senator JOHNSON. Mr. Wolfe, our leather expert, has made a change in that, which corrects it.

Mr. KAUFFMANN. Of course, I am here now, and I will not be here again. We are very big manufacturers in this line. The call is not as strong in this line as for shoes, and therefore there are not many factories going into it.

Senator SMITH. You can put in writing anything you want us to have, and we will consider it.

Mr. KAUFMANN. We have submitted briefs.

Senator SMITH. This has already been called to our attention?

Mr. KAUFMANN. No; I called your attention to another thing.

I want to show you this jewel box, which is a luxury. The silks and plushes average 45 and 50 per cent. The locks we have to buy in Europe, because they are not made in this country. These fancy jewel locks are gold plated, and gold plated calls for 50 per cent. Outside of that the labor of making the box in this country is much more than in Europe. You can see all the labor that is attached to making these. It is all the highest skilled labor. Thirty per cent is not enough of a rate; we can not compete with them. It was 40 per cent under the Payne-Aldrich bill.

Senator SMITH. Your strongest point is that much of your material must come from abroad, and yet your finished product has only a 30 per cent tariff.

Mr. KAUFMANN. That is it exactly.

STATEMENT OF MR. EDWIN E. ARMSTRONG.

PARAGRAPHS 376 AND 534.—*Saddlery.*

Mr. ARMSTRONG. Mr. Chairman and gentlemen, we have not come prepared to make a formal address here. We were before the Ways and Means Committee of the House, and there was a 20 per cent tariff on harness, and they put it on the free list. We expected they might make some reduction, but we were very much surprised when they put it on the free list, and we do not know what effect it is going to have on us. We are very much afraid it is too much. We are very much afraid it is going to put some of us out of business.

It is a curious thing, but in this bill, on page 94, line 17, it says:

Harness, saddles, saddlery in sets or in parts, finished or unfinished, not specially provided for in this section, 20 per cent ad valorem.

There is another section, on page 114, line 19, which covers leather, puts it on the free list—

Harness, saddles, and saddlery, in sets or parts, finished or unfinished, composed wholly or in chief value of leather.

I do not know what that can be. That refers to harness not made of leather.

Senator SMITH. It does not say "not made of leather."

Senator JOHNSON. That is what it means, because it says, on the free list—

Harness, saddles, saddlery in sets or in parts, finished or unfinished, not specially provided for in this section.

That is in 377, to which he first directed our attention. It says:

Harness, saddles, and saddlery not specially provided for.

Senator SMITH. It says in this section, and the free list is an entirely different section.

Senator JOHNSON. That means the whole bill, as I understand it.

Mr. ARMSTRONG. There is not anything I know of that that could apply to.

Senator SMITH. It reads as if that schedule had another paragraph.

Senator JOHNSON. We had a leather man here from the custom-house in New York, who made some explanation in regard to that. I do not know just what he said. I can not conceive, as you say, of any harness not made chiefly of leather.

Mr. ARMSTRONG. It would not be much good for harness.

Mr. OTTNER. The fire department uses a horse collar made of iron.

Mr. ARMSTRONG. But even that is more leather than anything else. I think it is a kind of a mix-up. I do not think they intended to put harness on the free list. It is too much of a drop, from 20 per cent down to nothing, and we are afraid it is going to put us out of business.

Senator JOHNSON. I think they meant that, because we have all leather on the free list.

Mr. ARMSTRONG. That was practically on the free list before.

Senator JOHNSON. There was a man before us who called our attention to another section where bits and parts of harness were included.

Mr. ARMSTRONG. That comes under the manufacture of ironware.

Senator JOHNSON. Of course, that should be changed.

Mr. ARMSTRONG. Of course, we are not interested in that.

Senator SMITH. What is the present tariff?

Mr. ARMSTRONG. It was 45 per cent before the Payne-Aldrich bill, and they reduced it to 20, and now this bill reduces it to nothing—to the free list. It is a tremendous drop, and we have not any idea how it is going to affect us, but it is bound to affect us very seriously.

Senator SMITH. Have you made any study of foreign prices compared with American prices?

Mr. ARMSTRONG. Yes, sir; we have made a study of it, and we made a report to the Ways and Means Committee. I myself have been in some of the foreign factories, and we know something about

their conditions. We know they can produce these goods for a great deal less than we can, as far as wages are concerned. Of course, there is not much of an export or an import business done in any country in the harness trade. The harness business is not an international business.

Senator JOHNSON. I was going to say, we do not import much, and that has fallen off a good deal, too, because of the automobile. We used to have a high-priced harness that used to come in, but they have fallen off.

Mr. ARMSTRONG. That has hurt us very seriously, and we are really in a very bad way on account of that, and this comes in addition to that and throws us about on our backs. We are just about recovering from that. Of course, horses are increasing, and the farm-harness business is increasing. There is no country that exports any harness of any consequence. Every country protects its harness makers. It is a military necessity to protect harness makers. What would you do in case of war if you did not have plenty of harness makers to make up the ambulance and the artillery and the cavalry harness, and all that sort of thing? We expected some reduction in the tariff, but we were not prepared to have it put on the free list.

Senator JOHNSON. The figures given for 1910 show the imports of harness, saddles, and saddlery composed wholly or in chief value of leather to be \$75,110, and the production in this country something like \$54,000,000, so that the imports were negligible.

Mr. ARMSTRONG. Nothing at all.

Senator JOHNSON. And we exported \$842,000 worth, which, by the footnote, says "harness and saddles."

Mr. ARMSTRONG. There are the Philippines and Cuba and Porto Rico, and there was \$250,000 of that went to Canada; but it was not sold in Canada. It was taken in there by the emigrants. We can not sell any harness in Canada. There is a 30 per cent duty against us over there; we can not sell anything there. That was brought out at the hearing of the Ways and Means Committee. I thought they would surely leave some tariff on harness. It seems to me a little bit radical to put it on the free list, such a big drop as they have provided for. I am sure it will result in a large importation of harness from abroad, and all that we lose, we can not get it anywhere else.

Senator JOHNSON. Where has the \$842,000 worth been sent?

Mr. ARMSTRONG. To the Philippines, Cuba, and Porto Rico. I do not think there has been anything exported of any consequence to any other country. There are some American vehicles exported to South America, with the harness that goes with them, and probably some to South Africa, but not enough to be noticed. Our best market would be Canada, if we could get it. Our conditions are about the same as they are over there, and our style is about the same. They could come over here under a free list and seriously interfere with us at the same price. We can not go over there. You understand, the harness business is a peculiar business. There are no large manufacturers. There is nobody who does as much as a million dollars' worth of business out of the fifty millions. There are not more than two or three that get more than half a million, and there are thousands and thousands of small manufacturers in the small towns. Every small town has a harness maker who works one or two men.

Senator JOHNSON. That was the business of my father, and that is the business I know about.

Mr. ARMSTRONG. It does not seem fair we should be put on the free list altogether. We do not know what effect it will have on us, but we are very fearful it will be a very serious matter, and whoever survives will be the big fellows. The small fellows will have to take the brunt of it.

Senator JOHNSON. Have you any brief to file with us? I suggest that you make up a brief statement to leave with us, so that when we get down to the consideration of the schedule we will have that. What you say will make some impression for the time, but we would rather have these reasons in writing and filed with us, so that we can consider them.

Mr. ARMSTRONG. We have a brief partially prepared now.

Senator JOHNSON. Just prepare it and tell succinctly and fully what you have to say about it.

Mr. ARMSTRONG. I have a brief prepared, Senator, but whether it is what you want or not I do not know. I will ask you to read it over.

Senator JOHNSON. Of course you will know what you want.

Mr. ARMSTRONG. You will know better than I do what you want. I prepared that as briefly as I could.

Senator JOHNSON. This is your argument, rather than a brief.

Mr. OTTUMER. We filed a brief. We can get a copy of it.

Senator SMITH. We would like to know the average selling price in Canada.

Mr. ARMSTRONG. It is difficult to get that.

Senator SMITH. That is just what I thought. Selling prices vary like harness all over the United States, there is such a variety of prices.

Mr. LERCH. It is an absolutely competitive business.

Senator JOHNSON. Yes; and then the make has a good deal to do with it, like a Dunlop hat or a Stetson hat.

Mr. ARMSTRONG. We know what the prices are in Canada in a general way, because we live on the border. I live in Detroit, and a great many of our men are Canadians, and we know the prices over there are about the same as ours. I have been in the Canadian tanneries and I have been in Canadian harness factories, and their conditions are very close to ours. If anything, they have an advantage over us. They buy their linen thread cheaper than we do and they get their leather a little cheaper most of the time. At the present time there is no difference, but usually they have some advantages. They have had free tanning materials that have helped the Canadian tanner to give them a little lower price; but we do not mind that. The conditions are so nearly equal that we would be willing to compete with Canada if we could have reciprocity with Canada on harness. We would be well satisfied, if we have to have harness on the free list, if you could put in a provision making it free only from such countries as will make it free to us. We can not ship any harness to Europe nor to Canada nor to Australia nor to South Africa nor to South America. The only business we can get is from places where we have a pull, like Cuba and Porto Rico and the Philippines, and if you give away part of our business we can not get it back anywhere else. You reduce our

output and reduce our efficiency, and if our efficiency is reduced our costs are increased.

Senator SMITH. If sugar goes on the free list, you will not have any pull in Cuba, will you?

Mr. ARMSTRONG. I do not know how that is going to affect us. I do not know how about sugar.

Senator SMITH. We get a cheaper rate into Cuba on our manufactured products on account of the differential we place in favor of Cuban sugar.

Senator JOHNSON. I think we do.

Mr. OTHMER. That would now be eliminated.

Mr. ARMSTRONG. The sugar will come in from the West Indies. We can raise all the sugar we want down there with 25-cents-a-day labor.

Senator JOHNSON. You get your brief ready, Mr. Armstrong, and we will be glad to have it. Make your statement full.

Mr. ARMSTRONG. We are very grateful to you, Senators.

STATEMENT OF MR. F. A. SEIBERLING.

PARAGRAPH 378.—*India rubber or gutta-percha.*

Mr. SEIBERLING. Senator Johnson and Senator Smith, we represent the rubber industry in part. We prepared a brief here that covers six pages. It is not very long, and I think perhaps if I can read that you gentlemen can get an idea of our position.

Senator SMITH. I do not think it is worth while for you to read it, because we can read it.

Mr. SEIBERLING. I think probably it would call out some questions you gentlemen would want to ask.

Senator SMITH. Probably you could tell us something in addition to what you have there. What is the exact section?

Mr. SEIBERLING. It is section N.

Senator JOHNSON. What is the number of the paragraph which covers that?

Mr. SEIBERLING. Page 95, section 380.

Senator JOHNSON. India rubber, gutta-percha, 10 per cent ad valorem. That is what you are particularly interested in?

Mr. SEIBERLING. Yes. This brief is very short, and I am sure it may call out some questions that will help develop the subject.

Senator JOHNSON. Very well; read it.

(Mr. Seiberling read the brief referred to, as follows:)

To the honorable the members of the Finance Committee of the United States Senate:

Tariff bill H. R. 10 (H. R. 3321) provides for an import duty of 10 per cent ad valorem on manufactures of "India rubber or gutta-percha," being a reduction from 35 per cent ad valorem.

The undersigned respectfully submit that the tariff on manufactures of rubber goods should not be reduced below 25 per cent ad valorem, for the reasons hereinafter given.

The facts and arguments herein contained are for reasons of conciseness and brevity limited to automobile tires, although the same apply with equal or greater force to all classes of soft rubber goods.

I. There are a large number of companies in the United States now engaged in the manufacture of automobile tires. This memorandum is subscribed by manufacturers representing, exclusive of the B. F. Goodrich Co., over a majority of the automobile-tire business. The fiercest competition exists amongst all

these companies. There is no agreement amongst any of them relating in any way to selling prices to any class of customers. The utmost effort has been made to reduce the cost of manufacture without reducing wages, which have increased over 30 per cent since the year 1905. Since the year 1910 selling prices, on the other hand, have been reduced over 40 per cent. The selling prices of the various companies are substantially the same, being established by the company making the lowest prices. At the present day the business is carried on at the narrowest margin of profit, and in the case of many smaller companies at no profit whatever. It is certain, therefore, that the tariff now existing has not operated to permit American manufacturers to obtain excessive profits, but only to exclude tires made in foreign countries, which are cheaper because of lower wages paid abroad.

II. The wages paid to rubber workers in this country are three times as much as the wages paid in England, France, and Germany, and four times the wages paid in Russia. Tires made in France, Germany, and Russia are now being imported and sold in this country, even under the present duty of 35 per cent ad valorem.

The wages paid in the United States to rubber workmen average \$18 per week, and many of the better workmen average \$24 per week. In England the average wage of workmen of "India rubber, gutta-percha, etc.," is 26s. 9d., or \$0.50. (See "Report of an inquiry by the board of trade into the earnings and hours of labor of workpeople of the United Kingdom," p. 236, filed herewith.)

With this difference in labor, tires made in England, France, Germany, Italy, or Russia can easily pay 10 per cent duty and undersell American manufacturers. This means that the lowering of the duty to 10 per cent will work a benefit to foreign manufacturers and a corresponding injury to American manufacturers and American labor, with the one exception of the B. F. Goodrich Co., of Akron, having a capital of \$90,000,000, and the largest manufacturer of tires in the world, which company, through its French factory will be able to manufacture there and import into this country. On this point see the report of labor of workpeople of the United Kingdom," p. 236, filed herewith.)

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III. The market of the United States is by far larger than the rest of the world combined, and the production of automobiles in this country far exceeds the total production in all foreign countries of the world. Tire manufacturers and automobile manufacturers in other countries have long since reached the stage of overproduction. If the United States market should be opened to them they could afford to sell tires in this country at cost, simply to reduce their overhead charges by increased volume, making their profits in the home markets. It seems just that this condition should not be permitted to come about, but that American manufacturers, competing amongst themselves, should have this market on selling prices based on costs governed (as is the fact) by the price of labor and material here. It is submitted that no one large manufacturer in the United States, like the \$90,000,000 B. F. Goodrich Co., having a factory in France, should be permitted to reap this same benefit, together with the foreign manufacturers, at the expense of all the other American manufacturers having no factories in foreign countries.

IV. The main item of cost of material in tires is rubber. In 1910 the best quality of rubber sold at a price as high as \$3.12 per pound, and for the entire year averaged over \$2 per pound. To-day this same rubber is sold at prices fluctuating between 80 cents and 90 cents per pound. The price of rubber has been continually decreasing since 1910, and will undoubtedly continue to decrease for several years to come until the minimum is reached, determined by cost of production of crude rubber (now about 30 cents per pound) and the conditions of supply and demand.

Senator SMITH. How many pounds of rubber does it take to make an average-sized tire?

Mr. SEIDERLING. The average would be probably around 10 pounds.

Senator SMITH. And it costs 30 cents a pound?

Mr. SEIDERLING. No; that is the cost of crude rubber in the Far East. The market to-day is 93 cents, approximately, for rubber here. The price heretofore has been as high as an average of \$2 a pound,

in 1910, but is steadily falling, and will go, as we believe, to a price well under 50 cents a pound, and down to 30 probably. [Continuing reading:]

This has resulted from the extraordinary condition brought about by the entry of a new and tremendous source of supply in the rubber plantations of the Far East, which prior to 1910 practically did not exist at all. In 1910 the rubber crop from the Far East alone amounts to 8,600 tons; in 1911, to 14,500 tons; in 1912, to 31,000 tons; and for the present year has been arriving at the rate of about 50,000 tons for the year.

Senator JOHNSON. Germany has learned to make it synthetically, has it not?

Mr. SEIBERLING. Yes; in its laboratories.

Senator JOHNSON. They first learned to make indigo in the laboratories.

Mr. SEIBERLING. It has not produced it commercially yet.

Senator JOHNSON. They did not make indigo at first, but there is not a pound of vegetable indigo coming into this country now. They will probably succeed in making rubber for commercial purposes. They make camphor.

Mr. SEIBERLING. They have produced it, but not yet commercially.

Senator JOHNSON. Camphor?

Mr. SEIBERLING. No; synthetic rubber. Of course, that is perhaps a ghost we may strike at, but the serious thing is the thing in hand.

Senator SMITH. It is not practical for the next two or three years.

Mr. SEIBERLING. No, sir; not for the next two or three years. [Continuing reading:]

This rate of increase will continue for several years to come, as the rubber trees planted in Ceylon, Sumatra, and Malay Peninsula in 1910 come into bearing, so that there can be no doubt that in the year 1915 the supply will be over 100,000 tons. The entire world's crop in 1909 amounted to 73,000 tons. In other words, the world's crop is now augmented by 63 per cent, and in 1915 will be augmented by 125 per cent. This means that the finished tire will continually decrease in price for some time to come, the proportion of the labor cost correspondingly increase, and therefore whatever tariff may be imposed on importations will be less and less adequate to protect American labor. The difference in price of labor is to-day reflected in the selling price of automobile tires in England, France, Germany, Italy, and Russia, where the average is substantially 13 per cent lower than corresponding American tires.

V. By reason of the extraordinary conditions obtaining in the sale of automobile tires, duty will be levied on values far below the average selling price abroad, and, in fact, on values equal to or below cost of manufacture abroad. It is believed that in no other business is it true that 25 per cent of the total product is sold at or below cost, which is true of the automobile-tire business. This results from the fierce competition amongst manufacturers here to obtain contracts for tires from manufacturers of automobiles. As the business is conducted, an automobile manufacturer makes a contract for tires with one or two tire manufacturers, and in many cases the advertising matter relating to the automobile advertises the particular make of tire supplied with the car. If the purchaser of the car is satisfied with the tires supplied with the car he almost invariably buys the same make of tire for reshoeling, for which latter tires he pays consumer's prices. Through this practice the tire manufacturer is compelled to do his utmost to satisfy the purchaser of the car as to the tires, because it is not the automobile manufacturer but the tire manufacturer who stands back of the tires with his guaranty and reputation. The automobile manufacturer does not take any responsibility with respect to the tires, knowing that the tire manufacturer is obligated, for his own interest in order to get future business from the automobile user, to supply tires which will give such satisfaction to the user as to effect that result. The tire manufacturers are all extremely anxious to get manufacturers' business for these reasons and tires are sold to automobile manufacturers at, and frequently below, cost of manufacture.

The same reasons would control the foreign manufacturers with respect to the business of automobile manufacturers in this country. Undoubtedly the foreign manufacturers would obtain contracts with American automobile manufacturers at or below cost; would thereby establish the market value here on which duty would be based; would then open an agency here, ship tires to the agency here at the market prices established by sales to automobile manufacturers, and then resell to consumers at an advance. From all of which it would result that the ad valorem duty paid with respect to automobile tires would be based on prices equal to or lower than cost of manufacture, which, it is thought, is something resulting from the peculiar conditions of the automobile-tire business not contemplated by those who drafted the proposed tariff bill.

Canada imposes a duty of 35 per cent on tires imported from the United States and a duty of 22½ per cent on tires imported from England, so that it would seem that Canada, under the general understanding of some degree of tariff reciprocity between sections of the British Empire, finds a duty of 22½ per cent necessary to equalize conditions as between England and Canada.

VI. Manufacturers are reluctant to divulge to each other precise conditions existing in their respective businesses, but there is no such reluctance as to the Government, and each of the companies subscribing hereto is willing to permit the fullest examination of its business by any representative of the Government to substantiate the facts and arguments herein presented.

With the exception of the representations made regarding the practice of selling at or below cost, the arguments herein contained specifically directed to automobile tires apply with equal or greater force to all kinds of rubber goods. The proposed bill provides a duty of 25 per cent ad valorem on hard rubber while the duty on manufactures of India rubber or gutta-percha is only 10 per cent ad valorem. Every reason for making the duty on hard rubber 25 per cent applies to the duty on manufactures of India rubber or gutta-percha. Hard rubber has, generally speaking, the same ingredients as soft-rubber goods, such as tires, hose, packing, and druggists' sundries. The main distinction is that hard rubber has a very large percentage of vulcanizing agent, such as sulphur, and is subjected to a higher heat in the vulcanizing process, while soft rubber has a low percentage of vulcanizing ingredient (usually from 3 per cent to 8 per cent) and is vulcanized at a lower heat or for a shorter period. Other ingredients are common to both kinds. The percentage of labor varies with different articles, running as high as from 45 per cent to 50 per cent in druggists' sundries. If the tariff on soft-rubber goods should be no higher than 10 per cent, as proposed in the present bill, it would have a disastrous effect on all such manufactures, and certain of them—druggists' sundries, for instance—it would absolutely destroy. In the opinion of the undersigned, the duty on all manufactures of India rubber or gutta-percha should be not less than 25 per cent ad valorem, while in the proposed tariff bill is now specifically provided with respect only to manufactures of hard rubber.

Senator SMITH. Which is your company?

Mr. SEIBERLING. The Goodyear Tire & Rubber Co.

Senator SMITH. The largest part of the manufacture now goes into automobile tires?

Mr. SEIBERLING. I think it does; yes, sir.

Senator SMITH. Take a tire that you sell at the present time for \$42. What size would that be?

Mr. SEIBERLING. You mean an individual tire?

Senator SMITH. Yes.

Mr. SEIBERLING. A \$42 tire would be approximately a 5-inch 36. I think perhaps that would sell as high as that.

Senator SMITH. To the retail trade?

Mr. SEIBERLING. Yes; retail.

Mr. DUNN. No; 36 4½ casing; the list price to the consumer is \$40.05. That is the nearest to \$42; with a tube, making a complete tire, \$50.

Senator SMITH. I was speaking just of the casing.

Mr. DUNN. 36 4½ would be the nearest.

Senator SMITH. That is a very large casing, is it not?

Mr. SEIBERLING. That is a very large case; yes. We make them 5-inch and 6-inch in the cross section.

Senator SMITH. And of that you say the price is \$40 to the trade?

