

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

JULY 18, 1913.—Ordered to be printed.

Mr. STONE (for Mr. SIMMONS), from the Committee on Finance,
submitted the following

R E P O R T .

[To accompany H. R. 3321.]

On May 8, 1913, the bill (H. R. 3321) to reduce tariff duties and to provide revenue passed the House of Representatives, and on May 12, 1913, it was referred to the Finance Committee. Since that date and up to the time it was reported to the Senate your committee has had this measure under careful scrutiny and analysis.

As a result of this examination and study your committee wishes to give its assent to the soundness of the general principles upon which this measure was originally constructed, as well as the theory upon which the revision of the tariff has proceeded. But while the principles of the proposed revision are conceded and while the general line of their application is believed to be beyond controversy, there have been other phases of the situation which in the judgment of the committee called for further analysis. On certain of these points the inquiries of the committee have confirmed the position taken by the Ways and Means Committee of the House, while on certain others it has been necessary on further inquiry to make additional modifications.

Following the lead of the House, your committee has sought in the amendments it now proposes to the House bill to further carry out and perfect the theory of establishing a revenue-producing tariff upon the basis of competitive rates as a just and fair interpretation in the light of existing conditions of the latest authoritative utterances of the party in power upon that subject, and now submits the result of its labors with the confident belief that the enactment into law of the House bill as amended will result in a more equitable distribution of the burdens and incidental benefits of our system of customs taxation; that it will tend to disintegrate the monopolies built up under the present system; that it will enlarge opportunity to individual effort, reduce the cost of living, and relieve the people from the burdens of the protective system strikingly exemplified in the so-called Payne-Aldrich bill which this measure is intended to supersede. As

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reported to the Senate the bill reflects the collective opinion of the Democratic Senators representing the party responsible for the proposed legislation.

SUMMARY COMPARISON OF HOUSE AND SENATE RATES.

Before beginning a discussion of the changes made by the proposed Senate amendments to the House bill, a summary table showing the changes proposed by the Finance Committee in the dutiable and free lists of the House bill will be helpful.

Table I gives the House rates of the dutiable list and the proposed Senate rates.

Table II gives the House rates on items transferred to the free list by the proposed Senate amendments.

TABLE I.—Comparison of rates of H. R. 3321 as passed by the House and as amended by the Committee on Finance.

SCHEDULE A.—CHEMICALS, OILS, AND PAINTS.

Para- graph.	Article.	House rate.	Senate rate.
1	Galic acid.....	4 cents per pound.....	7 cents per pound.
	Oxalic acid.....	2 cents per pound.....	1½ cents per pound.
	Pyrogallic acid.....	10 cents per pound.....	15 cents per pound.
	Tannic acid.....	4 cents per pound.....	5 cents per pound.
6	Alizarin.....	10 per cent.....	Free.
14	Compounds of caffeine.....	15 per cent.....	25 per cent.
15	Calomel, etc.....	do.....	20 per cent.
19	Glycerophosphoric acid.....	do.....	25 per cent.
21	Colors obtained from alizarin, anthracene, indigo, and carbazol.	30 per cent.....	Free.
23	Creosote oil.....	5 per cent.....	Do.
	Anthracene.....	do.....	Do.
26	Celluloid, crude.....	15 per cent.....	25 per cent.
	Manufactures of celluloid.....	35 per cent.....	40 per cent.
30	Ethers with 5 per cent or less of alcohol.	10 per cent and 20 per cent.....	20 per cent.
31	Extract of nutgalls, Persian berries, and sumac.	Free.....	½ cent per pound.
37	Chicle, crude.....	20 cents per pound.....	15 cents per pound.
	Amber chips.....	\$1 per pound.....	Free.
	Potato dextrine.....	½ cent per pound.....	1½ cents per pound.
46	Alizarin assistants.....	15 per cent.....	25 per cent.
	Linseed oil.....	12 cents per gallon.....	10 cents per gallon.
	Olive oil, n. s. p. f.....	20 per cent.....	20 cents per gallon.
53	Ultramarine blue, valued at less than 7 cents per pound.	15 per cent.....	1 cent per pound.
62	Lithopone.....	10 per cent.....	15 per cent.
	Zinc pigments mixed with oil.....	do.....	Do
65	Potash cyanide.....	1½ cents per pound.....	Free.
68	Soda cyanide.....	do.....	Do.

SCHEDULE B.—EARTH, EARTHENWARE, AND GLASSWARE.

74	Cement.....	5 per cent.....	Free.
78	Rock asphalt.....	25 cents per ton.....	Do.
	Asphalt and bitumen.....	50 cents per ton.....	Do.
79	Mica:		
	Valued not above 15 cents per pound.....	30 per cent.....	4 cents per pound.
	Valued above 75 cents per pound.....	do.....	20 per cent.
	75 cents per pound.....	do.....	25 per cent.
80	Stoneware and earthenware crucibles.	15 per cent.....	20 per cent.
84	Lenses.....	30 per cent.....	25 per cent.
	Gauging glasses and glass slides.....	20 per cent.....	Do.
95	Opera glasses and optical instruments.	30 per cent.....	35 per cent.
	Photographic cameras.....	do.....	15 per cent.
96	Surveying instruments, telescopes and microscopes, photographic and projection lenses.	35 per cent.....	25 per cent.
98	Glass enamel.....	Free.....	20 per cent.

TABLE I.—Comparison of rates of H. R. 3321 as passed by the House and as amended by the Committee on Finance—Continued.

SCHEDULE C.—METALS, AND MANUFACTURES OF.

Paragraph.	Article.	House rate.	Senate rate.
104	Iron in pigs, iron kentledge, spiegeleisen, cast iron, iron and steel scrap.	8 per cent.	Free.
104	Ferromanganese.	15 per cent.	Do.
105	Iron in slabs, blooms, loops, etc.	8 per cent.	Do.
	Muck bars, bar iron, rolled or hammered iron, etc.	do.	5 per cent.
106	Beams and other structural iron and steel	12 per cent.	10 per cent.
107	Iron or steel plates, strips, sheets, etc.	15 per cent.	12 per cent.
108	Iron and steel anchors, forgings, etc.	do.	Do.
109	Hoop, band, or scroll iron or steel, n. s. p. f.	12 per cent.	10 per cent.
111	Iron or steel sheets, etc., galvanized or otherwise cut, polished, or finished, including tin plates.	20 per cent.	15 per cent.
112	Steel ingots, blooms, slabs, die blocks or blanks, and billets, crude.	10 per cent.	Free.
	The same, if tapered or beveled.	15 per cent.	12 per cent.
	Steel products not containing alloys.	10 per cent.	8 per cent.
	Containing alloys.	15 per cent.	12 per cent.
113	Steel wool and shavings.	20 per cent.	15 per cent.
114	Grit, shot, etc.	30 per cent.	25 per cent.
116	Iron or steel wire, covered or uncovered.	20 per cent.	15 per cent.
	Wire rope.	30 per cent.	25 per cent.
121	Automobiles:		
	Valued at \$1,000 or less.	45 per cent.	15 per cent.
	Valued between \$1,000 and \$1,500.	do.	30 per cent.
	Finished parts of automobiles.	20 per cent.	Do.
122	Motor cycles, and finished parts thereof.	40 per cent.	25 per cent.
125	Nuts, nut blanks, and washers.	15 per cent.	5 per cent.
	Bolts and hinges.	do.	10 per cent.
	Spiral nut locks and lock washers.	35 per cent.	25 per cent.
126	Card clothing, not permanently fitted.	40 per cent.	10 per cent.
	When plated or faced.	do.	30 per cent.
127	Cast-iron pipes.	12 per cent.	Free.
128	Sprocket and machine chains.	20 per cent.	25 per cent.
133	Files, etc., machine cut.	25 per cent.	20 per cent.
	Hand-cut and precision files.	do.	35 per cent.
137	Needles, needle cases, and bodkins of metal.	do.	20 per cent.
	Needles for shoe machinery.	do.	Free.
144	Railway wheels and tires.	do.	15 per cent.
145	Aluminum and alloys in crude form.	do.	2 cents per pound.
	Aluminum, rolled.	do.	3½ cents per pound.
146	Antimony ores.	10 per cent.	Free.
148	Bronze powders, etc.	25 per cent.	8 cents per pound.
	Aluminum in leaves.	do.	4 cents per 100 leaves.
152	Metal threads of tinsel wire.	30 per cent.	25 per cent.
154	Lead ores.	½ cent per pound.	¼ cent per pound.
164	Zinc ores.	10 per cent.	12½ per cent.
165	Metallic zinc.	do.	15 per cent.
169	Iron and steel products n. s. p. f.	25 per cent.	20 per cent.
	Sugar machinery, sand-blasting and mudge machinery.	do.	Free.

SCHEDULE D.—WOOD, AND MANUFACTURES OF.

Only a few changes of technical nature.

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

Paragraph 179. Duties of existing law extended to March 1, 1914.

Paragraph 182. Chewing gum: House rate, 15 per cent; Senate rate, 25 per cent.

SCHEDULE F.—TOBACCO, AND MANUFACTURES OF.

No change.

TABLE I.—Comparison of rates of H. R. 3321 as passed by the House and as amended by the Committee on Finance—Continued.

SCHEDULE G.—AGRICULTURAL PRODUCTS AND PROVISIONS.

Paragraph.	Article.	House rate.	Senate rate.
188	Cattle.....	10 per cent.....	Free.
189	Horses and mules valued at \$200 or less per head.	\$15 per head.....	10 per cent.
190	Sheep.....	10 per cent.....	Free.
196	Oats.....	10 cents per bushel.....	6 cents per bushel.
	Oatmeal and rolled oats.....	Free.....	33 cents per hundred weight.
	Oat feed.....	15 per cent.....	9 cents per hundred weight.
197	Rice for fermentation purposes.....	$\frac{1}{2}$ cent.....	$\frac{1}{2}$ cent.
198	Wheat.....	10 cents per bushel.....	Free—subject to countervailing duty.
200	Butter and butter substitutes.....	3 cents per pound.....	2 $\frac{1}{2}$ cents per pound.
201	Cheese and cheese substitutes.....	20 per cent.....	Do.
203	Beets.....	10 per cent.....	5 per cent.
208	Eggs.....	2 cents per dozen.....	Free.
	Frozen eggs.....	2 $\frac{1}{2}$ cents per pound.....	2 cents per pound.
	Liquid egg albumen.....	3 cents per pound.....	1 cent per pound.
209	Blood, dried, soluble.....	1 $\frac{1}{2}$ cents per pound.....	Free.
214	Peas.....	15 cents per bushel.....	10 cents per bushel.
	Split peas.....	25 cents per bushel.....	20 cents per bushel.
	Peas in small packages.....	$\frac{1}{2}$ cent per pound.....	$\frac{1}{2}$ cent per pound.
215	Greenhouse plants.....	25 per cent.....	Free.
217	Linseed.....	20 cents per bushel.....	15 cents per bushel.
	Seed, n. s. p. f.....	10 per cent.....	5 cents per pound.
223	Currants.....	2 cents per pound.....	1 cent per pound.
227	Bananas.....	Free.....	$\frac{1}{2}$ cent per pound.
233	Meat extracts, n. s. p. f.....	15 cents per pound.....	10 cents per pound.
	Fluid extracts of meat.....	7 cents per pound.....	5 cents per pound.
236	Cocoa, manufactured and sweetened chocolate valued between 15 and 20 cents per pound.	25 per cent.....	2 cents per pound.
240	Wild mace.....	8 cents per pound.....	18 cents per pound.
	Ground spices—only in the Senate amendment, 20 per cent additional to the House rates.		