Mr. DUNN. To the consumer.

Senator SMITH. What is the price of that to the trade—manufacturer's price?

Mr. DUNN. That varies; all depending on the quantity and the contract. The usual resale price to the dealer is approximately \$33.

Senator SMITH. Nearly 20 per cent dealer's commission?

Mr. DUNN. Yes. The price to the manufacturer might be \$25 or more or less, according to the quantity he bought, and the kind he bought, the price of crude rubber at the time he placed his contract.

Senator SMITH. The cost to the manufacturer, you mean?

Mr. SEIBERLING. The manufacturer of automobiles.

Mr. DUNN. That is what I understood you to say, the cost to the manufacturer of automobiles.

Senator SMITH. No; I mean the price the manufacturer sold at—the manufacturer's selling price.

Mr. DUNN. Oh, your selling price to the dealer would be approximately \$33.

Senator SMITH. What would be the manufacturer's price of a tire of that size in England, not to the automobile manufacturer; I am talking about the rubber manufacturer. I am getting the relative prices of these commodities.

Mr. SEIBERLING. It would be from 15 to 20 per cent lower than that to the dealer.

Senator SMITH. And you said that your prices varied very greatly to dealers, too, did you not?

Mr. SEIBERLING. Varying only as to the sizes of the tire—different sizes.

Senator SMITH. Fifteen per cent off, you say, would be the difference between ours and the English price?

Mr. SEIBERLING. Yes; practically 15 per cent.

Senator SMITH. They have put it on the free list.

Mr. SEIBERLING. No; we have 10 per cent. Our duty has been 35 per cent and we have 10 per cent.

Senator SMITH. And the difference in the English price and the American price is only 10 to 15 per cent?

Mr. SEIBERLING. About 15 to 20 per cent.

Mr. DUNN. It averages about 18. I checked up several price lists, and it averages about 18.

Senator SMITH. You sell that same tire to the manufacturer at \$25?

Mr. SEIBERLING. The manufacturer's base is practically cost in all cases.

Senator SMITH. If it is cost, that leaves you a margin of \$8 profit on the tire, which would be 25 per cent profit.

Mr. DUNN. You are including in that profit general overhead and selling expense?

Senator SMITH. Yes.

Mr. DUNN. You mean a gross profit?

Senator SMITH. Yes, everything; a gross profit.

Mr. DUNN. Yes.

Senator SMITH. You said it cost \$25. There is a difference of 25 per cent between your selling price to the dealer and the manufacturer. If you sell to the manufacturer at cost, you have 25 per cent profit selling to the dealer?

Mr. DUNN. Gross profit; if that was the cost on that basis.

Senator SMITH. It would be net profit if you sold for a gross cost to the manufacturer. If you sold to the manufacturer at \$25 and that covered your gross cost, then—

Mr. SEIBERLING. But we do not figure manufacturer's cost. It is the factory cost.

Mr. DUNN. The general expense—distributing expense.

Mr. SEIBERLING. No part of the general expense is figured in.

Senator JOHNSON. Why do you sell to him at cost?

Mr. SEIBERLING. The value of the renewal business is the actuating feature. If a man buys an automobile and it is equipped with Goodyear tires, and he comes to renew them, he goes right back to the Goodyear tire.

Senator SMITH. If one of his tires gives out it is his inclination to buy another tire of the same material, if it has not been a failure.

Mr. SEIBERLING. He gravitates naturally to the concern's agent or branch.

Senator SMITH. I have been paying all winter too high for tires if they have been selling at \$40 by retailers. I have been paying \$42.

Mr. SEIBERLING. We have had a reduction in price on the list of April.

Senator SMITH. I bought in January, February, and March.

Mr. SEIBERLING. You were three months early.

Mr. DUNN. That was 5 per cent reduction to the consumer. That would account for the \$2.

Mr. SEIBERLING. As a matter of fact, as far as our company is concerned, we made a 10 per cent reduction, and a little over, on the 1st of April. Our consumer's price was formerly 5 per cent higher than our competitors, and on the 1st of April we reduced 10 per cent.

Senator JOHNSON. Have you a factory in some other country?

Mr. SEIBERLING. Yes, sir; we have one in Canada; but the Goodrich Co. has one in France.

Senator JOHNSON. You have one in Canada?

Mr. SEIBERLING. We have one in Canada.

Senator SMITH. The \$42 was a nonskidder.

Mr. SEIBERLING. It costs us more to make them in Canada from the fact that we are charged duty on the fabrics and other materials that enter into the production, which does not apply in this country. They have a 35 per cent ad valorem duty there, protecting them from this country and other countries, except England.

Senator SMITH. You have your factory over there so as to supply the Canadian market?

Mr. SEIBERLING. Yes. We endeavored to ship in there, and we found the duty was prohibitive, and we could not, and we therefore established a factory in Canada.

Senator SMITH. I understood you to say that in Russia the cost of manufacturing is a good deal less?

Mr. SEIBERLING. Very much, as far as the labor goes.

Senator SMITH. What is the labor cost of the conversion from the raw material into this tire that you estimate costs \$25?

Mr. SEIBERLING. That varies as to the different factors. Perhaps around 12 to 15 per cent in tires of a high quality, and as the quality of the tire lowers the proportion of the labor goes higher. In other words, crude rubber has a tremendous influence on the percentage of the labor in the article. We formerly had a \$2 level of crude rubber. We have gone to the dollar, and we have gravitated to the 50-cent level, and we shall undoubtedly go lower in a few years.

Senator SMITH. If there is only 12 or 15 per cent of labor in it, why does not a 10 per cent tax far more than cover the difference in cost between labor to you here and in England?

Mr. SEIBERLING. That was true, Senator, when we had rubber around \$1.00 or \$1.10 a pound, as it was last year. But we are now to a 90-cent basis practically; and, as I say, we are gravitating steadily to a 50-cent basis, and our proportion of the labor, instead of being 12 or 15, is likely to be 25 or 30.

Senator SMITH. Suppose it were 25; a 10 per cent tax would give you two-fifths of the cost.

Mr. SEIBERLING. Granted; but, nevertheless, that is a wide difference; and remember that on the other side, in England, they are getting some of their ingredients cheaper than we do. Their fabrics cost less, and some of the mineral compounds that enter into it. Those are all factors.

Senator SMITH. Mineral compounds used in conversion?

Mr. SEIBERLING. Yes; for instance, sulphur, zincs, etc., that are all component parts.

Senator SMITH. Are they not all on the free list? We are getting them down for you, too.

Mr. SEIBERLING. All of that helps to a degree. Of course, the main thing is rubber.

Senator JOHNSON. You use some cloth?

Mr. SEIBERLING. Yes; cotton fabrics.

Senator JOHNSON. The duty is reduced on that. The manufacturers of them said they were reduced too much.

Mr. SEIBERLING. I appreciate how they might take that view of it, and I think rightfully, because the production in England is very much cheaper than it is here. The cost is less than it is here, and the English manufacturer is buying his fabric cheaper than we can.

Senator SMITH. What dividends does your company pay on its stock?

Mr. SEIBERLING. We are paying 7 per cent on our preferred stock and 12 per cent on our common. I want to make a statement in that connection, so that you can get it perfectly clear in your minds. I think, perhaps, I represent in my company one that has made a distinctive success in earning a profit out of the business.

Senator SMITH. In making your tire, you have made your customers believe it was worth buying.

Mr. SEIBERLING. I have made it worth buying, and I have brought them back to me a second time, and I have made a profit. I want to say in that connection that we have had an expanding industry. The automobile industry has been one of the marvels of the industrial markets.

Senator SMITH. Really, the manufacture of tires is a matter of great skill, and some tires are a great deal better than others.

Mr. SEIBERLING. It is a matter of great skill.

Senator SMITH. Some wear out very much more quickly. I have been using Goodyear tires nearly all the time for six or seven years.

Mr. SEIBERLING. I am very glad to know it, and I hope we shall be able to keep you on our list.

Senator SMITH. I went to Fiske for a while, but I went back.

Mr. SEIBERLING. You made a good change.

Senator JOHNSON. We have not segregated the automobile business, or those who prepared the book for us did not. But take all manufactures of india rubber for the year 1912, the importations were \$722,380 for manufactures of india rubber. That same year we exported \$12,822,000, the imports being very small compared with the exports. We have not the production for the year 1912 in this country, but it is given for 1910 as \$197,394,000, and the importations that year were \$893,000, \$150,000 more than in 1912, so that the importations have been negligible; nothing at all.

Mr. SEIBERLING. They have been diminishing, I think, steadily.

Senator JOHNSON. They started in 1905 with \$1,021,000; 1910, \$893,000; 1912, \$722,000; while the production in this country, of course, has increased.

Mr. SEIBERLING. Enormously.

Senator JOHNSON. It must have. And then our exports in 1910 were double those of 1905. In 1912 they were \$2,700,000 over what they were in 1910.

Mr. SEIBERLING. I think I can explain that and make it very clear to you. In the early days, going back to the start of the industry 8 or 10 years ago, the percentage of foreign importations was much larger than it is to-day. I am dealing with percentages now, rather than dollars, and that has been steadily diminishing, due to the fact that in this country here we have had competition and we have had the large business and have been able to make prices that they could not meet. The automobile business has grown, and we have put out this large amount of cheap cars into the foreign markets, which has enabled American manufacturers to put their tires on this cheap product that has gone all over the world. That has made those figures. That trade in low-priced cars, in which foreigners are not able to compete with us, apparently has produced those figures.

Senator SMITH. Has there not been a gentlemen's agreement to keep the prices about the same?

Mr. SEIBERLING. Never.

Senator SMITH. Do they not stand about the same, marked at the same price, generally?

Mr. SEIBERLING. That is substantially true, and arises from this condition: That the B. F. Goodrich Co., who have been the largest makers, have made prices, varying along one week, two months, three months, and the others have fallen, as they were compelled to, to the level they have established.

Senator SMITH. There is an enormous selling margin of from \$33, say, to \$40—over 20 per cent.

Mr. SEIBERLING. Yes. That is practically the margin the dealer gets.

Senator SMITH. Is not that a pretty big dealer's margin?

Mr. SEIBERLING. It is a very expensive proposition to keep up. They have to have places, pay rent, and keep up an organization to take care of the difficulties with tires, and all that. They are complaining constantly that they can not even live on the present basis.

What I would like to get clearly before you gentlemen is simply this: That we have not in any sense a monopoly in the tire business. We have not in any sense an agreement of any character between the manufacturers, and there are approximately some 50 in the business. The business is strictly competitive. We have been in an expanding industry here.

Senator SMITH. But the price is uniform.

Mr. SEIBERLING. The price is uniform simply because we follow as the big fellow makes us go up or come down.

Senator SMITH. You do not come down very much.

Mr. SEIBERLING. We simply follow or keep going.

Senator SMITH. Is not your establishment nearly as large as Goodrich's?

Mr. SEIBERLING. No, sir. We are making about one-half the product. Goodrich is now a consolidation, as you doubtless know, of two plants. They capitalized for \$90,000,000 after they took in the Diamond plant. We are the largest independent concern in the country, so to speak. But my point is this: That we have had an expanding industry that has enabled us the past five years to make a substantial profit. The small ones have not been able to make any money even under those conditions. We have substantially reached the apex. The business is to become competitive from now on. Competition is free, unrestrained, and why not let the American market, the American manufacturers, take care of that business? The reduction of the tariff simply puts us in the position of allowing the foreigner to come in here, and the first one he reaches is the small manufacturer.

Senator SMITH. The small manufacturer would have a very hard time. He has a pretty hard time now, and it is getting harder and harder as a few of you get your established reputations.

Mr. SEIBERLING. That is true.

Senator SMITH. A man can not tell anything about a tire by looking at it. He has to wear one out before he knows whether it is any good.

Mr. SEIBERLING. You are right about that. The small man is having a hard time. He is not making a fair profit. In my judgment, if you go to 10 per cent we will not have 25 small men in this country. I am one of the larger ones, and perhaps will not be affected as much as the others, but we will all of us be affected, and since we have an open market and the keenest competition there does not seem to be any need for this drastic reduction.

Senator SMITH. You are selling at a uniform price?

Mr. SEIBERLING. But we do not quite get on a uniform basis in dealing with manufacturers.

Senator SMITH. The new fellow has the hardest time to sell. The manufacturer will take your tire, called the Goodrich tire, or one or two others of the established tires, and he will sell his tire a great deal easier. He can not afford to put one of these new tires on unless he gives a guaranty.

Mr. SEIBERLING. If the manufacturer saves a 50-cent piece per car he will take it.

Senator JOHNSON. You say this large exportation that is shown here is due to the fact that you fit up the cheap cars which go out from this country. Why do they not send out the cars and then buy the tires over there and put them on there cheaper?

Mr. SEIBERLING. Heretofore we have had American sized rims. We have our American measurements. Over there they use the metric system on the wheels, and the foreign tires would not fit our wheels. As a consequence the American manufacturers have sent out their regular type of car and they have always preferred to ship American tires. In the course of time that probably will be changed over to the metric system. But as it stands now that is the way the business has been conducted.

I have been talking tires. That is only one part of the industry. It may be classified as a tire business, as a shoe business, as a mechanical business, and as a sundry business. Mr. Hodgman here is one of the oldest sundry manufacturers of the country, and he is dealing with a labor cost of not 15 or 20 per cent, but 40 and 50 per cent, and this whole question of the labor bears strictly on the article. It will vary all the way from 10 to 80 per cent of a product, and of course rubber is a very wide line of manufacture. If you gentlemen would care to hear from Mr. Hodgman, or these gentlemen who are in the mechanical rubber business, we will be very glad to have you ask any questions you may care to.

STATEMENT OF MR. G. B. HODGMAN.

PARAGRAPH 378.—*India rubber or gutta-percha.*

Mr. HODGMAN. Senators, in order to supplement this brief, that particular part of it which refers to druggists' sundries, and in order to get an average of the labor cost, I secured labor costs on five or six different items in the druggists' sundries or surgical line, in order to give a good illustration as to what the labor cost is. Unfortunately, I have been away for some time and returned only within a day or two, and I did not have an opportunity to go into the matter further of getting reports from a larger number of manufacturers. But I think these will be fairly representative, and these figures show that the labor cost ranges from 40 to 52½ per cent on the items I have mentioned, which includes hot-water bottles, fountain syringes, invalid cushions, bulbs, catheters, and urinals, all surgical matters. These labor costs have been arrived at in the same way and represent the percentage of direct and indirect labor cost, and the material cost, indirect labor and indirect expense representing the finished article, and they are conservative. So you can see that the labor cost in this particular line is very large.

Senator JOHNSON. Are these druggists' sundries manufactured by plants devoted entirely to that?

Mr. HODGMAN. In some cases they are. In our particular case they are not. They represent only a portion of our business, but there are a number of concerns that deal in druggists' sundries exclusively, and within the past 8 or 10 years quite a number of new concerns have been organized for the purpose of manufacturing this line of goods.

Senator JOHNSON. Is there any considerable import? Are there imports of these articles?

Mr. HODGMAN. Not very large at the present time, as you can see by the records shown.

Senator JOHNSON. Do you have an export trade in them, these particular articles?

Mr. HODGMAN. To a very limited extent; hardly at all.

Senator JOHNSON. Where do we send them?

Mr. HODGMAN. The United States.

Senator JOHNSON. Where does the United States send them? Where do we export?

Mr. HODGMAN. I can not tell. As a matter of fact, our exports of druggists' sundries are practically nil. I could not say. Some of them go to South America, I should judge, and occasionally some would go to England, but not in any volume at all. It might not be a thousand dollars a year.

(Senator O'Gorman at this point entered the room and took a seat with the subcommittee.)

Mr. HODGMAN. I was about to say that others have started in this line on account of the fact that it does not require the equipment that other manufactures of rubber require, and I feel convinced that if the door is opened a number of the small people will suffer more than the large people. While I speak of the druggist's sundries business, I might mention also that the labor cost in general is pretty high, as we manufacture rubber clothing also, although clothing is not mentioned in this same schedule.

Senator JOHNSON. Does not that come in under the same provision—10 per cent ad valorem?

Mr. HODGMAN. It depends. In some cases it would come and in some it would not. I simply wish to supplement these figures in order to show you that the rubber business in general has so many ramifications, and there are so many lines that it is almost impossible to get one line of goods that is a true example of the whole thing.

STATEMENT OF MR. C. H. OAKLEY.

PARAGRAPH 378.—*India rubber or gutta-percha.*

Senator JOHNSON. In what particular branch of the rubber trade are you interested?

Mr. OAKLEY. We manufacture rubber specialties, molded specialties, most extensively. That comprises rubber heels, rubber soles, rubber packings, gaskets, horseshoe pads, and asbestos packings, and almost any specially molded article.

Senator JOHNSON. Where is your plant located?

Mr. OAKLEY. Trenton, N. J.

Senator JOHNSON. How many in the country are manufacturing the same?

Mr. OAKLEY. Most every rubber factory in the country manufactures all or a portion of the goods which we manufacture. We have specialized our product to a large extent along certain lines, and have been in business about five years. We are, however, one of the small factories.

With your permission, I will just go on a little with this labor proposition. I prepared a statement the other day showing the labor increases, and I find that during the last four years the compensation paid our employees has varied, an increase of from 25 to 60 per cent, according to the occupations in the factory. We have been confronted with an increase in labor items. I was formerly connected with larger factories as an employee, and at that time I was interested to some extent in the manufacture of quite a number of different articles that we do not manufacture now. But, for my own information and for the information of others, I have prepared some comparative tabulations of costs showing the varying percentage of labor entering into certain kinds of goods, and referring to one of our principal products, we find that after we have figured a cost, and then have confirmed it by actual performance by means of our semiannual statements, when everything goes well we are able to make a profit varying from 10 to 15 per cent of our sales. In one particular year we made 15 per cent for the first period of six months and 10 per cent for the last period of six months.

Senator JOHNSON. Is your plant a corporation?

Mr. OAKLEY. Yes, sir.

Senator JOHNSON. What is your capital stock?

Mr. OAKLEY. \$100,000.

Senator SMITH. What do your sales amount to yearly?

Mr. OAKLEY. Our sales last year were \$340,000 or \$350,000.

Senator SMITH. That would be 30 or 40 per cent on your capital stock?

Mr. OAKLEY. Yes, sir.

Senator JOHNSON. How is your stock divided, common and preferred?

Mr. OAKLEY. Common stock.

Senator JOHNSON. What dividend did you pay upon the common stock?

Mr. OAKLEY. We have paid 10 per cent once in the five years we have been in business. We lost money the first three years in establishing our business, broke even—we lost the first two, broke even the third, and made a little money on the fourth year.

Senator JOHNSON. And this is the fifth year?

Mr. OAKLEY. This is the fifth year. We are in our fifth year now.

Senator JOHNSON. Last year your dividends paid were 10 per cent?

Mr. OAKLEY. We paid 10 per cent for last year.

Senator JOHNSON. Did you also accumulate a surplus?

Mr. OAKLEY. We paid for a portion of our losses out of the balance which we made last year.

Senator JOHNSON. What proportion of your losses did you take care of out of your surplus?

Mr. OAKLEY. Our organization is a peculiar one in this way, that I own 92 or 93 per cent of the stock of the company, and my excuse for being in business depends on my ability to gain financial strength from some one very close to me, but not especially interested in the business, and under the ordinary conditions our stock would probably be \$200,000, but because I own such a large percentage of the stock of the company, it has become a matter of no consequence to me as to

issuing large numbers of shares of stock. We have an investment in our business of about \$180,000. If I were out to sell stock, I could probably issue stock up to the full value of the investment.

I would like to invite your attention to just how the proposed tariff would affect the principal product which we manufacture.

Senator JOHNSON. What is that?

Mr. OAKLEY. Rubber soles and heels.

Senator JOHNSON. Does that constitute a large part of the bulk of your business?

Mr. OAKLEY. Probably 50 or 60 per cent. We hope to increase it. Assuming that we made the maximum profit that we ever made, for illustrative purposes, 15 per cent; labor cost, 20 per cent; all other expenses, 16.8 per cent; material, 49 per cent; total per cent, 100. That is simply as an illustrative set of figures. As far as we can judge, if we were confronted with what promises to be foreign competition, after an investigation and data furnished us from various sources—

Senator JOHNSON. Is there any foreign competition? Do you have any now? Take it in this particular business of rubber heels and soles.

Mr. OAKLEY. Up to the present time the foreign competition has been very limited, because no doubt of the newness of the industry, as far as any magnitude is concerned. Magnitude is not the term to use, because it is still a very small business—but large to me, inasmuch as I am most largely in it. We find that the labor of the foreign manufacturers is approximately one-third of the labor which we pay. We are justified in assuming that all other expense items—overhead, managerial, and otherwise—of the foreign manufacturer is 66 $\frac{2}{3}$ of what our managerial expenses are. Building up a cost on that basis, and assuming that the foreign manufacturer is going to receive 15 per cent profit, granting him as much as we can possibly hope to make, the percentages would follow, compared with the list I have just read, profit the same, 15 per cent; labor, one-third of ours, which would be 6.3 per cent; overhead expense, all other items of expense, 11.2 per cent; material, we will assume, costs him the same, inasmuch as little or no fabric enters into the ingredients. He has to pay about the same for crude rubber that we have to pay. That would be 49 per cent, the same as in the other illustration. The only advantage which he has is in his labor and in his general expenses of doing business. That would leave a cost which 25 per cent duty could be added to in order that the total figure might equal our selling price, because I have included the profit in both instances. That is on a rubber sole. It would appear to us that we should have, in order to have as much protection as the foreign manufacturer would have, a duty of 25 per cent, that giving us no advantage whatsoever. Our inward belief naturally is that we should enjoy an advantage in going for the American market over the foreign manufacturer, because we naturally feel he is not entitled to it. But, assuming that the administration's views are such on that subject that the foreign manufacturer and the domestic manufacturer should be on an equal basis, we ought to have protection to the extent of 25 per cent on that particular article.