SCHEDULE H.—SPIRITS, WINES, ETC.

Paragraph 254. Mineral waters imported in packages of less than 1 quart; House rates, rates provided for plus additional duty on packages; Senate rates, House rates, but no additional duty on packages.

Paragraph 254}. Restoring the internal tax on wine spirits or grape brandy used for fortification of sweet wines.

Paragraph 254}. Placing a tax on all spurious wines of 25 cents per gallon.

SCHEDULE I.—COTTON AND MANUFACTURES.

Paragraph.	Article.	House rate.	Senate rate.
255	Cotton thread, yarns, etc., not bleached, mercerized, etc. (between Nos. 80 and 99).	20 per cent.....	22 $\frac{1}{2}$ per cent.
	Yarns, bleached, mercerized, etc....	Same as unbleached.....	2 $\frac{1}{2}$ per cent above rates on unbleached.
	200 and over, bleached or unbleached, etc.	25 per cent.....	20 per cent.
	Cotton sliver.....	10 per cent.....	5 per cent.
257	Cotton cloth, unbleached and not mercerized (between 80 and 99).	22 $\frac{1}{2}$ per cent.....	25 per cent.
260	Handkerchiefs, unhemmed.....	30 per cent.....	Do.
261	Cotton collars and cuffs.....	25 per cent.....	30 per cent.
265	Stockings, etc., valued up to 70 cents per dozen pairs.	40 per cent.....	Do.
	Valued between 70 cents and \$1.20..	50 per cent.....	Do.
	Cotton gloves.....	35 per cent.....	45 per cent.
267	Bandings, beltings, bindings, etc....	25 per cent.....	30 per cent.

TABLE I.—Comparison of rates of H. R. 3321 as passed by the House and as amended by the Committee on Finance—Continued.

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

Paragraph.	Article.	House rate.	Senate rate.
272	Flax, undressed.....	1 cent per pound.....	Free.
273	Flax, dressed.....	1½ cents per pound.....	Do.
274	Tow of flax.....	1 cent per pound.....	Do.
275	Hemp, and tow of hemp.....	1½ cents per pound.....	Do.
276	Hackled hemp.....	1 cent per pound.....	Do.
276	Single jute yarns not finer than 5 numbers.....	15 per cent.....	20 per cent.
	Over 5 numbers.....	25 per cent.....	Do.
278	Threads of flax, hemp, or ramie, from yarn of 5 numbers or less.....do.....	Do.
	Finer than 5 numbers.....	30 per cent.....	25 per cent.
279	Single yarns of flax, hemp, or ramie, not less than 8 numbers.....	15 per cent.....	12 per cent.
	Between 8 and 30 numbers.....	25 per cent.....	20 per cent.
280	Gill nets, webs, etc., of flax, hemp, or ramie.....	30 per cent.....	25 per cent.
281	Straw mattings and rugs.....	2½ cents per square yard.....	2 cents per square yard.
282	Carpets, mats, and rugs of vegetable fiber except cotton.....	35 per cent.....	30 per cent.
284	Flax tapes.....	25 per cent.....	20 per cent.
287	Wearing apparel of flax, hemp, or ramie.....	50 per cent.....	40 per cent.
288	Single jute fabrics for bags.....	20 per cent.....	Free.
289	Pile fabrics of flax, hemp, or ramie.....	45 per cent.....	40 per cent.
290	Bags of single jute yarns.....	25 per cent.....	10 per cent.
292	Woven fabrics of flax, hemp, or ramie.....	35 per cent.....	30 per cent.

SCHEDULE K.—WOOL AND MANUFACTURES OF.

295	Woolen or camel's-hair tops.....	15 per cent.....	5 per cent.
296	Wool yarns.....	20 per cent.....	15 per cent.
297	Wool stockings, hose, and half hose.....	35 per cent.....	20 per cent.
	If finished or shaped, valued not more than \$1.20 per dozen pairs.....do.....	50 per cent.
	Valued above \$1.20 per dozen pairs.....do.....	50 per cent.
	Camel's-hair press cloth.....	Free.....	10 per cent.
298	Wool flannels and blankets above 50 cents per pound.....	35 per cent.....	25 per cent.
298	Wool blankets, valued less than 40 cents per pound.....	25 per cent.....	Free.
314	Angora-goat hair, alpaca and.....	20 per cent.....	Do.
315	Angora-hair tops.....	25 per cent.....	5 per cent.
316	Angora-hair yarns.....	30 per cent.....	15 per cent.
317	Manufactures of angora hair.....	40 per cent.....	35 per cent.
318	Plushes, velvets, and pile fabrics.....	50 per cent.....	40 per cent.

Duties on wool extended to Dec. 1, 1913.

Duties on woolsens extended to Jan. 1, 1914.

SCHEDULE L.—SILKS AND SILK GOODS.

319	Carded and combed silk and silk noils.....	15 per cent.....	30 cents per pound.
320	Silk, spun or in yarn.....	35 per cent.....	30 cents per pound up, according to weight and finish.
321	Thrown silk, floss, etc.....	15 per cent.....	35 cents up, according to weight and finish.
322	Silk velvets, chenilles, etc.....	50 per cent.....	\$1.25 per pound up, according to weight and finish.
323	Silk handkerchiefs or mufflers.....	40 per cent.....	45 per cent.
324	Ribbons, hat bands, etc., of silk.....do.....	Do.
327	Artificial silk yarns.....	35 per cent.....	25 per cent.

TABLE I.—Comparison of rates of H. R. 3321 as passed by the House and as amended by the Committee on Finance—Continued.

SCHEDULE M.—PAPERS AND BOOKS.

Para-graph.	Article.	House rate.	Senate rate.
332	Surface-coated papers.....	35 per cent.....	25 per cent.
	Embossed or printed papers.....	do.....	50 per cent.
	Sensitized paper.....	do.....	25 per cent.
	Plain paper for sensitizing.....	25 per cent.....	15 per cent.
333	Picture calendars, labels, etc.....	12 per cent.....	15 cents per pound.
	Decalcomanias.....	20 per cent.....	15, 20, and 60 cents, according to dimensions and weight of sheets.
	Textbooks.....	15 per cent.....	Free.
337	Landscape views.....	45 per cent.....	25 cents per pound.

SCHEDULE N.—SUNDRIES.

342	Ramie hat braids.....	15 per cent.....	40 per cent.
	Manufactures of ramie hat braids.....	25 and 40 per cent.....	50 per cent.
347	Ivory buttons, over 36 lines.....	40 per cent.....	35 per cent.
	36 and less lines.....	do.....	50 per cent.
	Shell and pearl buttons, over 26 lines.....	do.....	25 per cent.
	26 and less.....	do.....	50 per cent.
	Agate buttons.....	do.....	15 per cent.
351	Crude artificial abrasives.....	10 per cent.....	Free.
353	Fulminates.....	5 per cent.....	Do.
354	Gunpowder, etc.....	1½ and 1 cent per pound.....	Do.
356	Blasting caps.....	75 cents per M.....	\$1 per M.
358	Raw furs.....	10 per cent.....	Free.
	Furs, dressed or dyed.....	40 per cent.....	35 per cent.
	Fur, wearing apparel of domestic animals.....	50 per cent.....	15 per cent.
	Fur, wearing apparel of other than domestic animals.....	do.....	45 per cent.
364	Hats, bonnets, etc.....	40 per cent.....	Do.
367	Glaziers' and miners' diamonds.....	10 per cent.....	Free.
	Marine coral, crude.....	Free.....	10 per cent.
370	Leather toilet sets and similar articles.....	30 per cent.....	40 per cent.
373	Women's leather gloves.....	\$2 per dozen pairs.....	\$2.50 per dozen pairs.
	Men's leather gloves.....	do.....	\$3 per dozen pairs.
376	Harness and saddlery, n. s. p. f.....	20 per cent.....	Free.
376	Manufactures of amber and gut.....	10 per cent.....	20 per cent.
	Surgical catgut.....	do.....	Free.
378	India rubber druggists' sundries.....	do.....	15 per cent.
379	Manufactures of mother-of-pearl, shell, hard rubber, etc.....	25 per cent.....	Do.
380	Masks.....	20 per cent.....	25 per cent.
383	Catgut strings.....	35 per cent.....	20 per cent.
386	Paintings and sculptures.....	15 per cent.....	25 per cent.
388	Penicils valued less than \$1.44 per gross.....	25 per cent.....	36 cents per gross.
390	Photographic cameras.....	30 per cent.....	15 per cent.
	Photographic films, sensitized but not exposed.....	15 per cent.....	Free.
	Films for moving-picture exhibits.....	20 per cent.....	Changed to specific rates equivalent to approximately 20 per cent.
391	Crude meerschaum.....	Free.....	20 per cent.

¹ New paragraph.

TABLE II.—Free list.

Para- graph.	Article.	House rate.	Senate rate.
403	Allizarin.....	10 per cent.....	Free.
	Colors obtained from allizarin, anthracene, and carbazol.....	30 per cent.....	Do.
404	Ammonia perchlorate.....	15 per cent.....	Do.
404	Antimony ore, stibnite, and antimony matte.....	10 per cent.....	Do.
416	Fabrics of single jute yarns for grain, wool, and other sacks.....	20 per cent.....	Do.
427	Wool blankets valued at less than 40 cents per pound.....	25 per cent.....	Do.
428	Blood, dried.....	1½ cents per pound.....	Do.
434	Textbooks.....	15 per cent.....	Do.
	Braille tablets, objects and apparatus, types, etc., used for the benefit of the blind exclusively.....	15 and 25 per cent.....	Do.
450	Sand-blast machines, sludge machines, and sugar machinery.....	25 per cent.....	Do.
450	Cast-iron pipe.....	12 per cent.....	Do.
452	Surgical catgut.....	do.....	Do.
452	Cement, Roman, Portland, and other hydraulic.....	5 per cent.....	Do.
460	Creosote, oil, anthracene, and anthracene oil.....	do.....	Do.
471	Crude marine corals.....	Free.....	10 per cent.
481	Glaziers' and engravers' diamonds, miners' diamonds, and diamond dust.....	10 per cent.....	Free.
485	Eggs.....	2 cents per dozen.....	Do.
486	Crude artificial abrasives.....	10 per cent.....	Do.
492	Flax and hemp, not hackled or dressed.....	½ cent per pound.....	Do.
	Flax, hackled.....	1½ cents per pound.....	Do.
	Flax and hemp tow.....	½ cent per pound.....	Do.
496	Fulminates.....	5 per cent.....	Do.
496	Furs and fur skins.....	10 per cent.....	Do.
498	Glass enamel.....	Free.....	20 per cent.
505	Amber in chips.....	\$1 per pound.....	Free.
505	Gunpowder and explosives.....	½ cent per pound and 1 cent per pound.....	Do.
518	Colors obtained from indigo.....	30 per cent.....	Do.
522	Pig iron, iron kentledge, spiegeleisen, wrought iron, steel scrap, ferromanganese, iron in slabs and blooms.....	15 and 8 per cent.....	Do.
532	Lard compounds and lard substitutes.....	15 per cent.....	Do.
537	Limestone-rock asphalt.....	25 cents per ton.....	Do.
537	Asphaltum and bitumen.....	50 cents per ton.....	Do.
550	Meerschaum, crude.....	Free.....	20 per cent.
559	Needles for shoe machines.....	25 per cent.....	Free.
564	Oatmeal and rolled oats.....	Free.....	33 cents per hundredweight.
571	Hemp and flax waste.....	10 per cent.....	Free.
580	Photographic moving-picture films, not exposed.....	15 per cent.....	Do.
584	Potash cyanide.....	1½ cents per pound.....	Do.
585	Potatoes.....	Free.....	Free; subject to countervailing duty.
609	Soda cyanide.....	1½ cents per pound.....	Free.
615	Steel ingots, blooms and slabs, die blocks or blanks, billets, not containing alloys.....	10 per cent.....	Do.
621	Cattle, sheep, domestic live animals for food purposes.....	do.....	Do.
626	Extracts of nutgalls, Persian berries, and sumac.....	Free.....	½ cent per pound.
646	Wheat.....	10 cents per bushel.....	Free; subject to countervailing duty.
650	Sawed cedar.....	10 per cent.....	Free.
652	Wool of the angora goat, alpaca.....	20 per cent.....	Do.
652	Paper twine for binding wool.....	25 per cent.....	Do.

DETAILED DISCUSSION OF CHANGES BY SCHEDULE.

While the preceding table gives in parallel columns a synoptic view of all the changes in rates made by the Committee on Finance in the House bill, a brief discussion of the reasons for the more significant alterations made in each schedule will perhaps contribute to a clearer understanding of those changes.

SCHEDULE A.—*Chemicals, oils, and paints.*

It will be observed that the most important changes made by the Senate amendments in Schedule A are found in paragraph 1, dealing with acids; paragraph 6, dealing with alizarin; paragraph 25, dealing with celluloid; paragraph 31, dealing with vegetable dyes; paragraph 37, dealing with gums; paragraph 46, dealing with oils; and paragraph 62, dealing with zinc pigments.

Under the present law, alizarin and colors obtained from alizarin and anthracene are on the free list. The House bill placed a duty of 10 per cent on alizarin and 30 per cent on colors obtained from alizarin and anthracene. Under the present law colors obtained from carbazol and indigo pay a duty of 30 per cent and the House bill made no change.

The textile industries, the manufacture of leather, of pulp and paper, and of glass are among the heaviest consumers of chemicals and other products dealt with in Schedule A. In its glossary on the status of the chemical industry in this country, reprinted in House Report No. 326, Sixty-second Congress, second session, page 317, the Tariff Board gives the following table showing the value of chemicals and related products consumed in the industries mentioned, as ascertained by the census of 1905:

Textiles.....	\$30,971,685
Leather.....	25,038,936
Pulp and paper.....	10,203,304
Glass.....	6,311,783

H. R. 3321 has made heavy reduction from the existing law in the rates on products of the industries enumerated above, and in a number of instances the Senate amendments have increased these reductions still further. On account of the extensive use of these colors in the textile industries and in the manufacture of leather and on account of the heavy reductions made in the bill in the duties on the products of these industries the committee thought it but just and fair that these dyeing materials should all be transferred to the free list, as provided in the Senate amendments.

The Committee on Finance has transferred creosote oil to the free list. Creosote oil is used on a very large scale for saturating wood for the purpose of its preservation. In the interest of conservation of our rapidly decreasing resources of woods the committee has deemed it advisable to place this preservative on the free list, the end in view being of more importance than the revenue which would be derived from the small House rate.

The Committee on Finance has transferred cyanide of potash and cyanide of soda to the free list. These products are dutiable respectively under the present law at 12½ per cent and 25 per cent ad valorem. The House rate is specific and equivalent in both cases to less than 10 per cent ad valorem. In the interest of the mining industry the committee decided to recommend their free admission.

A reduction was made by the committee in the rate on linseed oil. The present rate is 15 cents per gallon; the rate prescribed in the House bill is 12 cents per gallon, and the committee recommends a further reduction to 10 cents per gallon. Linseed oil is made from flaxseed. In the present law flaxseed is dutiable at 25 cents per bushel, H. R. 3321 reduces this duty to 20 cents per bushel, and the

Committee on Finance has reduced it still further in the agricultural schedule to 15 cents per bushel to make the rate harmonize with the proposed reduction on linseed oil. Linseed oil is used in enormous quantities in making paints and varnishes, certain soaps used in the textile industries, for making linoleum, and in numberless other ways justifying the reduction proposed by the Senate committee.

A considerable reduction was made by the Committee on Finance in the rate on oxalic acid, viz, from 2 cents per pound to 1½ cents per pound. H. R. 3321 made no change in the rate on this acid from the existing law on account of the heavy revenue involved. Oxalic acid is used heavily in the textiles, the leather industries, laundries, and in households, and for this reason the committee deemed a reduction in rate of one-half cent per pound advisable.

In a number of instances the Senate committee has raised the rates in Schedule A of H. R. 3321, noticeably so in the rates on celluloid, calomel, alizarin assistants, lithopone, and zinc pigments. The reasons for recommending higher rates are partly to compensate for the losses in revenue to be expected owing to the changes made elsewhere, and partly because the rates established in H. R. 3321 seemed inconsistent with the rates on the raw materials entering into the manufacture of the products so affected.

The Committee on Finance recommends a rate of three-eighths of a cent per pound on extracts of nutgalls, Persian berries, and sumac. These articles are dutiable under the present law and were transferred to the free list in the House bill under the misapprehension that they are used in tanning leathers. They are used so only to a minimum extent, their principal consumption being in the textile industries. They belong logically with other dyewood extracts in paragraph 31, and for this reason the Senate committee placed them there.

SCHEDULE B.—*Earths, earthenware, and glassware.*

A survey of the amendments made by the Committee on Finance to Schedule B shows that they relate principally to the following items:

- (1) Cement, which is transferred to the free list.
- (2) Asphalt, rock asphalt, and bitumen, which are made free.
- (3) Mica, on which a new classification is introduced.
- (4) Photographic cameras, upon which the duty has been reduced 50 per cent.

There were a number of minor changes made in this schedule, of which the reclassification of window glass is the most important.

Cement.—The transfer of cement to the free list needs no justification. The cement industry has had in this country a phenomenal development, owing to the extensive and ever-increasing use of this material for building purposes and for paving. Applied originally only in connection with large building operations, cement is now rapidly becoming the foremost building material and an indispensable necessity on practically every farm. With the ever-widening demand for cement, the domestic supply has well kept step, and the production for 1912 is estimated to have exceeded in value the sum of \$80,000,000. The law at present levies a duty on cement, equivalent to over 21 per cent ad valorem, on the basis of 1912, which rate was reduced in H. R. 3321 to 5 per cent ad valorem. The imports in 1912 were

valued at less than \$170,000, and under the radically reduced rates of the House bill imports are estimated to be \$220,000. The exports of cement in 1912 were valued at over \$5,000,000. Cement is manufactured in this country and at a cost no higher than anywhere else on this continent. It is characteristic of the competitive status of the cement industry of this country that, when some time ago the Panama Canal Commission asked for bids on 4,500,000 barrels of cement, with 12 foreign corporations bidding for the contract, the lowest bid submitted was that of a domestic corporation whose bid was accepted. This, in connection with the heavy export, indicates that the cement industry of this country, when put on a free basis, need fear no serious competition from foreign imports as long as the domestic producers remain in competition and content themselves with reasonable profits, when it is considered that the bulky nature of the material entails heavy freight expenses, which in themselves act as a deterrent against too active foreign competition.

Asphalt.—Asphalt, rock asphalt, and bitumen were put on the free list by the Committee on Finance largely on account of their heavy use in road building and for street paving. There are two classes of asphalt; namely, the natural asphalt found in lakes and imported mostly from Trinidad. Of this grade of asphalt practically none is produced in this country. The other kind of asphalt is of inferior quality and is obtained as a residual product from distillation of crude petroleum, the supply of which is chiefly controlled by the Standard Oil Co. and the manufacture of which is wholly above any competition from abroad. Petroleum products are on the free list, and asphalt obtained from petroleum logically belongs on the free list. To put a duty on asphalt is equivalent to placing a direct tax on communities desiring to improve the conditions of their roads and streets.

Mica.—The Committee on Finance has reclassified the paragraph dealing with mica. Mica valued not above 15 cents per pound was put at a specific rate of 4 cents per pound, which rate will have the effect of raising slightly the House rate of 30 per cent on the low-grade product where the value does not exceed 13 cents per pound. The rates on mica of higher unit value have been reduced, and on mica valued above 75 cents per pound the reduction is one-third of the rate established by the House bill, namely, from 30 per cent to 20 per cent ad valorem. A straight 30 per cent rate on mica of all grades, as fixed in the House bill, would discriminate against the low-priced article.

Photographic cameras.—The Committee on Finance has eliminated from this schedule photographic cameras, at present dutiable under this schedule in paragraph 95, and has transferred them to Schedule N. The rate on photographic cameras under the present law is 45 per cent ad valorem. In the House bill the rate is fixed at 30 per cent ad valorem, and the committee has made an additional radical cut to 15 per cent ad valorem, reducing the rate to one-third of the Payne bill.

Photographic cameras are produced in this country as cheaply as anywhere in the world, and their manufacture, as well as their distribution, is closely controlled. Photographic cameras are finding a steadily increasing use among the masses, and since this use affords one of the most legitimate and most educational means of recreation, it ought to be encouraged as far as possible.

SCHEDULE C.—*Metals, and manufactures of.*

The bill as amended by the Senate committee made extensive changes in Schedule C in addition to alterations already made by the House committee in this schedule.

The principal alterations made consist in placing pig iron, iron kentledge, spiegeleisen, iron and steel scrap, ferromanganese, iron in blooms, loops, and slabs, steel ingots, blanks, and billets, cast-iron pipes, and antimony ore on the free list, and in materially reducing the rates upon many of the heavy products of iron and steel as a result of transferring the foregoing basic materials to the free list.

All of the enumerated products thus transferred to the free list, with the exception of ferromanganese, are produced in large quantities here at a cost which does not exceed that in other countries. They are all articles of prime importance in the industries generally, and, owing to their heavy and bulky nature, the relatively high cost of transportation in itself constitutes an impediment to excessive importations. In addition to this, the industry is largely controlled by a few great corporations.