The other article, which is akin to it, is rubber heels.

Senator SMITH. One moment. How is that the case? You said that your labor was what per cent of the value of your completed product?

Mr. OAKLEY. Twenty per cent.

Senator SMITH. If your labor is only 20 per cent of the entire cost, and even though your labor was three times as high, how does that labor compare in price?

Mr. OAKLEY. I made the statement that the foreign labor was one-third of the labor cost.

Senator SMITH. Yours is three times as high. Even that would make a 14 per cent tariff bring you on an even basis with him.

Mr. OAKLEY. I think, however, that you have overlooked an item which I felt ought to be considered, and that was all other expenses connected with operating a business.

Senator SMITH. What are they?

Mr. OAKLEY. Those are managerial expenses.

Senator JOHNSON. He has ocean freight and insurance to pay.

Mr. OAKLEY. A comparison of the ocean freights from foreign countries to New York with railroad freights in this country would, I believe, show it to be a very inconsequential item.

Senator SMITH. He has to pay his railroad freights, too, to get to the interior.

Mr. OAKLEY. There is a difference, but apparently a very inconsequential one.

Senator SMITH. Where are you located?

Mr. OAKLEY. Trenton, N. J.

Senator SMITH. Your managerial expenses you estimated at what?

Mr. OAKLEY. Approximately 17 per cent—16.8 per cent.

Senator SMITH. That would be pretty high, would it not? It would be about as high as your labor?

Mr. OAKLEY. Yes; they are high.

Senator SMITH. The managerial expenses as high as the entire cost of conversion.

Mr. OAKLEY. These figures are the result of numerous annual statements and semiannual statements.

Senator SMITH. Is not 17 per cent for managing against 20 per cent for labor for converting very excessive?

Mr. OAKLEY. I include in those managerial expenses all expense for operating the factory, including fuel, engineering staff, repairs, machinery, and all items of current expense—insurance, liability insurance, and fire insurance.

Senator SMITH. Those expenses abroad ought to be about as high as they are here, ought they not?

Mr. OAKLEY. Some of them are, no doubt, as high. But what attracts our attention particularly, comparing foreign managerial expenses with our own, is the fact, which has been developed, that a great many men in foreign countries who occupy positions of considerable importance in large corporations are considered pretty nicely fixed with an income of \$25 or \$30 per week, and we have to pay almost that to much of our labor, and in order to secure the services of men who are competent to head departments we have to pay a very much higher price for such talent than they do.

Senator JOHNSON. How do you sell rubber soles? By the dozen, or hundred, or what?

Mr. OAKLEY. By the pairs to manufacturers.

Senator JOHNSON. You sell by the pairs. How much by the pair?

Mr. OAKLEY. There are six or seven sizes in men's and six or seven sizes in women's, and all kinds of widths and all kinds of weights.

Senator JOHNSON. What is the average?

Mr. OAKLEY. The average here would be 28 cents.

Senator JOHNSON. Is that your cost—28 cents—or what you sell them for?

Mr. OAKLEY. No; selling price.

Senator JOHNSON. What is the price abroad? Take it in England, your chief competitor.

Senator SMITH. Has that industry developed very fully in England?

Mr. OAKLEY. That industry is developing. I stated a moment ago that the foreign competition on rubber soles has not been of great consequence.

Senator JOHNSON. What is the price abroad? You say 28 cents would be a fair average here. What is the price abroad?

Mr. OAKLEY. I have given the price abroad as being simply due to the difference in labor—

Senator JOHNSON. What is the actual market value? What do they sell for?

Mr. OAKLEY. About 23 cents—22.7 cents.

Senator SMITH. Do you know that is the price abroad, or have you just figured that that ought to be the price abroad?

Mr. OAKLEY. I stated a while ago we have not been against foreign competition.

Senator SMITH. You do not know what the foreign price is?

Mr. OAKLEY. No; because it would be quite a complicated process to compare the article in this country with what they might be furnishing over there. We feel that the proposed tariff is an invitation to them to manufacture these goods and sell them in this country; and if they so elect, they can meet us and get the best of us to the extent of 15 to 20 per cent in price, according to the statistics of labor which we have been able to examine. That is practically true of rubber heels.

Senator JOHNSON. Is there any other statement you wish to make?

Mr. OAKLEY. I think that is all I care to say.

Mr. SEIBERLING. Senator Smith, may I just put one more fact before you? When you were leading up to the question of the difference in prices to the dealers and consumers, taking the 36 by 4½ inch, to get the matter clearer, I want to make just this statement: There is one manufacturer of cars in this country who will make this year over 200,000 cars. He is by long odds the biggest manufacturer in the country. His tire product will approximate \$10,000,000. The prices of those sizes, which are 30 by 3 and 30 by 3½, to the consumer are about \$60 per set; to the dealer, \$51 per set, and the manufacturer has within the past 30 days bought tires at \$15 per set. The actual cost to manufacture that tire is more than \$47.

Senator SMITH. Give me these figures again.

Mr. SEIBERLING. \$60 per set of four tires complete to the consumer.

Senator SMITH. That is a tire of what size?

Mr. SEIBERLING. Thirty by 3 and 30 by 3½, per set of four. The price to the consumer is \$60; the price to the dealer is about \$51; and the manufacturer has bought, as I say, at \$45 within the past few weeks, and the cost is in excess of \$47. I just bring this up by way of illustration of the point I raised a moment ago. This is the largest manufacturer in the country.

Senator SMITH. The largest manufacturer of what?

Mr. SEIBERLING. Of automobiles in the country.

Senator SMITH. He bought at \$45?

Mr. SEIBERLING. At \$45, and the tires of those sizes are by long odds the largest in quantity of any of the sizes that are used, and the largest in volume also. I think that will make clear the point you have in the brief bearing on that.

Mr. DUNN. I think you are wrong, that I misunderstood you a few minutes ago in giving the price of 3 by 30. You are using 3 by 30 and 3½ by 30. I will have to revise those prices. You are right on the manufacturer's prices, but the price to the consumer and the dealer is not quite correct. I will give it to you in a moment.

Mr. SEIBERLING. I know it is true as to the manufacturer, because I had a little part in it.

STATEMENT OF MR. WILLIAM G. GRIEB.

PARAGRAPH 378.—*India rubber or gutta-percha.*

Mr. GRIEB. Mr. Chairman and Senators. I can only confirm the cost figures that Mr. Seiberling gave here to be about where we stand on the cost, 12 to 15 per cent. Our production, I might add, is about 18 per cent of automobile tires exclusively. We manufacture at Trenton, N. J. We aim to make a good tire, and we guarantee the tire, as the Senator has expressed, the small men have to do, and we have been more or less fortunate, I believe, in doing the work satisfactorily.

Senator SMITH. I have not any doubt that there are plenty of the small men who make just as good tires as the Goodyear tire. The difference is we just do not know.

Mr. GRIEB. But it has been very expensive. As far as our capitalization is concerned—

Senator SMITH. What is the name of your tire?

Mr. GRIEB. The Ajax tires. We have a representative in all the branches taking care of replacements and selling to dealers. At the present time we are not selling to manufacturers, although originally we sold a large proportion of our production to the manufacturers, our aim being to get our tires launched, which was a very good thing to do at the beginning, to get them started on the cars, and at the present time we are doing our business exclusively with the dealers.

Senator SMITH. The prices are just the same as those on the standard tires?

Mr. GRIEB. Yes; except, as I say, our overhead expense on the volume perhaps is larger than the larger companies. So we probably would have to speak specifically of that as compared with the large companies, that our overhead are of course larger. And I would say that, as far as our company is concerned, we would be glad to throw our books open to the committee.

Senator SMITH. Your labor cost is about what proportion?

Mr. GRIEB. 12 to 15 per cent.

Senator SMITH. Of your selling price?

Mr. GRIEB. Yes. In drug sundries we do a little, but being little in that business I believe that our overhead now would exceed that of this gentleman, because we are a novice in that business, and we would not make any profits at all; if we had to depend for dividends on drug sundries, we would be out of pocket.

Senator SMITH. I suppose if we really knew about them we would buy a good deal better tires from small dealers than from the big manufacturers, but we do not know.

Mr. SEIBERLING. You could probably get some small manufacturers here who would sustain that view of it.

Senator SMITH. I know I have paid too much for those I have bought. I do not know who got the money. [Laughter.]

Mr. SEIBERLING. I can say this to help that situation, that the trend of prices is downward, and each change is going to be for lower cost. You have had three reductions since January a year ago. We have had 27 per cent, in round figures, since that time, due to the reduced cost of manufacture.

I want to change those figures on the size of those tires. Make that \$70 and \$57, so as to have it accurate.

The Michelin Co. now have a factory in this country. They came here several years ago with their established foreign reputation.

Senator SMITH. And they are selling tires here now?

Mr. SEIBERLING. They have a factory at Milltown, N. J. I think they stood third in production the year after they landed in this country. They have steadily gone down, because American manufacturers have been able to beat them on their own ground.

Senator SMITH. They make a better tire?

Mr. SEIBERLING. They have been able to make a better tire and they have been able to compete. But you reduce the tariff and they can close up Milltown and operate in Clermont-Ferrand, and their cost of production is so much lower there that on a 10 per cent duty they can close up Milltown and supply this market from Clermont-Ferrand. They can do just what the B. F. Goodrich Co. can do in France. They have a factory now in Paris, and, as Mr. Shaw has testified, he says: "We can wipe the Akron manufactory off the map if you reduce the tariff 15 or 20 per cent."

Mr. OAKLEY. I had a man from Sydney, Australia, tell me that they were going to get drunk over there just as soon as the tariff on wool goes through.

Senator JOHNSON. What I do not understand is this, why the foreign manufacturer has been getting in here under this 25 and 35 per cent tariff.

Mr. SEIBERLING. He has not; 35 per cent has been practically prohibitive.

Senator JOHNSON. If he can make them so much cheaper over there?

Senator SMITH. It does not figure out cheaper. It does not figure out more than the 10 per cent we are leaving.

Mr. SEIBERLING. Oh, yes; it does.

Senator SMITH. The difference in the labor is just a little over 10 cents, according to your own figures.

Mr. SEIBERLING. Yes, sir; the largest manufacturers, that is true. But the big Russian concern—I can not pronounce the name—the Galway in France, and a concern in Belgium now have established agencies in New York, branch houses, and are selling tires in this country. They can not do much under the high duty; but you drop the duty from 35 to 10 per cent and the gate is wide open.

Senator SMITH. You have nearly the difference in the labor.

Mr. SEIBERLING. Our labor is very much higher here than labor there.

Senator SMITH. I say, 10 per cent covers very nearly the difference, according to your own estimate.

Mr. GIER. It is relatively low, with the rubber coming down.

Senator SMITH. The ad valorem percentage would lose the advantage on the labor; as the rubber comes down the 10 per cent ad valorem counts less. The cheaper the tire the less discrimination there is in favor of the American manufacturer.

Mr. GIER. And the percentage of labor goes up just in proportion as the rubber comes down. When we have \$2 rubber it is one percentage in labor and when it is \$1 it is another.

Senator SMITH. When rubber is 100 and you have a 10 per cent tariff, if that rubber comes down to 25 you have only \$2.50. That is, the less the value of the rubber the less your ad valorem tariff amounts to.

Mr. GIER. That is right.

Senator JOHNSON. But if you have an established reputation for your American tires here, and it is not difficult for even an independent in this country, it would be difficult for them to compete with you, because you have got an established reputation in tires. Do you think a fellow is coming from abroad and compete with you after your reputation is built up?

Mr. SEIBERLING. The reputation is a tremendous factor, but this is what will take place: The Michelin Co. will go to the largest manufacturers in this country, who will buy their tires on 25 cents a set, with 1 per cent reduction in cost, because his product is established, so that it does not make any difference what tire he puts on. He will get his entrée that way.

Senator SMITH. Then if the tire works well he has established a reputation, and the buyer of the machine will say "That tire is good enough," except none of them are good enough. [Laughter.]

Mr. SEIBERLING. The Michelin Co. have an organization all over this country ready at hand to become operative to take care of that business.

Senator JOHNSON. I hope to see that trade reputation amount to more than it has in the past in every line of industry, so that it will sell because of the superior quality of the article.

Mr. SEIBERLING. I agree; I think it will.

Senator SMITH. For one reason I would, and for another reason I would not like to see the gates closed to new men to start out for themselves. I would a great deal rather see 100 men, each one in a small enterprise in this country, than to see 1 man running 50.

Senator JOHNSON. I would rather see one man who, by his own skill, can build up a reputation for his article than to be maintaining his business because of Government favors and legislation. That is

another thing. He has not earned it that way, and that is one thing.

Mr. SEIBERLING. I am here as one of the large manufacturers, and I do not want to pass any compliments to myself or my concern, but I will make simply this statement of the fact: Going back eight years, we were the smallest manufacturer of tires in the United States, and to-day, barring one, we are making more tires than any concern in the world.

Senator JOHNSON. You earned that.

Mr. SEIBERLING. And we have had no combination.

Senator JOHNSON. That belongs to you. That is the kind of success I like to see.

Mr. SEIBERLING. We have had no trust or anything like that, but it has been sheer energy, hard work, and strict attention to business that has carried us to that condition.

Senator SMITH. Because you make a good tire.

Senator JOHNSON. John Stetson made a good hat and people were willing to pay a good price because he built up a reputation.

Mr. SEIBERLING. I am going to make another statement on top of that, that we are paying perhaps, in our factory, higher for labor than any rubber factory of similar kind in the world. I do not believe there is any factory in the world that is paying as high wages as we are paying, notwithstanding that condition. From a fair analysis I think that is so. Now, I am naturally here interested in not disturbing that position. I do not want the other fellow, who is buying his labor for one-third of what I am, to come over here and break into this position. That is selfish. But this is the American market, and we are here, and are competing, and are competing fairly.

Senator SMITH. And we are the American consumers.

Mr. SEIBERLING. You are being dealt with fairly, because we are all at your doors anxious to deal with you fairly. I have here this folio with the documents, and I am very glad to leave them with the committee.

I wish you gentlemen would read these extracts from foreign papers, which show their view of what they expect to do when this tariff is reduced to 10 per cent.

Senator JOHNSON. They are all ready to try it.

Mr. SEIBERLING. They are ready to walk right in, and they are expecting it is going to take place, and here are extracts from their papers.

Senator JOHNSON. They may get disappointed.

Mr. SEIBERLING. We hope they will be. Now, that you have a duty of 25 per cent on hard rubber, leave our soft rubber on the same basis and nobody is going to be injured.

Senator SMITH. What is the difference between hard rubber and the soft rubber?

Mr. SEIBERLING. Substantially nothing but the percentage of heat and the ingredients. Hard rubber is used for electric batteries in the cars and combs and druggist's sundries.

Senator SMITH. And it is imported?

Mr. SEIBERLING. Oh, no; we manufacture it here. There is very little importation.

STATEMENT OF MR. JOHN WALTON, OF FRANKFORD, PHILADELPHIA, PA., REPRESENTING JACOB W. WALTON SONS.

PARAGRAPH 378.—Combs.

Mr. WALTON. Mr. Chairman, the Underwood bill reduces the duties on horn combs from 50 to 25 per cent; and the fact is that owing to the very aggressive competition we have been having in recent years, and which is growing, from the foreign manufacturers, it will be practically impossible to manufacture, as far as we can possibly see, the horn combs at 25 per cent duty. Under the 25 per cent duty there has come into this country an average, I think, of more than 25 per cent as many foreign combs as we manufacture here, which would equal 20 per cent of the entire consumption of the country under the 50 per cent duty. To drop that to 25 per cent would mean, of necessity, a very large increase, because the goods that come in to a very large extent are goods in competition with us, and which we can not meet in our factories, and for that reason the goods enter.

Senator HUGHES. I notice there is 8,000,000 production.

Mr. WALTON. No; that is a mistake. That does not refer to our industry at all.

Senator JOHNSON. That includes combs and hairpins.

Mr. WALTON. You will find just one schedule at the end of that—combs composed wholly of horn. That is the only thing we are interested in.

Senator HUGHES. You say these figures are wrong?

Mr. WALTON. Those figures do not refer to combs. That would refer to hairpins and quite a large list of goods that are made out of various materials. It is another industry entirely. We have nothing at all to do with it and know nothing about it.

Senator JOHNSON. The classification is here. "Combs composed wholly of horn, or composed of horn and metal."

Mr. WALTON. That is the particular item in which we are interested.

Senator JOHNSON. Under that the production in this country in 1910 is given as \$8,375,000.

Senator HUGHES. The footnote says that includes hairpins.

Mr. WALTON. That had nothing to do with us. According to the Commerce and Labor figures, the entire production of the country, at least the entire amount brought in—I have not the figures here, excepting with duty—the duty was \$143,000, the entire production of the comb factories in the country.

Senator JOHNSON. It gives the amount as imported in 1912 of the value of \$86,848.

Mr. WALTON. \$86,000 plus the 50 per cent duty.

Senator JOHNSON. It would be added. That was the foreign price.

Mr. WALTON. That is the importer's value.

Senator JOHNSON. Yes.

Mr. WALTON. Of course to us the value is the value we meet when we compete with them here in this country.

We recognize the fact that there is a demand for reduction, and we have suggested in this statement that instead of 25, which will cut us right down to below where we see any possibility to exist at all,

you would make a reduction of 37½ per cent, say, or something of that kind. We put it at that merely as a suggestion. We could, perhaps, scratch along, but it would be mighty hard work to exist even under those circumstances. At the same time we might possibly do so.

Senator HUGHES. Scratch along with your fine combs? [Laughter.]

Mr. WALTON. Unfortunately, the foreigner makes fine combs so cheap that we have not had a chance to make money in them in recent years.

Senator SMITH. What is the production here?

Mr. WALTON. There are four factories of the line we make. There are some factories of a few men who make just one article. Those who are commercially active and those with whom we come in competition constitute four factories—two of them in New Bedford, Mass.; one of them in Binghamton, N. Y., and our own in Philadelphia. It is a small industry. I suppose that is one reason we would not attract so very much attention, but it is our all.

Senator JOHNSON. It is important to you.

Mr. WALTON. It is everything to me. I made a statement to the Senator here to-day of the fact that every one of the men in the business, as far as I know them, are men who stand well in the communities. They are intelligent men—I class myself in that group—and we are men who are really reckoned somebody in the communities, and there is not a man who has made very much money in the business. I have been in it about 40 years, and I mentioned to the Senator here personally about all I could accumulate in that time—and I want to say now, in explanation, Senator, that that is represented in my plant almost exclusively.

Senator HUGHES. That will not make us think any the less of you, if you have made some money. In fact, if you can not make money with a 50 per cent rate, I do not see how we can help you.

Mr. WALTON. We have made a good living; I am quite willing to admit that.

Senator SMITH. What is your plant worth?

Mr. WALTON. About \$110,000 or \$112,000.

Senator SMITH. What is your yearly output?

Mr. WALTON. About \$140,000 to \$160,000. It varies. It is an intricate business. We take raw horn—that is, the crooked cattle horn, and work it up through all the processes until the finished comb, and the amount of labor and intricate machinery required amounts to a great deal. One of the evidences that it is not an easy business is the fact that in 25 or 30 years there have been only one or two attempts to go into the business, and they have usually failed because they could not make it go.

Senator HUGHES. They do not carry you here in the census figures, do they?

Mr. WALTON. I do not know. I have never had those figures. I would question it, because it is a small thing, and probably would be classified under a lot of other notions. I feel quite sure that the purpose of this legislation is not to put us out of business, and I came to you with that presentation.

Senator JOHNSON. The other manufacturers of horn are not given so high a rate of duty as your combs.

Mr. WALTON. To which do you refer?

Senator JOHNSON. Manufacturers of bone, chip, horn, etc., 10 per cent.

Mr. WALTON. There are some manufactures of horn that consist of merely cutting it up into pieces.

Senator JOHNSON. That is the same that is left on the india-rubber combs. The hard-rubber comb is 25 per cent.

Mr. WALTON. I do not know what their plea would be. We do not really know very much about that, but I am quite sure that their labor cost, relative to the cost of the comb, is much less than ours.

Senator JOHNSON. We have your brief.

Mr. WALTON. I hope you will give it consideration.

Senator JOHNSON. We will do so.

Mr. WALTON. As a small article, I am always afraid it will not get it. But to us it is almost a question of life and death. I do not know how we are going to get through unless we have some relief, and I am quite sure if you understood it as we do you would give us some relief.

STATEMENT OF MR. E. A. SMYTH, OF SOUTH CAROLINA.

PARAGRAPH 579.—*Ivory tusks.*

Mr. SMYTH. Mr. Chairman: I have been a cotton manufacturer since 1881, and ever since the organization of the South Carolina Cotton Manufacturers' Association I have been its president, and am an ex-president of the American Cotton Manufacturers' Association.

In 1883 we shipped our first 50 bales of goods to Abyssinia. Those goods were paid for in raw ivory, and the remarks I wish to make are bearing on the import duty of 20 per cent which, under the Underwood bill, has been placed on raw or tusk ivory. This is the only country in the world in which an import duty on raw ivory has been assessed. In Abyssinia and in Arabia and those countries 30 years ago the total exports of American cotton cloths did not amount to over 6,000 bales of goods. This year they have amounted to 65,000 bales. I alone have shipped 20,000 bales of goods to ports on the Red Sea, Zanzibar, Aden, and other ports. I have for the last year and a half had my own representative in those countries traveling and developing our trade.

These people have no money, and the business is done altogether by barter, and the ivory is exchanged for cotton cloth. They are put up in a peculiar way for those markets, in the length of the cloth and in the size of the bale and the texture of the cloth and the price at which we can sell it. It is exchanged for raw ivory, which is brought into this country. Under the Underwood bill you reduce the import duty on manufactured ivory. As to that I have nothing to say. But it is an imposition of an import duty on raw ivory that will very seriously menace the American trade. Every one of those 65,000 bales that have been exported in the last year has come from southern cotton mills and has been paid for in ivory. If we are put at a disadvantage with our rivals, who are in Italy and Germany, where ivory is imported, we would be at a very serious disadvantage in this country as to maintaining our export trade. Only within the

last few years has the Kongo territory on the west coast of Africa been opened up to the American trade. We have been expecting a great development of the export trade in that country, which will also be a trade for barter, principally in raw ivory, and as no other country in the world has ever had an import duty on ivory and has none to-day, it would seriously jeopardize the development of our export trade to Africa, which has assumed very large proportions.

The largest exporting house in this country in cotton goods and importing of ivory is Arnold Cheney & Co., of New York. Mr. Jones, the senior partner of that house, handed you a letter of introduction a while ago. He is here and can substantiate what I have said. He has figures and a brief stating the value of the goods. But I appeal to you as a southern manufacturer and as a man who for 30 years has been developing that export trade in Africa not to jeopardize our business by this duty on raw ivory, which is not assessed in this country or any other country in the world.

Senator HUGHES. That is a new point of view.

Senator JOHNSON. It is used by the manufacturers of piano keys in this country?

Mr. SMYTH. That is the principal use for it in this country. But I am not talking from the standpoint of the manufacturer of raw ivory in this country.

Senator HUGHES. You are indifferent to the rate on manufactured ivory?

Mr. SMYTH. Yes.

Senator HUGHES. You just do not want a tax put on your money?

Mr. SMYTH. Yes. We would be at a 20 per cent disadvantage with the manufacturers in Italy and in Germany, and our great competitor is Italy.

Senator JOHNSON. We have already heard from the users of that in this country. I think there are two large concerns.

Mr. SMYTH. Mr. Jones can substantiate what I have said.

STATEMENT OF MR. JOSEPH A. JONES, OF NEW YORK, REPRESENTING ARNOLD CHENEY & CO.

PARAGRAPH 379.—*Ivory tusks.*

Mr. JONES. Mr. Chairman. I was abroad when this proposed increase of 20 per cent was put on, and bought about \$225,000 worth of ivory at a net cost to me of \$30,000 more, so I feel it. I have been in the business since I was a boy, and have been sending out cottons, most of which in the old days were made up in New England. The drift of trade has been south. The goods we use are coarser goods, and the New England mills have gone into finer goods. When Capt. Smyth started his mill we took his first shipment and sent it out. We can not sell those goods for cash. The cash we give for them they want to turn into something.

Senator HUGHES. What is your practice now? Do you bring the ivory right back in the same ship you send the goods in?

Mr. JONES. Not the same ship. In the old days we used sailing ships, but now they come in by weekly steamers.

Senator HUGHES. Is there any practical objection to your selling your ivory in the European market? What is your practice with reference to that? Do you bring it back to the United States to sell it?

Mr. JONES. I bring all I can to the United States to sell. There are certain kinds of it that are not suitable to the United States.

Senator HUGHES. Is there any reason why you can not sell that in the European market?

Mr. JONES. Except that I am an American and an American merchant.

Senator HUGHES. If we wanted to raise a considerable amount of revenue on that ivory, would there be any practical difficulty in the way of your disposing of that ivory in the European market?

Mr. JONES. The only practical objection I can state is this, that the raw ivory would not come in. You would raise your duty on the manufactured ivory.

Senator HUGHES. No; we would raise the duty, if we laid a duty, on the raw ivory.

Mr. JONES. I respectfully submit the raw ivory could not come in with this duty.

Senator HUGHES. If any ivory came in at all, you mean it would come in in manufactured form?

Mr. JONES. Yes.

Senator HUGHES. The same relation could be observed between manufactured ivory and raw ivory as exists now.

Mr. JONES. Assuming that, there is the other point. I have been a trader out there and I have been in these places—on the spot. The man who buys the ivory wants to pay for it in merchandise. If he buys it for the London market, or the German market, or the Italian market, or whatever place he is going to land it, he will pay for it in his own merchandise. Then, if there is a duty on the raw material and there is no duty in his own country, he will be able to bid a slightly higher price for the raw ivory. He will insist on paying for it not in American cotton goods, but in his own cotton goods. You would hit us at both ends. We can not bring in the tusk ivory; we can not export the American cotton goods.

Senator HUGHES. Is it your practice to sell that ivory that you get for money?

Mr. JONES. Here in America?

Senator HUGHES. Anywhere; I mean the general practice.

Mr. JONES. Absolutely. I sell it for money.

Senator HUGHES. Where?

Mr. JONES. I sell the bulk of it here in America. What I can not sell in America I sell in London and abroad.

Senator HUGHES. You get money for that?

Mr. JONES. What I sell in America; yes.

Senator HUGHES. Is there any reason why you can not sell it all in London and get money for it?

Mr. JONES. I am arguing around a circle, because if I sold it there I could not have anything to bring here for my cotton goods except money, and you can not sell the factories anything.

Senator HUGHES. You want to keep us from laying a duty on ivory, but whether we want to lay it or not, I do not think it has any relation to your desire to sell it. We do not want to put you at a disadvantage with your foreign competitors, but would you be at any disadvantage with your foreign competitors if you have the same market that they have to dispose of their ivory?

Mr. JONES. I can not sell it in London and bring it over.

Senator HUGHES. No; but there is no reason why you can not sell it in London, is there? London is the market for the world, is it not?

Mr. JONES. No, sir; America is to-day.

Senator HUGHES. That is not what the importers told us. They said that London was the world's market, or some other European market.

Mr. JONES. I am the biggest importer in the world, of ivory, and my firm has been for 50 years. I think the reference was to Antwerp, where they have been taking ivory from the West Coast of Africa.

Senator SMITH. Your statement refers to the same matter that Mr. Smyth's did?

Mr. JONES. Yes, sir.

Senator SMITH. And is upon the same line as Mr. Smyth's—exactly on the same line?

Mr. JONES. We ourselves, as one firm, handled a million dollars' worth of cotton goods last year, and of course, altogether to the South.

Senator SMITH. What is the extent of the demand in dollars and cents?

Mr. JONES. I think there is a little over a hundred worth of the American cotton goods going into these and one pound of them.

Senator SMITH. And they are exchanged for this amount?

Mr. JONES. \$200,000 against that two million worth of ivory last year. The rest going in goat-skins, sheepskins, and coffee.

Mr. SMYTH. I would like to say, Senator Smith, that while you were absent I stated that 30 years ago the exports of cotton goods from America to the east coast of Africa and Arabia amounted to 6,000 bales of goods, which were entirely of northern production, that last year they amounted to 65,000 bales of goods, every bale of which was made in the Southern States.

Senator SMITH. What stopped the northern exchange?

Mr. SMYTH. Because the brands seemed to take better. They make finer goods, and we took the coarser end of the business.

Senator SMITH. They began a higher class manufacture?

Mr. SMYTH. Yes, sir. All of that was paid for in ivory. It is barter. I do not buy the ivory. The exporter takes the ivory and sells the ivory, and he pays me the money for the goods. But he sells them over there in exchange for ivory and brings the ivory back and sells it in this country, and there is no country in the world that has an import duty on ivory except as proposed in the Underwood bill.

Senator SMITH. What effect would it have on your trade to put the import duty on it?

Mr. JONES. My opinion is that the foreign man, who has no duty on his bulk ivory, can outbid me if I have this proposed duty to work against. He buys the ivory, and then, naturally, trade would follow. He will insist on paying, not with American cotton goods, but

with his own cotton goods. I can not insist on his buying my cotton goods, because I can not buy his ivory.

Senator SMITH. And they prefer to make the exchange rather than sell ivory and buy the goods?

Mr. JONES. They do. Long experience there and habit there account for that. When I first went in there they did not even measure it in coins. They measured it in pieces of cloth. The basis of the measure of labor even 25 years ago was so many pieces of Americano, which was their name for cotton cloth made in this country.

Senator SMITH. How rapidly has that trade grown?

Mr. SMYTH. It has grown in 30 years from 6,000 bales to 65,000, and every bale of that 65,000 last year came from southern mills. I shipped alone 20,000 bales. This year I expect to ship 22,000. I have had for a year and a half a man in my employ there traveling in these countries, exhibiting our goods and introducing our goods.

STATEMENT OF W. U. HENSEL, REPRESENTING MANUFACTURERS OF UMBRELLAS, ETC.

PARAGRAPH 393. — *Umbrellas.*

Mr. HENSEL. I appear, I think, in behalf of all the manufacturers of umbrellas and parasols in the United States. I shall leave with you a brief, that is so self-demonstrating of the single proposition we have to submit that I do not think it fair to you to take up any more time than to call your attention to this central fact, to which I think all the members of the committee have had their attention directed, and that is that the most costly component part of this product is silk, and on that there has always been the same duty as on the manufactured product.

The new tariff bill inadvertently, we think, overlooked that fact and reduced the duty on umbrellas and parasols to 35 per cent; and we are simply asking that the duty on the manufactured product be equal with that of its most costly component part.

Senator SMITH. What does the new bill leave on silk?

Mr. HENSEL. It makes the duty on silk 45 per cent and reduces the manufactured umbrella to 35 per cent.

Senator SMITH. You ask for the same duty on each, no matter at what it is fixed.

Mr. HENSEL. The same duty on the manufactured product as on the most costly component part thereof.

I think, as I say, the matter is unmistakably self-demonstrating, and I simply ask you to give attention to the illustration we use to show that in the present condition we could not compete with the foreign market, and that they could bring in their foreign silk in umbrellas to the disadvantage of the American manufacturer. I have here, and will leave with you, the representations to that effect of, I think, every manufacturer of the goods in this country.

I also desire, on behalf of a gentleman who was unable to get here, to file with the committee a brief on the subject of woven asbestos goods, involving practically the same point.

I am very much obliged to you.

FREE LIST.

STATEMENT OF MR. C. C. TOMPKINS, OF BROOKLYN, N. Y.

PARAGRAPH 430.—*Bolting cloths.*

Senator JOHNSON. What paragraph are you interested in?

Mr. TOMPKINS. Four hundred and thirty-one. I am the one who presented you a letter from Mr. Milliken, Senator.

Senator JOHNSON. Yes. You want to be heard on press cloth?

Mr. TOMPKINS. Yes, sir.

Senator JOHNSON. There has been another gentleman here, and there seems to be a reason for that. Go ahead.

Mr. TOMPKINS. I wanted to read, if you please, just a paragraph and call your attention to the language:

Bolting cloths composed of silk, imported expressly for milling purposes----

Senator SMITH. What paragraph is that?

Mr. TOMPKINS. Paragraph 431, on page 298 of this pamphlet.

Senator JOHNSON. Paragraph 431 reads:

Bolting cloths composed of silk, imported expressly for milling purposes, and so permanently marked as not to be available for any other use.

Now, this is what you are interested in--the next sentence:

Press cloths composed of camel's hair, imported expressly for oil milling purposes, and marked so as to indicate that it is for such purposes, and cut into lengths not to exceed 72 inches and woven in widths not under 40 inches nor to exceed 15 inches and weighing not less than one-half pound per square foot.

Mr. TOMPKINS. That is it; yes, sir.

Senator SMITH. That is free.

Senator JOHNSON. You say that was put in there at the instigation of four or five concerns that were interested in that particular thing?

Mr. TOMPKINS. Yes, sir; and I would like to call your attention to the fact that that language is such that no committeeman of the Ways and Means Committee could ever have used those words. It was handed in by somebody.

Senator HUGHES. What is the paragraph number?

Mr. TOMPKINS. Four hundred and thirty-one. It was put in there as though these two cloths were analogous, but they are not at all. Bolting cloths are not manufactured in this country and have not been manufactured in this country. Those goods were put on the free list in 1857. The use of camel's-hair press cloth and cotton press cloth, as represented in Senator Smith's State, has existed in this country for a great many years and has grown to considerable proportions. The industry is represented in seven States of the Union, and the argument of these oil mills is that there are eight.

Senator SMITH. The oil mills are in my State. We have got them there. They fixed this thing up.

Mr. TOMPKINS. Their argument is that their 800 or 900 oil mills should be considered by this Government, disregarding the press-cloth business. I should like to call the attention of you gentlemen to the fact that there are only six corporations, with an aggregated capital of \$231,000,000, that own those eight or nine hundred oil

mills and that dictate their policy. Senator Thomas yesterday told me, when I had the privilege of appearing before his subcommittee, that he had a number of petitions from farmers asking for free press cloths. I said: "Senator, I can not understand why the farmers could be induced to ask for free press cloths when they are themselves suffering under the dictation and grinding process of these same oil-mill people." Now they are trying to grind us in the same way.

Senator SMITH. Do you make this material here in the United States?

Mr. TOMPKINS. Yes; we make it in Brooklyn, and it is also made in Houston, Tex., and it is made in Massachusetts and in South Carolina and in Pennsylvania.

Senator SMITH. There is not any reason on earth for selecting the cotton-oil mills and letting them have this free and making everybody else who buys this pay a tax on it.

Senator HUGHES. What was the duty before?

Mr. TOMPKINS. It was under paragraph 378 before. It should not be put in here as analogous to bolting cloth when it is not. It would go automatically under paragraph 297 in this bill if that second sentence were stricken out.

Senator SMITH. That is the paragraph dealing with cloths, knit fabrics, etc.?

Mr. TOMPKINS. "Cloths, knit fabrics, felts not woven, and all manufactures of every description made, by any process, wholly or in chief value of wool, not specially provided for in this section." If that sentence—the second sentence of paragraph 331—were stricken out, it would go automatically under that paragraph.

Senator SMITH. Is it composed chiefly of wool?

Mr. TOMPKINS. Yes, sir; this is wool [indicating sample].

Senator SMITH. Is this wool [indicating another sample]?

Mr. TOMPKINS. That is camel's hair.

Senator SMITH. Camel's hair and wool are treated the same everywhere?

Mr. TOMPKINS. Yes, sir; they always have been. All we ask is to be given 35 per cent—the same as the rest of them have.

Senator SMITH. There is a good deal of it imported. It is a good revenue duty, anyhow. You do not manufacture all that is used in the United States.

Mr. TOMPKINS. There has been some imported, but the duty has been pretty high, Senator. It has been up to \$1.18 per pound.

Senator SMITH. If we put it down to 35 per cent, it would be a good revenue duty.

Mr. TOMPKINS. Then there would be a competitive chance to get duty on it.

Senator HUGHES. Should not the duty go down lower than that?

Mr. TOMPKINS. Thirty-five per cent is all we ask for. We simply ask to be treated the same as others in our line.

Senator SMITH. Is this under our schedule?

Senator JOHNSON. No; it would be under the wool schedule.

Senator SMITH. Do they make cotton-press cloths?

Mr. TOMPKINS. Yes, sir; they make a good deal of that in Senator Smith's State.

Senator SMITH. They make a little of it there; not very much.

Mr. TOMPKINS. But that business would be stricken out if this were allowed to come in free.

Senator HUGHES. Why?

Mr. TOMPKINS. Because there could be none manufactured in this country.

Senator HUGHES. There is nothing in the law to strike it out, is there?

Mr. TOMPKINS. No, sir; it would simply be killed.

Senator SMITH. There are about four substantial places in the United States where they manufacture a substitute of cotton for this, and there are only about six places in the United States where they manufacture this article.

Mr. TOMPKINS. Yes, sir.

Senator JOHNSON. If that came in free -

Mr. TOMPKINS. If that came in free, there would be none of it at all manufactured in this country.

Senator SMITH. My proposition is that if we are going to admit this kind of material free, we ought to admit it free to everybody, and not simply to the cotton-oil mill man; that there is not any possible excuse for singling out the cotton-oil mill man. We would put ourselves in an inexcusable attitude, I think, to say that the press cloth to be used in cotton-oil mills should come in free, and the press cloths to be used in other mills should be taxed.

Mr. TOMPKINS. But you see the cuteness of them in saying "cut into lengths not to exceed 72 inches," etc. That shuts out everybody else, and shuts us out, too, by that process, because then they can get it in for their own particular use, but if they do not do that it could be put into coats, etc.

Senator JOHNSON. Have you called that to the attention of the subcommittee that has the free list?

Mr. TOMPKINS. Yes, sir; I have.

Senator JOHNSON. They have that in mind?

Mr. TOMPKINS. Yes, sir.

Senator JOHNSON. You have talked with them?

Mr. TOMPKINS. I have talked with them, and Mr. Milliken wanted me to meet you and Senator Smith.

Senator JOHNSON. I am very glad to meet you.

Mr. TOMPKINS. Mr. Perkins had a conference with you, Senator Hughes, on it, too.

Senator HUGHES. Yes; I remember.

Senator SMITH. Next to Texas, Georgia has more cotton-oil mills than any State in the Union; but I just said to them: "Gentlemen, I can not support that for a moment. If the committee wants to let in free all press cloths composed of camel's hair, used for every kind of manufacturing, and classify it by itself, that is all right; but I will not vote for it just for cotton-oil mill and not for everybody that uses it." I do not see any reason for singling it out as a manufactured product to come in free and omitting the others.

Senator JOHNSON. I do not see why it should not be on the same plane as the others - 35 per cent.

STATEMENT OF E. J. BLISS, OF BOSTON, MASS.

PARAGRAPH 531. *Shoes.*

Mr. Bliss. I want to say just a few words. Mr. McElwain and Mr. King have presented our views, the reasons why, and our recommendations. And through long acquaintanceship with both of the gentlemen named we have found they have the very disagreeable habit of being right.

The company which I represent sell a great many shoes abroad, in England and on the Continent; we also sell a great many shoes in Canada. We operate a factory in Canada.

It is quite possible that we shall manufacture some shoes in Canada to import into the United States at a later date. The workmen in Canada and England are not as efficient as the American workman to-day. But they have the advantage to-day of American machinery. American lasts and American patents are rapidly being demanded, and we are now having some shoes made up on our own lasts and patents in England which I think will show quite a marked difference over the product of the average factory there.

The question of patent leather was brought up here, and I should judge that the importers of patent leather would perhaps be placed under the same disadvantage that we will be, or at least may be, because it is quite possible that the whole skins may be imported without duty.

The contemplated bill, so far as the manufacturer is concerned, looks to us like a subsidy to the foreign manufacturer, for this reason: In effect you say to the foreign manufacturer, "You can send in the various commodities which go in a shoe, with the cost of labor attached, free of charge, at least free of duty, and we will tax the American manufacturer with certain duties on all the commodities that come in without the manufacturing labor attached."

The manufacturers, I believe, as a whole do not disagree with the theory of free shoes and free commodities. But we do say if you are going to put shoes on the free list, put all the commodities that go into the shoe also on the free list. Give us an equal chance with the foreign manufacturer and we do not fear any or all of them. We are perfectly willing to take our chance. But we see no reason why any discrimination should be made upon any one or all these commodities that go into shoes.

Senator Johnson asked a question about the falling off of trade, to what it might be attributed. My answer to that would be that the retailers, the majority of retailers to-day, are feeling a falling off in trade in their spring business. They have not bought as many goods for their fall business, and the manufacturers who are making shoes for next spring business are getting still less business. So in part it is due to what may be existing conditions to-day and the still further fear of what the future may bring forth.

We are exporting to-day some shoes into Canada, in spite of the fact we have a factory there, and our stores—we operate several stores up there—are paying a duty on those shoes and selling them for a dollar more than the American prices. But we are rapidly replacing those American shoes, made here, with the shoes made in our

Toronto factory. We see no reason why the other manufacturers can not progress just as rapidly and speedily in Canada.

Senator SMITH. It is your Canadian trade only, of course, that you are supplying with your Toronto shoes?

Mr. BLISS. Our Canadian trade?

Senator SMITH. Yes.

Mr. BLISS. That is the Canadian retailer, the Canadian consumer.

Senator SMITH. The Canadian retailer?

Mr. BLISS. We are operating three stores up there, our own stores.

Senator SMITH. You do not sell that Canadian shoe back here?

Mr. BLISS. Not as yet; but we have hopes.

Senator JOHNSON. You are shipping the other way at present?

Mr. BLISS. We are shipping the other way at present; yes, sir.

Senator JOHNSON. From here over to Canada?

Mr. BLISS. Yes, sir.

Senator JOHNSON. Senator Smith wanted to know if you exported any of the Toronto-made shoes from Canada, or whether you sold them all in Canada.

Mr. BLISS. We do.

Senator SMITH. That manufacture is for the Canadian trade alone?

Mr. BLISS. Yes, sir.

Senator HUGHES. There is a duty against your Canadian shoes coming into this country at present?

Mr. BLISS. Yes, Senator; but there is no reason why we can not increase the capacity of that factory.

Senator SMITH. How does the cost of production there compare with the cost of production at your factory on this side? Where are your factories here?

Mr. BLISS. In Whitman, Mass., and Milford, Mass., and Philadelphia, Pa. We are manufacturing men's shoes in the first two places mentioned and women's shoes in Philadelphia. The labor cost in Canada to-day is higher; that is, while the piece price is lower, the cost to us is higher because of the lack of efficiency of the men. The same thing is still true in England, I believe to-day to a certain extent, although the prices there are very much lower than they are in Canada.

Senator JOHNSON. Do you use the same machinery in the Canadian plant that you do here?

Mr. BLISS. Yes, sir.

Senator JOHNSON. What is your labor there? Is it labor found in Canada, Canadians whom you employ there?

Mr. BLISS. Yes, sir. We have our superintendents from our factories here.

Senator JOHNSON. You import some men from the States over there?

Mr. BLISS. Yes, sir.

Senator HUGHES. What did you say with reference to your cost of production?

Mr. BLISS. The cost of labor is higher, due to the inefficiency of the labor there. They are slower and not as skilled.

Senator JOHNSON. And you say the same is true of England?