Judged by all available tests, the American iron and steel industry is fully able to sustain itself without Government aid. It has unrivaled supplies of raw material well situated with reference to one another. It has the use of abundant capital and the best of business organization, as shown by the large profits earned and the large reinvestments made in the industry. It is able to export in competition with foreign countries, as is freely admitted by its chief officials and as is shown by the figures of the Government. Were the domestic demand not so extensive as it has been, exports might be increased, and the testimony of the officers of the United States Steel Corporation shows that the prices abroad are about as satisfactory as they are at home. The industry has the advantage of low costs and when estimated from a rigid accounting standpoint. For all these reasons it may be regarded as well fitted from every point of view in which to establish rates of duty upon a strictly revenue-producing basis.

The House bill places iron ore upon the free list mainly because it was found that the domestic supply of iron ore was largely controlled by the United States Steel Corporation and for the purpose of aiding the independent iron and steel manufacturers in their competition with this monopoly.

For similar reasons the Committee on Finance thought that ferromanganese should also be placed upon the free list. The United States Steel Corporation largely controls the domestic ore out of which ferromanganese, which is a necessary material in the manufacture of steel, is produced. This corporation is the only producer of ferromanganese in this country, but produces it only for its own use and consumption. It was thought under these conditions just that the independent competitors of this monopoly should be permitted to import this high-priced alloy free of duty, and that with iron ore and ferromanganese on the free list domestic competition would be strengthened and the price of the finished products of iron and steel would be eventually lowered.

The changes otherwise recommended by the Finance Committee in Schedule C are practically all in the direction of reductions from the House rate.

Having placed pig iron and allied products upon the free list, your committee felt justified in reducing the House rates upon many of the products of these raw and semi-raw materials, such as beams, girders, joints, car trucks, anchors, tin plate, etc. For this reason, as well as

because the House rates were thought not sufficiently low to be competitive, further reductions were made in some of the more highly organized products of this industry.

The committee amendment as to automobiles provides for reclassification of that paragraph and reduces the rates on low-priced automobiles 33 per cent and 66 per cent, respectively, from the House rate, according to the value of the automobile. The duty is likewise reduced on motor cycles, rail wheels and tires, and a number of other products used heavily in the industries.

The duty on aluminum is changed from an ad valorem to a specific rate and the House rate reduced about 1 cent per pound. It was thought by your committee that the circumstances justified a further reduction than that made by the House, and that owing to the great variation in the price of this product and the close alliance between the domestic and the foreign manufacturers, justified the substitution of a specific for an ad valorem rate.

Of the very few cases where the Senate committee has raised the rates on the items carried in the steel schedule, those of lead ores, zinc ores, and zinc may be mentioned. In the House bill the rate upon lead ore is fixed at one-half cent per pound, which is a reduction of 66 $\frac{2}{3}$ per cent from the rate of the Payne-Aldrich bill.

The reductions made in the House bill on lead ore, zinc ore, and zinc appealed to the Finance Committee as too radical and below the point of competition. In the interest of the industry, a continuation of which is absolutely essential for the welfare of the mining interests, the Senate committee raised the duty from one-half cent per pound to three-fourths of 1 cent per pound on lead ores, which was also the rate of the Wilson law.

Zinc ores were first made dutiable under the present law, the rate being one-fourth of a cent per pound on ores carrying zinc in excess of 10 per cent and less than 20 per cent, one-half cent per pound in excess of 20 per cent and less than 25 per cent, and 1 cent per pound on all ores in excess of 25 per cent. Duties paid on importations of zinc-bearing ores for 1910 show an equivalent ad valorem rate of 55.64 per cent and for 1912 of 44.64 per cent.

The House fixed a common duty of 10 per cent ad valorem upon zinc ore and zinc in bars. The rates appear to be somewhat lower than those upon lead ore or lead in bars. The metals are frequently found in association with each other and are extracted by similar processes. The committee has therefore reported the duty on zinc in ores at 12 $\frac{1}{2}$ per cent ad valorem and upon zinc in bars at 15 per cent ad valorem, which, though lower than the rate on lead, compares more favorably with it and will increase the revenue derived from importations.

Antimony ores, which were placed on the free list by the Committee on Finance, are produced in this country only to a very limited extent. A duty on this article is exclusively for revenue purposes, but considering the extended consumption of antimony for manufacturing purposes in many lines of industrial activities the revenue from imports of antimony ore are dispensed with.

The rate for the so-called basket paragraph of this schedule, imports under which are very heavy, is under the present law 45 per cent ad valorem; in the House bill it is reduced to 25 per cent, and in the bill as amended by the Senate committee a further reduction of 20 per cent is made, or below one-half of the present rate.

To sum up, the changes made by the Committee on Finance in Schedule C may be classified under two general heads—those relating to iron and steel and those relating to other metals.

(a) In general, the committee was of the opinion that the rates fixed by the House on iron and steel were too high. The evidence produced in recent investigations of the steel industry has conclusively shown that that branch of manufacture is making large returns and is amply able to hold its own in the world market, as well as against foreigners in the domestic trade. Iron and steel products are essentially necessities, and a reduction of rates on them to the lowest possible point is in line with the principles laid down by the party in past years. Not only, therefore, has the committee thought best to carry the heavier products to the free list, but it has made a general cut upon all of the more immediate derivatives of these products.

(b) On the other metals, lead, zinc, etc., it has been thought that the rates established by the House were too low, and consequently moderate advances were made over the House bill.

SCHEDULE D.—*Wood, and manufactures of.*

The Committee on Finance recommends no change in this schedule, except such as are of technical nature, involving merely a change in verbiage in paragraph 171, in order to bring out fully the intentions of the bill and to avoid possible litigation.

In paragraph 174 the provision giving certain concessions to box wood of American production reimported into the United States in the form of boxes filled with oranges and lemons has been enlarged, so that the concession will now apply to boxes made of American wood filled with all kinds of fruit.

SCHEDULE E.—*Sugar, molasses, and manufactures of.*

The Committee on Finance, after a careful study of the manufacturing and marketing conditions of sugar, deemed it advisable to recommend that the sugar duties now in force shall be extended up to and including the 28th day of February, 1914, after which date the provisions regulating such duties as established in H. R. 3321 shall become operative. The purpose of this extension was to permit the sugar already contracted for under the custom prevailing in this trade, and which contracts were made under tariff conditions now in existence, to be disposed of at the prevailing rates. In paragraph 182 the committee eliminated the House provisions with reference to sugars tinctured, colored, or adulterated after being refined. This provision was taken over from the law now in force and is appropriate there on account of the rates provided in the Payne-Aldrich bill for sugar. The changed status of dutiability of sugar under H. R. 3321 would seem to make such a provision superfluous and might lead to unnecessary litigation.

In this paragraph chewing gum was made dutiable at 25 per cent ad valorem. Under the law now in force chewing gum, if imported, is classified as a manufactured product, not elsewhere enumerated, and dutiable at 20 per cent ad valorem, and if this classification were to continue under H. R. 3321 the rate would be 15 per cent. In view

of the fact, however, that the rate on gum chicle, which is the principal ingredient of chewing gum, has been doubled under the proposed law, such a rate seems insufficient. A rate of 25 per cent on an article of this character is legitimate and in harmony with the plan of H. R. 3321.

SCHEDULE F.—*Tobacco, and manufactures of.*

No change whatever is recommended by the Committee on Finance in this section.

SCHEDULE G.—*Agricultural products and provisions.*

In an effort to mitigate the high and rising cost of living, the House bill placed on the free list a number of agricultural commodities, many of which are not the direct product of farm labor, but are the products of great industrial establishments carrying on their manufacture with the most improved methods known to modern industry. For the same reasons the rates on other items of this schedule have been reduced. The Committee on Finance has placed on the free list additionally live animals used for food purposes, wheat, eggs, lard compounds, and lard substitutes. In a number of instances it has recommended further reductions in the House rates, such as on butter, cheese, peas, meat extracts, cocoa, currants, and other articles of minor importance. It has made in this schedule only two important changes in rates in the other direction. It has restored a duty on oatmeal and rolled oats, making it 33 cents per hundredweight, or one-third of the existing rate, and has increased the duty on rice used for fermentation purposes from one-eighth of a cent, as provided in the House bill, to one-fourth of a cent per pound.

The Senate committee has placed for revenue purposes a duty of one-tenth of a cent per pound on bananas. Bananas are admitted free under the existing law, and were left on the free list in the House bill. A small revenue tax on this article was deemed justifiable, in view of the fact that the importation of bananas to this country is a practical monopoly of the United Fruit Co. On account of the perishable nature of bananas and the smallness of the tax, it is not believed it can be readily shifted to the ultimate consumer.

The House bill and amendments made by the Committee on Finance fully recognized the paramount interests of our agricultural population by placing agricultural implements of every kind and description, fence and baling wire, cotton bagging and ties, low-priced blankets, boots and shoes, cement, nails, lumber, coal, harness, saddles, cotton gins, wagons, carts, bagging for grain, wool and other bags, sewing machines, and many other products of daily utility on the free list. In common with the rest of our people, our agricultural population will share in the benefits brought about by the reduction of the duty on sugar and its eventual elimination. The substantial reductions made all along the line on cotton and woolen goods, wearing apparel of every description, on crockery, household furnishings, and utensils, hardware, and similar products of our factories, will remove a considerable part of the burden of tariff taxation now borne by the farmer as well as the dweller in the city and the laborer in the factory, fields, and mines.

SCHEDULE H.--*Spirits, wines, and other beverages.*

An important change made in this schedule, with reference to imports, was the elimination of the additional duty assessed on containers of mineral water of certain sizes. The duty on these being specific, there seems to be no valid reason to depart from the practice established over 70 years ago as an integral part of our tariff legislation and only infringed upon in exceptional cases, namely, not to assess duty on containers with contents dutiable at specific rates. Otherwise this schedule was left intact, as being, in connection with Schedule F, tobaccos, and the manufacture of tobacco, two of the heaviest and most legitimate revenue producers.

The Committee on Finance has added to this schedule a paragraph repealing the privilege of using wine spirits, or grape brandy, for the fortification of sweet wines, free of tax, and appropriate administrative machinery is provided. The amendment provides for the modification of the present statutes relating to the tax upon the wine spirits or grape brandy used in the fortification of pure sweet wine.

Section 42 of the act of October 1, 1890, relating to this subject, reads in part as follows:

*That any producer of pure sweet wines who is also a distiller * * * may use free of tax in the preparation of such wines * * * so much of such wine spirits so separated by him as may be necessary to fortify the wine for the preservation of the saccharine matter contained therein, * * * etc.*

Section 45 of said act provides in part as follows:

The use of wine spirits free of tax for the fortification of sweet wines under this act shall be begun and completed *at the vineyard of the wine grower* where the grapes are crushed and grape juice is expressed and fermented.

The tax for the manufacture and use of wine spirits for all other purposes is \$1.10 per gallon. The statutes just referred to were later amended to provide for a charge of 3 cents per gallon for the wine spirits of grape brandy thus used to pay the expenses of the Government while attending and making the fortification of said sweet wines.

It will be noted that under this statute there are two classes of wine producers who are entitled to this privilege of 3 cents per gallon wine spirits. First, the wine producer "who is also a distiller." Secondly, the wine producer who has his winery "at the vineyard." All other manufacturers and users of these wines spirits must pay \$1.10 per gallon. This discriminates first, against all wine producers who are not distillers and who do not have their wineries at the vineyard, and secondly, it discriminates against all other makers and users of wine spirits.