Mr. BLISS. Yes, sir.

Senator HUGHES. They are slower there and not as skilled?

Senator JOHNSON. He said the statement he made of Canada was true of England also: is not that what you said?

Mr. KING. Yes, sir. I thank you, gentlemen.

STATEMENT OF H. W. COOK, OF SYRACUSE, N. Y.

PARAGRAPH 521. *Shoes.*

Mr. COOK. Mr. Chairman and Senators, I had not intended to speak at all, and I will not take but a minute. But as one who has sat in all of the committee meetings of our industry which have led up to the remarks and argument of Mr. McElwain, I want to say just a word for the gentlemen who are representative men in the industry, who have sat in these meetings, that they have been actuated by a desire to be as helpful to you in arriving at a fair solution of this question as possible. And we hope that you will accept it in that spirit.

Senator JOHNSON. Without your words of commendation I should have said the same. They impressed me as being very fair-minded men.

Mr. COOK. It occurs to me personally it would be well if it could be provided in fairness to your constituents and your party if you could frame a bill which would make possible reciprocal relations so that in the case of Canada and any other countries that are holding a big duty against us we could frame a bill which would make the relations reciprocal, and give them the same duties into our country as they hold against us into theirs.

I simply offer that as a suggestion, if it could be carried out, and if shoes must be put on the free list with some countries.

There is one other thought that might be helpful with reference to cloth and threads. That is, that cloth and threads could be differentiated if you were to allow cloth for shoes to be received into this country blocked out for shoe purposes: that is, in small pieces that could be used by the pair. That would overcome any possibility of it being used for any other purpose.

Senator SMITH. Otherwise it could not be differentiated?

Mr. COOK. I do not think it could. I do not see any way by which it could otherwise.

Senator JOHNSON. They now come in here by the piece, and then they cut them up here. They would not cut it up, but they would bring it in the whole piece of cloth.

Senator HUGHES. You mean cloths cut up for shoe purposes, if they were put on the free list, brought in in that manner, could not be used for any other purpose?

Mr. COOK. That is what I say. Then you could make it dutiable for any other purpose that would make it necessary to do so.

Senator JOHNSON. Your idea is this cut cloth should be on the free list?

Mr. COOK. Yes, sir.

Senator JOHNSON. And leave the cloth in the piece on the dutiable list?

Mr. COOK. Yes, sir; because in fairness to other manufacturers it might be necessary or wise for you to put cloth in the piece on the dutiable list.

Again, threads might be allowed into this country free if wound on bobbins, which are used only on shoe machines.

I make those suggestions with the idea of those articles being differentiated.

Senator HUGHES. Are those suggestions included in a brief?

Mr. Cook. I do not think they are.

Senator JOHNSON. Put them in that form, if you will.

Mr. Cook. I will do so. I thank you.

STATEMENT OF J. L. McELWAIN, REPRESENTING THE NATIONAL BOOT AND SHOE MANUFACTURERS' ASSOCIATION, AND OTHERS.

PARAGRAPH 531.—*Shoes.*

Mr. McELWAIN. I represent the National Boot and Shoe Manufacturers' Association, the National Shoe Wholesalers' Association, the National Shoe Retailers' Association, and the New England Shoe and Leather Association.

I would like to call your attention to paragraph 535 in the free list—I believe it is 531 in the House bill. Shoes there have been put on the free list. We want to protest for reasons we think we can give, and suggest that you put at least some duty on shoes.

I will give you a little history of the shoe business as it stands to-day. The shoe business amounts to a volume of about \$500,000,000. The capital invested is about \$220,000,000. There are about 1,500 shoe manufacturers. There are over 600 shoe jobbers. There are over 100,000 merchant-handling shoes.

We feel that there is very severe competition existing in the shoe business to-day, and we do not feel that we need outside competition to increase or to improve our efficiency.

We feel there is absolutely no taint of monopoly existing. The largest concern does not do a business over 1 per cent of the total, so that you cannot elide the effect of a monopoly in the shoe business. There is no pool or pooling agreement in the shoe business, and there never has existed one. So we do not feel that you can bring that charge against us.

We would like to call your attention to the very close margin of profit that exists in the shoe business to-day. The margin of profit is about 5 per cent as a maximum and 3 per cent is the minimum, or an average of about 4 per cent on the turnover. That would really represent about 10 or 11 per cent of the capital invested.

We do not think you should ask the shoe industry to work with any closer margin of profit than is represented there. So, if there is any change coming about, it can not be taken from the profit.

The conditions are so competitive to-day that there are many shoe manufacturers—largely the small ones—who are on the ragged edge, and if we inject any severer competition there is trouble likely to occur, and, as a matter of fact, it is occurring on account of the tariff agitation.

Many of the banking interests to-day fear that the shoe manufacturers—principally the smaller ones with small capital—can not meet the conditions that are going to confront them. What do they do? They withdraw their credit and the little manufacturer has to go out of business.

I can state as a fact that within the last month there have been four or five small manufacturers come to me asking for assistance of some sort, for the reason that credit is withdrawn, and the credit is withdrawn it is stated on account of the fact that the bankers did not have confidence that they could meet the competition which they thought would exist. Whether it was right or wrong it did not make any difference. It was in their minds.

Senator HUGHES. I notice that in 1905, when the tariff was 25 per cent, there were imported \$37,000 odd worth of shoes, and in 1910, when the tariff was down to 15 per cent, there was imported only \$8,000 odd worth altogether. If shoes are put on the free list they might shut off imports altogether.

Mr. McELWAIN. I hardly think those figures are correct, Senator Hughes. I may be mistaken in that. I have figures here. I find I have not the figures. You may be correct, Senator.

Senator HUGHES. That is the way the Treasury puts them up.

Mr. McELWAIN. As a matter of fact, to say there are imported \$225,000. It is a small amount, we will agree.

Senator HUGHES. For what year?

Mr. McELWAIN. That was 1911. Do your figures jibe with that?

Senator HUGHES. The year 1912 shows only \$25,000 worth.

Mr. McELWAIN. I know as a fact, Senator, that the imports were at least \$225,000.

Senator HUGHES. The figures I have given you were the duties.

Senator SMITH. Not import values, Senator.

Senator HUGHES. The import values were \$1,100,000 when the tariff was 25 per cent, and \$37,000 when the tariff was 15 per cent.

Senator SMITH. And in 1912, \$98,000.

Mr. McELWAIN. That is not a fact. The imports into New York City alone, from figures which I have here, for the year 1912, were \$52,000. That is, New York City alone. I know that the total imports were at least \$225,000.

Senator JOHNSON. What year is that?

Mr. McELWAIN. That is the year ending June 30, 1912.

Senator HUGHES. The consular report puts it at \$80,000 worth in 1911 and \$102,000 worth in 1912. That is in round figures.

Mr. McELWAIN. I have a statement here from the Department of Commerce and Labor dated January 28.

Senator HUGHES. I might state that is from England alone.

Mr. McELWAIN. Oh, yes. Then you would probably accept \$225,000.

Senator SMITH. That would be \$225,000 against \$500,000,000 consumption. That is a trifle.

Mr. McELWAIN. Yes; it is.

Senator HUGHES. I understand the position you take is that there has not been very much in the way of importation, but this is a proposed reduction of 15 per cent?

Mr. McELWAIN. Yes. It is a proposed reduction of 10 per cent on calf; on kid it is nothing.

I might state that we need a competitive basis, but in that position we question very much whether the imports would increase rapidly. I question whether they would. I feel positive, however, they will increase. They are increasing under the present duty, but it does not

amount to a great deal. Put on the same basis we question whether the foreign manufacturer could secure a large volume of our business on the same basis.

If you really want imports to come in you have to subsidize them.

Senator SMITH. If we have to subsidize them to bring them in, then there is no danger to our trade if we do not subsidize them and simply levy no tariff at all.

Mr. McELWAIN. If you will let me explain the cost of labor, I will answer that question. The daily relative wages—that is not the cost per unit; it is simply the relative wages—of the shoes in foreign countries, as compared with this country, are as follows: England, 46 per cent; Scotland, 50 per cent; Ireland, 52 per cent; Germany, 46 per cent; France, 33 per cent; Switzerland, 36 per cent; Denmark, 42 per cent; and Norway, 36 per cent. That is the relative wages, not the comparative costs per unit.

Senator HUGHES. From which country do you get the most importation?

Mr. McELWAIN. The most of the importations, I think, come from England.

Senator SMITH. With the small importation compared to consumption, we might actually conclude the importations were more novelties than practically a matter of business—only \$200,000 importations as against \$500,000,000 consumption.

Senator HUGHES. I think he has admitted that. I think Mr. McElwain's chief objection to the proposed law is that he is taxed on a good many things that go into the manufacture of shoes.

Mr. McELWAIN. That is what I would like to come to in a minute.

The relative cost per unit of production in the United Kingdom is 60 per cent of what it is in this country—60 per cent of the labor cost.

Senator JOHNSON. We have the figures here from the Department of Commerce and Labor, and I find we exported to the United Kingdom, England, Scotland, and Ireland, in the year ending June 30, 1911, something like \$1,500,000 worth of boots and shoes.

Mr. McELWAIN. Yes, sir; I would like to explain that.

Senator JOHNSON. And you say the importations we get come from the United Kingdom. We are sending over there, paying ocean freight, and insurance, and selling in England \$500,000 worth of shoes at the door of the British factory, are we not?

Mr. McELWAIN. Yes, sir.

Senator SMITH. More than five times as much as they send here?

Mr. McELWAIN. Yes, sir.

Senator JOHNSON. How does the labor cost enter into this at all when it is the fact that we do that thing—send our shoes over there and undersell them at home?

Mr. McELWAIN. I will tell you, Senator Johnson. In the year 1912 we exported to England \$1,694,000 worth of shoes. In the year 1903 we exported \$2,210,000, or a decrease of 24 per cent.

Senator JOHNSON. That is to the United Kingdom?

Mr. McELWAIN. That is to the United Kingdom; yes, sir. If the same conditions existed to-day as existed then, we would not be exporting \$500,000 worth of shoes to the United Kingdom. The reason why our exports increased so rapidly and amounted to that amount,

was on account of the fact that we excelled in style, we excelled in fitting qualities-----

Senator SMITH. That is, that we make a prettier, better shoe?

Mr. McELWAIN. We made a better shoe; yes, sir. The English manufacturer at that time was very economical. We, to him, were extravagant. We made shoes three, four, and five wide. The English manufacturer at that time was making shoes four and five wide only. If you had a three wide foot you had to have a shoe made to order, unless you bought a cheap shoe and was not particular about it.

The English manufacturer studied that and found out the reasons why. He immediately proceeded to copy our methods, and the moment he proceeded to copy our methods our imports decreased, and decreased so rapidly that the manufacturer who had developed a large volume of business was forced to start his own stores. So that, in our opinion, 70 per cent of the imports to England to-day are sold through stores controlled by the manufacturers of this country. If it were not so, we would lose the 70 per cent. We absolutely can not compete with the English merchant in his own market to-day.

Senator JOHNSON. Let us take another case. Take Canada, a British Province.

Mr. McELWAIN. Yes.

Senator JOHNSON. With a differential in favor of British goods?

Mr. McELWAIN. Yes.

Senator JOHNSON. A differential in favor of British boots and shoes. How much is the differential in her favor?

Mr. McELWAIN. I am sorry I do not know.

Senator HUGHES. I think it is 20 per cent.

Senator JOHNSON. I find that importations to Canada—where we compete with the British manufacturer and there is a differential in favor of British boots and shoes—have increased from \$1,192,000 in 1907 to \$1,759,000 in 1911. Therefore, in the Canadian market, while the British boots and shoes have an advantage over our boots and shoes, we have been gaining in that market more than we lost.

Mr. McELWAIN. That is a little more difficult to explain.

Senator HUGHES. Nevertheless, you will attempt it?

Mr. McELWAIN. Nevertheless, I will attempt it; yes. [Laughter.] We find, Senator Johnson, that we are increasing rapidly in what you might call nonmanufacturing countries. You can not say that Canada is a nonmanufacturing country. Nevertheless, they are not large manufacturers. They manufacture in small units, and they are not as yet on an economical basis. They do, however, demand and want American shoes, American styles, and American methods. The English manufacturer is extremely slow as a merchant in taking care of his customers from the standpoint of service. I think the manufacturers in this country excel in that respect. They carry large stocks and can supply goods in a very short time, whereas the English manufacturer, as a rule, requires two or three months to fill his order—and we would say that that fact has something to do with it.

First they want our style and they are willing to pay a little more for good service. In addition to that the American manufacturers are already in Canada, the American manufacturers are already planning to go to Canada, because they see an advantage in manufacturing in Canada.

But to get back to your question, I feel that it is due to that fact that the Canadian wants our service, wants our style, and is willing to pay more, because it is a fact, as I can show you in a few minutes, that they can produce shoes very much cheaper.

Senator JOHNSON. You think they like our styles better. Do you not think an American likes an American style as much as a Canadian would like the American style?

Mr. McELWAIN. I do. Now, if we open up a field so large that an English manufacturer can take advantage of it and adapt himself, adjust himself, to our styles and our methods—

Senator SMITH. You are afraid he will change his style of manufacturing shoes and get to be as stylish as we are?

Mr. McELWAIN. Yes, sir; we do, and if there is a limit enough, we think he is a poor merchant if he does not take advantage of it.

We are increasing to nonmanufacturing countries in Europe and we are decreasing to manufacturing countries. This, for instance, at a glance will show you the increase on shoes [indicating a chart], the increase in the United Kingdom and France, and the rapid increase in the United States' shipments to France. You see how rapidly they are increasing. That last line represents our shipments to France, and the other represents the United Kingdom shipments to France. You will see we are not winning, as compared to England, in France. There is no question about that point.

We shipped in 1910 to France \$270,000, while the United Kingdom shipped \$1,521,000. If the English merchant has adapted himself to the French custom, and if the Frenchman like the English style, I think we can readily infer they would ultimately change their style to meet conditions here.

As to labor cost, the cost of producing a shoe that wholesales for \$2.85 in this country, in New England, averages 61 cents. The cost of that shoe at the same price in England averages about 37 cents, or a 24-cent saving in labor alone.

I think we can prove that not only by facts which we will present in our brief, but also by exhibits later. They not only save in that respect, but we think they save in overhead expenses. Their superintendents, for instance, get maybe \$1,200 or \$1,500 a year, while in the factories here they get nearer \$3,000 or \$3,500. It is the same all the way through.

But we know we are right when we quote those figures as to labor. We can not however, give any specific figures on the question of overhead expenses.

We feel that a readjustment will finally prevent our putting—at least increasing our wages to our employees, and we feel quite positive they will decrease. As a matter of fact the wages have already decreased. Our production has fallen down 15 or 20 per cent, and when the production falls down 15 or 20 per cent the wages decrease. Not only that, when the wages decrease and the production falls down, the overhead expense, the cost of manufacturing increases, because you carry that dead machinery, that dead space; and the balance of the product has got to carry that which you lose there. That is going on to-day.

As a matter of fact, the wages have decreased already, not that the manufacturer has changed his price, his piece price, of day labor or hour labor. But the fact is he is operating two-thirds capacity.

Some of the large factories have been running two-thirds time. In other words the wages have decreased already one-third. At the same time the cost of manufacturing has increased. I feel that is a serious situation.

Senator JOHNSON. To what do you say is due the fact that the production has fallen off? You say it has fallen off.

Mr. McELWAIN. The production has fallen off: yes.

Senator JOHNSON. You say to the extent of 15 to 20 per cent?

Mr. McELWAIN. Fifteen to twenty per cent: yes, sir.

Senator JOHNSON. That is not due to any falling off in our export trade, because that has been increasing.

Mr. McELWAIN. It is domestic consumption.

Senator HUGHES. Recently, you mean?

Mr. McELWAIN. Yes.

Senator JOHNSON. In what time has it fallen off?

Mr. McELWAIN. In the past three or four months, I should say.

Senator JOHNSON. The tariff does not affect our export trade at all, of course?

Mr. McELWAIN. No.

Senator JOHNSON. Because we compete in other countries, in neutral countries, with the manufacturers in those countries?

Mr. McELWAIN. Yes.

Senator JOHNSON. In Oceania, in every continent, in Africa and South America. We have no advantage there, but still the exports seem to have been increasing all the time of boots and shoes.

Mr. McELWAIN. Yes.

Senator JOHNSON. We hold our own in Europe pretty well. I find here that in 1907 we exported to Europe \$3,000,000 worth of shoes, in round numbers; and in 1911, \$3,300,000. We have not lost out in Europe in those years.

In North America we increased from \$6,100,000 to \$8,400,000. There we gained.

In South America in 1907 our exports were \$458,000, and in 1911, \$922,000. To Oceania our exports amounted to \$192,761. In Africa, from \$130,000 in 1907 to \$202,000 in 1911.

We do not seem to be falling off there.

Mr. McELWAIN. We are not falling off.

Senator JOHNSON. The tariff in no way affects the trade, because we go into neutral countries and compete with other countries under the same conditions.

Mr. McELWAIN. No; but even if that—

Senator JOHNSON. Sometimes they have an advantage over us, as in Canada, where the British manufacturer has an advantage over us because there is the differential there.

Mr. McELWAIN. Yes.

Senator JOHNSON. But still we get in there and meet him with that handicap?

Mr. McELWAIN. There [indicating on chart] are the exports of the United Kingdom to France and Germany, that line there [indicating]: this is our line [indicating]. In other words, they are increasing a great deal more rapidly than we are.

Senator JOHNSON. Then, if the production falls off, it is not because of the exports, but because of the consumption in this country?

Mr. McELWAIN. Absolutely.

Senator JOHNSON. And what little we have of importation into the country does not affect home consumption yet?

Mr. McELWAIN. No; it does not. It is the fear of what might happen that is causing the hesitation and is causing the falling off in production in this country.

Senator JOHNSON. I suppose at present you mean to say the manufacturers want to know the conditions under which they must manufacture. They are halting a little to find what those conditions are to be?

Mr. McELWAIN. Yes. The buyer is halting.

Senator JOHNSON. As to what is to be done regarding leather and other articles that enter into the manufacture of shoes?

Mr. McELWAIN. Yes.

Senator JOHNSON. I can see that naturally they would want to know what the conditions are to be.

Mr. McELWAIN. I tell you the buyer is halting for the reason that he if possible would like an additional club in his hand to beat down the manufacturer in this country, and if he can buy shoes abroad he can use that as a club to beat down the prices.

I have shown you, I think, that it is not possible for the manufacturers of this country to be beaten down in prices without trouble. That is one of the unfortunate things.

We would like to state that the American shoes are not sold abroad at any less price than they are in this country, and you can not bring that charge against this industry. I think we were successful in proving that to Congressman Harrison, who felt that we were not correct in making that statement.

I would like to show you a few shoes that we cabled for, about a month ago, to illustrate what they were selling shoes for abroad, and in that connection we would like to quote prices of the shoes in this country. What we want to lead up to is this: We feel that we should have a duty. If you do not see fit to give us a duty we simply want to be put on the same basis as the English manufacturer and we want free raw materials, that enter into our product.

Senator JOHNSON. I am very much interested in that part of it.

Mr. McELWAIN. There is a shoe [exhibiting the same] that is marked to sell at 8 shillings 11 pence, or, in American money, I believe, \$2.14.

Senator HUGHES. Is that an English shoe?

Mr. McELWAIN. That is an English shoe. That was on sale a month ago. That shoe is sold to the retailer at about \$1.70 a pair.

Senator SMITH. And is sold at retail for \$2.14?

Mr. McELWAIN. Yes; \$2.14. The price to the retailer, the factory price, is \$1.70. Now, as a matter of fact to copy that shoe identically in this country, our cost would be \$2.26 a pair.

Senator JOHNSON. We could make a better shoe than that.

Mr. McELWAIN. We could make it more sightly.

Senator JOHNSON. We could beat him.

Mr. McELWAIN. That is just what sells our shoe abroad. It is the appearance. It appeals to the eye, but the Englishman is keen enough to know what appeals to the pocketbook, and that is what that shoe does.

Senator SMITH. That is an English manufactured shoe?

Mr. McELWAIN. Yes. It is made with nice duck lining, sole-leather counter and sole-leather box toe, and a thoroughly good shoe.

Senator SMITH. But it would not sell well in the American market?

Mr. McELWAIN. No; but see how simple it would be to change that in such a way that it could sell in this market. We agree they are not quick, and even if shoes do go on the free list we are not afraid that this country would be flooded immediately with shoes. It will not. They are not keen enough to grasp the opportunities, and in the second place I do not think they have the facilities.

Senator SMITH. Is this the other half of the same shoe [indicating]?

Mr. McELWAIN. Yes. It has nice half-duck lining, a good inner sole, a good outer sole, and a good counter—a thoroughly good shoe. In fact, the concern which I represent would not want to take an order on that shoe for much less than \$2.20 a pair.

That shoe—shoe No. 1—was a box-calf shoe.

This shoe [indicating]—shoe No. 2—is one of the cheapest processes in the manufacturing of shoes. It is made in the Goodyear process—a very comfortable and a very good shoe. That shoe in England, as you will see by the price that is marked on the shoe, is 10s. 5d., which is \$2.50 a pair to the retailer, and the manufacturer's cost is \$2 a pair. To make that shoe we would want—

Senator SMITH. \$3.50 you have this marked.

Mr. McELWAIN. Evidently somebody guessed at the retail price of that shoe in this country. I had given this over to some one else, and that individual guessed that shoe would retail at \$3.50. As a matter of fact, it retails for \$2.50 in England, and the man guessed very nearly right, because the price of that shoe in this country to the retailer would be about \$2.40, and for which he would want about \$3.50 for the shoe.

I will show you the interior construction of that shoe [illustrating]. You see, it is a thoroughly good shoe. It has a nice duck lining. This country does not use a lining as good as that. Senator Hughes, does not that look like a pretty good shoe for \$2.50?

Senator HUGHES. Yes; it is.

Mr. McELWAIN. Shoe No. 3 [indicating] is a gun-metal shoe, which retails in England for 16s. 6d., or, in our money, \$3.96 a pair. The manufacturer's price is \$2.85 a pair. In this country we would have to get \$3.20 a pair for that shoe, and the retail price in this country would be \$4.50.

That [indicating] shows the construction of that shoe. The workmanship in that is a little better—a little more sightly. That man operates a chain of stores very successfully. He has invaded England, and he is now going into Germany and other countries.

Senator SMITH. At what does he sell that shoe in England?

Mr. McELWAIN. In England the retail price is \$3.96 a pair. That is the price to the consumer; the price to the retailer is \$2.85 a pair.

Senator SMITH. And you said it would cost the consumer in this country \$4.50?

Mr. McELWAIN. \$4.50 in this country.

Senator SMITH. Sixty cents waste by the American buyer.

Senator HUGHES. He does not look on it as waste altogether: do you?

Mr. McELWAIN. No.

Senator SMITH. Sixty cents loss, then.

Mr. McELWAIN. If we want to deduct 24 or 25 cents on labor, we can compete with him.

Senator SMITH. But the shoe is made here and sold in England. I thought you said.

Senator HUGHES. No; it is made over there.

Mr. McELWAIN. That is an English shoe that in this country would cost the consumer \$4.50.

Senator SMITH. I misunderstood you, then. I thought you spoke of a house that had established a chain of stores.

Mr. McELWAIN. That was an English house.

Senator SMITH. I thought you had been referring to an American house that handled a great many shoes abroad.

Mr. McELWAIN. No. Here is shoe No. 4, a box-calf shoe. That retails in England for 14s. 6d., or, in our money, \$3.48 a pair. The price over there to the retailer is \$2.60 a pair. In this country we would have to get \$2.77 for that shoe in place of \$2.60.

Senator JOHNSON. What kind of shoes do we send over to the United Kingdom—as to the price, I mean?

Mr. McELWAIN. We send shoes largely that retail from four to five dollars a pair. They are sold, many of them, to American tourists and to people who want American styles and American fashions. As I stated before, 70 per cent of them go through stores controlled by the manufacturers in this country.

Senator HUGHES. They are mostly shoes that have a trade name?

Mr. McELWAIN. Yes, sir; shoes that have a trade name, advertised shoes.

Senator JOHNSON. You get the same price over there that you get here?

Mr. McELWAIN. Yes.

Senator JOHNSON. You get a profit there?

Mr. McELWAIN. Yes.

Senator JOHNSON. On your \$4.50 shoe?

Mr. McELWAIN. Yes, sir.

Senator JOHNSON. And you get a profit in Canada, I suppose?

Mr. McELWAIN. Yes, sir.

Senator SMITH. Do you think a considerable part of your exports are for American trade abroad?

Mr. McELWAIN. We do, to manufacturing countries like England, Germany, and France.

Senator SMITH. That is what I mean. England, Germany, and France.

Mr. McELWAIN. Yes.

Senator SMITH. It is the American abroad who likes the American shoe?

Mr. McELWAIN. Yes; he buys the Walkover shoe or the Regal shoe here and buys them over there if he can get them.

Senator JOHNSON. They are not all Americans up in Canada who are buying those shoes.

Mr. McELWAIN. No, sir; they are pretty nearly Americans, though, the whole crowd of them.

Now, we feel that we deserve a duty——

Senator HUGHES. I sympathize with your views to some extent in that I do not like to see a manufacturer paying a tax on his raw materials, whether he can do it or not, because the time may come when he can not do so and compete with the man who gets his raw materials free. But it is difficult to understand how, if your margin is so close in the United States on a pair of shoes, how you can pay that duty going into Canada and sell there and make a profit.

Mr. McELWAIN. Canada is not an efficient manufacturer to-day. The population is not large enough to enable him to specialize the way we are able to specialize in this country. He is growing more so, and as the population increases there is no doubt but what he will increase. I am inclined to think in time our exports, unless the tariff is changed to Canada, will not increase; they will decrease the moment they are able to compete with us there.

Shoes are the only things of wearing apparel that you have put on the free list. You have put leather on the free list, and if you insist on putting shoes on the free list we are very thankful for your having put leather on the free list, and we hope it will stay there, but there are other items that you have not touched.

Senator HUGHES. There are some gentlemen in here who think there ought to be a differentiation between ordinary leather and patent leather. What do you say about that?

Mr. McELWAIN. Of course we dislike frankly to tear down any other industry, but for our own salvation we request free raw materials, and we think it is the only consistent policy that you can pursue.

Senator HUGHES. What percentage of shoes are made from patent leather now that you sell, roughly?

Mr. McELWAIN. Roughly, 12 or 13 per cent.

Senator HUGHES. Is there not practical difficulty in an administrative way of determining whether patent leather entered for import can be used for shoe purposes or only for some other purposes?

Mr. McELWAIN. I should think it could be easily differentiated.

Senator SMITH. A party furnished us four pieces here on Saturday and defied any customhouse official to tell which they were to be used for.

Senator HUGHES. A gentleman who suggested a classification took that material before it had reached that stage, and said that certain hides, certain skins coming in, were suitable for shoe purposes and others were not, and that classification would be attempted before that stage was reached, as I understood it. I thought perhaps Mr. McElwain could throw some light on that.

Mr. McELWAIN. I think I could tell myself. It might be difficult for a customhouse officer.

Senator JOHNSON. The Government expert said he could tell.

Senator HUGHES. But that was before it had reached that stage.

Senator SMITH. They had advanced the stage before they brought it before us in those small pieces.

Senator HUGHES. Coming in in that way it would be impossible to tell, I should say.

Mr. McELWAIN. I feel that the patent-leather shoes should remain on the free list, provided shoes remain on the free list. Of course, if you put a duty on shoes we do not care what you do with the rest.

I would like to have Mr. King enumerate the other items that are now dutiable that enter into the manufacture of shoes.

STATEMENT OF LAIRD H. SIMONS, SECRETARY THE MOROCCO MANUFACTURERS' NATIONAL ASSOCIATION.

PARAGRAPH 334.—*Glazed kid.*

Mr. SIMONS. I appear in reference to fancy leathers.

Senator JOHNSON. We will ask you to be brief. We have kept waiting here all day some gentlemen who came by appointment—lithographers—who are anxious to be heard.

Mr. SIMONS. I want to call your attention to paragraph 370, Schedule X. The original bill as prepared by the Ways and Means Committee in the House, gave us the protection of 15 per cent which we asked for in a brief filed over there. In the later bill the protection is entirely cut out for glazed kid—

Senator JOHNSON. We had a leather expert from the Treasury Department go over that schedule, and he has suggested an amendment. Have you seen that suggested amendment?

Mr. SIMON. No, sir.

Senator JOHNSON. Putting in under that schedule seal, sheep, goat, chamois skins, bookbinder's calf skins, and other skins; pianoforte, pianoforte action, and glove leathers.

Mr. SIMONS. Well, sir, the articles I am representing are intended solely for shoes, intended for shoe leather; and we would like to have the duty restored.

Senator JOHNSON. We put boots and shoes on the free list.

Mr. SIMONS. Yes, sir; I know. We think we can show a reason for our request.

Senator JOHNSON. That is contrary to the policy we follow, that if we put boots and shoes on the free list it would hardly seem logical to put the leather from which they are made upon the dutiable list.

Mr. SIMONS. Glazed kid is a trade that is in a peculiar position. It is an American development, and for 10 or 15 years, up to about 5 years ago, America controlled the world's market. But the European manufacturers in France and in Germany to-day have made great strides in protecting this leather.

The American markets for shoe purposes are consuming only the lower grades of glazed kid. We are exporting throughout the world the higher grades, but are able to sell the cheaper grades here.

Germany and France have not been able to make a sufficient amount of the higher grades to supply their own markets, because they can not sell their cheaper grades.

If you gentlemen remove the protection which we have in this country on the lower grades, it will enable France and Germany to

make a sufficient amount to supply themselves with the better grades and flood this market with the cheaper grades.

Senator JOHNSON. Then we ought to put a duty on boots and shoes; that is what that would lead to.

Mr. SIMONS. Senator, I am not arguing from the shoe standpoint, but for an industry that has produced about forty millions of business for the United States, the larger portion of it being exported and the cheaper grades sold here. If you shut us out of this market from the cheaper grades, this industry is practically finished.

Senator JOHNSON. You export your better grades?

Mr. SIMONS. We export our better grades.

Senator HUGHES. You pay a duty to get into Germany?

Mr. SIMONS. We do, sir; quite a heavy duty.

Senator JOHNSON. Do you export to Canada?

Mr. SIMONS. A very small amount. Canada manufactures almost enough to take care of herself. The great manufacturing centers are France and Germany. England manufactures some small amount.

You see, these two countries have a big production of their cheaper grades, which are the hard things to dispose of. The cheaper grades must be sold. They are in England and in America.

We think that this brief must have impressed the Ways and Means Committee in originally filing it, so that they gave the protection we asked. We do not know why it was removed. We would like to submit it for your further consideration.

Senator JOHNSON. We will be glad to take it.

Mr. SIMONS. Another point we would like to draw to your attention is the question of the ruling on hair in paragraph 314 of Schedule K.

Senator JOHNSON. We do not have that schedule; that is the wool schedule.

Mr. SIMONS. Yes.

Senator JOHNSON. We do not have that. That should be taken up with the other subcommittee.

Senator SMITH. You want the hair of the Angora goat made free?

Mr. SIMONS. Here is a sample of the mohair that is desired to be protected, we believe; and the way the matter is worded herein—the Angora hair, which is of comparatively little value—

Senator JOHNSON. You ought to present that to the subcommittee which has Schedule K under consideration.

Senator SAULSBURY. If you will permit me, Senator, I think I may possibly be able to explain that. This hair question is where there is a tax on hair which comes in on skins.

I want to impress you with the importance of this trade. One factory in my town manufactures 24,000 skins a day. That is simply one factory, and there are a number of other factories. I give you the largest one. It is a particularly large industry, as 24,000 goats have to die each day for that one factory.

These skins are brought from all over the world, and some of the skins they use have this hair upon them. While that hair or wool is on the free list, yet if it comes in on these skins they have to pay a duty on it, which interferes with their product.

I desired merely to call your attention to that feature of it, and I think therefore it is a subject which might come under your jurisdiction.

Senator SMITH. You are talking on the subject from the standpoint of skins with hair on them?

Mr. SIMONS. Yes, sir. The hair is not dutiable, if it is off the skins, and the skins are not dutiable if they have no hair on them; and yet if the hair is on them it is dutiable.

Senator SMITH. That does not seem to be very logical.

Senator SALSBUURY. It is a very peculiar condition.

Mr. SIMONS. This [indicating] is the kind of hair that it is sought to protect with 20 per cent, and this [indicating] is the kind of hair on the angora goat skin. In Schedule K the hair on all similar skins apparently is taxed 20 per cent.

Senator HUGHES. Is this fancy leather?

Mr. SIMONS. No, sir; it would not be termed fancy leather. The term on the market is glazed kid.

Senator HUGHES. Is that leather that goes into the manufacture of shoes?

Mr. SIMONS. Yes, sir; entirely.

Senator SMITH. That leather which comes in with the hair on it does not go into shoes?

Mr. SIMONS. Yes, sir; the raw material comes in for us to tan into leather—the skins with the hair on. The United States produces practically no goats. I believe there are a few raised down in Texas, and I have been told it was for the protection of the few in Texas that this 20 per cent on mohair was levied.

Senator SMITH. I should think that paragraph 314 in Schedule K would go out anyhow; I do not see why the goats should have any advantage over the sheep.

Mr. SIMONS. Well, sir, in providing for the free admission of hair, under paragraph 653, page 129, there is no mention of bringing in goat hair free at all. The hair of the camel and one or two others is provided for; and it would be a serious thing to the leather man if the hair of the goat was taxed.

Senator SMITH. Why does that affect the leather man?

Mr. SIMONS. Because we import practically all of our goatskins.

Senator SMITH. And you import them with the hair on?

Mr. SIMONS. Yes, sir.

Senator SMITH. Why do you bring them in with the hair on?

Mr. SIMONS. Goats do not come from countries that are highly civilized and have facilities for tanning.

Senator SMITH. They have to be tanned after they get here?

Mr. SIMONS. They have to be tanned after they get here; that is our business, the tanning of them.

Senator SMITH. If it came in dressed, it would not have to pay any tax at all?

Mr. SIMONS. No, sir. If the skin was tanned, it would come in free.

Senator HUGHES. But, if you were bringing in this material in its raw state, under the language of this bill you would have to pay 20 per cent on the hair of the angora goat?

Mr. SIMONS. Yes, sir.

STATEMENT OF MR. J. O. WARDWELL, OF NO. 84 STATE STREET, BOSTON, MASS., REPRESENTING THE ST. CROIX PAPER CO., THE GREAT NORTHERN PAPER CO., AND THE BERLIN FALLS PAPER CO., OF BERLIN FALLS, N. H.

PARAGRAPH 573.—Paper.

Mr. WARDWELL. Mr. Chairman and gentlemen: I appear in relation to paragraph 573. In the first place, I desire to say, Senators, that I do not wish to enter into a discussion as to the placing of paper upon the free list. I have my own personal views concerning that subject. I am not a paper manufacturer. I know very little about the paper trade and its condition, and I should feel that I was wasting your time and my own, after that matter has been discussed so thoroughly for the last few years, if I were to enter into a discussion of that side of the question. However, I have a decided view that there should be a protective duty upon paper under 2½ cents per pound, which is now placed upon the free list. But that is not the particular side of the question that I desire to present to the committee this morning.

In 1897 the Canadian Government entered upon what was possibly a new step for them, offering every inducement to the people, not only within their borders but without, to engage in manufacturing enterprises within their own Provinces. In that year British Columbia and Ottawa and Ontario passed laws simultaneously compelling the manufacture of wood-pulp wood cut upon the Canadian side of the line into wood pulp on that side of the line.

Senator SMITH. We are familiar with that.

Mr. WARDWELL. Very well. Quebec, at the time of the passage of the Canadian reciprocity act, and while it was pending, also passed similar legislation. New Brunswick, at the session of Congress that passed Canadian reciprocity, also passed a law providing that pulp wood should not be exported from New Brunswick.

At that time thousands of timber leases had been issued in New Brunswick to American citizens, selling them timber berths, as they were called, to cut timber upon the Canadian side and transport it. I will not tire you with reading the conditions in those leases, but the conditions granted to the man who bought the timber berth the right to cut, take, and carry away. After the passage of the act in New Brunswick forbidding the exportation, a provision was added to all renewals of those timber berths, which have to be renewed every year notwithstanding you have a 25-year lease; they simply renew it to operate for another year. All of those contained the provision that that timber was subject to the act of 1911, which prohibited the exporting of pulp wood beyond that Province.

In December of 1912 Quebec freed its Crown lands belonging to certain paper mills located upon the Canadian side of the line of restrictions on export of wood. These mills were paper mills and not pulp mills. They cut their wood, made it into pulp, and then made it into paper and sold it in the American market. Americans who owned the same kind of leases that they did were forbidden the right to have their lands freed; and although they were owned by American paper makers upon the American side of the line who

had bought those timber berths for the purpose of a wood supply, they were absolutely turned down by the Canadian Government and were absolutely forbidden to bring wood out of the Province.

I desire to call the attention of the committee to the correspondence upon that particular branch of the case.

The Saguenay Lumber Co.—

Senator JOHNSON. Where is that located?

Mr. WARDWELL. In Portland, Me.—the Saguenay Lumber Co. had certain timber berths, as they were called, in the Province of Quebec. Their business was manufacturing sawed lumber, but in the manufacture of sawed lumber they had a great deal of waste. The tops of the logs and the bottoms of the logs and small logs that were cut at the time of those operations were not suitable for anything but pulp wood. Canada just previously had released the lands of the "Big Four," as they are called—the Price Porritt Lumber Co., the Laurentide Co., the Wyagamack Paper Co., and the Belgo-Canadian Pulp & Paper Co. They had released their lands. The Saguenay Lumber Co. owned lands adjacent to these lands and were engaged in cutting lumber. They corresponded with the Canadian Government after those lands that were owned by the "Big Four" were released; and here is the correspondence:

PORTLAND, ME., *January 6, 1913.*

THE HONORABLE PREMIER OF THE PROVINCE OF QUEBEC,

Quebec City, Quebec.

SIR: Your letter of November 28 was duly received, acknowledging ours of the 27th. I am informed that under date of December 31, 1912, an order in council was passed removing all prohibitions or restrictions in any wise relating to the exportation of pulp wood, paper, paper board, or wood pulp from certain specified Crown lands, timber berths, or licenses. As our timber holdings in the Province of Quebec are all Crown lands, acquired and held, we believe, under precisely the same conditions governing those cited in the order in council above mentioned, we presume we are, upon proper application, entitled to enjoy the same exemption. Will you kindly advise us at once on this point? We desire the information for use not only to our own advantage, but also to the advantage of the Provincial revenues.

Yours, very respectfully,

SAGUENAY LUMBER CO.,
C. W. MORTON, *Treasurer.*

The answer received was as follows:

PROVINCE OF QUEBEC,
OFFICE OF THE PRIME MINISTER,
January 21, 1913.

C. W. MORTON, Esq.,

Treasurer of the Saguenay Lumber Co., Portland, Me.

DEAR SIR: In reply to your letter of the 6th instant, I must state that the order in council of December 31, 1912, to which you refer, has been adopted in favor of four companies which convert into paper in the Province of Quebec the timber they cut on Crown lands. As you are not in the same position we can not make the same exception for your company.

Yours, truly,

LOMER GOUIN, *Prime Minister.*

The Riordon Pulp & Paper Co. made application at substantially the same time, and they were refused.

Senator JOHNSON. Where are they located?

Mr. WARDWELL. They have offices in Canada. I think it is a Canadian company. I am not sure. The Berlin Mills Co., of Berlin Falls, N. H., with their main office at Portland, also made a request

of the Canadian Government to release their lands, and they were refused.

They having absolutely shut out pulp wood for our use, the raw material—the next step is pulp. I say “the next step,” for the reason that at this very session of the Parliament of New Brunswick, 3 George V, 1913, under title 1, the following act was passed:

The lieutenant governor in council is hereby authorized to issue licenses upon the 1st day of August next of two kinds, namely: A license to be known as pulp and paper license, which shall contain, as a part of its conditions, the following provisions and requirements: At least 50 per cent of the lumber cut yearly upon the said Crown lands under such license shall be manufactured into pulp and paper or other manufactures of pulp within the Province of New Brunswick; that the licensee agrees upon taking out the license that he shall acquire or erect and operate a pulp mill within three years from the date of taking out of such license, and that he shall acquire or erect and operate a paper mill or other mill which manufactures goods into which pulp largely enters as raw material.

In other words, the New Brunswick licenses on which the Americans depend to-day on next August will have written into them, before they are renewed, a provision that within three years they shall build upon the Canadian side a pulp mill, and within five years they shall have a paper mill built upon that side.

I might go on and enumerate all of these things that they are doing in Canada to-day, of which that is just a sample. I propose to file a brief upon this question covering all of the acts and all of the statutes of Canada up to the present time treating with the pulp and paper situation.

If you will examine the schedule of chemical pulp, which is on page 128, section 652, you will find that it reads as follows:

Mechanically ground wood pulp, chemical wood pulp, unbleached or bleached: *Provided*, That if any country, dependency, province, or other subdivision of government shall impose an export duty or other export charge of any kind whatsoever, either directly or indirectly (whether in the form of additional charge or license fee, or otherwise), upon printing paper, mechanically ground wood pulp, chemical wood pulp, or wood for use in the manufacture of wood pulp. * * *

I will not read that through, but it substantially provides a retaliatory duty of one-tenth of 1 cent per pound upon chemical pulp where there are restrictions and prohibitions in the country from which it was brought.

On page 80, the schedule of printing paper there is schedule 330.

Senator JOHNSON. Paper costing above 2½ cents per pound?

Mr. WARDWELL. Paper costing above 2½ cents per pound, which is book paper, which carries a duty under this bill of 12 per cent ad valorem, which means a protective duty on \$60 paper—which I should say was the lowest that you would term book paper—of \$7.20, if I figure it right, and on \$80 book paper of \$9.60 a ton. In addition to the protective duty which book papers are there given, you give them protection against restrictions being placed on their raw material, while news-print paper at 2½ cents per pound is on the free list, and the source of supply for many mills in this country is absolutely taken away from them by the action of Canada through its legislative acts in its different parliaments and by the orders of the governors and councils of those parliaments.

Why, even Canada has commented upon this thing in her papers. Speaking of the release of those four companies that were released in Quebec, the leading paper in Quebec, the administrative organ of Laurier at the time he was in office, says this:

It is thought that the limit holders will be enabled to get free entry for their paper, but will, it is understood, see that no wood is exported from their holdings, even though the restrictions are removed. It remains to be seen if the astute Uncle Sam is likely to be illudated by any such transparent device as this.

That is from a paper which at one time was the administrative organ of the Government. Now they are not in power.

Senator HUGHES. That is the opposition organ now?

Mr. WARDWELL. It is the opposition organ now, I think.

Senator HUGHES. What is he referring to there?

Mr. WARDWELL. I think you were out at the time I mentioned that, Senator. I am referring to the fact that Canada removed the restrictions from the four large paper-manufacturing corporations in Quebec that owned a large timber grant from the Government.

Senator JOHNSON. Crown lands?

Mr. WARDWELL. Crown lands. They pretended to remove the restrictions on export of pulp wood, hoping that by removing those restrictions they would be able to bring their print paper into this country free of duty. The case was taken before the Treasury Department, however, and their requests were denied, and they were not admitted.