There is no sound reason for this legislative favoritism. During the fiscal year ending June 30, 1912, there was used in the fortifying of sweet wines, 6,322,303.9 gallons of this wine spirits or grape brandy. If this had been subject to the internal-revenue tax of \$1.10 per gallon, the same as that paid by the users thereof, instead of paying 3 cents per gallon as provided for in this law, the revenue during the fiscal year ending June 30, 1912 would have been increased \$6,954,534.29, and if these wine producers had to pay the tax which they ought to have paid except for this special favoritism shown by the statutes above referred to, the revenue of the Government would have been increased since 1890 by \$65,702,601.59. In other words, by this legislation, a bonus has been given to the producers of pure

sweet wine of \$65,702,601.69, nearly all of which has gone to the California wine producers.

A paragraph has been added to this schedule imposing upon wines known in the trade as "spurious or artificial" wines, an internal-revenue tax of 25 cents per gallon, and requiring that all containers of wines or liquors which contain benzoic acid, benzoate of soda, salicylic acid, or fluorides shall be labeled with the per cent of such contents.

This was for the purpose of subjecting to taxation such wines as are made from pomace of grapes, berries, or other fruits, where the alcohol strength of such wine does not exceed 24 per cent by volume.

In these low-class wines, the chemicals above referred to are frequently added for the purpose of preservation and preventing fermentation.

SCHEDULE I.—*Cotton manufactures.*

The Senate committee has followed very closely the provisions of the House bill with reference to cotton manufactures. Most of the changes were made after consulting customhouse officials for the purpose of facilitating administration.

The House bill fixed the rate of duty on cotton yarns according to the number of the yarn and upon cotton cloth according to the number of the yarn contained in the cloth. The House bill provided a rate for cotton cloth, not bleached, dyed, etc., at from $7\frac{1}{2}$ per cent on cotton made from yarns of lowest number, increasing to $27\frac{1}{2}$ per cent where the highest number of yarns in the cotton cloth exceeded 99. It also provided that cotton cloth when bleached, dyed, etc., shall be subject to a duty of $2\frac{1}{2}$ per cent ad valorem in addition to these rates.

For the purpose of preventing any doubt as to whether the $2\frac{1}{2}$ per cent duty would be added for each one of the processes, the Senate committee expressly designated the rates to attach to cotton cloth when bleached, dyed, etc., giving in each instance the $2\frac{1}{2}$ per cent increase from the rate on cotton cloth in the gray and providing only for one increase of $2\frac{1}{2}$ per cent, even though one or more processes are used on a single piece of cloth.

It will be observed that the $2\frac{1}{2}$ per cent increase contained in the House bill applies to cloth when bleached, dyed, etc., whether the bleaching, dyeing, etc., takes place before or after the cloth was woven, but the House bill does not provide for an increase of the duty on yarns if the yarns are bleached, dyed, etc., before the process of weaving takes place. The bill as reported provides for an increase of $2\frac{1}{2}$ per cent upon yarns when bleached, dyed, etc. This makes no increase upon the rate of duty upon the cloths. It was simply a question as to the place at which the $2\frac{1}{2}$ per cent increase should be made. The House made it on the cloths whenever they were bleached, dyed, etc., and the Senate committee made the increase take place with the yarns instead of the cloths if the yarns used by the weaver had already been bleached, dyed, etc. The increase was intended to be placed on account of the processes of bleaching, dyeing, etc., and the Senate made the increase where the process takes place.

The Senate committee reduced the duty on cotton card laps, roping, sliver, or roving, from 10 per cent ad valorem to 5 per cent ad valorem. The House bill provided a duty upon hose and half hose

and stockings, if valued at not more than 70 cents per dozen, of 40 per cent ad valorem. The Senate committee changed this so that hose valued at not more than \$1.20 per dozen bear a duty of 30 per cent ad valorem.

The House provided for a duty on cotton gloves of 35 per cent ad valorem. These gloves are of a class not generally in use, and the Senate committee increased the duty to 45 per cent ad valorem.

The House made a duty on handkerchiefs and mufflers composed of cotton, 30 per cent ad valorem. The Senate committee reduced the duty upon handkerchiefs and mufflers, not hemmed, to 25 per cent ad valorem.

The Senate committee increased the duty on collars and cuffs from 25 per cent ad valorem, to conform to the duty provided on products manufactured from cotton cloth.

SCHEDULE J.—*Flax, hemp, and jute, and manufactures of.*

The fundamental amendments proposed by the Senate committee to Schedule J consist in transferring hemp, tow of hemp, flax, and tow of flax, hackled, etc., to the free list. These amendments are strictly in line with the general purposes and objects of the revision, and bring hemp and flax into line with all other textile raw materials.

Burlaps, or fabrics of single jute yarns, used for making bagging for grain, wool, and similar agricultural products are also transferred to the free list, thus giving the farmer generally, and especially the grain and wool producers, the same relief as is given the cotton growers by putting jute cotton bagging on the free list.

Corresponding reductions are also made in the duties on practically all manufactured products composed of flax and hemp.

SCHEDULE K.—*Wool, and manufactures of.*

The essential changes in Schedule K and their significance may be reviewed as follows:

(a) The Senate committee, as a result of its investigations, thought that the rates on tops and yarns in the House bill, though materially lower than the rates in the present law, were still too high, and therefore reduced them from 15 per cent to 5 per cent.

(b) It was thought inconsistent to retain a schedule dealing with cotton hosiery and leave wool hosiery to be covered only in general language. Hence a wool hosiery schedule corresponding to the cotton hosiery grouping has been introduced.

(c) There was thought to be no good reason for the retention of a duty on goat hair when wool was free, hence the hair of the Angora goat, alpaca, and other like animals have likewise been relieved of duty.

(d) Reductions have been made in the derived products of goat hair, such as tops, yarns, etc., to adjust the schedule to the basis afforded by making goat hair free.

Essentially the plan of duties on wool and woolens devised by the House has been left unchanged in its basis, the changes being mostly in the direction of reductions. Wool blankets valued at less than 40 cents per pound were made free, and the duty on low-priced hosiery was reduced and the duty on the higher quality increased.

SCHEDULE L.—*Silks and silk goods.*

Articles dutiable under this section are justly considered luxuries and subject to as high duties as purposes of revenue will permit. Consistent with this view, H. R. 3321 has made but very slight reductions in the ad valorem rates, and expected revenues to be derived from this schedule are practically the same as those obtained under the existing law. The House bill, however, substituted throughout this schedule ad valorem rates instead of specific rates as at present. The Finance Committee has not raised the rates provided in the House bill except in the instance of certain handkerchiefs, and in the rates on ribbons where the duty was raised from 40 per cent ad valorem to 45 per cent ad valorem. Inversely, it has reduced the rates on yarns, threads, etc., of artificial silks from 35 per cent ad valorem to 25 per cent ad valorem. With the view of protecting the expected revenues, the Finance Committee recommends the adoption of specific rates which are substantially the equivalent of the House rates in the first four paragraphs of this schedule dealing with partially manufactured silk, spun silk, silk in the gum, velvets, and chenilles. The adoption of such specific rates was most urgently recommended by importers, domestic manufacturers, and customs officials alike, all of whom have convincingly argued that it is practically impossible to ascertain the value of imports under these paragraphs; they believed the rates on an ad valorem basis would lead to much litigation and invite undervaluation to the serious impairment of revenues.

Specific rates, however, necessitated a wide differentiation in the rates established according to the weight or the width of the material, fineness of yarn, and degree of manufacture. Such a system of cumbersome rates may seem undesirable from a theoretical point of view, but for the purposes of practical administration of the law it was thought advisable.

SCHEDULE M.—*Paper, books, etc.*

The House bill made very heavy reductions in the rates in this schedule and transferred about 46 per cent of imports under this schedule on the basis of 1912 to the free list.

The average ad valorem rate was lowered from 21.42 per cent to 11.85 per cent, a reduction of approximately 45 per cent.

The Finance Committee has raised the average ad valorem rate to 12.35 per cent, and this slight raise is due principally to changing the ad valorem rate in the House bill to specific rates. The reasons for doing this are the same as given in connection with Schedule L. The verbiage of some of the principal paragraphs was changed and the scope somewhat enlarged, and in this way what is thought a more satisfactory arrangement was arrived at in accordance with the recommendations made by the trade.

SCHEDULE N.—*Sundries.*

This schedule embraces a variety of manufactures with little or no generic relationship between them and not covered by any other schedule in the tariff law.

The plan of arrangement in this schedule called for the transfer of a number of items scattered among other schedules amounting to many millions of dollars in value, and also the transfer of certain items from the dutiable schedule to the free list, and vice versa. These changes brought about an apparent increase in the average ad valorem rate to 33.5 per cent as indicated in the report submitted with the House bill. The chief cause for this apparent increase is the transfer of \$52,000,000 worth of laces and braids and similar articles of luxury, dutiable at 60 per cent ad valorem, which hitherto were dutiable under Schedule J. As an additional cause tending in the same direction may be mentioned that many million dollars of imports dutiable at comparatively low ad valorem rates or low ad valorem equivalents, such as coal, coke, and leather, were transferred to the free list in the proposed bill, while on the other hand the duty on cut diamonds and other luxuries was raised, and in some instances the raw materials used for these luxuries placed on the dutiable list, which indirectly increased the average ad valorem rate.

The Finance Committee made rather extensive changes in this schedule, not only as far as the rates are concerned, but also with a view to eliminating possible ambiguity and uncertainty as to rates applicable to the individual items. This necessitated a broadening of the language; in some instances, an entire reconstruction of the respective paragraphs.

The Senate committee has raised the rates on ramie hat braid and manufactures thereof because they are in the nature of luxuries, coming into broad competition with corresponding articles made of silks, also because of the tax on the raw material.

For like reasons a minimum specific duty of 36 cents a gross on pencils is proposed for the House rate. Increased duties are also provided on toilet sets and leather gloves.

The paragraph relating to buttons was reconstructed, assessing a higher rate of duty than is provided for in the House on buttons where foreign competition is heaviest, and lowering the duty below the rate prescribed in the House bill on buttons in which a competitive basis has not yet been reached.

The duty on blasting caps was raised from 75 cents per 1,000 to \$1 per 1,000, so as to put an impediment in the way of importers of blasting caps of low quality, the use of which might involve loss of life and limb to the consumers.

Crude marine corals and meerschaum were made dutiable by the Finance Committee for reasons needing no further explanation.

Against these and other instances where the duty has been raised, the Senate committee has gone equally as far, if not farther, in the opposite direction. It has put crude artificial abrasives, fulminates, gunpowder, etc., glaziers' and miners' diamonds, harness, saddlery, not specially provided for, surgical catgut, unexposed photographic films, on the free list. It also made heavy reductions on agate buttons, cheap fur wearing material, manufactures of mother-of-pearl, hard rubber, photographic cameras which were transferred to this schedule from Schedule B. The rates in some few instances, notably in the case of films for moving-picture exhibits, were changed from an ad valorem to a specific basis, for the purpose of protecting revenues and to prevent undervaluations.

The Senate committee has changed very materially the provisions of paragraph 358, furs, etc., both in substance and in rates. Raw

furs hitherto on the free list, were made dutiable in the House bill at 10 per cent ad valorem, being considered a legitimate revenue product, and in this view your committee concurred. They differed from the House, however, as to the ultimate result of such a transfer for the following reasons: In 1912 imports of raw furs into the United States were valued at \$17,000,000, and the report accompanying the House bill estimates an import under the 10 per cent rate of \$14,000,000 with a corresponding revenue of \$1,400,000.

These last figures seem unwarranted in view of the fact that exports of raw furs for 1912 were valued at \$14,360,000, leaving a net surplus of imports over exports of only little over \$3,000,000. To what extent the raw furs of animals of the United States enter as a factor into the exports can not be established, but reliable testimony from interested and disinterested parties force the conclusion that an overwhelming part of the American trade in imported furs is for reexport. Under such conditions the eventual revenue would be very considerably below the estimates of the House if the dealers are to take advantage of the drawback provisions of the law. This, it seems, however, is rather problematical, owing to the fact that the sorting and other operations necessary to prepare the furs for export involve almost insurmountable difficulties in the way of their being carried out under strict governmental supervision, as is required by the Treasury Department for drawback purposes. It seems, also, obvious that with a 10 per cent duty, if the benefit of the drawback is unavailable, the American fur traders would have small opportunity to carry on their business in the world markets against merchants of other countries with raw furs on the free list. The net result of levying a duty of 10 per cent on raw furs would, therefore, in all probability be, first, an absolute loss of a large amount of exports, with all the international exchange of merchandise which this involves, and, second, only a comparatively small net revenue. For these reasons, and because furs have always been on the free list and are on the free list in other countries, it was thought best not to incur the risk of a heavy curtailment in our export trade in this commodity at this time, where other sources of revenue are open to the Government and an extension of our foreign trade is deemed so important. Proceeding from such considerations, the Senate committee has retransferred furs to the free list.

Paragraph 386 has been entirely remodeled in phraseology and extent. The rate, too, was changed. The committee has made all due allowance for the free entry of all kinds of legitimate objects of art accessible or eventually to be made accessible to the masses for their education, but it saw no reason why art objects purchased abroad by the possessors of wealth, intended to be stored away in private mansions for the delectations of the owners and some few privileged friends and often bought merely to gratify a desire for ostentation and irrespective of cost, should not pay a reasonable duty toward the support of the Government.

THE FREE LIST.

Changes in the free list have, for the most part, been treated with sufficient fullness in connection with the respective schedules from which they were transferred.

Table II gives a summary of the articles on the dutiable list of the House bill which have been transferred to the free list, and need not to be enumerated again.

Crude marine corals, glass enamel, crude meerschaum, oatmeal and rolled oats, as also extracts of nutgalls, Persian berries, and sumac, on the free list in the House bill, have been transferred to the dutiable list. Crude marine corals used in the manufacture of ornamental articles and crude meerschaum used in making meerschaum pipes are regarded as luxuries and therefore proper objects of taxation.

In the House bill fusible enamel is on the dutiable list. As a result of its investigation the committee did not see any tenable reason why glass enamel should not be placed in the same category with fusible enamel and likewise subject to a revenue duty.

Extracts of nutgalls, Persian berries, and sumac were placed in the free list in the House bill under a misapprehension, as hereinbefore stated in the discussion of the changes in Schedule A, and they were restored to the dutiable list for the reason there given.

Oatmeal and rolled oats, while used as a human food, its use for this purpose is circumscribed and can not be regarded as one of the necessities in the sense that bread and many other food products are necessities. After consideration the Senate committee decided it was advisable to impose upon these products a small duty of 33 cents per hundredweight, that being a reduction of 66.6 per cent from the rate in the existing law.

The other alterations made in the free list are largely descriptive, and were made for the purpose of facilitating the administration of the law. This is notably the case in paragraph 647, dealing with barbed and baling wire, and in paragraphs 654 to 658, dealing with works of art, the scope of which last paragraphs has been somewhat restricted. In paragraph 585, dealing with potatoes, the same countervailing provision was used as is carried in paragraph 646 on wheat and wheat products, so that imports of potatoes, wheat, and products thereof from countries that levy no duty on corresponding exports from the United States will be admitted free.

COMPARATIVE STATEMENT OF IMPORTS AND REVENUES BY SCHEDULES.

To arrive at a fair comparison of custom operations under the present law with those of the House bill and under the amendment proposed by the Senate committee, the same items must be considered under each respective schedule; that is, any item that is dutiable under either the present law, the House bill, or the Senate amendment must appear in the comparison throughout. For example, raw wool being dutiable under the present law, free under the House bill, as well as under the amendment proposed by the Committee on Finance, the import value of raw wool and similar materials must appear in Schedule K throughout. Similarly, furs which are free under the present law and were again transferred to the free list under the amendment proposed by the Senate committee appear in Schedule N throughout the comparison.

The same process was followed all along the line in the construction of Table III herewith appended. The itemized imports under the

respective schedules of this table are estimates only. They have all been recalculated and the results are therefore not comparable with the corresponding data furnished in the report on H. R. 3321.

TABLE III.—Comparative statement of imports, revenues, and average ad valorem rates by schedule under the present law and under H. R. 3321 as passed by the House and as amended by the Senate for a full year after all its provisions have been in full operation.

	Imports under present law (1912).	Estimated imports.		Free listed by—	
		Under House bill.	Under Senate bill.	Houso.	House and Senate.
SCHEDULE A.					
Imports.....	\$63,877,494	\$65,925,786	\$60,343,320	} \$3,425,637	\$7,808,188
Duties.....	\$12,389,654	\$12,987,887	\$12,486,011		
Average rate of duty (per cent) ..	19.39	19.70	18.82		
SCHEDULE B.					
Imports.....	\$22,489,321	\$28,334,985	\$27,879,984	} \$108,081	\$1,198,482
Duties.....	\$11,273,032	\$9,209,632	\$9,000,757		
Average rate of duty (per cent) ..	50.12	32.50	32.28		
SCHEDULE C.					
Imports.....	\$50,649,306	\$76,597,232	\$76,651,232	} \$6,567,032	\$12,420,727
Duties.....	\$17,731,323	\$16,252,475	\$14,092,370		
Average rate of duty (per cent) ..	35.01	21.22	18.38		
SCHEDULE D.					
Imports.....	\$24,253,765	\$25,029,173	\$25,029,173	} \$18,888,159	\$18,888,159
Duties.....	\$3,041,800	\$898,425	\$898,495		
Average rate of duty (per cent) ..	12.54	3.59	3.59		
SCHEDULE E.					
Imports.....	\$105,743,850	\$111,865,725	\$111,865,725	}	
Duties.....	\$50,951,199	\$40,106,405	\$40,196,405		
Average rate of duty (per cent) ..	48.20	35.93	35.93		
SCHEDULE F.					
Imports.....	\$31,116,027	\$30,595,300	\$30,595,300	}	
Duties.....	\$25,571,509	\$26,001,650	\$26,001,650		
Average rate of duty (per cent) ..	82.18	84.99	84.99		
SCHEDULE G.					
Imports.....	\$138,082,162	\$142,623,081	\$143,766,847	} \$19,621,862	\$25,371,424
Duties.....	\$34,027,924	\$21,442,830	\$21,863,368		
Average rate of duty (per cent) ..	24.64	15.03	15.21		
SCHEDULE H.					
Imports.....	\$20,421,978	\$21,911,066	\$21,911,066	}	
Duties.....	\$17,334,945	\$18,037,140	\$18,937,140		
Average rate of duty (per cent) ..	84.88	86.43	86.43		
SCHEDULE I.					
Imports.....	\$24,688,535	\$34,026,500	\$34,251,500	}	
Duties.....	\$11,257,235	\$10,368,983	\$10,069,075		
Average rate of duty (per cent) ..	45.60	30.47	29.40		
SCHEDULE J.					
Imports.....	\$62,964,947	\$61,699,031	\$62,457,271	} \$370,741	\$26,939,782
Duties.....	\$20,815,320	\$16,176,747	\$9,789,646		
Average rate of duty (per cent) ..	33.06	26.22	15.67		
SCHEDULE K.					
Imports.....	\$48,361,374	\$96,120,000	\$96,120,000	} \$33,309,415	\$33,309,415
Duties.....	\$27,072,116	\$12,774,000	\$12,548,000		
Average rate of duty (per cent) ..	55.98	13.29	13.05		

¹ The rates in this schedule remaining the same as under the House bill, and as in the existing law. The increase in the estimated duties as also the average ad valorem rate is due solely to variations in the value of importations.

² Though the rates are not increased, the estimated imports show an increase over 1912 because the latter was a year of abnormal importations due to the termination of the reciprocity agreements with countries producing commodities dutiable under Schedule H. In anticipation of the higher rates of duty effective after the termination of these agreements, the importations were increased. Normal imports under existing rates of duty may now be expected since the overstock is practically consumed.

TABLE III.—Comparative statement of imports, revenues, and average ad valorem rates by schedule under the present law and under H. R. 3321 as passed by the House and as amended by the Senate—Continued.

	Imports under present law (1912).	Estimated imports.		Free listed by—	
		Under House bill.	Under Senate bill.	House.	House and Senate.
SCHEDULE L.					
Imports.....	\$24,023,205	\$28,060,600	\$28,049,310	}
Duties.....	\$12,166,266	\$12,252,085	\$12,360,465		
Average rate of duty (per cent) ..	50.65	43.66	44.06		
SCHEDULE M.					
Imports.....	\$22,834,184	\$24,960,141	\$24,736,141	}	\$11,426,841
Duties.....	\$4,886,670	\$3,061,230	\$3,145,955		
Average rate of duty (per cent) ..	21.40	12.26	12.72		
SCHEDULE N.					
Imports.....	\$187,572,596	\$177,537,806	\$179,254,806	}	\$9,282,559
Duties.....	\$56,573,887	\$56,988,279	\$56,391,386		
Average rate of duty (per cent) ..	30.11	32.04	31.46		
Total imports.....	\$827,078,744	\$925,286,426	\$928,911,675	}	\$103,000,327
Total duties.....	\$304,899,360	\$257,583,768	\$247,780,723		
Average rate of duty (per cent) ..	36.86	27.84	26.67		

The predominant features of this table are the great reduction in average rates and the increase of imports to be admitted free under the amendments proposed by the Senate committee. The House bill has free listed imports valued, on the basis of 1912, at \$103,000,000; this amount has been increased under the amendment proposed by the Senate committee to \$147,367,000. Partly owing to this transfer and also owing to the reduction in the House rates, the total revenues under H. R. 3321 as amended by the Senate Committee on Finance have been reduced from \$257,583,000 to \$247,780,000, a total reduction in revenues from imports of \$9,600,000. The average ad valorem duty levied on imports for the year 1912 under the existing law, as shown by this table, was 36.86 per cent; based on estimated imports under the House bill, the ad valorem rate was 27.84 per cent; and under the amendment proposed by the Senate committee the average rate is reduced still further to 26.67 per cent.