It is not all the newspapers, even, that are in favor of free paper in this country. I think there are a great many that are not. I know the largest user of news print paper in this country, in his paper, has opposed putting paper on the free list. I have here an editorial from the New York Journal, in which he says:

I use over \$8,000,000 worth of white paper every year, and from a merely selfish financial point of view it would benefit me enormously to have white paper admitted free into the markets of the United States; but, again, as a patriotic American citizen and a Jeffersonian Democrat, I do not believe that white paper or any other Canadian product should be admitted free into the United States until the products of the United States, or at least corresponding products of the United States, are admitted free into the markets of Canada. The Canadians scornfully rejected our proposals of reciprocity, and we in return give them the full advantage of reciprocity without securing any reciprocal advantages for ourselves.

We pay now, I think, 15 per cent ad valorem on our paper if we export it into Canada.

Senator SMITH. That is not so material as is their restriction about the exportation of the pulp and the lumber.

Mr. WARDWELL. Yes; that is why I spoke upon that question.

Senator JOHNSON. Are there not some pulp and paper mills in New York that get the material from which their pulp is made entirely from Canada?

Mr. WARDWELL. Absolutely. The paper mill at Fort Edward, N. Y., which gets its paper supply down through the canal, draws its entire supply from Canada and gets, or did get, the principal part of its supply from Crown lands in Canada. They employ about 550 people. I think a very large part of the supply of Glens Falls, a great part of the supply of Watertown, and a very large part of the supply of the Berlin Mills Co., in Berlin, N. H.—the entire business

of the city of Berlin is either lumber or pulp and paper—get their wood from Canada. The Berlin Mills Co. have a company in Canada, known as the St. Maurice Lumber Co., that has wood and make pulp there and ship it down to Berlin Falls.

Senator JOHNSON. None of these leases can be renewed, you say, after August next, unless they contain that clause which you read us there?

Mr. WARDWELL. I say—here is my authority for that.

Senator JOHNSON. You read it?

Mr. WARDWELL. I read it. Here is one of their leases. When we took that lease to be renewed after the passage of the New Brunswick act of 1911 that provision was inserted in our renewal by inserting section 28, a section which was not in before:

This license to be subject to the manufacturing conditions as authorized in section 1, schedule A of chapter 10 of 1 George V.

That is the last legislation. Now, I say it is a fair thing to say that the next time we go for a renewal of those leases they will write in that we have got to build a pulp mill within three years, because it is now the law of New Brunswick that we have got to build a pulp mill within three years and a paper mill within five years; and, then, what good are the timber rights which hundreds of thousands of dollars of American money have gone over there and bought if they say: "Yes; but you must manufacture your pulp and you must manufacture your wood on the Canadian side of the line"?

Senator SMITH. What is the attitude of the Berlin Mills Co. and these other companies you have mentioned with reference to this matter? You seem to be pleading their case.

Senator JOHNSON. He said he represented them.

Senator SMITH. Oh, you represent them, do you?

Mr. WARDWELL. Yes; and we tried to get our lands released, Senator.

Senator SMITH. And you are speaking for them?

Mr. WARDWELL. And I am speaking for them. Senator Johnson, however, asked me about the mills that I suppose will be represented by the International Paper Co.

Senator JOHNSON. These mills are outside of the International Paper Co. and are independent mills—the ones that you represent?

Mr. WARDWELL. Everyone here.

Senator JOHNSON. The Brown's and the Berlin Falls—

Senator SMITH. Do you represent the Brown's also?

Mr. WARDWELL. I do, sir.

Senator SMITH. And do you mean that their entire supply of timber that they have bought in Canada will no longer be available for their paper mills?

Mr. WARDWELL. All of their Crown warrants are no longer available. Why, they speak about the vast resources of Quebec. They are vast. There are about 340,000 square miles of land in Quebec. I take these figures from Mr. John Norris's brief. He was opposed to the views that I take, and I am going to take them as accurate. He said there were 340,000 square miles. About 200,000 square miles of those are Crown lands that are covered with timber. There are about 100,000 square miles that have been lumbered and burned. That, I think, leaves 35,000 square miles of land which are what are known

as "fee lands." That is about one twenty-fifth of the wood area of Quebec. We can go in there and enter into competition with men who control the Canadian mills, possibly, in the market to buy those fee lands. They can get their Crown wood lands—all they want to. We can get the fee lands if we outbid them.

I drew a section here. I was not asked by anyone to do so.

Senator HUGHES. We are glad to have it submitted.

Mr. WARDWELL. I should like, just for a moment, to call your attention to this: There are engaged in the manufacture of print paper, paper under 2½ cents a pound, in this country, over \$100,000,000. We give employment to over 40,000 people. I should like to have you see just for a moment, in addition to what I have stated, what Ottawa did, if I can find it. In 1897, when they first started, here is a timber regulation they passed:

No timber licensee or holder of a permit engaged in cutting, taking, or removing saw logs or timber upon or from the lands of the crown, or driving, floating, or towing the same in Canadian waters, and no other person, firm, or company engaged in or about any such work under the authority or with the assent of such licensee or holder of a permit shall employ or engage, or permit to be employed or engaged, in any capacity whatever in and about or in connection with such cutting, removing, driving, floating, or towing in Canadian waters, any person who is not a resident of and domiciled in Canada except the following persons, to wit: The agents or managers having charge or supervision of the entire lumbering operation carried on by any person or company within the Province of Ontario; the head bookkeeper or accountant under such agent or manager; and one estimator or explorer, unless under special permission of the commissioner of Crown lands, expressed in writing.

Senator JOHNSON. Is that the law now?

Mr. WARDWELL. I think it is, but in my brief I will put in this whole thing.

What is the next provision? The next provision is:

All horses, cattle, sleighs, and all provisions, pork, flour, tea, and all tools and hardware such as chains, axes, saws, and all other tools, supplies, or materials of any kind whatsoever required or used in connection with the taking out of saw logs or timber cut upon Crown lands, shall be purchased in Canada.

The provision in the Columbia River leases simply includes Japanese and Chinese—

Senator SMITH. Your position is that they are practically coming to the proposition that if any of their raw material is used, we have got to buy their manufactured paper?

Mr. WARDWELL. That is it exactly, sir.

Senator SMITH. That is what your argument means?

Mr. WARDWELL. That is what I have tried to make as plain as I could in a very short time.

Senator SMITH. You say you have drawn a paragraph there that you will suggest to us?

Mr. WARDWELL. I have. I will hand it to you before I leave. I want to be very sure it is correct, because I found a few errors in it as drawn.

Senator SMITH. We can read whatever you have in writing, and we would rather hear from you what you have not reduced to writing.

Mr. WARDWELL. Yes. What I would try to do, then, is this: I would try to have a retaliatory duty, the same as you have adopted in your other schedules, that would allow their manufactured product to come into our country when they allow their raw material to come

into our country; and if they did not do that, then I would put something in the nature of a duty to compel them to remove that restriction or prohibition.

Senator SMITH. Do you suggest a separation as to the classes of the timber, a retaliatory duty upon the products of the timber of the Crown lands upon which they have placed restrictions, and letting the balance in free? Could that separation be made?

Mr. WARDWELL. I am glad you asked me that question.

Senator HUGHES. That is difficult of administration, is it not?

Mr. WARDWELL. You never will collect a duty of that kind through the customhouse. You will be perfectly astounded to find what a number of tons of pulp wood will be cut from an acre of fee land if you leave your bill that way. That is your trouble now.

Senator SMITH. You think it will increase the production of the fee lands?

Mr. WARDWELL. Yes; it will; and it is doing it to-day. They are making sworn statements at our customhouses to-day that 80 per cent of the product that they are bringing in is cut from fee lands, and it is not true.

Senator SMITH. These contracts of extreme limitation of which you speak do not go into effect for nearly three years, do they?

Mr. WARDWELL. They go into effect immediately—that is, next August—when we take our leases to the Crown land office.

Senator SMITH. This coming August?

Mr. WARDWELL. This coming August, now. When we take our lease to the Crown land office to have a new lease issued—which they do every year; we have the right to a lease, and then they go on and catch us in that way—they will write in, in addition to the 1912 law, the 1913 law that provides that we shall build a pulp mill within three years and a paper mill within five years.

Senator JOHNSON. On the Canadian side?

Mr. WARDWELL. On the Canadian side.

Senator SMITH. But during those three years you can ship your timber? You are not troubled about your timber?

Mr. WARDWELL. We are troubled very much. One firm that I represent had 20,000 acres on the New Brunswick side, and they notified us that we only had a year to get our stuff off. We got off what we could in a year, and left the rest. I suppose by and by we will sell it to some enterprising gentleman on that side of the line, because we can not afford to build a mill over there to make paper from 20,000 acres.

Senator SMITH. What would be the effect if we put such a provision into the law pending the diplomatic efforts to induce them to remove these restrictions? Where would the paper consumers of this country be?

Mr. WARDWELL. Up to date the diplomatic efforts of this country to make Canada release her raw materials have had the counter effect. In other words, they have tied up their raw materials tighter than before.

Senator SMITH. You did not catch the question. My question was, if we should adopt a retaliatory provision of this kind, postponing the admission of their paper free until they removed these restrictions, what would be the effect upon our consumers in the United

States pending the diplomatic negotiations which would follow such a retaliatory legislation provision? You would expect, of course, that the retaliatory provision would be the arms that would enable our diplomatic representatives to induce a modification of their present restrictions; but what condition would we leave the American consumer of this cheap paper in, pending the effort to have removed those restrictions, and return to the free admission of their paper?

Mr. WARDWELL. He would be in the same condition that he is to-day.

Senator JOHNSON. So far as other countries are concerned, Norway and Sweden and Germany, there are no export duties or prohibitions from those countries?

Mr. WARDWELL. None that I know of.

Senator JOHNSON. But I suppose we do not import any news-print paper from those countries, or in any event that the importations are very small?

Mr. WARDWELL. Nothing that we would consider as in competition, I will say. Senator, and another thing: In my opinion—I am not a paper maker—I do not believe that Norway and Sweden, as a source of supply for newspapers in this country, ever will supply a great amount of paper. They are too far away. The supply of news-print paper is a daily supply. I can not believe that the big newspapers in this country ever would make contracts with a German company to deliver them, for instance, 100 or 500 tons of paper every day in the year.

Senator SMITH. I was interrupted just as you were giving me your view of what would be the status of the American consumer under the conditions that I mentioned. What was it?

Senator HUGHES. Senator Smith was called outside just before you answered his question.

Mr. WARDWELL. I told you that I did not think it would change the status at all.

Senator SMITH. Why would it not? They now have the benefit, practically, of free paper from Canada.

Mr. WARDWELL. To be sure they do.

Senator SMITH. And we would take that from them.

Mr. WARDWELL. Yes; but the supply has not yet gotten to be a very large supply. A great many of the Canadian mills are in the building period. You spoke about a period of three years.

Senator SMITH. You know, just a few years ago the newspaper people were very much burdened with the rates that were put on them by the American-paper producers, which were said to be practically in a trust.

Mr. WARDWELL. Yes. That was quite a number of years ago, was it not? Paper has been down to pretty nearly 2 cents since then.

Senator SMITH. It was 10 or 15 years ago.

Mr. WARDWELL. That was about the time of the formation of what was known as the International Paper Co., I think, which was formed by trade conditions in this country, I suppose; but I do not want to go into that.

Senator JOHNSON. The importations given here for 1912 of this kind of paper—this is paper under 2½ cents a pound—were \$2,158,057.

Senator SMITH. Not very large.

Senator JOHNSON. No; not very large.

Senator SMITH. What was the American consumption?

Senator JOHNSON. The American consumption is not given for that year, but for 1910 it was \$99,000,000, and we exported in that same year, 1910, of that paper, \$2,766,000 worth; and we exported this last year \$3,750,000, according to these figures.

Senator HUGHES. How long does it take to build a paper mill?

Mr. WARDWELL. Senator Johnson can tell you, probably, a great deal more about that than I can. He lives in a paper State. I should say if a man started to build a paper mill, and was ready to make paper in three years from the time he started, he would be doing very well, and could find no fault with his contractors or with anyone else.

Senator JOHNSON. It takes perhaps three years.

Mr. WARDWELL. I have been following this matter, Senator, for three years and a half. I do not know anything about the manufacture of paper, but I recognize a bunco game when I see it, and if this is not one, there never was one sprung on the American people, and there never will be.

Senator JOHNSON. Your idea is to have a retaliatory duty similar to what they have provided in the bill on paper above 2½ cents a pound?

Mr. WARDWELL. Yes, sir. We need it more than the book-paper people do.

Senator SMITH. I understand that very well, and I understand how that ought to work out with reference to our future ability to obtain this raw product from Canada. What I am disturbed about is what will become of the consumer in the meantime.

Mr. WARDWELL. That is a legitimate inquiry. I do not think it will be affected in three years, which is the time limit, at all.

Senator JOHNSON. Would you suggest a low retaliatory duty?

Mr. WARDWELL. I would like it as high as I could have it.

Senator JOHNSON. How would it do to impose a duty upon news print paper, ground-wood pulp, and sulphite pulp of one-tenth of a cent per pound, which would make \$2 a ton?

Mr. WARDWELL. If it had not been for the Mann report, Senator Johnson, which said that \$2 was the difference between the cost in the two places, I should say it ought to be very much higher; but I do not think I have got the nerve, after that report, to ask for anything more than that.

Senator SMITH. I should be thoroughly pleased to buy nothing from them as long as they kept that restriction upon us if we did not burden the consumer too much by it.

Mr. WARDWELL. You will not burden the consumer.

Senator JOHNSON. \$2 a ton would not be much burden.

Mr. WARDWELL. On paper costing \$43 a ton—no. National pride is worth more than \$2 a ton to a man.

Senator SMITH. It is more than a question of national pride. It is a question of national economic sense.

Mr. WARDWELL. Yes.

I have absolutely nothing more to say. I have told you all I know about the paper business as far as the Canadian situation is con-

cerned. I am familiar with that, because I was one of the first ones—

Senator SMITH. And you are going to file with us all these legislative provisions?

Mr. WARDWELL. I will file every one of them. I will file the correspondence. I will file anything that I have, and I think I have the whole subject completely covered. I will also file an amendment simply by way of suggestion. Perhaps it is not exactly good taste for me to suggest an amendment. I do not know whether you ever allow that or not.

Senator SMITH. We ask you to do it.

Senator HUGHES. We would like to have any gentleman who suggests a change also suggest the language.

Mr. WARDWELL. All right, sir. I thank you very much for your attention.

STATEMENT OF MR. A. G. ROSENGARTEN.

PARAGRAPH 618.—*Strychnine.*

Mr. ROSENGARTEN. May I speak of one matter in paragraph strychnia or strychnine, and all salts thereof?

This article is an alkaloid, the active principle of nux vomica. It previously carried a duty of 15 per cent. It has now been put on the free list. I would respectfully ask that it be stricken from the free list, and that it may automatically come under paragraph 5, dutiable at 15 per cent. It is not an article of any very great consumption, but the cost of manufacture in this country must be greater than it is on the other side. I have no way of knowing what it is on the other side.

Senator JOHNSON. How many establishments make it here; how many plants?

Mr. ROSENGARTEN. I think there are four.

Senator JOHNSON. Where are they located?

Mr. ROSENGARTEN. There is one in Brooklyn, and there is one in New Jersey, and there is one in Philadelphia—our plant—and one in St. Louis.

Senator JOHNSON. Do you know anything about production in this country?

Mr. ROSENGARTEN. I estimate the production in this country as between 400,000 and 500,000 ounces a year. That is an estimate. I have no way of reaching those figures.

Senator JOHNSON. The imports have been negligible. They are given as 305 ounces for 1912.

Mr. ROSENGARTEN. The imports have been almost nothing.

Senator JOHNSON. The duty is prohibitive.

Mr. ROSENGARTEN. The duty of 15 cents is prohibitive. Whether the other duty of 15 per cent will be prohibitive I am not able to state.

Senator HUGHES. What is the unit, a pound?

Mr. ROSENGARTEN. An ounce. It sells at 55 cents an ounce.

Senator HUGHES. This appears to have been at 54½ cents an ounce for import, and last year the foreign value was 82 cents an ounce.

Mr. ROSENGARTEN. I think there must be some mistake about that foreign value, that 82 cents an ounce. It is selling in Europe at about 45 cents an ounce. That would probably include other strychnine compounds and probably some of the rare salts. I am speaking of strychnine alkaloid and strychnine sulphate, all of which come under that head.

Senator JOHNSON. Is there anything further?

Mr. ROSENGARTEN. No; but I would respectfully ask that it be eliminated from the free list, so that it might automatically enter at a duty of 15 per cent. That is all we ask. May I submit a brief?

Senator JOHNSON. Certainly.

STATEMENT OF MR. J. S. YOUNG, REPRESENTING J. S. YOUNG & CO.

PARAGRAPH 626.—*Extract of sumac.*

Senator HUGHES. What is sumac used for?

Mr. YOUNG. Dyeing. The thing we are interested in is the sumac extract. This material is the imported sumac, of which they manufacture probably the greatest bulk in the United States, which is not used, except in the most limited way, for tanning. It is used as a mordant for basic aniline dyes, as a substitute for tannic acid, and as such it is used in the dyeing industry almost exclusively, and where it is used in tanning it is used as a mordant.

Senator HUGHES. What is your objection to the House committee report?

Mr. YOUNG. We would like to have it included among the dyewood extracts.

Senator JOHNSON. You want it put on the dutiable list?

Mr. YOUNG. Yes, sir; we want it included with a three-eighths cent duty on the dyeing extract list, because it is a dyeing material; and if this would be of any interest to you, I have here a list of customers to whom we sell. Nineteen of them are solely dyeing people.

Senator HUGHES. They use this extract in dyeing cotton and wool?

Mr. YOUNG. For cotton and silk; not wool.

Senator JOHNSON. You want it put under paragraph 31, extract of logwood and other dyewoods?

Mr. YOUNG. If you please.

Senator SMITH. Is sumac a decoction of logwood?

Mr. YOUNG. No, sir; sumac is an extract from a leaf which grows in Sicily.

Senator SMITH. Is it a dyewood?

Mr. YOUNG. A dye material; not a wood. It is a leaf, just the same as the sumac leaf down in the South.

Senator SMITH. What you want is that we strike out, in section 226, "sumac extracts, and oak and chestnut"?

Mr. YOUNG. Sumac extract; that is all.

Senator SMITH. Sumac alone?

Mr. YOUNG. That is all.

Senator SMITH. You do not ask for extracts of oak and chestnut?

Mr. YOUNG. Absolutely nothing else.

Senator SMITH. You just want that word?

Mr. YOUNG. "Of sumac."

Senator SMITH. "Of sumac" stricken out?

Mr. YOUNG. Yes, sir. I might add that I am the chemist of the company, and I sell the product, too, so I know absolutely what it is used for; and I took this matter up with Mr. Harrison, unfortunately, too late, and he told me to make my plea to the Senators here. I had the honor of writing to Senator Simmons in connection with it.

Senator HUGHES. Is there any particular reason why your extract should not be treated as the other extracts?

Mr. YOUNG. Dyeing?

Senator HUGHES. Yes.

Mr. YOUNG. No, sir.

Senator SMITH. Do you know any reason why sumac should not be treated like other extracts, Dr. Herstein?

Dr. HERSTEIN. The original bill did not carry sumac on the dutiable list, and, as the gentleman has stated, it is true that sumac is never used at present for any other purpose except for dyeing silks and cotton. After the bill went into the committee it was suddenly decided in the committee to take all the tanning materials and put them on the free list, and among the materials the gentlemen also thought that sumac was one of them, because sumac used to be used as a tanning material.

Senator SMITH. And so got in there by mistake?

Dr. HERSTEIN. Oh, no, sir.

Mr. YOUNG. It used to be used, but now we make the American sumac. It is cheaper.

Senator SMITH. What they attempted to accomplish was not what they did accomplish?

Dr. HERSTEIN. Mr. Harrison has had that matter under consideration since, and I believe he was convinced of the fact that there was an oversight.

Senator JOHNSON. It is not a tanning extract?

Mr. YOUNG. No, sir.

Senator SMITH. What is the present duty on it?

Mr. YOUNG. Five-eighths of a cent a pound.

Senator SMITH. And we reduce it to three-eighths?

Mr. YOUNG. And you have reduced the other dyeing extracts to three-eighths cent.

Senator SMITH. If we put it back into paragraph 35 we still have taken two-eighths?

Mr. YOUNG. Yes, sir.

Dr. HERSTEIN. Senator, we have also reduced the raw material.

Mr. YOUNG. Oh, no, sir. The manufacturers of the extract always use the leaf.

Dr. HERSTEIN. Sumac extract ground, which carries a duty of one-tenth of a cent a pound, was put on the free list.

Mr. YOUNG. Yes; but that is not used by the extract manufacturers. We use the leaf.

Senator JOHNSON. What do they use the ground for?

Dr. HERSTEIN. That is for tanning.

Senator HUGHES. In order to get it for dyeing you take it from the leaf?

Mr. YOUNG. Yes, sir.

Senator SMITH. You say the ground sumac is used for tanning?

Mr. YOUNG. Yes, sir.

Senator SMITH. Then, ought we not to put sumac there and leave ground sumac in the tanning paragraph?

Dr. HERSTEIN. Sumac by itself is on the free list, and no matter what you do with the sumac it would not affect the sumac leaf.

Mr. YOUNG. It is only the extract that we are looking for. I might add, we are interested in sumac for this reason, that we are interested in a plant in Virginia that draws a great deal of its sustenance from grinding the sumac.

Senator JOHNSON. Suppose there is an extract of ground sumac?

Mr. YOUNG. There is not, because it would be more bother than it was worth to make.

Dr. HERSTEIN. Under the present bill sumac extract carries a lower rate of duty than all the other extracts.

Senator JOHNSON. It is put in with all the other dyewoods.