Expressed in percentage, the reduction in the average ad valorem rate on all imports made by the amendments of the Senate committee is as follows:

	Per cent.
From the rates under the existing law.....	27.64
From the rates of the House bill.....	4.22

GOVERNMENT REVENUES.

Revenues for the current fiscal year, and especially those from customs receipts, though covering a period of transition from a policy of high protection to a policy of competitive tariff legislation, will be fully equal to the expenditures appropriated for the corresponding period.

The estimates were made by Treasury experts on lines usually adopted in such contingencies. Table IV, as below, gives a balance sheet for receipts and disbursements for the current fiscal year.

24 TO REDUCE TARIFF DUTIES AND TO PROVIDE REVENUE.

TABLE IV.—Disbursements of the Government and estimated receipts under H. R. 3321 as amended by the Senate committee for the fiscal year ending June 30, 1914.

(Statistics of the ordinary receipts and expenditures of the Government, including those of the Post Office Department, but excluding those for the Panama Canal, the sinking fund, and the national bank-note redemption fund.)

Item.	Estimated revenues for fiscal year ending June 30, 1914.
RECEIPTS.	
Revenues for 10 months under H. R. 3321 as amended, less duty on sugar.....	\$173,250,000
Duties on imports under the Payne bill for 2 months, exclusive of sugar and wool, additional under Payne bill.....	40,650,000
Duties on sugar 8 months under Payne bill and 4 months under H. R. 3321.....	47,000,000
Duties on wool 6 months under Payne bill.....	5,830,000
Total customs receipts.....	266,730,000
Internal revenue (including \$5,000,000 from tax on cotton futures).....	297,000,000
Wine and liquor tax under amended H. R. 3321 for 6 months.....	750,000
Corporation.....	37,000,000
Income tax for 10 months.....	58,330,000
Sales of public lands.....	5,000,000
Miscellaneous.....	52,000,000
Postal revenues.....	280,000,000
Total	996,810,000
DISBURSEMENTS.	
Civil and miscellaneous.....	175,000,000
War Department.....	169,000,000
Navy Department.....	148,000,000
Indian service.....	20,000,000
Pensions.....	180,000,000
Interest on public debt.....	22,790,000
Postal service.....	280,000,000
Total	994,790,000
Surplus.....	2,020,000

It will be seen from Table IV, as above, that according to expert computations the estimated receipts for the current fiscal year will exceed expenditures by about \$2,000,000. For the fiscal year ending June 30, 1915, during which period the House bill as amended by the Committee on Finance will have been in full operation, the additional customs revenues allowed for in the above estimate, owing to the continuation of the Payne rates for part of the year, will not be available. But the income tax, as well as the tax on spurious wines, wine and grape brandy used in the fortification of pure sweet wines, and the tax on cotton futures will have been operative for a full year, and the revenues so realized, together with the natural increase in customs receipts, will, it is confidently expected, more than equal the economical needs of the Government.

SECTION II.—The income tax.

In ascertaining the taxable income of an individual the House provision of the bill allows an exemption of \$4,000 and allows no additional exemption on account of wife or children, except in the case of a wife living permanently apart from her husband, in which case the wife may be independently taxed and would be entitled independently to an exemption. By paragraph C of the bill as reported, and which paragraph is amendatory of a portion of paragraph D of the bill as it passed the House, your committee reduces the amount of exemption

of net income to \$3,000 and allows on account of marriage an additional exemption of \$1,000 to either the husband or wife where they are living together, but not to both. In the case of a minor child or children living with and dependent upon the parent such parent is allowed an additional exemption of \$500 for one minor child and up to \$1,000 on account of minor children, except where both parents are taxable, in which case no exemption is allowable on account of children. By the amendment the lowest possible exemption to any one person would be \$3,000 and the highest possible exemption to any one person \$5,000. While the amendment may make no wide difference in the volume of revenue derivable from the tax, it is deemed equitable as recognizing the added obligations on account of marriage and children and salutary as emphasizing the family as the unit in our social structure.

Paragraph D is further amended to obviate the constitutional objection to computing the tax on income accruing prior to the date on which the amendment to the Federal Constitution authorizing the tax went into effect. The proposed amendment is repeated in the text of the bill wherever necessary to secure uniformity and effectuate its intent and purpose. The practical effect of the amendment, in connection with other provisions of the bill, is to continue in force the present corporation tax to March 1, 1913, and to compute, assess, and collect the income tax for the remaining months of the calendar year, allowing for these 10 months five-sixths of the deductions authorized by this section of the bill. Thereafter the tax becomes computable, assessable, and payable on the income for each succeeding calendar year.

Your committee conceived that so much of the provision of paragraph E as requires lessees of real estate to make return of rents and withhold and pay the tax would prove, in many cases, impracticable of administration and propose to amend the paragraph in this respect by requiring the landlords to make their own returns, except in cases where the tenants, by the terms of the lease, are required to pay the State and municipal taxes, local assessments and cost of insurance, maintenance and repairs against the property, in which cases the tenants are authorized to deduct the tax from the gross rental and pay the same. The amendment further provides that where the owner is a corporation the tenant shall not be required to deduct the tax from the gross rental, but that the corporation shall be required to make the return and pay the tax.

The paragraph is further amended by requiring that when under a contract entered into before this act takes effect "the payment to which the taxable person is entitled is required to be made without any deduction by reason of any tax imposed, the obligor shall not be compelled to make such deduction or withhold the income tax," but shall be required to give notice to the collector of the payment made as a part of his return, which payment is thereupon required to "be computed as a part of the income of the taxable person." If the obligor fails to give such notice to the collector, then "he shall be personally liable for the tax if the same is not paid by the taxable person."

Paragraph F is amended so as to provide that nothing in this section of the bill shall apply to "business leagues, nor to chambers of commerce or boards of trade, not organized for profit of a private

stockholder or individual; nor to any civic league or organization not organized for profit, but operated exclusively for the promotion of social welfare."

Immediately following the foregoing amendment a further provision is inserted to meet the cases of States, cities, towns, and other political subdivisions which are in receipt of income from sources other than that of taxation and about which question was raised that such incomes might be held subject to the tax. One State enjoys a revenue from the gross earnings of a railway company to which a land grant was made by the State years ago. A city under its contracts with the street railway companies is entitled to a certain per cent of the net earnings per annum. While it was regarded improbable under the provisions of the bill that these revenues to States and municipalities would be construed as taxable income, to foreclose all doubt the amendment is inserted expressly exempting such revenues from the operation of the act.

Paragraph F is further amended by the insertion of the following:

That mutual life insurance companies shall not be required to return as a part of their income any portion of premium deposits actually returned to their policyholders within the year for which the income tax is paid, nor any portion actually credited to the policyholders by being applied as a deduction from the amount of the premium otherwise due the company within the year for which the income tax is returned.

The paragraph is also amended so that in ascertaining net income, a corporation, joint-stock company, or association may deduct interest on an amount of indebtedness equal to the sum of one-half of its combined bonded indebtedness and paid-up capital stock, instead of on an amount equal to its capital stock as provided in the bill as it passed the House, and the paragraph is further amended as follows:

That in case of indebtedness wholly secured by collateral the subject of sale in ordinary business of such corporation, joint-stock company, or association, the total interest secured and paid by such company, corporation, or association within the year on any such indebtedness may be deducted as a part of its expense of doing business.

Attention is invited to an amendment proposed to paragraph H. A peculiar situation exists in Alaska. Under a Federal statute, the railroads of that Territory are subject to a license tax of \$100 per mile of track per annum. About all but one line of the railroads in the Territory are insolvent, and on portions of some of them operation has practically ceased. The Department of Justice, the railroad companies, the people of Alaska, and all others concerned seem to agree that the \$100 a mile is a futile tax and should be superseded by some other form of taxation. To meet the situation, an amendment is proposed which in addition to the normal tax of 1 per cent subjects the railway corporations doing business in Alaska to a 4 per cent tax on their net income from the business done in that Territory, and provides that this additional tax shall be in "lieu of the license tax of \$100 per mile per annum now imposed by law."

Your committee have submitted other amendments to this section, but these go to administrative detail rather than to substance. The graduation of the income and the rate of tax imposed are unchanged and other substantive provisions remain as they came from the House, save in the respects indicated in the foregoing.

SECTION III.—*Tax on contract for future delivery of cotton.*

In considering sources for raising necessary revenue the committee felt authorized to select for this purpose the business of dealing in what is known as "cotton futures" on the cotton exchanges of the country and other like places. This business has been the subject of thorough and protracted discussion, with the result of a divided public opinion as to whether the business is wholly pernicious and therefore to be suppressed, or is a real service in the distribution of one of our great agricultural products and therefore to be encouraged. Without assuming to dispose of this controverted issue, the committee adopted, as a justifiable course for present action, the imposition of a tax on such transactions on the cotton exchanges of the country as are not consummated by actual delivery of the cotton specified in such contracts. It is contended by persons related to the sale and consumption of cotton that there is a legitimate branch of the business of dealing in contracts for the future delivery of cotton on cotton exchanges in the way of hedging actual cotton for sale or manufacture. It is, however, admitted by all that there is a large volume of business done upon these exchanges nominally for the purchase and sale for future delivery of cotton where no delivery is ever made, and where there is no real intention to make any such delivery, and the transaction in its last analysis is one of gambling on the future price of one of the staple agricultural products of the country. This latter practice is universally recognized as an evil, and by none more emphatically than by those who claim to resort to the cotton exchanges of the country for protection by means of the so-called hedging system. The tax imposed by the committee is deemed to be sufficiently small to make its payment justifiable by those who resort to the exchanges for the purpose of hedging and sufficiently large to deter the activities of those who resort to such exchanges for the sole purpose of speculation and gambling in the differences of price created from time to time by fluctuations frequently artificially produced.

The committee believes the subject matter to be one fit for the imposition of a proper tax, not only because of its indirect influence in eliminating a parasite which has afflicted the business of dealing in purchases of cotton for future delivery, but because it will result in the collection of a considerable sum of revenue from a source which in its usual operation produced abnormal profits from a business that is not susceptible of just taxation in any other way. The committee is advised that since 1907 no official record of the extent of the dealings on the cotton exchanges in contracts for future delivery is accessible to the public, but reliable estimates fix these dealings at about 130,000,000 bales annually in recent years. It seems to be the consensus of opinion that about 10 per cent of the contracts of sale and purchase of cotton for future delivery is embraced in that branch of the business known as hedging, and that the other 90 per cent thereof is of a speculative or gambling character, where no delivery of the product is ever really intended to be made. If the effect of the proposed tax is to eliminate all of the latter class of business and to leave intact that part of the dealings resorted to for hedging purposes, the

revenue derived from this tax should amount to about \$7,000,000 a year, and if its imposition does not have the effect of eliminating the gambling or speculative end of the business the revenue derived therefrom will be enormously in excess of this amount.

SECTION IV.—*Administration.*

The committee deemed the amendments of the House entirely too drastic. We found the tax administration features of our Government were scattered back for half a century, here and there, chaotic, somewhat confusing, but, at any rate, with nearly all debatable points adjudicated, and we thought it better to leave the law for the present substantially as it is, making a provision for a joint committee of the two Houses to revise, simplify, and codify, and to report back to the House Ways and Means Committee by the 1st of January next.

It is believed that in nearly every case where we struck out a provision of the House bill it was new legislation. Some of the new legislation was so obviously right we have left it in.

We added some few amendments for statistical purposes. One of them will be found beginning on line 12, page 215, and going down to and including line 17 on same page, and others for the same purpose will be noted by the reader as he goes through the bill.

Another of these provisions will be found beginning on line 21, on page 219, going down to and including line 7, page 220. Every Senator will recognize there has been a great deal of trouble in determining the precise ad valorem equivalent of a specific duty where many articles are in the same paragraph and where the Government's statistical returns are made for the entire paragraph. This is especially true with regard to "jumping duties." We thought in this amendment to get a list or enumeration of articles in sufficient detail as to time and quantity and value to obviate the trouble which has been referred to.

We do not think that the new and extensive power of giving to the Secretary of the Treasury, without appeal, the right to determine the existence or nonexistence of a foreign market should be given. It was putting too much power into one man's hands, especially when it is remembered that the Secretary of the Treasury would not be the person to exercise the power, but some special agent of the Treasury would be, the Secretary acting, necessarily, upon his report without much personal knowledge of the facts.

The House bill required a fee of \$1 with respect to each separate appraisement. We thought a fee of \$1 with respect to the appraisement of an invoice would be sufficient.

The House required also a separate fee of \$1 for each separate protest with regard to each article protested and did not permit the protest as to appraisal and the protest as to duty to be included in one document. We saw no more reason why the various grounds of objection to the action of an appraiser should not be included in one document and one fee to cover it all than why various counts should not be placed in a declaration as in a court of law, one fee including them all. At present there is no fee required to be paid at all.

On page 235, lines 3 to 9, inclusive, we struck out the language giving inquisitorial and judicial functions to an appraiser, and leaving it to the discretion of the general appraiser or Board of General Ap-

praisers whether an importer could be present himself or by his attorney to examine and cross-examine witnesses. We substituted for that provision the language beginning on line 20, page 230, going down to and including the word "Appraisers" on line 6, page 231, and required reasonable notice to be given both to the importer and to the Government of the subjects and times of hearings, and permitting the attorneys representing both to be present, but admitting the use of affidavits as being necessary sometimes to take the place of oral testimony and as being simpler than depositions.

We adopted the House provision on line 17, same page, saying that the absence of samples would not invalidate an appraisement or reappraisement, but with an amendment that this should apply only to the cases where neither party in interest had demanded the inspection of the merchandise or sample.

We agreed with the House in its policy of doing away with the contingent fee arrangements between lawyers and importers at the ports of entry, and we undertook, in the language beginning on line 7, down to and including line 13 on same page, to strengthen and clarify its purpose. We believed with the Ways and Means Committee that a great deal of unnecessary litigation had been brought about and perpetuated by the contingent fee custom at the ports of entry.

We struck out the very drastic language of the House, line 3, down to and including line 9, page 235, giving to the report of a collector or chief officer of customs the whole force and effect of a judgment of a United States district court, without the right of appeal or any other right. We had doubts of the constitutionality of that provision, but no doubt at all that it was of very doubtful expediency.

You will note an amendment, beginning on line 9, down to and including the first word on line 12, page 236. We thought the decision of the Board of General Appraisers and of the appraisers ought to be published in full when either the board or the Secretary of the Treasury desired. Thus the reasons for the decision would appear to the enlightenment both of the officers and of the importers.

We struck out the language of the House, beginning with the words "and in," on line 13, page 236, down to and including the word "defendant," on line 17, which placed the burden of proof at all stages of litigation upon the defendant; that is, in court. Under the present law the burden of proof rests upon the Government as long as the goods are in the custody of the Government and before they are delivered; then the burden shifts to the importer.

We struck out paragraphs U, V, and W of the House bill, all being new, and, in our opinion, drastic and capable of abuse, if not certain of being abused. This was more especially true of paragraph U, where an innocent American importer could have been punished, and in some cases even perhaps bankrupted, because of the refusal of a firm in a foreign country to submit its books to our inspection. Paragraph V of House bill carried this principle very much further, and penalized not only those engaged in the importation of merchandise, but those "engaged in dealing with such imported merchandise," which might have been stretched to cover the case of a retail merchant in the heart of South Dakota to whom goods had been shipped without any knowledge upon his part of whence they were imported or how.

Paragraph W of the House bill provided for a registry of commissionaires or purchasing agents in each of the United States consulates abroad, and undertook to give our Government what was closely akin to extraterritorial jurisdiction in foreign countries. We thought that the United States Government and its people would not permit any such exercise of authority and jurisdiction by another Government in our own country and that we ought not to attempt to exercise it abroad.

Paragraphs U, V, and W were not only obnoxious to the objection that they were too drastic and would be subject to abuse, but were clearly violative of international equity and equality.

The committee struck out the language of the House on line 3, page 251, beginning with the words "or which," down to and including the words "allowed therein," on line 7. It is a general Democratic principle that the people living in any territory under the flag ought to be treated like people living in any other part of our common domain. As long as the Filipinos are under the flag of the United States they should be entitled to the same rights and privileges as residents of New York or California, and certainly not entitled to any greater rights or privileges than either. A man importing goods into the port of New York from New Orleans containing foreign materials which had not paid duty at New Orleans and which were taxable under the tariff law to the value of more than 50 per cent of the total value which the materials were subject to, or manufactures of tobacco containing 20 per cent of foreign tobacco subject to an import duty, would have to pay a tax upon the 50 per cent in the one case and the 20 per cent in the other. There was no reason why, therefore, the importations from the Philippine Islands should be permitted to contain 50 per cent and 20 per cent of the materials taxable under our import laws and yet allowed to come free into continental United States. The truth is that, the 10-year period prescribed by the treaty with Spain having expired, imports into the Philippines now ought to be subject to precisely the same duties as in the balance of the United States, although it might be well to let the revenues from importations into the Philippine territory go into the Philippine treasury.

Your committee struck out subsection 7 of paragraph J, page 263, giving a discount of 5 per cent on all duties upon goods imported in American bottoms. The provision was in contravention of some 19 or 20 treaties of the United States without having been preceded by the courtesy of a notice of revocation, and was very properly protested against by the high contracting parties with whom we had the treaties. In our opinion it would have led to no good result, as every other country could have retaliated, and all the countries at the end would have been just about where they started. Moreover the country which could use that principle with most force and effect in injuring other countries would be the country with the largest merchant marine, and the country which could least effectively use it would be the country with the smallest merchant marine. We were therefore not only inviting an endless retaliation but a retaliation where our opponents would have had in nearly every case the better of it, and in many cases infinitely the better.

The provision on page 267 providing for the withdrawal for home consumption of cigars manufactured entirely of tobacco imported

from any one country, provided the manufacturing is done under such regulations as the Secretary of the Treasury may prescribe, and provided that the United States Government shall put a stamp upon the box containing the cigars to indicate their character and the country of origin of the tobacco of which made and place of manufacture, was adopted to meet a condition prevailing in this country and to enable the independent manufacturers of tobacco to have better chances with the Tobacco Trust. It was furthermore done because where cigars made out of Cuban tobacco are manufactured in Cuba the Cuban Government affixes its stamp, which attests the place of origin of the tobacco, and every cigar connoisseur is controlled by the presence or absence of that stamp.

There was no reason why cigars made of identically the same tobacco by American labor and American capital should not have an advantage of a Government stamp here, attesting the same purity of origin, etc., thus putting cigars made out of Cuban tobacco in the American market upon an equality of opportunity of sale with cigars made out of Cuban tobacco in the Cuban market, provided only that the manufacturing was done under such rules and regulations as to prevent any possibility of fraud in substituting other tobaccos for the ones attested by the Government to compose the cigars. It is believed that this proviso will very largely increase our revenue because it will encourage the importation of Cuban tobacco, paying a very high duty, by increasing the sales of cigars made out of Cuban tobacco upon American soil.

We struck out the dumping clause of the House provision, first, because it applied to only dutiable articles, and if to be applied to any articles at all it seemed to us it ought to apply to all; secondly, if it did apply to all it was capable, under an unfriendly administration, of being used as a means of increasing the duty upon dutiable articles 15 per cent, and of putting articles upon the free list under a duty of 15 per cent.

The provisions contained in the existing law with regard to undervaluations and the increasing tax because of it up to 70 per cent is a very good antidumping provision, and as we are informed and believe, immediately stopped dumping in the American market, and this too, without making it discretionary with any executive officer (to be exercised in a broad way) to raise the duty.

On lines 11 to 17, inclusive, on page 273, we have given to the circuit courts of appeal in certain cases concurrent jurisdiction with the Court of Customs Appeals. The Court of Customs Appeals sits in Washington. Frequently litigation may arise in Portland, Me., or in San Diego or San Francisco, Cal., and we thought the settlement of controversies ought to be nearer the place of residence of the citizen than the existing system permits them to be.

Finally, recognizing the chaotic, confused, and scattered nature of the tax administration laws of the United States, we provided in the amendment, beginning on line 18, page 273, and going down to and including line 14, page 274, for a joint committee consisting of four Members of the House and three Members of the Senate, to investigate and consider the revenue administration laws—simplify, revise, harmonize, and codify them. We gave to this committee the power to subpoena and compel the attendance of witnesses, to record and print hearings and employ an expert clerk, a stenographer or stenog-

raphers, make a final report to the Ways and Means Committee of the House, and print it for the use of the Senate and the House, and required it to make this report not later than February 1, 1914. We make an appropriation for the purpose of the sum of \$15,000, or so much thereof as may be necessary.

The amendment ending on line 18, page 276, has already been explained as having been intended to offset a possible constitutional objection to the retroactive power of Congress and to continue the old excise law in operation until the new income-tax law shall become operative.

RETALIATORY DUTIES.

The Committee on Finance calls special attention to the provision designated to furnish the President with power to impose tariff duties of a retaliatory character upon all articles comprised in a specified list. For some years there has been a development of maximum and minimum tariffs abroad, and in not a few instances the Government of the United States has been compelled to see its citizens subjected to harsh and discriminating tariff treatment abroad without being able under the law to afford relief. The tariff act of 1909 recognized this situation and established a general maximum schedule of duties 25 per cent higher than the general or minimum rates of the law. This maximum schedule has proved embarrassing, clumsy, and inadequate, and the situation under it has been less satisfactory than that which previously existed. No material advantages have been derived from it, but, on the contrary, it has stood in the way of successful commerce with other countries. The provision now recommended will, it is believed, place in the hands of the President powers which, though extensive in their sphere, are sufficiently circumscribed to permit of their being exerted within the limits assigned them without disturbing the general fiscal system of the United States. Wise use of the retaliatory power will, it is reasonably to be expected, bring about equitable arrangements with those countries which do not now afford us fair treatment, and it is probable that the weapon thus provided will be so available and effective as to render its actual use entirely unnecessary under any ordinary conditions.

Accordingly the bill H. R. 3321, which was referred to the Committee on Finance, is reported back with amendments, with the recommendation that as amended it do pass.