Dr. HERSTEIN. Under the present law all others carry seven-eighths and sumac carries five-eighths. So, if there is going to be the same treatment, sumac ought to come in under a lower rate than is there.

STATEMENT OF MR JAMES L. CRANE.

PARAGRAPH 649.—*Wood, unmanufactured.*

Mr. CRANE. The paragraph in regard to which I am going to talk is on the free list. It is paragraph No. 649, "Wood: logs, timber, round, unmanufactured, hewn or sawed, sided or squared," and so forth. "not further manufactured than sawed, planed, and tongued and grooved; clapboards," and so forth.

Senator JOHNSON. Whom do you represent?

Mr. CRANE. I am authorized to represent lumber dealers situated along the Great Lakes, the Niagara and St. Lawrence, Saginaw, Mich., Cleveland, Bay City, Mich., Buffalo, Tonawanda, Albany, Plattsburg, and I think Watertown and Ogdenburg.

Senator JOHNSON. Is it an association?

Mr. CRANE. It is not an association at all. We have prepared a brief and submitted our position in this brief to these various dealers—

Senator JOHNSON. I do not mean an association to sell your lumber, but I mean is it an association of manufacturers, and do you represent people who have a common interest?

Mr. CRANE. I represent an association associated solely for the purpose of submitting this argument, and for no other purpose.

Senator JOHNSON. You kind of shied at the word "association," as though it meant something else. That is what I mean.

Mr. CRANE. We are associated in this as individuals only. As to the duty on rough lumber, the lumbermen as such are totally indifferent as to whether the duty is removed or not, for the reason that we are convinced that no matter whether the duty is raised or lowered or abolished altogether, the price to us and the consumer can not be influenced in any degree. The reason for that is that Canada is the only country from which we import lumber which would be affected in any degree by this provision. The principal market for Canadian lumber, especially in the low grades, outside of their domestic requirements, is in this country, and the Canadian manufacturer in

every case for his lumber gets the same price which the American manufacturer gets for lumber of the same character and grade less whatever the amount of duty happens to be at that time. When the duty was \$2 a thousand we paid in Duluth, say, \$20 a thousand for lumber. We have paid in Canada \$18 a thousand for lumber of the same kind and grade. In other words, our lumber cost us \$20 a thousand.

Senator SMITH. You had the freight plus the duty?

Mr. CRANE. Yes; I think that was the situation. I might in support of my position say that practically every contract that I have been able to locate for the purchase of Canadian lumber to be cut during the present season has in it a provision that from 50 to 100 per cent of any reduction in duty on lumber coming into the United States will be added to the purchase price. In other words, the Canadian does not propose to give us any more of the proposed reduction than he can possibly help.

Senator SMITH. How much did you say?

Mr. CRANE. From 50 to 100 per cent. The concern which I am personally connected with has two contracts, each of which aggregate about 16,000,000 feet of Canadian lumber to be cut during the present season. The manufacturer insisted on 100 per cent of any reduction in the United States duty being added to the purchase price. By violent efforts, almost, we succeeded in getting that reduced to 80 per cent. So that on about 32,000,000 feet of lumber which we have to come out of the Georgian Bay district this year, in case of any reduction of duty we would get 20 per cent of that reduction, and the Canadian will get 80 per cent; and of any actual reduction he will take the entire amount. They always have and always will. But, as I say, our interests can not be affected. I simply state that to show you the situation.

Senator SMITH. After the duty is reduced, how can they charge you more than the current price for the lumber? Would not competition between the sellers in Canada bring the lumber down to the current price it is sold at there?

Mr. CRANE. No, sir.

Senator SMITH. Why not?

Mr. CRANE. Because there is a comparatively small proportion of the consumption in this country which comes out of Canada. A very good index of this can be had from taking the customs reports from Tonawanda of the past year, which is one of the largest lumber points on the Great Lakes. Of 300,000,000 feet of white pine, spruce, and Norway spruce about 16,000,000 came out of Canada, and the rest of it came from here.

The market is and will be here. The Duluth market sets the price, and the Canadian in every instance has gotten, and I believe he always will get, the Duluth price less whatever duty he has to pay.

Senator SMITH. Your theory is that the American market is so much the largest market that it fixes the price?

Mr. CRANE. That is my theory, and that has proved to be the case. Now, I would like to go on to the dressed-lumber proposition. In regard to dressed lumber, we have a very great interest at stake. Right around the Great Lakes and Buffalo and Tonawanda, down as far as Ogdensburg, Albany, and Burlington, Vt., there are situated large yards, practically all of which operate planing mills. The

material is brought into those yards by vessel; it is graded and placed in the yards. From 40 to 50 per cent of that log-run lumber, when it is graded up, falls into the grades which must be dressed before it can go to the customer; and it is important to note that that lumber must be dressed in order to make it marketable, as the customers can not use it in any other conditions. About 40 per cent, I should say, goes in the rough, and they so use it, but the rest consists of grades that can not be used until it is dressed.

Now, if we can not compete with the Canadians we will be put gradually out of business, for the reason we must be in a position where we can dispose of that dressed end of our lumber without loss. In other words, we can not be left with 40 or 50 per cent of our grades on our hands that must be marketed at a loss to get rid of it at all, and we can not get rid of it unless we are in a position to compete with the Canadian planing mills. We are subjected to a disadvantage there which I believe is peculiar to the lumber business. That lies in the fact that lumber when dressed weighs less than when it is in the rough. Dry white pine will weigh in the rough, as manufactured in Canada, approximately 2,560 pounds per thousand feet. When it is dressed the weight of that lumber is reduced from 500 to 700 pounds per thousand feet, depending upon the manner in which it is dressed. The Canadian mill points have freight rates to New York, to the metropolitan district, running from 20 to 30 cents a hundred pounds. The Canadian manufacturer, unless there is a duty to protect the American mill man, will be able by the simple process of dressing his lumber to save at least a dollar a thousand feet on the freight, which amount is more than sufficient to pay the cost of milling. In other words, he can operate his planing mill under the proposed bill without cost to himself.

Of course we are open to the argument that the American consumer is going to benefit; but with us it is not a question of division of profits or reduction in our profits. We believe, honestly, that it is a question of survival of our business, and I do not believe that we can exist unless there is a duty on dressed lumber which will be sufficient to offset the natural conditions under which we labor; and it is certainly to the benefit of the American consumer and the retail dealers and the whole lumber business that the large distributing centers now situated on this side of the border should be maintained.

Senator JOHNSON. What are the natural disadvantages under which you labor?

Mr. CRANE. The disadvantage under which we labor is the fact—

Senator JOHNSON. You are nearer the market than the Canadian, in the first place. So far as the supply of lumber is concerned, the rough lumber, it is largely from this country, as you have stated; the importations are very small; so that you have your source of supply at hand here. In what are you at a disadvantage in reference to dressed lumber with the Canadian?

Mr. CRANE. We are at a disadvantage in this way: The points of supply of American lumber are really farther distant from us than points of supply of Canadian lumber, which we can utilize. It might be argued that we could take advantage of the same situation and move our planing mills nearer the sources of supply; but that would mean Minnesota, Idaho, and Washington. Those are the points from which the American northern woods are now coming.

Senator JOHNSON. Have you not been sending dressed lumber up into the new Provinces of Canada—Manitoba and Alberta—in the Northwest?

Mr. CRANE. No. I might say that Canada's tariff is a 25 per cent ad valorem duty on all lumber that is further dressed than being surfaced on one side or one edge.

Senator JOHNSON. I thought we were sending lumber up there; I do not know whether from your section, but I find in 1912 we did export \$51,000,000 worth of lumber, classified as sawed boards, planks, etc., and sawed lumber.

Mr. CRANE. That is perfectly true. While I am not in a position to state definitely, I believe that Canada imports from this country actually more lumber than she exports to it; but her rough lumber comes in free.

Senator JOHNSON. That is, not dressed lumber?

Mr. CRANE. Yes; sawed boards is not dressed lumber.

Senator JOHNSON. "Sawed boards, planks, deals, etc., and sawed lumber."

Mr. CRANE. Yes. Now, if you will find planed lumber, you will find, I venture to say—

Senator JOHNSON. I find only three classifications here. The first is "logs and round unmanufactured timber."

Mr. CRANE. Yes.

Senator JOHNSON. Then there is "timber hewn, sided, or squared, otherwise than by sawing (not less than 8 inches square)." That is the second classification.

Then the third one is the one we have just been considering, "Sawed boards, planks, deals, etc., and sawed timber."

Senator SMITH. That is still rough lumber?

Mr. CRANE. Yes; that is still rough lumber. We consider lumber rough so long as it is only worked with a saw. When it is worked with a planer, then it is dressed lumber. The 25 per cent ad valorem duty which Canada imposes has this effect: That all along the Canadian frontier in Canada are situated planing mills whose sole business is the dressing of lumber imported from the United States into Canada. It is all sent over there rough. Those mills are in position, in case this bill goes through, not only to dress American lumber going into Canada, but also to dress Canadian lumber coming into America.

Senator HUGHES. Why is it that we are able to ship all these sawed boards, planks, deals, etc., into Canada?

Mr. CRANE. It is very largely hardwood and Southern yellow pine, I believe.

Senator HUGHES. Does Canada place no duty at all on lumber dressed on one side?

Mr. CRANE. No; it is free lumber; it is free when it is dressed on one side or on one edge. All lumber further manufactured than that is subject to a 25 per cent ad valorem duty.

Senator HUGHES. This includes boards. That means planks of all kinds?

Senator JOHNSON. The classification is different from what it was. The classification under this present bill is much different from what it was under the Payne-Aldrich bill.

Mr. CRANE. The classification of dressed lumber?

Senator JOHNSON. Yes; if planed on one side it was 50 cents, was it not?

Mr. CRANE. Fifty cents.

Senator HUGHES. What additional price do you get for the lumber planed on one side?

Mr. CRANE. It depends entirely on the locality. For instance, in Tonawanda for lumber which is sold in western New York, where there is no saving in freight, the lumber is sold f. o. b. Tonawanda and a uniform charge is made of \$1 a 1,000 feet for dressing it in any manner which requires sending it through the planer only once, whether one or two sides are dressed.

Senator HUGHES. If it is planed on one side or on two sides or tongued and grooved in one operation? Can you do that?

Mr. CRANE. Yes. That is something that should be taken into consideration in the last tariff bill. It costs the mill man as much to dress it on one side as to dress it on two sides and tongue and groove it.

Senator HUGHES. And you tongue and groove it and dress it on two sides for \$1?

Mr. CRANE. Yes.

Senator JOHNSON. For lumber dressed four sides it is \$1.50.

Senator HUGHES. Fifty cents more than you actually charge for the operation?

Mr. CRANE. There is an inconsistency in that. It is a fact that they allowed \$1.50 protection for lumber dressed on four sides. They allowed 50 cents for lumber dressed one side, and lumber dressed two sides and tongued and grooved was less than lumber dressed four sides. We did not need as much differential in one case as in the other.

Senator HUGHES. Have you a brief?

Mr. CRANE. I have a brief. I have not got it with me, but I will have it in the course of a few days and will send it to you.

STATEMENT OF W. H. SHARP, REPRESENTING THE TIDEWATER PAPER MILLS, OF NEW YORK.

PARAGRAPH 651.—*Wood pulp.*

Mr. SHARP. Mr. Chairman, I want to call to your attention the discrimination made in the free list on wood pulp at page 128, line 26. Mechanically ground wood pulp and chemical wood pulp, unbleached or bleached, is admitted free, provided that if any country, dependency, Province, or other subdivision of Government shall impose an export duty or other export charge of any kind whatsoever, either directly or indirectly—

Senator SMITH. How does your paragraph start?

Mr. SHARP. It is 652.

Senator SMITH. In the House bill it is No. 651, beginning at page 131.

Senator JOHNSON. Unbleached and bleached come in free, and then the proviso follows?

Mr. SHARP. Yes, sir. And in the event that any such country, dependency, Province, or other subdivision of Government shall pro-

hibit the exportation of printing paper, mechanically ground wood pulp, chemical wood pulp, or wood for use in the manufacture of wood pulp there shall be a duty imposed of one-tenth of 1 cent per pound upon chemical wood pulp when imported, directly or indirectly, from such country, dependency, Province, or other subdivision of Government.

Senator HUGHES. I noticed that once before.

Mr. SHARP. You notice the discrimination against chemical wood pulp?

Senator HUGHES. In favor of it.

Mr. SHARP. No; they impose a duty of one-tenth of 1 cent per pound upon such chemical wood pulp and not upon the mechanically ground wood pulp.

Senator HUGHES. Yes; I noticed that one time, and I intended to call attention to it.

Mr. SHARP. Which is intended especially to discriminate against Canada.

Senator SMITH. No; it is intended to prevent the Canadian discrimination against us.

Mr. SHARP. It will not do that, because there were only 30,000 tons exported by Canada last year to this country.

Senator SMITH. Suppose we enlarged it to cover the entire product?

Mr. SHARP. That would be entirely just. But you are going to give us free news paper, and if you give us free news paper, give us free sulphite pulp, which is 25 per cent of the news paper that we make. If you take off the duty on our manufactured news paper which we are making, all we ask is that you give us free raw material. We use about 25 per cent of sulphite pulp in manufacturing our news paper, and we would ask that that discrimination be eliminated.

Senator SMITH. What is your business?

Mr. SHARP. Manufacturing news paper.

Senator SMITH. You are making paper for news.

Mr. SHARP. Yes, sir.

Senator JOHNSON. Your mill is where?

Mr. SHARP. Our news mill is in New York City.

Senator JOHNSON. And you get your supply of pulp from Canada?

Mr. SHARP. We are just contemplating erecting a large sulphite mill in Canada. We have bought the land to put the mill there for our supply of sulphite pulp, and this will be a very great handicap to us. It will force us to buy our chemical wood pulp from the Scandinavian market, and shuts out Canada, where we naturally expect to get our cheapest sulphite pulp.

Senator SMITH. Can you purchase the wood from the Crown lands in Canada from which to make your sulphite wood pulp?

Mr. SHARP. Oh, yes.

Senator SMITH. And ship that out?

Mr. SHARP. Yes, sir.

Senator SMITH. But you could not ship lumber out?

Mr. SHARP. No; we could not ship the pulp wood out.

Senator SMITH. Is not the next step that they are preparing in their contracts to require you to erect paper mills up there?

Mr. SHARP. We have nothing of that kind in our contract. We have just purchased the land.

Senator SMITH. They were not Crown lands?

Mr. SHARP. I should have said we have leased the Crown lands.

Senator SMITH. How long does your lease run?

Mr. SHARP. Ninety-nine years.

Senator JOHNSON. That has to be renewed every year?

Mr. SHARP. No.

Senator SMITH. We were told that every three years it had to be renewed.

Mr. ELY. It is renewable every year by the payment of Crown duties upon the acreage.

Senator JOHNSON. We were told that after August 1 they propose to write into these leases a provision that the lessee shall build a pulp mill for the manufacture of pulp in Canada, and within five years build a paper mill.

Senator SMITH. That provision to be in the August leases has already been submitted to some of the parties and requires that they shall put up a pulp mill there and ship only the pulp. And they have been notified, or it is their understanding that the further proposition is coming upon them, that within five years they shall build a paper mill.

Mr. ELY. We have no knowledge of any such thing and have had no such notice. Our understanding entirely is that the same conditions will prevail next year and the year after that, and so on indefinitely, as the conditions are contained in the lease to-day.

Senator SMITH. But they do now force you to manufacture the wood into pulp?

Mr. SHARP. There is a provision against pulp wood being exported. But how would that in any way affect the countervailing duty of \$2 a ton on chemical pulp? How would it in any way affect the future restrictions as to pulp mills or paper mills? I do not see how that could in any way affect it, whereas it is seriously handicapping the American manufacturer of news paper.

Senator JOHNSON. There is no retaliatory duty on mechanically ground wood pulp; it is only on the sulphite pulp?

Mr. SHARP. Yes. In 1912 there were 30,000 tons of sulphite pulp imported into the United States from Canada.

Senator SMITH. What effect on this provision as written is the placing of 1 per cent duty on chemical wood pulp?

Mr. SHARP. It is \$2 a ton—one-tenth of 1 cent per pound. It is \$2 a ton, which is about 5 per cent duty, Senator.

Senator SMITH. The real effect of it would be to put that duty on wood pulp?

Mr. SHARP. On chemical wood pulp and not upon mechanically ground wood pulp. As I was about to state, in 1912 there were about 30,000 tons of wood pulp imported into the United States from Canada and about 300,000 tons of chemical wood pulp imported into the United States from Scandinavia and Germany. So that if you impose this restriction on the Canadian chemical wood pulp of \$2 a ton you force us to go to Scandinavia for our pulp.

Senator SMITH. Suppose it was extended to all wood pulp?

Mr. SHARP. That would be a just thing; but if you do that, you should give us some duty upon our news paper. If you are going to give us free news paper, let us have free raw material.

The CHAIRMAN. The same as a retaliatory duty upon news-print paper?

Mr. SHARP. Yes.

Senator SMITH. The high-class paper there has a general retaliatory duty?

Mr. SHARP. Yes. I think on book papers to the value of over 2½ cents per pound there is a duty of 12 per cent.

Senator JOHNSON. Then there is a retaliatory duty there, too?

Mr. SHARP. Yes; I think so. But it seems a hardship on the manufacturer of news paper to shut him out from his best market.

Senator SMITH. That would not be a sufficient penalty to force them to let in the wood free.

Mr. SHARP. Not at all.

Senator SMITH. But it would certainly result in the one-tenth of 1 cent duty on chemical wood pulp?

Mr. SHARP. Yes.

Senator JOHNSON. We do get large importations from Germany, Norway, and Sweden of chemical wood pulp?

Mr. SHARP. Yes.

Senator JOHNSON. It has been coming in at a duty of one-sixth of 1 cent per pound?

Mr. SHARP. Yes.

Senator SMITH. Now it will come in free?

Mr. SHARP. It will come in free from those countries; yes. But the duty does not seem to regulate the price. They seem to keep pushing the price up all the time, and our fear is that if you impose this duty upon Canadian pulp you will place us at the mercy of the Scandinavian manufacturer, whereas Canada should be where we could get this pulp. If you are going to give us free news paper we would ask to have our raw materials free also.

Last year there was a million cords of pulp wood came into the United States, and the American manufacturer is to-day largely dependent upon Canada.

Senator JOHNSON. But she is tightening that up so that we are not going to get much in the future.

Mr. SHARP. Upon freehold land she makes no such restrictions.

If this would have the effect of causing Canada to remove any restrictions, we would make no protest, but it does not go far enough.

Senator SMITH. And you say it just strikes your chemical wood pulp?

Mr. SHARP. Yes, sir; and strikes the news paper manufacturer in his endeavor to produce cheap news paper?

Senator HUGHES. You would like to have the proviso eliminated?

Mr. SHARP. Yes, sir.

Senator SMITH. Unless we should broaden it to all kinds of wood pulp?

Mr. SHARP. Yes, sir; and also would put the Scandinavian pulp on somewhat the same basis—well, no; that would be a disadvantage to us, too.

Senator JOHNSON. Will that come in free, as it does now?

Mr. SHARP. Yes, sir.

Senator JOHNSON. They do not put any restrictions on their pulp?

Mr. SHARP. No; but it seems very unfair to discriminate just against the chemical wood pulp, which is comparatively an insignifi-

cant item, and which would have no effect upon Canada as far as any retaliatory measure is concerned.

Senator JOHNSON. A good many of the paper mills have their own pulp mills?

Mr. SHARP. Y^es, sir.

Senator JOHNSON. And there are some sulphite mills that make only sulphite pulp?

Mr. SHARP. Yes, sir. The companies that I represent make about 100 tons a day of chemical pulp or soda pulp; and we are not afraid of this competition.

Senator JOHNSON. You use all of that yourself?

Mr. SHARP. We sell some of it.

Senator HUGHES. How would that affect the chemical wood manufacturer, to strike out this language?

Mr. SHARP. I do not think it would seriously injure him, Senator. In 1912 there were 185,000 tons of mechanically ground wood pulp imported into the United States, and only 30,000 tons of chemical wood pulp. You are allowing them to bring the mechanically ground wood pulp in free, which is the item that Canada is most interested in. I do not see the object of the discrimination at all.

Senator JOHNSON. It would keep the sulphite pulp from coming in from Canada.

Mr. SHARP. But it is going to come from Scandinavia free.

Senator JOHNSON. Unless we let the wood come in.

Mr. SHARP. It is helping the sulphite mill at the expense of the news paper manufacturer. If you are going to give us free news paper, we say for heaven's sake give us free raw materials.

Senator JOHNSON. We have had a gentleman before us representing the Holyoke mills, and he thought his pulp ought to be treated differently from the others. His pulp is much more expensive.

Mr. SHARP. As I say, the companies I represent make about 100 tons a day of chemical soda pulp. We ask for no protection. Mr. Ely, who is my associate here, makes sulphite pulp. They have a large mill, have you not, Mr. Ely? You ask no protection for that sulphite?

Mr. ELY. No, sir; we ask for none whatever.

Senator JOHNSON. Are you interested in sulphite mills in Canada also?

Mr. ELY. No, sir; in West Virginia.

Senator SMITH. I would like to see a way to make them take the restrictions off their Crown lands and give us a fair show.

Mr. SHARP. To do that you will have to do something much more drastic than to put a duty of \$2 a ton on 30,000 tons of chemical pulp.

Senator JOHNSON. Suppose we should put the same retaliatory measure upon news print paper and say, "You shall not come into our market?"

Mr. SHARP. Oh, well; that is another thing.

Senator SMITH. If we should fix it that print paper should not come in unless they allowed the raw material to come in, it might have some effect.

Mr. SHARP. Now, you are hitting at them; I should be very glad to have you do so. I hope you will. But if you are going to give us free news paper, I ask that you give us free pulp out of which to make it.

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